

Why Is One Patent Court Deciding Antitrust Law For the Whole Country?

by

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“[B]ecause intellectual property is now a principal, if not the principal, barrier to new entry in high tech markets, we are also concerned that it be interpreted in a way that does not distort the traditional balance between intellectual property and antitrust. I am concerned that recent cases, and particularly the Federal Circuit’s opinion in [CSU v. Xerox], have upset that traditional balance in a way that has disturbing implications for the future of antitrust in high-technology industries.” Robert Pitofsky, then Chairman of the Federal Trade Commission.¹

I. Introduction

In 1982 Congress created the Federal Circuit Court of Appeals, a national, intermediate appellate patent court, “to centralize patent appeals” and create “doctrinal stability in the field of patent law.”² A potential and unintended effect of the creation of the Federal

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¹ Challenges of the New Economy: Issues at the Intersection of Antitrust and Intellectual Property, remarks at the American Antitrust Institute’s Conference: An Agenda for Antitrust in the 21st Century (June 15, 2000) [hereinafter “Pitofsky’s Remarks”], <<http://www.ftc.gov/speeches/pitofsky/000615speech.htm>>.

² S. Rep. No. 275, 97th Cong., 5 (1982) [hereinafter “Senate Report”], reprinted in 1982

Circuit is that the delicate balance maintained for many years between intellectual property law and antitrust law may have been tipped decisively in favor of intellectual property.

This tipping is the result of the Federal Circuit (a) deciding antitrust claims, and (b) applying distinct Federal Circuit law to such claims.

The Federal Circuit decides antitrust claims because of the extensive reach of the jurisdictional statutes governing the court's appellate jurisdiction, as well as the Federal Circuit's broad interpretation of those statutes. The statutes, 28 U.S.C. §§ 1295(a) and 1338(a), provide the Federal Circuit with exclusive appellate jurisdiction in cases where the district court's jurisdiction "arose under" the patent laws, in whole or in part.³ The Federal Circuit has interpreted these statutes as providing it with appellate jurisdiction over non-patent claims, including antitrust claims, so long as at least one claim before the district court arose under the patent laws even if no patent issue is raised on the appeal.

Recognizing that its broad jurisdiction over non-patent claims might lead to appellate forum shopping, the Federal Circuit until recently applied the regional circuit law of the involved circuit to non-patent claims. However, in a series of recent cases, including antitrust cases, the court limited its own prophylactic choice-of-law rules in favor of applying its own law.

U.S.C.C.A.N. 11, 15. In addition to patent appeals, the Federal Circuit also hears government claims cases. This article discusses only the patent aspect of the Federal Circuit's jurisdiction.

³ See 28 U.S.C. § 1295(a); 28 U.S.C. § 1338(a).

By asserting jurisdiction over antitrust claims that would otherwise be heard by the regional circuit courts of appeal and applying its own law to such claims, the Federal Circuit reduces the number of viewpoints that balance intellectual property law and antitrust law. In part, this is because antitrust and patent law issues often arise in the same case. By its nature as a legal monopoly, a patent case tends to generate antitrust counterclaims (or tends to be a counterclaim to an antitrust claim). Because patent and antitrust claims are often paired, and because the Federal Circuit has asserted exclusive jurisdiction over such paired claims, the Federal Court hears a disproportionate number of antitrust issues, particularly in the delicate area where the balance between antitrust and intellectual property is struck.⁴

The consequent reduction in viewpoints is troubling for at least three reasons. First, Congress never intended the Federal Circuit to influence the development of antitrust law. Second, the Federal Circuit's antitrust decisions, as, for example, in the court's recent decision in CSU v. Xerox,⁵ appear out of step with the conclusions of other judicial and non-judicial

⁴ In a survey of circuit court cases since 1996 that involved both antitrust and intellectual property issues, the authors discovered that of 27 such cases, 15, or 55.6% were heard by the Federal Circuit. While the total number of cases reviewed is relatively small, the remarkably high percentage of cases heard by the Federal Circuit is noteworthy. The survey was based on all published circuit court cases that contained the terms "antitrust" and either "copyright," "trademark," or "patent" in the West® publication's synopsis or headnotes. We removed from the survey duplicate cases (those appealed more than once) and those that did not in fact concern antitrust and intellectual property issues.

⁵ CSU, L.L.C. v. Xerox Corporation, 203 F.3d 1322 (Fed. Cir. 2000), cert. denied, 121 S. Ct. 1077 (2001). CSU is discussed in detail in Section V.B, infra.

authorities. Finally, the court's newly limited choice-of-law rules are themselves problematic because they do not offer any guidance to the lower courts as to which law to apply. Presumably, lower courts will have to predict whether the Federal Circuit or a regional circuit will hear the appeal to determine the applicable law.

Antitrust law has historically developed in the tradition of the common law based on the evolving political and economic views of the time,⁶ and thus benefits from the differing viewpoints of the regional circuit courts of appeal. However, if a significant percentage of cases involving antitrust claims and intellectual property are heard by the Federal Circuit applying its own law, the marketplace of ideas that historically informed the development of antitrust law in this area will be lost.

II. Background: The Purpose of the Federal Circuit in the Context of Congressional Antitrust Concerns

In 1982, Congress determined that the then-existing judicial structure relating to patent cases was defective and that the creation of an Article III court to decide patent cases for

⁶ See, e.g., National Soc’y of Prof. Eng. v. United States, 435 U.S. 679, 688 (1978) (Sherman Act invites “courts to shape the statute’s broad mandate by drawing on common-law tradition”); see also William N. Eskridge, Jr., Dynamic Statutory Interpretation, 135 U. Pa. L. Rev. 1479, 1516-17 (1987) (citing Judge Posner’s view that the judiciary should interpret the Sherman Act dynamically based on common law principles).

the entire country would be useful. Accordingly, Congress enacted the Federal Courts Improvement Act, which, among other things, created the Federal Circuit Court of Appeals.⁷

In creating the Federal Circuit, Congress expressed its desire that the subject matter jurisdiction of the Federal Circuit would be limited to patent and claims court appeals. The Senate Report expressly cautioned that “it is not the committee’s judgment that broader subject matter jurisdiction is intended for this court.”⁸ Any additional jurisdiction for the Federal Circuit would require “not only serious future evaluation, but new legislation.”⁹

Congress did not want to create opportunities for litigants to engage in forum shopping between the Federal Circuit and the regional courts of appeals in antitrust cases.¹⁰ Congress was particularly mindful of criticism that the Federal Circuit might appropriate for itself jurisdiction over cases arising under the antitrust laws. In response to such criticisms, Congress concluded that “mere joinder of a patent claim in a case whose gravamen is antitrust should not be permitted to avail a plaintiff of the jurisdiction of the Federal Circuit in avoidance of the traditional jurisdiction and governing legal interpretations of a regional court of appeals. . .

⁷ See 28 U.S.C. §§ 1291, 1295; Senate Report, 1982 U.S.C.C.A.N. at 15-16.

⁸ Senate Report, 1982 U.S.C.C.A.N. at 14.

⁹ Id.

¹⁰ Id. at 29-30.

The Committee intends for the jurisdictional language to be construed in accordance with the objectives of the Act and these concerns.”¹¹

In minimizing the perceived effect the Federal Circuit would have on this antitrust/patent law concern, the Administrative Office of the U.S. Courts commented that where “patent issues are of secondary importance” counsel for the opponent “can probably be relied upon to move for transfer of the appeal to the appropriate circuit court of appeals.”¹² In the Senate Report itself, the Committee referred to several procedural rules that would allow a trial court to separate patent issues from non-patent issues or that would allow the Federal Circuit to transfer non-patent claims to a regional circuit court.¹³ These comments and report suggest that both the Administrative Office of the U.S. Courts and the Senate Committee intended that either the appeal of the separated, non-patent claims would be taken directly to the regional court of appeals, or the Federal Circuit would transfer the non-patent issues to that court.

¹¹ Id. at 30.

¹² Letter from William James Weller, Legislative Affairs Officer of the Administrative Office of the U.S. Courts to Senator Robert Dole, Subcommittee on Courts, Committee on the Judiciary, dated October 19, 1981, reprinted in 1982 U.S.C.C.A.N., at 46.

¹³ Senate Report, 1982 U.S.C.C.A.N. at 30. The Senate Report refers to Federal Rules 13(i), 16, 20(b), 42(b), and 54(b) as means by which district courts are authorized to “separat[e] final decisions on claims involving substantial antitrust issues from trivial patent claims . . . raised to manipulate appellate jurisdiction.” The Senate Report also cites Section 301 of the Federal Courts Improvement Act (28 U.S.C. § 1631) by which the Federal Circuit could transfer “matters” over which it has no jurisdiction to the “proper circuit court.”

Despite its concerns, Congress was persuaded that the Federal Circuit would strictly construe its own jurisdiction, and that its jurisdiction could not easily be manipulated.¹⁴ This congressional assessment has proved incorrect.

III. The Federal Circuit Broadly Interprets Its Appellate Jurisdiction

Under 28 U.S.C. § 1295(a)(1), the Federal Circuit has “exclusive jurisdiction of an appeal from a final decision *of a district court* of the United States . . . if the jurisdiction of *that court* was based, in whole or in part, on section 1338 of this title. . . .”¹⁵ Under 28 U.S.C. § 1338(a), the district courts have exclusive jurisdiction over “any civil action arising under any Act of congress relating to patents.”¹⁶ Thus, the appellate jurisdiction of the Federal Circuit depends on whether the district court’s jurisdiction was based, in whole or in part, on the patent laws.

¹⁴ Senate Report, 1982 U.S.C.C.A.N. at 29.

¹⁵ 28 U.S.C. § 1295(a)(1) (emphasis added). Section 1295(a)(1) excludes from the Federal Circuit’s exclusive jurisdiction cases involving claims of copyright, trademark, and exclusive rights in mask works, which, like patent claims, are based on § 1338(a), so long as the case does not also involve patent claims. The Federal Circuit has jurisdiction over certain non-patent claims that are beyond the scope of this article. See 28 U.S.C. §§ 1292(d)(4) & 1295(a)(2) – (14).

¹⁶ 28 U.S.C. § 1338(a).

The Supreme Court interpreted this statutory scheme in Christianson v. Colt Industries Operating Corp.¹⁷ Christianson, a former Colt employee, sold parts for Colt-brand M16 rifles.¹⁸ Colt sued Christianson for patent infringement, but later withdrew that claim. Colt also wrote to Christianson's customers claiming that Christianson was stealing Colt's trade secrets.¹⁹ Christianson sued. He alleged violations of federal antitrust laws and state-law tortious interference with business relations based on Colt's withdrawn patent infringement suit and its communications with Christianson's customers.²⁰

In his complaint, Christianson alleged, among other things, that Colt's claimed trade secrets were invalid because the patent laws required Colt to disclose them in patent applications for patents that had since expired.²¹ The district court granted Christianson's motion for summary judgment as to liability on both the antitrust and tortious interference claims based on Christianson's patent-invalidity theory, and also invalidated nine of Colt's patents. The

¹⁷ 486 U.S. 800 (1988).

¹⁸ Id. at 804.

¹⁹ Id. at 805.

²⁰ Id.

²¹ Id. at 804-05.

Federal Circuit reversed on the merits, and the Supreme Court vacated that decision based on the Federal Circuit's lack of jurisdiction.²²

The Supreme Court based its jurisdictional analysis on the well-pleaded complaint rule. The Supreme Court held that Federal Circuit jurisdiction "turns on whether this is a case 'arising under' a federal patent statute," and extends:

*only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims.*²³

Because Christianson asserted only antitrust and state law claims, there was no dispute that federal patent law did not create the pleaded causes of action. Thus, the issue was whether patent law was a necessary element of one of his well-pleaded claims. The Supreme Court answered that question in the negative. While the district court based its decision on the validity of Colt's patents, the complaint presented theories of recovery for which the validity of

²² Christianson v. Colt Industries Operating Corp., 822 F.2d 1544 (Fed. Cir. 1987), rev'd, 486 U.S. 800 (1988). The case has a torturous procedural history. The Federal Circuit initially declined jurisdiction and transferred the case to the Court of Appeals for the Seventh Circuit. The Seventh Circuit concluded that the Federal Circuit's jurisdictional analysis was clearly wrong and transferred the case back. Adhering to its initial jurisdictional ruling, the Federal Circuit nevertheless addressed the merits in the interest of justice. The Supreme Court vacated that decision on the ground that the Federal Circuit did not have jurisdiction in the first place. Christianson, 486 U.S. 806-807.

²³ 486 U.S. at 809 (emphasis added).

Colt's patents were not essential. For example, Christianson alternatively claimed that he had permission to use the trade secrets.²⁴ Holding that Christianson's claim did not "arise under" the patent laws, the Court vacated the Federal Circuit's decision for lack of jurisdiction and remanded with instructions to transfer the case to the Seventh Circuit.²⁵

Despite the Supreme Court's admonition that Federal Circuit jurisdiction extends "*only to those cases in which a well-pleaded complaint*"²⁶ confers jurisdiction in the district court, the Federal Circuit has not interpreted its jurisdiction so narrowly.

In 1990, the Federal Circuit had the opportunity to interpret its appellate jurisdiction in light of Christianson.²⁷ The facts of Aerojet were remarkably similar to those in Christianson with one difference that the Federal Circuit found compelling. The defendant in Aerojet, unlike the defendant in Christianson, asserted a counterclaim for patent infringement.

Plaintiff Aerojet and defendant MTW manufactured ammunition. Aerojet alleged that MTW falsely represented that Aerojet's ammunition was based on trade secrets misappropriated from MTW.²⁸ Aerojet's complaint, which included claims under federal

²⁴ Id. at 811-12.

²⁵ Id. at 819.

²⁶ Id. at 809 (emphasis added).

²⁷ Aerojet-General Corp. ("Aerojet") v. Machine Tool Works, Oerlikon-Buehrle Ltd. ("MTW"), 895 F.2d 736 (Fed. Cir. 1990).

²⁸ Id. at 738 n.1.

trademark law and state law, did not include any patent claim.²⁹ As noted, MTW asserted a patent infringement counterclaim.³⁰

Upholding its jurisdiction, the Federal Circuit distinguished the Supreme Court's decision in Christianson on the ground that the Supreme Court's well-pleaded complaint analysis was "perfectly appropriate . . . where there was no counterclaim arising under a federal patent statute."³¹ However, the court reasoned:

It would seem at best incongruous to hold that we have appellate jurisdiction when a well-pleaded patent infringement claim is the basis of a pleading labeled "complaint" but not when the identical well-pleaded claim is the basis of a pleading labeled "counterclaim." The distinctions between complaints and counterclaims . . . can have no meaningful role in governing the direction of the appeal under the unique statute that created this court when the counterclaim arises under the patent laws.³²

Thus, the Federal Circuit appears to have concluded that a defendant may direct the appeal to the Federal Circuit by asserting a patent counterclaim, regardless of the claims in the complaint.³³

²⁹ Id.

³⁰ Id.

³¹ Id. at 741.

³² Id. at 742.

³³ The court expressly limited its holding to cases where the patent law counterclaim was compulsory under Fed. R. Civ. P. 13(a). Id. at 739. However, the court's language, quoted in the text, would seem to require that the appeal be directed to the Federal Circuit even if the

The Federal Circuit has not even limited its assertion of appellate jurisdiction to appeals that involve patent issues. Instead, the Federal Circuit has concluded that, because its jurisdiction turns on the nature of the district court's jurisdiction, whether the issues on appeal arise under the patent laws is generally irrelevant.

For example, in Atari, Inc. v. JS & A Group, Inc.,³⁴ the Federal Circuit considered its jurisdiction to review a claim of contributory copyright infringement. In the lower court, Atari obtained a preliminary injunction against contributory copyright infringement in connection with defendant's sale of blank 8K cartridges to be used in its Prom Blaster product. Atari's seven-count complaint alleged a single patent infringement claim, which the district court "separated" from the remaining claims before defendant appealed the copyright injunction.³⁵

The Federal Circuit denied Atari's motion to transfer the appeal of the injunction, which did not include any patent issue, to the Seventh Circuit Court of Appeals. The court based its decision on its interpretation of 28 U.S.C. § 1295(a):

counterclaim were permissive. Such a conclusion is bolstered by the court's finding that a counterclaim has "its own appeal directing basis." Id. at 742.

³⁴ 747 F.2d 1422 (Fed. Cir. 1984), overruled in part by, Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059 (Fed. Cir. 1998) (discussed in Section IV.B, infra).

³⁵ Id. at 1424, 1426. Atari moved to separate the patent count from the other claims under Federal Rules 13(i) and 42(b), two of the rules sanctioned by the Senate Committee to separate patent claims from non-patent claims for purposes of appeal. Atari, 747 F.2d 1424; Senate Report, 1982 U.S.C.C.A.N. at 30.

This court's jurisdiction, under the statute and as recognized in the legislative history . . . is defined by the basis of the district court jurisdiction. Because the district court's jurisdiction of Atari's entire case was and still is based in part on its patent claim under § 1338(a), and because § 1295(a)(1) vests this court with exclusive appellate jurisdiction in such cases, we cannot, as Atari would have us do, disregard the literal language of our jurisdictional statute.³⁶

Thus, the Federal Circuit held that the single patent claim asserted in the complaint determined that the Federal Circuit would hear all appeals in the case, whether or not the appellate issues were based on patent. The Atari court found the fact that the district court "separated" the patent claim irrelevant because Atari did not claim that its patent claim was non-trivial or manipulatively joined to gain jurisdiction in the Federal Circuit.³⁷

IV. The Federal Circuit's Changing Choice-of-Law Analysis

The Federal Circuit's influence over non-patent claims, including antitrust claims involving intellectual property, stems in part from its broad jurisdiction over non-patent claims

³⁶ Atari, 747 F.2d at 1429-30.

³⁷ Id. at 1430-32 & 1434 n.10. See also Zenith Electronics Corp. v. Exzec, Inc., 182 F.3d 1340, 1346 (Fed Cir. 1999) (upholding Federal Circuit jurisdiction over Lanham Act claim where parties had stipulated to dismissal of patent claims prior to the appeal). In contrast, the Ninth Circuit has held that a district court can direct the appeal to a regional circuit court if it enters a partial judgment on the non-patent claims under Rule 54(b). Denbicare U.S.A. Inc. v. Toys "R" Us, Inc., 84 F.3d 1143, 1148 (9th Cir.), cert. denied, 519 U.S. 873 (1996); see also Tank Insulation Int'l, Inc. v. Insultherm, Inc., 104 F.3d 83, 85 (5th Cir. 1997) (recognizing that regional circuit court of appeals would hear appeal of antitrust claim where district court vacated order consolidating patent and antitrust actions).

where there is at least one claim arising under the patent laws. The court's influence is magnified further by the choice-of-law rules it uses to decide non-patent claims that come before it.

A. The Federal Circuit's Prophylactic Choice-of-Law Rule: Atari, Inc. v. JS & A Group, Inc.

In Atari,³⁸ the Federal Circuit expressly recognized that the its exercise of jurisdiction over non-patent issues might result in the type of appellate forum shopping with which Congress was concerned. To minimize such forum shopping opportunities, the court established a new rule by which it would “apply the law of the involved circuit to issues over which it normally possesses no jurisdiction.”³⁹ The court further recognized that district courts would be obliged “to follow the guidance of their particular circuits in all but the substantive law fields assigned exclusively to the” Federal Circuit.⁴⁰ To hold otherwise, the court reasoned, would allow litigants an opportunity to forum shop by “provid[ing] an escape” from the law of the involved circuit.⁴¹

³⁸ Discussed in Section III, supra.

³⁹ 747 F.2d at 1436 n.12, 1438-40.

⁴⁰ Id. at 1439.

⁴¹ Id. at 1440.

Until recently, the Federal Circuit followed its judicially-created choice-of-law rule when deciding non-patent claims that came before it.⁴² For example, in Cygnus Therapeutics Systems v. Alza Corp.,⁴³ the plaintiff claimed, among other things, that defendant violated the antitrust laws by unlawfully enforcing a pharmaceutical patent that it procured by committing fraud on the Patent Office.⁴⁴ The Federal Circuit applied regional circuit law to the antitrust claim.⁴⁵ However, as discussed below, the Federal Circuit has recently overruled some of these precedents, including Cygnus.

B. The Federal Circuit Chips Away at Its Own Choice-of-Law Rule

While maintaining its broad jurisdictional grip on appeals from non-patent claims, the court has begun to limit its own choice-of-law rules relating to such claims. In Nobelpharma AB v. Implant Innovations, Inc.,⁴⁶ the court determined that it would henceforth apply Federal

⁴² See, e.g., Hunter Douglas, Inc. v. Harmonic Design, Inc., 153 F.3d 1318, 1333 (Fed. Cir. 1998) (applying regional circuit law to whether patent laws preempt state unfair competition law), overruled by, Midwest Industries, Inc. v. Karavan Trailers, Inc., 175 F.3d 1356 (Fed. Cir. 1999).

⁴³ 92 F.3d 1153 (Fed. Cir. 1996), overruled by, Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059 (Fed. Cir. 1998).

⁴⁴ Id. at 1161; see Walker Process Equip, Inc. v. Food Machinery & Chem. Corp., 382 U.S. 172 (1965) (recognizing antitrust claim based on patentee's enforcement of patent procured by fraud).

⁴⁵ Cygnus, 92 F.3d at 1161.

⁴⁶ 141 F.3d 1059 (Fed. Cir. 1998).

Circuit law to Walker Process antitrust claims, thus overruling three of its prior precedents, including Cygnus.⁴⁷

Nobelpharma claimed that defendant infringed its patent for a dental implant. Defendant counterclaimed for patent invalidity on the ground that Nobelpharma's predecessor failed to reveal the "best mode" of carrying out the invention, and for Walker Process antitrust liability on the ground that Nobelpharma's patent was procured through knowing and willful fraud.⁴⁸ The lower court found for defendant on both the patent and antitrust counterclaims, and the Federal Circuit affirmed.

Under applicable precedent, the Federal Circuit plainly had jurisdiction. Both Nobelpharma's well-pleaded complaint and defendant's counterclaims contained claims arising under the patent laws. The surprising aspect of the decision was the law the Federal Circuit applied to the antitrust claim. Overruling its own choice-of-law precedents, the Federal Circuit decided that "all antitrust claims premised on the bringing of a patent infringement suit" would

⁴⁷ For a good historical account of the Federal Circuit's evolving choice-of-law decisions in cases involving antitrust and other non-patent claims, see Roy E. Hofer, Nobelpharma AB v. Implant Innovations, Inc. -- The Federal Circuit Expands Its Exclusive Jurisdiction in Patent Infringement Suits, 531 PLI/Pat. 413 (1998).

⁴⁸ 141 F.3d at 1065-66.

now be decided as a question of Federal Circuit law.⁴⁹ The court's stated basis for its new rule was that it "was in the best position to create a uniform body of federal law on this subject."⁵⁰

In Midwest Industries, Inc. v. Karavan Trailers, Inc.,⁵¹ the court, in even more expansive language than it used in Nobelpharma, further broadened the effect of its jurisdiction over non-patent issues. The court overruled three precedents it had not yet overruled in Nobelpharma.

Midwest Industries was a trade dress and design patent case involving the design of a winch post for loading watercraft onto trailers. The non-patent claims alleged that defendant violated federal trade dress law and Iowa state law by copying plaintiff's winch post design.⁵²

The defendant moved to dismiss the trademark infringement claim on the ground that plaintiff was attempting improperly to expand the protections it received under its patent grant. After converting the motion to summary judgment, the district court, relying on

⁴⁹ Id. at 1068. A later panel of the Federal Circuit recognized that the holding in Nobelpharma was based on choice of law, not the court's exclusive jurisdiction. In re Filmtec Corp., 155 F.3d 574, 1998 WL 398431, at *2 (Fed. Cir. 1998) (unpublished opinion). In other words, the court in Nobelpharma determined for the first time that the Federal Circuit would apply its own law to issues not within its exclusive jurisdiction. Such issues also would be heard by regional courts of appeal, which presumably would apply regional circuit law.

⁵⁰ 141 F.3d at 1068.

⁵¹ 175 F.3d 1356 (Fed. Cir. 1999).

⁵² Id. at 1357-58.

controlling Tenth Circuit precedent,⁵³ granted defendant's motion and entered a final judgment of non-trademark infringement on the ground that trademark protection was foreclosed by the claims made in plaintiff's patents.

The Federal Circuit reversed. Expressly rejecting the Tenth Circuit decision, which the district court found to be controlling, the Federal Circuit concluded that:

[W]e should abandon our practice of applying regional circuit law in resolving questions involving the relationship between patent law and other federal and state law rights. Henceforth, we will apply our own law to such questions.⁵⁴

The court recognized that the relationship between patent law and other federal and state law rights arises in non-patent, as well as patent, cases. Thus, litigators and lower courts might be faced with "two differing lines of authority [from the applicable regional circuit and from the Federal Circuit] when faced with conflicts between patent law and state or federal trademark claims."⁵⁵ In Midwest Industries itself, the district court would have had to choose between Tenth Circuit or Federal Circuit precedent. Despite these difficulties, the Federal Circuit believed that regional circuit courts should "have the benefit of our analysis of the substance and scope of patent law."⁵⁶

⁵³ Vornado Air Circulation Systems, Inc. v. Duracraft Corp., 58 F.3d 1498 (10th Cir. 1995).

⁵⁴ Midwest Industries, 175 F.3d at 1359.

⁵⁵ Id. at 1361.

⁵⁶ Id. The Supreme Court recently rejected the Federal Circuit's conclusion in Midwest

The court did not indicate how lower courts would determine whether to apply the law of its regional circuit or Federal Circuit law. Presumably, the lower court would take into consideration the court to which the appeal would be taken. Recognizing that such considerations were improper in that they might lead to appellate forum shopping, the Federal Circuit adopted its original choice of law rule as articulated in Atari, supra, in part, to avoid this very result.⁵⁷

V. The Federal Circuit Should Not Influence the Development of Antitrust Law

The Federal Circuit should not attempt to influence the development of antitrust law for three distinct reasons.

First, Congress never intended the Federal Circuit's decisions to influence the development of antitrust law. Rather, in the legislation creating the Federal Circuit, Congress indicated that it intended for important antitrust decisions to be decided by the regional courts of appeal. Moreover, the Federal Circuit's new limitations on its own choice of law rules defeat congressional intent by creating the types of opportunities for appellate forum shopping with which Congress was concerned.

Industries relating to the extent a patent forecloses a trademark claim in favor of the prior Tenth Circuit decision in Vornado that the Federal Circuit itself had rejected. Traffix Devices, Inc. v. Marketing Displays, Inc., 121 S. Ct. 1255, 1259-60 (2001).

⁵⁷ See Atari, 747 F.2d at 1439-40.

Second, the Federal Circuit's antitrust decisions appear to be out of step with other judicial and non-judicial authorities. In view of the Federal Circuit's broad assertion of jurisdiction, these decisions threaten to have a disproportionate impact on the development of antitrust law.

Finally, the Federal Circuit's new choice-of-law rules are unmanageable because litigants and district courts will not have any clear appellate authority on which to rely.

A. Congress Did Not Intend the Federal Circuit To Influence the Development of Antitrust Law

Congress never intended the Federal Circuit to affect the development of antitrust law. In response to criticisms that the “Federal Circuit will appropriate for itself elements of Federal law,” including antitrust law, the Senate Report cautioned that: “mere joinder of a patent claim in a case whose gravamen is antitrust should not be permitted to avail a plaintiff of the jurisdiction of the Federal Circuit in avoidance of the traditional jurisdiction and governing legal interpretations of a regional court of appeals.”⁵⁸ In other words, substantial antitrust claims were intended to be decided by regional courts of appeals, or, at least, under the “governing legal interpretations” of those courts.

However, the Federal Circuit has broadly interpreted its own jurisdiction over non-patent claims, and recently began applying its own law to non-patent claims that might affect

⁵⁸ Senate Report, 1982 U.S.C.C.A.N. at 30.

the scope of a patentee's patent rights.⁵⁹ The Federal Circuit has provided two reasons for applying its own law to cases involving the intersection of patent and non-patent law: (1) it is "in the best position to create a uniform body of federal law" in this area;⁶⁰ and (2) it has a duty to provide other courts with "the benefit of our analysis of the substance and scope of patent law" in cases involving the relationship between patent law and other federal and state law rights.⁶¹

The Federal Circuit appears to have misconceived its mandate. The purpose of the Federal Circuit was to "create doctrinal stability in the field of patent law,"⁶² not to create uniformity in all areas of law where the Federal Circuit itself determines that it is in the best position to do so. Moreover, the duty the Federal Circuit perceived is contrary to Congress' desire that the Federal Circuit's jurisdiction be limited to areas in which Congress determined there was a "special need" for nationwide uniformity.⁶³

Commenting on the then-new Federal Circuit, Senator Leahy recognized the importance of diverse judicial viewpoints to areas outside the Federal Circuit's specialization:

The risk of losing the vitality of different viewpoints in the circuits is too great . . . Wherever government and its people are before

⁵⁹ See Sections III-IV, *supra*.

⁶⁰ *Nobelpharma*, 141 F.3d at 1068.

⁶¹ *Midwest*, 175 F.3d at 1359.

⁶² Senate Report, 1982 U.S.C.C.A.N. at 15.

⁶³ Senate Report, 1982 U.S.C.C.A.N. at 12.

courts as litigants, the best guarantee of freedom from government excesses is a diverse and independent judiciary. . . . I am aware of no likely candidate for an additional specialty court.⁶⁴

The unintended result of a patent court deciding antitrust issues is particularly ironic because antitrust law is on the other end of the technology spectrum from patent law. As Senator Leahy commented:

In patent cases, the court is almost always dealing with claims of innovation and weighing one body of technical evidence against another. In nearly all other litigation, science and technology, when relevant, are related to other human or social issues, and only a generalist court should ever hear such matters.⁶⁵

By its nature antitrust law, in contrast to patent law, is non-specialized. It is, therefore, particularly suited for decision by a non-technical, generalist judiciary, the very judiciary from which the Federal Circuit has taken these cases.

B. The Federal Circuit's Antitrust Decisions Appear Out of Step with Other Authorities: *CSU v. Xerox*

In the biggest expansion of the court's influence over non-patent claims, the court in *CSU, L.L.C. v. Xerox Corp.*,⁶⁶ applied Federal Circuit law to a Sherman Act § 2 monopolization claim on the ground that the claim arose from Xerox's refusal to sell patented

⁶⁴ Additional Views of Senator Patrick J. Leahy on S. 1700 ("Senator Leahy's Views"), reprinted in 1982 U.S.C.C.A.N. 11, 48.

⁶⁵ Senator Leahy's Views, 1982 U.S.C.C.A.N. at 48.

products.⁶⁷ In the same case, the court applied Tenth Circuit law to the substantially identical § 2 monopolization claim relating to Xerox's refusal to sell or license its copyrighted products. The appeal before the Federal Circuit did not include a patent claim.

Xerox is an original equipment manufacturer ("OEM") of high-volume copiers, and CSU is an independent service organization ("ISO") in the business of providing maintenance services for Xerox-brand copiers.⁶⁸ Faced with increasing competition from ISOs, Xerox stopped selling replacement parts to them and exerted its influence to prevent them from obtaining replacement parts from third parties.⁶⁹

CSU commenced an action alleging, among other things, that Xerox's refusal to deal with ISOs violated the antitrust laws. CSU argued that Xerox could not use its inherent monopoly over its patented and copyrighted products to monopolize the distinct market for servicing Xerox-brand equipment. Xerox countered that its decision not to sell or license its patented and copyrighted products to ISOs was immune from the antitrust laws.⁷⁰

⁶⁶ 203 F.3d 1322 (Fed. Cir. 2000).

⁶⁷ Id. at 1325.

⁶⁸ Id. at 1324.

⁶⁹ Id.

⁷⁰ Id. at 1324, 1326-28.

The district court held that Xerox's refusal to sell or license patented and copyrighted products was immune from antitrust liability "even if the refusal to deal impacts competition in more than one market."⁷¹ The district court also held that Xerox's intent in refusing to deal was irrelevant. The Federal Circuit affirmed.

1. **Under Federal Circuit Law, A Patentee's Refusal To Deal Is Immune from the Antitrust Laws**

The Federal Circuit applied Federal Circuit law to Xerox's refusal to sell or license its patented parts. It relied on the following language from its prior Nobelpharma decision:

"Whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is to be decided as a question of Federal Circuit law."⁷²

CSU did not challenge Xerox's "conduct in procuring or enforcing" its patents. Rather, relying on Supreme Court precedent discussed below, CSU claimed that the antitrust laws prohibited Xerox from exploiting its patents in order to gain a monopoly in the distinct market for servicing Xerox-brand equipment. The court did not explain why CSU's claim arising

⁷¹ Id. at 1324; see also CSU L.L.C. v. Xerox Corp., 1998-1 Trade Cases (CCH) ¶ 72,065, 1997 U.S. Dist. Lexis 20996 (1997).

⁷² CSU, 203 F.3d at 1325 (quoting Nobelpharma 141 F.3d at 1068 (discussed in Section IV.B, supra); citing Midwest Industries, 175 F.3d at 1360 (discussed in Section IV.B, supra)).

from Xerox's refusal to deal was properly analogized to a claim of fraud on the Patent Office. Nor did the Court cite a single legal authority supporting such an analogy.

CSU determined that a patentee can be liable under the antitrust laws in only three narrow situations: (1) if the patentee's patent is invalid because he procured the patent through knowing and willful fraud;⁷³ (2) if the patentee commences "sham" litigation against its competitor to cover up direct interference with the business relationships of a competitor;⁷⁴ or (3) in the event of "illegal tying." The court stated that an "illegal tying" claim would arise when the patent holder sought to compel its customers to purchase an unpatented product "in a market beyond the scope of the patent."⁷⁵ The Court did not explain how to determine whether a market was beyond the "scope of the patent."

Under CSU, a competitor is precluded from bringing an antitrust monopolization claim against a patentee based on the patentee's refusal to deal. For that reason, the court did not analyze any of the elements of a monopolization claim, including whether Xerox had valid business justifications for its refusal to deal. A monopolist's claimed business justifications are

⁷³ Id. at 1326 (citing Walker Process Equip., Inc. v. Food Machinery & Chem. Corp., 382 U.S. 172 (1965)).

⁷⁴ Id. (citing Eastern R.R. Presidents Conf. v. Noerr Motor Freight, Inc., 365 U.S. 127, 144 (1961)).

⁷⁵ Id. at 1327 (emphasis in original).

frequently central to a refusal to deal antitrust claim. The Federal Circuit's new antitrust rule allowed it to avoid this fact-based inquiry.

2. **CSU Appears Contrary to Supreme Court Precedent and Other Judicial and Administrative Authorities**

CSU appears contrary to Eastman Kodak Co. v. Image Technical Services, Inc.,⁷⁶

the Supreme Court's primary holding balancing the intellectual property and antitrust laws. Kodak recognized that a patentee may, under certain circumstances, be required to deal with its competitors, particularly where more than one market is involved.

Kodak was factually similar to CSU. Kodak involved a dispute between Eastman Kodak Company, a large manufacturer of micrographic and copying machines, and ISOs in the business of maintaining Kodak equipment.

Kodak manufactured some of the replacement parts for its equipment, and some of the parts were manufactured by independent OEMs.⁷⁷ Faced with increasing competition from ISOs, Kodak stopped selling replacement parts it manufactured to ISOs and exerted its influence over other OEMs to restrict their sale of replacement parts to ISOs.⁷⁸ In granting summary judgment to Kodak, the district court concluded, among other things, that although Kodak's

⁷⁶ 504 U.S. 451 (1992).

⁷⁷ Id. at 457-58.

⁷⁸ Id. at 458.

patents gave Kodak a “natural monopoly over the market for parts it sells under its own name,” Kodak’s unilateral refusal to sell those parts did not constitute monopolization or an illegal tie under the antitrust laws. The Ninth Circuit reversed, and Kodak appealed to the Supreme Court.

The Supreme Court disagreed with the district court’s analysis:

Even assuming, despite the absence of any proof from the dissent, that all manufacturers possess some inherent market power in the parts market, it is not clear why that should immunize them from the antitrust laws in any other market. The Court has held many times that *power granted through some natural and legal advantage such as a patent, copyright, or business acumen can give rise to liability if “a seller exploits his dominant position in one market to expand his empire into the next.”*⁷⁹

The Supreme Court based its conclusion that a patent holder cannot exploit his patent to expand his dominant position into a different market on the Court’s 1953 Times-Picayune decision.⁸⁰ Accordingly, the Court has long-recognized that intellectual property rights such as patents do not immunize the patent holder from the antitrust laws, particularly where more than one market exists.

⁷⁹ Id. at 479 n.29 (emphasis added) (quoting Times-Picayune Pub. Co. v. United States, 354 U.S. 594, 608-11 (1953)).

⁸⁰ Cited in the immediately preceding footnote.

The court further recognized that Kodak could not refuse to deal with the ISOs absent “legitimate competitive reasons for the refusal.”⁸¹ The Court examined the record before it to determine if Kodak’s stated justifications were pretextual.⁸²

Kodak was remanded for trial on the ISO’s Sherman Act § 1 tying and Sherman Act § 2 monopolization claims. After remand, the jury returned a verdict in favor of the ISOs,⁸³ and Kodak again appealed to the Ninth Circuit, which in large part affirmed the jury’s award and the district court’s injunction.⁸⁴ The Supreme Court declined Kodak’s request to hear the case a second time.⁸⁵

Because the ISOs withdrew their claims under § 1, the only claims on appeal to the Ninth Circuit were the ISO’s § 2 claims for monopolization and attempted monopolization. The Ninth Circuit, citing the Supreme Court’s Kodak decision, recognized that Kodak was prohibited from refusing to deal with the ISO’s “absent a legitimate business justification.”⁸⁶

⁸¹ Id. at 483 n.32 (citing Aspen Skiing Co. v. Aspen Highlands Skiing Corp., 472 U.S. 585, 602-605 (1985)).

⁸² Id. 483-85.

⁸³ Image Technical Svcs., Inc. v. Eastman Kodak Co., 125 F.3d 1195, 1200 (9th Cir. 1997).

⁸⁴ Id. at 1224-28.

⁸⁵ Eastman Kodak Co. v. Image Technical Svcs., Inc., 523 U.S. 1094 (1998).

⁸⁶ Kodak, 125 F.3d at 1209 (citing Kodak, 504 U.S. at 483 n.32).

The court then addressed Kodak's claim that its desire to protect its patents and copyrights was in itself a valid business justification immunizing its exclusionary conduct.⁸⁷

The Ninth Circuit determined that Kodak's desire to protect its intellectual property rights was a presumptively valid business justification.⁸⁸ However, the court concluded that the ISOs could rebut the presumption by demonstrating that Kodak's stated justification was a pretext. The presumption was rebutted by showing that: (1) although only sixty-five of the thousands of parts used in Kodak equipment were patented, Kodak attempted to restrict access to all parts; and (2) Kodak's parts manager testified that patents "didn't cross [his] mind" at the time Kodak implemented its parts policy.⁸⁹

CSU distinguished the Supreme Court's Kodak decision on the basis that Kodak was a tying case.⁹⁰ The court appears to have overlooked that Kodak was a monopolization and attempted monopolization case under § 2,⁹¹ as well as a tying case under § 1.⁹² The Supreme

⁸⁷ Id.

⁸⁸ Id. at 1219. For a critique of the rebuttable presumption established by the Ninth Circuit, see Ronald S. Katz, Janet Arnold Hart, and Adam J. Safer, Intellectual Property v. Antitrust: A False Dilemma, 15 Computer Lawyer 8 (1998).

⁸⁹ Kodak, 125 F.3d at 1219.

⁹⁰ CSU, 203 F.3d at 1327.

⁹¹ Kodak, 504 U.S. at 480-486.

⁹² Id. at 461-479.

Court affirmed the Ninth Circuit's denial of summary judgment as to both the § 1 and § 2 claims. In fact, only the § 2 claims were tried.

Nor does it seem significant that the Supreme Court's language about expanding market power from one market to the next appeared during the Supreme Court's discussion of tying. First, as the Ninth Circuit recognized on remand in Kodak, the Supreme Court's discussion of monopolization frequently referred back to its earlier tying discussion, and the Supreme Court's broad language was sufficient to cover both types of antitrust claims.⁹³ Second, Kodak's admonition that a monopolist cannot refuse to deal absent valid business justifications occurred during the Court's § 2 monopolization discussion, not its tying discussion. Third, the distinctions between tying and monopolization are largely semantic -- indeed, tying can constitute monopolizing conduct.⁹⁴

The CSU court interpreted Kodak's proscription against exploiting a patent to expand the holder's empire into another market as a proscription against "gain[ing] a monopoly in a market beyond the scope of the patent." Nothing in Kodak supports the Federal Circuit's interpretation, nor does the Federal Circuit endeavor to define the "scope of the patent."

⁹³ Kodak, 125 F.3d at 1216.

⁹⁴ See Andrew I. Gavil, Copperweld 2000: The Vanishing Gap Between Sections 1 and 2 of the Sherman Act, 68 Antitrust L. J. 87, 104-06 (2000) (discussing Microsoft's tying conduct as a basis for the government's monopolization claim against it).

Other important cases also reject the immunity conferred by the CSU court, and recognize that, under appropriate circumstances, a monopolist must make its intellectual property available to competitors who are not directly competing in the market to which the intellectual property relates. For example, in connection with the AT&T break-up, AT&T was required to make its phone switches available to long-distance competitors, including MCI, notwithstanding that those switches contained much intellectual property.⁹⁵

The competitors of Kodak and AT&T did not want to compete in the market to which the patented or copyrighted products related. Rather, they wanted to compete in distinct markets for, respectively, service of Kodak-brand equipment and transmission of long-distance telephone calls.

The result in CSU is also contrary the guidelines of the United States agencies that oversee antitrust enforcement. In the U.S. Government's Antitrust/Intellectual Property Licensing Guidelines, the DOJ and FTC "apply the same general antitrust principles to conduct involving intellectual property that they apply to conduct involving any other form of tangible or intangible property. . . . [Intellectual property's distinct] characteristics can be taken into account by standard antitrust analysis . . . and do not require the application of fundamentally different

⁹⁵ See MCI Communications Corp. v. American Telephone & Telegraph Co., 708 F.2d 1081, 1151-53 (7th Cir. 1983); United States v. American Telephone & Telegraph Co., 552 F. Supp. 131 (D. D.C. 1982).

principles.”⁹⁶ The DOJ and FTC recognize, that under appropriate circumstances, an intellectual property holder may be required to license such intellectual property to competitors in a market distinct from the one to which the intellectual property applies.⁹⁷ Robert Pitofsky, then Chairman of the FTC, has directly criticized CSU as providing “extremely narrow limits on a virtually unfettered right of a patent holder to refuse to deal in order to achieve an anticompetitive objective.”⁹⁸

By creating a zone of immunity from the antitrust laws for patent holders except in the narrowest of circumstances, the Federal Circuit expressly ignored any analysis of pretextual business justifications as required by Kodak,⁹⁹ and other significant antitrust/technology cases like AT&T.¹⁰⁰ The element of a § 2 violation on which many cases turn is whether the monopolist had valid business justifications for its exclusionary conduct. For example, in Kodak it was clear that Kodak’s patent on a few parts out of thousands was not the motivating factor for to its anticompetitive conduct; just as in AT&T the patents on some aspects

⁹⁶ Antitrust Guidelines for the Licensing of Intellectual Property (“Antitrust/Intellectual Property Licensing Guidelines”), Issued by the U.S. Department of Justice and the Federal Trade Commission, April 6, 1995, § 2.1.

⁹⁷ Antitrust/Intellectual Property Licensing Guidelines, § 5.3.

⁹⁸ Pitofsky’s Remarks, supra note 1.

⁹⁹ 504 U.S. at 483-85.

¹⁰⁰ See MCI Communications Corp., 708 F.2d at 1133 (“[n]o legitimate business or technological reason was shown for AT&T’s denial of the requested interconnections”).

of the telephone switching system were irrelevant to AT&T's overall scheme to monopolize the market for long distance calls. By immunizing patentees against claims for refusing to deal, the Federal Circuit avoided discussing Xerox's claimed business justifications.

3. The Federal Circuit Extends Its Influence to the Balance Between Antitrust Law and All Intellectual Property Law

The Federal Circuit applied Tenth Circuit law to Xerox's refusal to sell or license its copyrighted manuals and software.¹⁰¹ However, because the Tenth Circuit had "not addressed in any published opinion the extent to which the unilateral refusal to sell or license copyrighted expression can form the basis for a violation of the Sherman Act,"¹⁰² the Federal Circuit interpreted Tenth Circuit law based on its own view as to how the intellectual property and antitrust law ought to be balanced.

Because no published circuit opinion (other than CSU) created the zone of immunity for intellectual property holders that the CSU court adopted for patentees, the Federal Circuit analyzed CSU's antitrust claims concerning copyrights under the historical paradigm of the antitrust laws for monopolization claims.¹⁰³ The primary circuit cases to discuss an intellectual property holder's refusal to sell or license its intellectual property are the Ninth

¹⁰¹ CSU, 203 F.3d at 1325.

¹⁰² Id. at 1328.

¹⁰³ Id. at 1328-1329.

Circuit's Kodak decision, discussed above, and the First Circuit's decision in Data General Corp. v. Grumman Systems Support Corp.¹⁰⁴

Both Kodak and Grumman held that Kodak and Data General, respectively, had monopoly power and had engaged in exclusionary conduct, the first two elements of a monopolization claim.¹⁰⁵ Thus, both the Ninth and First Circuit's discussions focused on whether Kodak and Data General had valid business justifications for their respective refusals to deal. The courts arrived at different conclusions. Kodak affirmed the jury's determination that Kodak's stated justifications were pretextual.¹⁰⁶ Grumman did not allow Data General's potentially mixed motivations to be submitted to a jury at all,¹⁰⁷ and affirmed summary judgment in favor of Data General.

Citing Grumman (and expressly not following Kodak), the Federal Circuit concluded that Xerox's desire to protect its intellectual property was a presumptively valid business justification for refusing to sell or license its copyrighted works.¹⁰⁸ The court further concluded that Xerox's stated justification could not be rebutted by evidence of pretext. Xerox's

¹⁰⁴ 36 F.3d 1147 (1st Cir. 1994).

¹⁰⁵ See Kodak, 125 F.3d at 1212; Grumman, 36 F.3d at 1181 n.59, 1183.

¹⁰⁶ Kodak, 125 F.3d at 1219-20.

¹⁰⁷ Grumman, 36 F.3d at 1188-89.

¹⁰⁸ CSU, 203 F.3d at 1329.

intent, according to the Federal Circuit was irrelevant.¹⁰⁹ Instead, Xerox’s business justification was valid absent evidence “that the copyrights were obtained by unlawful means or were used to gain monopoly power beyond the statutory copyright granted by Congress.”¹¹⁰ This holding goes well beyond Grumman, which held only that a monopolist’s mixed motives need not be submitted to the jury.¹¹¹

Thus, although the Federal Circuit claimed to be applying Tenth Circuit law, and claimed to be assessing Xerox’s valid business justifications, it in fact accorded Xerox the precise antitrust immunity for copyrights that the court accorded to Xerox for patents. The court’s broad decision demonstrates its potentially far-reaching influence over the relationship between all intellectual property and antitrust law.¹¹²

¹⁰⁹ Id.

¹¹⁰ Id.

¹¹¹ Grumman, 36 F.3d at 1188-89.

¹¹² The Solicitor General, at the Supreme Court’s request, submitted an amicus brief in connection with CSU’s petition for certiorari arguing that the Court should not hear the case. The SG recognized that whether a unilateral refusal to sell or license a patent or copyright violates the antitrust laws is “an important question that may well warrant this Court’s resolution in an appropriate case.” SG Brief, at 7. The SG provided two unsatisfactory reasons, in our view, why CSU was not an appropriate case: (1) the Federal Circuit’s decision was ambiguous (SG Brief, at 7-8), and (2) the extent of the Federal Circuit’s disagreement with the Ninth Circuit was not clear. (SG Brief, at 8). Thus, the SG suggested that the Court “allow these difficult issues to percolate further in the courts of appeals.” SG Brief, at 16. What the SG failed to recognize is that the issues in CSU are most likely to “percolate” again in the Federal Circuit, not some other regional circuit court of appeals. If, as the SG appeared to argue, CSU was wrongly decided, then granting certiorari would have been the most efficient way for the Supreme Court

C. The Federal Circuit's New Choice-of-Law Rule Is Unmanageable

The Federal Circuit's choice-of-law rules, as articulated in Nobelpharma, Midwest Industries, and CSU, are unworkable because the court now applies its own law to issues that arise in cases over which it does not have exclusive jurisdiction.¹¹³

In Spotless Enterprises, Inc. v. Carlisle Plastics, Inc.,¹¹⁴ a trademark infringement case rendered shortly after Midwest Industries, Judge Trager of the Eastern District of New York squarely presented the conflict:

The Federal Circuit has offered no authority, beyond its responsibility for adjudicating patent issues, to justify its assertion that it is empowered to define the limits of other, non-patent specific, federal statutes even in the face of conflicting regional circuit authority. . . . While a district court must adhere to Federal Circuit precedent in interpreting and applying patent law, a district court is also required to respect the authority of its regional circuit court when interpreting other non-patent specific federal statutes. Until the question of the Federal Circuit's authority to issue binding interpretations of non-patent specific statutes is resolved, its opinion in Midwest will create enormous difficulties for a district court; *it will require the district court to engage in a precarious balancing act.*¹¹⁵

to address the "important question" presented.

¹¹³ See Section IV.B, *supra*.

¹¹⁴ 56 F. Supp. 2d 274 (E.D.N.Y. 1999).

¹¹⁵ *Id.* at 285 n.11 (emphasis added). Chief Judge Robinson of the District of Delaware concluded that Spotless Enterprises improperly applied regional circuit law to the question of whether federal patent laws foreclosed recovery under the Lanham Act for a false accusation of

The result of this “precarious balancing act” is already apparent. As noted above, Midwest Industries distinguished a Tenth Circuit precedent of non-trademark infringement.¹¹⁶ Vornado Air Circulation Systems, Inc. was a party in that Tenth Circuit precedent, Vornado Air Circulation Systems, Inc. v. Duracraft Corp.¹¹⁷ (“Vornado I”), and in the subsequent case of Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.¹¹⁸ (“Vornado II”).

In Vornado II, the plaintiff, asserting offensive collateral estoppel, sought a declaratory judgment of non-infringement based on Vornado I. The defendant argued that Midwest Industries changed controlling law. Thus, the district court had to determine whether it was bound by Vornado I or Midwest Industries. The parties in Vornado II disagreed as to which court an appeal would be taken. The district court concluded that Vornado I continued to control, despite the Federal Circuit’s more recent pronouncement in Midwest Industries and regardless of which court would hear the appeal.¹¹⁹

patent infringement. Moore North America, Inc. v. Poser Business Forms, Inc., 2000 WL 1480992, at *5-6 (D. Del. 2000). Judge Robinson reasoned that that the Federal Circuit’s choice-of-law analysis in Midwest Industries compelled district courts to apply Federal Circuit law to such claims. Judge Robinson’s disagreement with Judge Trager further amplifies the choice-of-law conundrum caused by the Federal Circuit’s new rule.

¹¹⁶ See Midwest Industries, 175 F.3d at 1358 (discussed in Section IV.B, supra).

¹¹⁷ 58 F.3d 1498 (10th Cir. 1995).

¹¹⁸ 93 F. Supp. 2d 1140 (D. Kan. 2000).

¹¹⁹ Id. at 1142-43. The defendant appealed to the Federal Circuit, but the appeal was dismissed

CSU itself demonstrates the unreasonable position the Federal Circuit's choice-of-law rules place litigants and district court judges. In CSU, the Federal Circuit applied Federal Circuit law to CSU's monopolization claim relating to Xerox's refusal to sell patented products, and Tenth Circuit law to the identical claim relating to Xerox's refusal to sell copyrighted products. The CSU court avoided any serious conflict in analysis only because the Tenth Circuit had no applicable precedent. But, what if Federal Circuit law and regional circuit law differed?

If CSU had been appealed from a district within the Ninth Circuit, such a conflict would be evident. The Ninth Circuit's decision in Kodak analyzed the ISO's antitrust claims under the traditional paradigm for such claims. Thus, the CSU court would have deemed itself bound to follow this precedent in connection with Kodak's copyrights, but not its patents. It does not seem to make sense to apply different antitrust law to substantially similar claims merely because of the nature of the intellectual property involved.

Moreover, a monopolization claim based on a manufacturer's refusal to sell or license its patents will not necessarily be appealed to the Federal Circuit. The identity of the appellate court will be determined by whether any other claims in the plaintiff's complaint "arise

on consent of the parties prior to a decision. Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc., 2000 WL 436562 (Fed. Cir. 2000). Of course, if the Federal Circuit had heard the appeal and rendered a decision, it may very well have reversed the district court in favor of its own precedent.

under” the patent laws.¹²⁰ If not, the appeal will be taken to the regional court of appeals. Thus, a district court within the Ninth Circuit would be required to apply different antitrust law to the identical claims depending on the nature of other claims asserted in the complaint. This result is directly attributable to the Federal Circuit’s choice-of-law rules.

The Federal Circuit’s now overruled conclusion in Atari was correct.¹²¹ The Federal Circuit should apply regional circuit law to non-patent claims over which it asserts jurisdiction. Otherwise litigants, and district court judges, are forced to decide cases based on whether the appeal will be taken to the Federal Circuit or to the regional circuit court of appeals. This will lead to appellate forum shopping and to inconsistent results within the same district, even by the same district judge.

VI. Conclusion

It is not surprising that a technical, patent court is striking the patent/antitrust balance in favor of patents or that it is interpreting the antitrust laws in a more technical, formal manner than they have traditionally been interpreted.¹²² It is problematic, however, when the

¹²⁰ See Section III, supra.

¹²¹ See Section IV.A, supra.

¹²² Other commentators have noted that the available data seems to confirm the “pervasive impression” that the Federal Circuit is ideologically pro-patentee. William C. Rooklidge & Matthew F. Weil, Judicial Hyperactivity: The Federal Circuit's Discomfort with Its Appellate Role, 15 Berkeley Tech. L.J. 725, 729 n.11 (Spring 2000).

balance between patent and antitrust law is disproportionately determined by a single circuit court of appeals.¹²³

Congress and/or the Supreme Court must ensure that, in the tradition of the common law, antitrust decisions continue to be made by generalist circuit courts. The circuit courts' decisions serve as a marketplace of differing views from which the Supreme Court can ultimately formulate the law of the land.

Justice Holmes' quote that a page of history is worth a volume of logic¹²⁴ applies squarely to the current balancing of our antitrust/intellectual property laws by a patent court. There is no logic to a patent court deciding these critical antitrust issues, but an anomaly of history has made that the case. These antitrust issues should stay in the general court system where they can be balanced by judges not given any particular mission with respect to either intellectual property or antitrust.

¹²³ See n.4, *supra*.

¹²⁴ New York Trust Co. v. Eisner, 256 U.S. 345, 349 (1921).

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