

**UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION**

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PUBLIC VERSION

**IN THE MATTER OF
UNION OIL COMPANY OF CALIFORNIA**

**REPLY BRIEF OF
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INTRODUCTION

Unocal submits that it is entitled to lie to government to gain a monopoly, to lie to private industry groups to gain a monopoly, to charge consumers billions of dollars in monopoly rents, and that this Commission is powerless to do anything about it *because Unocal lied to the government*. This cannot be the law and, thankfully, it is not. This Commission should vacate the Initial Decision and Order and remand this matter for trial.

The Complaint, at which Unocal scoffs but which must be taken as true for present purposes, clearly alleges that Unocal obtained a monopoly, and that it did so through two distinctly independent and equally illegal means. The first, lies to private industry groups, entailed no communication to government. The other, lies to CARB, involves exclusionary conduct far beyond any recognized *Noerr* protection. *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961) ("*Noerr*").

Settled antitrust law holds that it is unlawful to acquire a monopoly by exclusionary means. The Complaint alleges that Unocal lied to the California Air Resources Board ("CARB"), about facts whose truth or falsity only Unocal could know, for the purpose of excluding competing technologies, and thereby acquired a monopoly that will cost California consumers over \$100 million every year. Moreover, as a remedy the Complaint seeks only to prevent Unocal from collecting monopoly rents, not to alter CARB's rules or to dictate Unocal's communications to CARB. The Complaint further alleges that Unocal told the same lies to private firms, conduct that has no conceivable *Noerr* protection, for the purpose of obtaining a monopoly. These lies were another independent means by which Unocal acquired the ability to

extract monopoly rents from California motorists.¹

ARGUMENT

I. Shielding Unocal's Anticompetitive Conduct From Antitrust Liability Does Not Further The Core Interests Underlying *Noerr*.

As our Opening Brief explains, the Commission should narrowly construe the *Noerr* defense² in light of the fundamental interests it advances: (1) the authority of the government to choose not to rely on unfettered competition, but rather to restrain trade or confer a monopoly as part of its deliberate regulatory strategy; and (2) the First Amendment right to petition. Neither is furthered by interpreting *Noerr* to shield Unocal's conduct from antitrust scrutiny.

First, this case will leave California's regulatory regime unaffected. No CARB rule will be altered, nor will anyone be punished for obeying California law.

Second, shielding Unocal's anticompetitive conduct from antitrust scrutiny does not vindicate or uphold any First Amendment principles. Unocal cannot claim there is First

¹ In its Answering Brief, Unocal inappropriately argues the facts on appeal. Although Complaint Counsel need not, on appeal, detail the proof it intends to offer at trial, we will provide one example why this Commission should be skeptical of Unocal's version of the facts. In its Answering Brief (at page 5), Unocal specifically *disputes* Paragraph 25 of the Complaint. Yet Unocal represented these same facts as true to the United States Supreme Court in the prior patent litigation:

Complaint ¶ 25	Unocal's Brief in Opposition to Petition for Writ of Certiorari to the United States Supreme Court, at 3 (attached as Appendix A)
<i>"CARB did not conduct any independent studies of its own, but relied on industry to provide the needed research and resulting knowledge."</i>	<i>"In arriving at its regulations, CARB had not conducted studies of its own, but relied on industry to provide the needed research and resulting knowledge."</i>

See also Unocal's Answer ¶ 25 (Unocal denies the allegations of Complaint ¶ 25).

² *Indian Head, Inc. v. Allied Tube & Conduit Corp.*, 817 F.2d 938, 945 (2d Cir. 1987) (citing *Union Labor Life Ins. Co. v. Pireno*, 458 U.S. 119, 126 (1982)), *aff'd*, 486 U.S. 492 (1988).

Amendment protection for lies. See Opening Brief at 14-15, 25, 45 n.33. We do not read Unocal's brief to assert otherwise.

In fact, Unocal ignores the interests protected by *Noerr*. It nods in this direction only to suggest inverting the sharp limit imposed by *FTC v. Superior Court Trial Lawyers Ass'n* (“SCTLA”)³ on *Noerr*: that the doctrine *cannot* shield conduct when government action is unnecessary to the anticompetitive effect. Unocal would transmute that restriction into a vast expansion of the doctrine to *ipso facto* protect all anticompetitive conduct that makes use of government processes. But Unocal's mechanistic test is unsupported by *SCTLA* itself, and also founders in the face of the many cases where the Supreme Court and other courts have denied *Noerr* protection despite the fact that government action was a necessary and “but-for” element of the anticompetitive injury.⁴

II. Unocal's Lies To CARB Are Not Protected By *Noerr* For Four Distinct Reasons.

A. Noerr Is Not Implicated Because CARB Did Not Purposefully Restrain Trade.

Unocal's claim to *Noerr* protection fails the critical and dispositive test: whether the government body purposefully and deliberately decided to restrain trade. Unlike Unocal's proffered test, this threshold determination is directly related to the *Noerr* interest in preserving government's sovereign authority to take actions “that operate to restrain trade.”⁵ As illustrated

³ 493 U.S. 411, 425 (1990).

⁴ See, e.g., *California Motor Transp. Co. v. Trucking Unlimited*, 404 U.S. 508 (1972); *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1965); *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690 (1962); *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998); *Clipper Exxpress v. Rocky Mountain Motor Tariff Bureau, Inc.*, 690 F.2d 1240 (9th Cir. 1982); *Israel v. Baxter Labs., Inc.*, 466 F.2d 272 (D.C. Cir. 1972); *Woods Exploration & Producing Co. v. Aluminum Co. of America*, 438 F.2d 1286 (5th Cir. 1971); *In re Buspirone Patent Litigation*, 185 F. Supp. 2d 363 (S.D.N.Y. 2002).

⁵ *Noerr*, 365 U.S. at 137; Opening Brief at 17 n.4.

in *Noerr*, this test hinges on whether the government's objective purpose was to restrain trade by favoring or disfavoring a particular competitor or class of competitors.

Put another way, the critical question is whether the government action advocated by the antitrust defendant would supplant the competitive process in picking winners and losers in the marketplace.⁶ This was the case in *City of Columbia v. Omni Outdoor Advertising, Inc.*, where the ordinance in question "necessarily protect[ed] existing billboards against some competition from newcomers."⁷ The restrictions in *Omni* "obviously benefitted COA, which already had its billboards in place . . . [and] severely hindered Omni's ability to compete."⁸ Precisely the opposite is true in this case, where CARB chose not to supplant the competitive process in determining who would produce CARB-compliant gasoline and at what cost. As CARB had no purpose in promulgating its reformulated gasoline regulations to give Unocal (or anyone else) a monopoly, *Noerr* is not implicated and provides no shield for Unocal's deceptive and anticompetitive conduct.

Instead of addressing this point, Unocal aims its fire at a test that we have not proposed: that *Noerr* depends on the government's subjective "awareness" of the precise anticompetitive outcome of its actions and of the details of private parties' anticompetitive plans. But we have never suggested that *Noerr*'s applicability turns on any such subjective questions. Rather,

⁶ Unocal's reliance on *Noerr*, *Boone v. Redevelopment Agency of City of San Jose*, 841 F.2d 886 (9th Cir. 1988), *Sessions Tank Liners v. Joor Mfg., Inc.*, 17 F.3d 295 (9th Cir. 1993), and *Westmac, Inc. v. Smith*, 797 F.2d 313 (8th Cir. 1986), is therefore misplaced. See Unocal Brief at 13-16. In all of these cases, the government purposefully took action that clearly favored one competitor or set of competitors over others in the market. That the government may have been unaware of the particulars of the anticompetitive schemes of the parties that urged government action in those cases is irrelevant. What matters is that in each case the government sought to restrain trade.

⁷ 499 U.S. 365, 373 (1991).

⁸ *Id.* at 368.

whether conduct fits within *Noerr*'s scope is determined by the objective purposes of the government action in question. That inquiry is particularly simple here, since CARB's actions were driven by two objectives. One, which CARB has achieved and which this proceeding will not affect, was to reduce air pollution by, among other things, setting regulations for cleaner-burning gasoline. The other, which Unocal has subverted and which this proceeding will vindicate, was to implement CARB's primary purpose by relying on competitive markets, with open entry, to supply CARB-compliant gasoline. CARB's purpose to foster competition can be readily discerned by examining the statutes, regulations and rulemaking documents themselves. There is no need to probe the CARB regulators' state of mind.⁹

Fundamentally, anticompetitive behavior resulting in monopoly cannot lay claim to any protection from antitrust liability – least of all *Noerr* protection – where, as here, the defendant ensnared in its anticompetitive scheme a government agency whose stated purpose was to foster competition, *not* to restrain trade or confer a monopoly.

B. Preventing Unocal From Exercising Monopoly Power Will Not Overturn CARB's Regulations, Burden Those Who Comply With Those Regulations, Or Impair Unocal's Communications To CARB.

Unocal's defense also fails because *Noerr* would not be implicated even if CARB had purposefully supplanted competition. If, as in *Walker Process*, the anticompetitive harm can be cured without overturning a government decision, burdening those who comply with that decision, or impairing communications between a party and the affected government agency, then neither of the core principles underlying *Noerr* are threatened. Here, there is no threat to the

⁹ Unocal's parade of horribles notwithstanding, assessing whether the government's objectively stated purpose was to restrain trade or confer a monopoly does not in any way require administrative agencies to state their purposes or to foresee every outcome of their actions. Nor does this test require or even suggest onerous intrusion into the subjective intent or motivations of government officials or the "deconstruction" of the governmental decisionmaking process.

government's ability to take actions that operate to restrain trade, and there is no impingement on the First Amendment right to petition. Hence, *Noerr* does not shield Unocal's anticompetitive acts.

The *Noerr* doctrine was not designed to grant private parties special monopolies as rewards for achieving market power by unlawful means, such as deceiving government officials. Rather, monopolies are tolerated, in cases like *Noerr*, in order to protect the underlying and enduring values of federalism and freedom to petition. This case, like *Walker Process*,¹⁰ and unlike *Noerr*, permits antitrust to remedy the effects of the private monopoly without disrupting or burdening any governmental program and without enjoining or restraining any petitioning activity by Unocal. In *Omni*, and the other cases on which Unocal relies, the government program was burdened by imposing treble damages on those acting in compliance with the program. CARB remains free to enforce its regulations. Unocal remains free to keep its patents; it simply may not use them to extract unlawful monopoly rents from California consumers. And while Unocal asserts that it cannot be stopped from enforcing its patents through valid "petitioning" to the courts (Unocal Brief at 10-13), the Supreme Court's *Walker Process* decision disposes of this argument. Finally, Unocal's suggestion that preventing it from extracting monopoly rents will impermissibly "chill" its "right" to lie to government and private groups is wholly unsupportable. Unocal's conduct is beyond the pale of any First Amendment protection.

¹⁰ *Walker Process* is on all fours with this case. See Opening Brief at 9, 22-24. In fact, this is an easier case than *Walker Process* because all the parties in that case knew that the requested result of the PTO process – *i.e.*, an issued patent – would result in a trade restraint. That is not the case here. But even assuming that there was *Noerr* "petitioning" here, *Walker Process* holds that fraudulent and anticompetitive conduct can give rise to antitrust liability.

C. That Unocal's Misrepresentations Were Made Outside the "Political Arena" Vitiates *Noerr* Protection.

Even were this a case where remedying Unocal's misconduct would require overturning or burdening CARB's regulations, and even if the stated purpose of the regulations had been to confer a monopoly, Unocal still could not hide behind *Noerr*. See Opening Brief at 9. The courts have made clear that not all communications to government that trigger anticompetitive results are shielded by *Noerr*. While *Noerr* can protect misrepresentations in "the political arena," Unocal's misrepresentations were made outside that arena and therefore merit no *Noerr* protection. See Opening Brief at 9, 24-30, 34, 38.

Unocal's Answering Brief simply restates the ALJ's reliance on the administrative law distinction between legislation and formal adjudication.¹¹ But administrative law principles, designed to resolve questions about due process, are not well suited for *Noerr*, which concerns federalism and the right to petition. This point is strongly underscored by the amicus brief filed by the state attorney generals of California and 20 other states demonstrating that the designation of CARB as "quasi-legislative" for purposes of California administrative law does not mean that

¹¹ Unocal relies on administrative bright line distinctions only when they serve its purposes. Unocal seeks to portray the proceedings at issue in both *Clipper Exxpress* and *Woods* – where the courts denied *Noerr* protection – as adjudications even though, for administrative law purposes, these proceedings were rulemakings. Unocal grudgingly acknowledges that the *Clipper Exxpress* ratemaking was "technically a rulemaking" (Unocal Brief at 27 n.14); but it ignores the fact that the *Woods* proceedings were also rulemakings. *Id.* at 28. See *Woods Exploration & Producing Co. v. Aluminum Co. of America*, 284 F. Supp. 582 (S.D. Tex. 1968) (Texas Railroad Commission's setting of market demand and production allowable limits fall under commission's rulemaking authority), *aff'd in part, rev'd in part*, 438 F.2d 1286 (5th Cir. 1971). Furthermore, Unocal's attempt to distinguish *Walker Process* by squeezing the PTO proceedings at issue into the formal adjudication box is unavailing. In distinguishing *Walker Process*, Unocal relies on the existence of 37 C.F.R. § 1.56, the rule imposing a duty of candor in dealing with the PTO. But Rule 1.56 was not promulgated until 1977 (see 41 Fed. Reg. 43,729 (1977)), twelve years after *Walker Process* was decided.

the CARB proceedings were “political” for *Noerr* purposes.¹²

Once the irrelevance of state administrative law principles and designations is understood, it is clear that the determinative facts here are that Unocal lied, that Unocal lied about objectively ascertainable facts, that only Unocal had the means to know whether its representations were true or not, that CARB did not operate in the “political arena” but only to implement fundamental political choices made by the California legislature, and that its judgments were fully reviewable by the courts. These facts compel the conclusion that CARB’s proceedings were not “political” in the *Noerr* sense.¹³

D. *Noerr* Arose From a Statutory Construction of the Sherman Act, and This Commission Can Determine the Proper Interaction Between the First Amendment and the FTC Act.

Unocal misapprehends our argument with respect to the relevance of *Noerr* to cases brought under the FTC Act. We do not contend that there is no protection for petitioning conduct under the FTC Act. Rather, we contend that the prophylactic aspects of *Noerr* – those aspects of the doctrine that shield conduct from Sherman Act liability even when that conduct is not protected by the First Amendment – do not apply to Section 5 cases because *Noerr* is a statute-specific defense to Sherman Act liability. Consistent with *Noerr* and recent Supreme

¹² See Brief of the States of California, Arizona, Connecticut, Hawaii, Idaho, Illinois, Kentucky, Louisiana, Maine, Maryland, Minnesota, Mississippi, Nevada, New York, Oregon, Washington, West Virginia, Wisconsin, the Commonwealths of Pennsylvania, Virginia, and Massachusetts, and the California Resources Board as Amici Curiae in Support of the Complaint (“State Amicus Brief”) at 10, 15-16. This amicus brief is entitled to considerable weight, especially because as it reflects the views of California’s chief law enforcement officer on matters of California law, as well as CARB’s views on its own proceedings. See *Clipper Express*, 690 F.2d at 1262 n.34 (citing amicus filed by ICC to support denial of *Noerr* protection); cf. *FTC v. Ticor Title Ins. Co.*, 504 U.S. 621, 635 (1992) (finding “powerful refutation” in amicus briefs filed by states to argument that state action doctrine should be interpreted broadly).

¹³ See *Kottle v. Northwest Kidney Ctrs.*, 146 F.3d 1056 (9th Cir. 1998).

Court precedent, this Commission may fashion a rule of protection that is coextensive with First Amendment protections.¹⁴ Indeed, in *SCTLA*, the Commission did precisely that, concluding that “First Amendment immunity should not extend” to the conduct at issue.¹⁵ Here, of course, Unocal makes no claim that its misrepresentations to CARB or to the private refiners were constitutionally protected speech. Nor could it. *See* Opening Brief at 14-15, 25, 45 n.33.

III. *Noerr* Does Not Reach Unocal’s Deceit of Private Industry Groups.

Unocal’s overall anticompetitive scheme did not end with its deceit of CARB. Unocal argues that Paragraph 90(c) of the Complaint addresses “incidental effects of Unocal’s petitioning conduct” that fall within the scope of *Noerr* protection. Unocal Brief at 49. Not so. Paragraph 90(c) of the Complaint specifically refers to lies told *not* to CARB, but to the private refiners. As set forth in the Opening Brief, those lies constitute exclusionary conduct that led to Unocal’s acquisition of monopoly power – conduct that forms a basis for antitrust liability wholly separate and apart from Unocal’s “petitioning” to CARB and CARB’s resulting actions.

¹⁴ *BE&K Constr. Co. v. N.L.R.B.*, 536 U.S. 516 (2002).

¹⁵ *SCTLA*, 107 F.T.C. 510, 594 (1986) (citing *United States v. O’Brien*, 391 U.S. 367, 377 (1968)), *aff’d in part, rev’d in part*, 856 F.2d 226 (D.C. Cir. 1988), *rev’d in part*, 493 U.S. 411 (1989). Unocal misstates the significance of the references to *Noerr* in *SCTLA*. The Commission did not endorse extending *Noerr* to the FTC Act. The Commission did not reach this issue because respondents could not satisfy even the *Noerr* standard for insulating the conduct at issue from Sherman Act liability. *Id.* at 594. Moreover, while the Supreme Court’s decision in *SCTLA* discussed *Noerr*, its analysis supports the view that the interaction between the First Amendment and the FTC Act differs from that between the First Amendment and the Sherman Act. *Compare SCTLA*, 493 U.S. at 421-25 with *SCTLA*, 493 U.S. at 425-28. Unocal’s references to *Rodgers v. FTC*, 492 F.2d 228 (9th Cir. 1974), are similarly misplaced. Unlike this case, the grocery stores and manufacturers in that case operated in the “political arena” in conducting a political publicity campaign to persuade voters to reject an anti-litter initiative by representing that prices would increase if the initiative were approved. There were no allegations that these representations made to the public (and not to a government body) were false; and the Commission did not perceive “in the allegations any situation involving unfair methods of competition....” *Id.* at 230.

The anticompetitive consequences of this conduct are not merely “incidental” to Unocal’s purported petitioning conduct before CARB and do not implicate *Noerr*.¹⁶ Thus, even if the Commission ruled that *Noerr* protected Unocal’s misconduct before CARB, Complaint Counsel could establish antitrust liability based on Unocal’s non-CARB activities.

IV. The Commission Has Jurisdiction Over This Case.

Unocal claims that 28 U.S.C. § 1338(a) ousts the Commission of jurisdiction, but never quotes the statute. Unocal assiduously avoids doing so because, as we showed in the Opening Brief, § 1338(a)’s plain language does nothing more than bar “courts of the states” from hearing “civil actions” that arise under the patent laws. As the Commission is not a “court of the states,” and as this proceeding is not a “civil action” (a point Unocal entirely fails to address), § 1338(a) itself imposes no limits on the Commission’s jurisdiction.

Lacking any support in § 1338(a), Unocal turns to two non-statutory arguments: first, that the Commission’s jurisdiction is cabined to specific forms of unfair competition enumerated or envisioned by Congress in 1914; and second, that § 1338(a)’s narrow jurisdictional proscription should be extended far beyond its textual limits to vindicate the purported Congressional interest in the uniform interpretation of the patent laws and in the Federal Circuit’s ability to hear patent-related appeals. Neither argument has the slightest merit.

¹⁶ See, e.g., *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492, 506-07 (1988) (rejecting argument that conduct before private standard setting group constituted protected “incidental petitioning” under *Noerr*); *SCTLA*, 493 U.S. 411 (1990) (*Noerr* protection denied even though private boycott intended to achieve governmental action). Contrary to Unocal’s argument, Complaint Counsel has not retreated from, nor abandoned, its allegations that Unocal’s actions before private industry groups *also* were part of its scheme to deceive CARB. See Complaint ¶¶ 90(a), 90(b). Complaint Counsel merely recognizes that the Commission’s ruling on *Noerr* will determine whether these allegations can proceed to trial. Paragraph 90(c) further alleges that Unocal’s actions before private industry had anticompetitive consequences that were wholly unrelated to any petitioning activity before CARB, and that allegation must be taken as true.

First, the Commission's jurisdiction is not sharply limited to some list of specific forms of unfair competition. In enacting the FTC Act, Congress gave the Commission a broad mandate to proscribe unfair competition in *all* of its myriad forms and guises, specifically forms "then existing *or thereafter contrived*."¹⁷ The FTC Act – which Unocal also carefully avoids quoting – is broadly drafted to achieve that end. *See* Opening Brief at 48-57.¹⁸ Indeed, Congress rejected proposals that it enumerate the particular practices to which Section 5 would apply, precisely the limitation that Unocal now seeks to impose.¹⁹ The FTC Act's legislative history further reflects that Congress sought to create an expert agency that would be responsive to a wide variety of anticompetitive business practices, including those that involved patents.²⁰

¹⁷ *FTC v. Cement Institute*, 333 U.S. 683, 693 (1948) (emphasis added).

¹⁸ The history of the International Trade Commission's ("ITC") jurisdiction over patent matters undermines Unocal's argument that, in light of § 1338, Congress must explicitly grant an agency jurisdiction over patent issues. Since its creation the ITC has been deciding whether imported goods infringe U.S. patents, first under section 316 of the Tariff Act of 1922 and then under section 337 of the Tariff Act of 1930, based solely on its authority to investigate unfair methods of competition. Until 1974 those statutes contained no explicit authority to decide patent issues. *Frischer & Co. v. Bakelite Corp.*, 39 F.2d 247, 251-52, 258-60 (C.C.P.A. 1930); *In re W.C. Von Clemm*, 229 F.2d 441, 442-43 (C.C.P.A. 1955). By analogy, this Commission may analyze issues of patent scope and infringement as elements of a section 5 violation. In the 1974 amendments to section 337 of the Tariff Act, Congress granted the ITC the explicit authority to consider defenses of patent invalidity and unenforceability. The legislative history of those amendments makes clear, however, that Congress believed the ITC had always had that authority, but made the amendments only to overrule court precedent holding otherwise. S. Rep. 93-1298 (1974), *reprinted in* 1974 U.S.C.C.A.N. 7186, 7329. Thus, the ITC's statutory authority to consider patent invalidity does not demonstrate the Commission's inability to determine issues relating to enforceability, let alone the scope of patents at issue.

¹⁹ *FTC v. Sperry & Hutchinson Co.*, 405 U.S. 233, 239-40 (1972); S. Rep. No. 597, 63rd Cong., 2d Sess. (1914) at 13; H.R. Rep. No. 1142, 63rd Cong., 2d Sess. (1914) at 18-19.

²⁰ The legislative history of the FTC Act reflects the fact that Congress recognized at the time that unfair methods of competition could be perpetuated through the use or misuse of patents, and that the Commission would have authority to prohibit such methods. 138 Cong. Rec. 9907-9908 (1914) (Statements of Sen. Smith and Sen. Floyd); 195 Cong. Rec. 14144-14146 (1914) (Statements of Sen. Hollis and Sen. Crawford).

Of course, the Commission directly addressed this issue in *American Cyanamid*, contrary to Unocal's assertion that the patent issues in that case were only "incidental or collateral." Unocal Brief at 58. Both the Commission and the Sixth Circuit recognized that whether Pfizer and Cyanamid had violated their duty of candor to the Patent Office and committed inequitable conduct was a necessary element of the alleged section 5 violation.²¹ And that element – whether a patent is procured by inequitable conduct – is a substantial patent question that can make a case one "arising under" the patent laws for purposes of § 1338(a).²²

Second, Congress's goal of patent uniformity and creation of the Federal Circuit are irrelevant here. As the Supreme Court recently held in a closely related context, it is not the Commission's jurisdictional task "to determine what would further Congress's goal of ensuring patent-law uniformity, but to determine what the words of the statute must fairly be understood to mean."²³ Indeed, in that case the Supreme Court squarely rejected the suggestion Unocal now makes – that the Federal Circuit's jurisdictional reach could alter the meaning of § 1338.²⁴ Thus, neither Congress's creation of that court, nor Unocal attempt to advert "to the general purposes of the legislation,"²⁵ affect the analysis of the Commission's jurisdiction under the plain language of the FTC Act and of § 1338(a).

²¹ *Charles Pfizer & Co. v. Federal Trade Comm'n*, 401 F.2d 574, 578 (6th Cir. 1968) (defining the "basic question" of the case as whether Pfizer and Cyanamid made misrepresentations to the patent examiner).

²² *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1330-31 (Fed. Cir. 1998), *overruled on other grounds by Midwest Indus., Inc. v. Karavan Trailers*, 175 F.3d 1356 (Fed. Cir. 1999).

²³ *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 833 (2002).

²⁴ *Id.* (calling suggestion "an unprecedented feat of interpretive necromancy").

²⁵ *Id.*

Even if patent uniformity were somehow relevant in the face of the clear contrary statutory language, Commission jurisdiction would not offend that purpose. The statutory structure governing patent jurisdiction allows a variety of tribunals, including state and regional circuit courts of appeal, to decide patent issues arising in different contexts.²⁶ The Federal Circuit itself has recognized that “[a]chievement of increased uniformity in the substantive law of patents does not require that this court get its hands on every appeal involving an allegation that a patent law issue is somehow involved.”²⁷ Those other courts can ensure uniform application of patent law by looking to Federal Circuit precedent for guidance, just as the Commission could were it to confront a patent law issue.²⁸

Finally, even if § 1338(a) applied here, this case simply does not “arise under” the patent laws. The issue is not, as Unocal claims, whether the Commission might, or is likely to, or even ultimately does, construe patent claims or consider infringement, validity, or other patent law issues as the case unfolds. Rather, the jurisdictional issue asks whether – based *only* on the Complaint – each and every theory of liability by which each claim could be proven *necessarily* requires the resolution of a substantial issue of patent law.²⁹ Here, there are alternative theories

²⁶ *Id.* at 831-32, 834 (counterclaims); *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809-10 (1988) (defenses and claims supported by alternative theories).

²⁷ *Atari, Inc., v. JS&A Group, Inc.*, 747 F.2d 1422, 1429 (Fed. Cir. 1984), *overruled on other grounds by NobelPharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059 (Fed. Cir. 1998).

²⁸ *See Speedco, Inc. v. Estes*, 853 F.2d 909, 914 (Fed. Cir. 1988) (suggesting that state and regional circuit courts will look to Federal Circuit decisions when deciding patent issues in order to promote national uniformity in patent law).

²⁹ *See Christianson*, 486 U.S. at 812 (antitrust claim supported by alternative theories in the complaint does not “arise under” 28 U.S.C. §1338 unless patent law is essential to *each* of those theories). *See also American Tel. and Tel. Co. v. Integrated Network Corp.*, 972 F.2d 1321, 1323 (Fed. Cir. 1992) (non-patent theories supporting complaint in contract dispute prevented federal district court jurisdiction under 28 U.S.C. § 1338(a)).

of liability supporting a Section 5 violation that do not require resolution of any substantial issues of patent law. *See* Opening Brief at 56.

The Complaint's claim that Unocal violated Section 5 of the FTC Act could be proven without reaching conclusions about validity, infringement or any other substantial patent law issue. For example, no substantial patent law issue would arise if we relied on Unocal's own conduct, admissions, and beliefs to establish specific intent to control prices or destroy competition; and we used Unocal's licensing activities, patent claims already construed by a district court, and the responses to Unocal's threats and suits to establish both the anticompetitive conduct directed to accomplishing this unlawful purpose, as well as Unocal's dangerous probability of success.³⁰ Based solely on the Complaint, we can prevail without the Commission necessarily resolving substantial patent law issues. As such, Unocal's and the ALJ's laundry list of potential patent law issues that may need resolution is irrelevant, even if the litigation ultimately involves their resolution. Indeed, in *Christianson*, while the case was actually decided on a patent law issue, the Supreme Court held that the case did not "arise under" the patent laws because the complaint did not necessarily require the resolution of a patent law issue.³¹

CONCLUSION

Plainly, taking the Complaint as true, this case must be remanded for trial. The Commission obviously has jurisdiction over this case. Equally certain, Unocal's lies to private industry enjoy no *Noerr* protection and, as alleged in the Complaint, constitute an unlawful act of monopolization for which a simple remedy is available.

³⁰ *See Spectrum Sports, Inc. v. McQuillan*, 506 U.S. 447, 456 (1993).

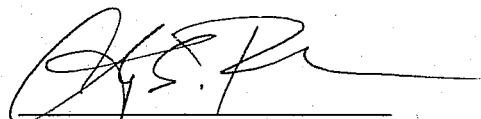
³¹ 486 U.S. at 812.

Unocal's lies to CARB were also an unlawful act of monopolization. To be sure, many of those lies were communications to government. But despite the surface complexity of the legal arguments that fact engenders, one conclusion stands out with startling clarity: all the facts, as alleged, point towards legal rejection of the *Noerr* claim. Unocal's lies were not protected by the First Amendment from antitrust scrutiny. This is an FTC Act, not a Sherman Act, case. CARB had no purpose to restrain trade. The remedy in this case will leave CARB's regulations untouched and Unocal's communications with CARB unfettered. Unocal did not truthfully petition government for a monopoly. Rather, Unocal lied about material facts, about which only Unocal could know the truth, in a "non-political" arena. Each of these facts reinforces the other, so that one is left with an overwhelming case for rejecting Unocal's claim of *Noerr* protection.

Thus, Complaint Counsel respectfully requests that the Commission vacate the ALJ's decision and order the ALJ hear the evidence in the case so that the Commission can decide whether the people of California will have to pay billions of dollars in tribute to Unocal's deceitful and monopolistic conduct.

Dated: March 4, 2004

Respectfully submitted,



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CERTIFICATE OF SERVICE

I, Terri Martin, hereby certify that on March 4, 2004:

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APPENDIX A

No. 00-249

**In The
Supreme Court of the United States**

ATLANTIC RICHFIELD COMPANY, CHEVRON
U.S.A., INC., EXXON MOBIL CORPORATION,
MOBIL OIL CORPORATION, SHELL OIL
PRODUCTS COMPANY, and TEXACO REFINING
AND MARKETING, INC.,

Petitioners,

v.

UNION OIL COMPANY OF CALIFORNIA,

Respondent.

*On Petition for Writ of Certiorari to the United States
Court of Appeals for the Federal Circuit*

RESPONDENT'S BRIEF IN OPPOSITION

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QUESTIONS PRESENTED FOR REVIEW

1. Whether the extensive description in the application resulting in United States Patent No. 5,288,393, which recites several key characteristics of gasoline and the directions in which to vary those characteristics within certain ranges to produce less polluting exhaust emissions from automobiles, provided adequate support for the gasoline compositions claimed in the patent by defined ranges of the described characteristics.

2. Whether the court of appeals, in agreement with the district court, correctly construed the patent claims, thus establishing the novelty of the claimed compositions.

RESPONDENT'S RULE 29.6 DISCLOSURE

Respondent is a wholly owned subsidiary of the Unocal Corporation.

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**RESPONDENT'S BRIEF IN OPPOSITION TO
PETITION FOR WRIT OF CERTIORARI**

OPINIONS BELOW

Petitioners omit mention of several opinions of the district court, including two that are reported. One decision rejected the Petitioners' contentions that Respondent Union Oil Company of California ("Unocal") committed inequitable conduct in prosecuting its application in the PTO. 34 F. Supp. 2d 1208. The second awarded Unocal attorney fees for petitioners' conduct of this litigation, including their assertion that Unocal derived its invention from an industry group and was equitably estopped from asserting infringement based on alleged lulling of the industry group into believing that Unocal would not enforce its patent rights. 34 F. Supp. 2d 1222.

STATEMENT

A. Background

In 1989, the automobile and oil industries launched a joint research program to learn how motor gasoline might be "reformulated" to reduce the harmful pollution from the exhaust emissions of millions of automobiles throughout the Nation, and, more particularly, in California. Petitioners as well as Unocal were part of this Auto/Oil group. The participants expressly agreed, when joining the program, to preserve their intellectual-property rights in the results of their own continuing individual research and development activities. Trial Transcript 1130-37.

When the Auto/Oil group proposed what characteristics of motor gasoline to study, Unocal's Drs. Jessup and Croudace concluded that the group's narrow focus on only four gasoline properties was not based on sound scientific considerations. They proposed that the group should analyze additional characteristics. The group rejected the proposal. Ct. App. JA 5008-27.

Drs. Jessup and Croudace pressed ahead with this broader experimentation concept on their own, using Unocal's research facilities and Unocal funding. *Id.* Their experiments studied ten gasoline properties for their emission effects, in contrast to the Auto/Oil group's study of only four properties. *Id.* at 5028-33. By March 30, 1990, they had determined that several properties could be carefully adjusted in certain directions in relation to each other (raising one, lowering another) to reduce automobile-exhaust emissions of targeted pollutants. *Id.* at 5037-39, 5042-44, 5060. These included T50, the Reid Vapor Pressure (RVP), T10, T90, olefin content, paraffin content, and octane. See Pet. App. 4a (explaining these properties).

Unocal, as assignee of the patent rights, filed a patent application for the invented cleaner gasoline compositions on December 13, 1990. See Ct. App. JA 447 (U.S. Patent No. 5,288,393, the '393 patent). Citing the problem of pollution from "the great number of automobiles," the extensive patent specification (18 columns in addition to the claims) describes pollution-reducing gasoline fuels that refiners can produce by "blending a plurality of hydrocarbon-containing streams," using the "knowledge of which properties of a gasoline fuel to alter, and in which direction (i.e., increased or decreased)," as taught in the patent. '393 Patent col. 1, lines 15, 49-50, 42-44; see Pet. App. 2a-3a (describing mixing of petroleum stocks to alter key properties). Over the

next three years, “[a]s is often the case during the course of prosecution, the inventor added and canceled many claims.” Pet. App. 2a. The patent ultimately issued on February 22, 1994, with 155 claims – which Unocal ultimately reduced to 41 claims (by disclaiming the remainder). *Id.*

Specific motor gasoline compositions, with characteristics defined by specified numerical ranges of the T50, RVP, and other properties, are claimed as inventions in these claims. Each claim begins with a preamble claiming “[a]n unleaded gasoline fuel, suitable for combustion in an automotive engine” or “in a spark ignition automotive engine.” ’393 Patent cols. 18-26; see Pet. App. 2a-3a. The compositions are then further defined in the claims not by specific molecular makeup but by the controlled combination of characteristics such as T50 and RVP, as well as other chemical properties, “reflecting the way oil refiners formulate gasoline.” Because “oil refiners of ordinary skill in the art change the chemical properties of gasoline by varying the proportions of different petroleum stocks, . . . the claims which define the invention in terms of various characteristics [T50, RVP, etc.] also inform those of skill in the art of the composition of the claimed gasoline fuels.” Pet. App. 3a.

In November 1991, nearly a year after the patent application was filed, the California Air Resources Board (CARB), a state regulatory agency, announced new regulations specifying certain properties to be required of gasolines sold in California for use in automobiles. In arriving at its regulations, CARB had not conducted studies of its own, but relied on the industry to provide the needed research and resulting knowledge. Ct. App. JA 5108-18.

As of March 1990 – Unocal's invention date – CARB had decided to regulate only RVP, benzene, and detergent content. *Id.* at 5119-29. By the time of the December 1990 patent application, CARB was unaware of any study examining all the variables studied by Unocal. *Id.* at 5133-34. In June 1991, CARB officials met with Drs. Jessup and Croudace, who disclosed their research data and urged CARB to fashion their regulations in a way that allowed refiners flexibility in how to reach the desired results. *Id.* at 5145-49. A few months after the November 1991 release of the CARB regulations, Unocal brought the regulations to the attention of the PTO examiner and asked her to compare them with the pending application. *Id.* at 5064-68, 5776-82. Only thereafter was the patent granted.

The CARB regulations did not apply to gasoline sales until early 1996. Pet. 5. During the intervening two-year period after the '393 patent issued in February 1994, CARB made no alteration to its requirements to try to minimize or eliminate refiners' likelihood of infringing the '393 patent by complying with the regulations. Nor did CARB seek to pay for the invention of cleaner fuels that helped the state agency fulfill its mission of securing widespread environmental benefits for the public by reducing pollution from the millions of cars in California.

B. District Court Proceedings

Petitioners sued Unocal for a declaratory judgment of patent invalidity in April 1995, and Unocal counterclaimed for infringement. (In the absence of an enforcement threat by Unocal, the declaratory-judgment claim was improper, so it was "effectively convert[ed]" into a defense to Unocal's infringement claim. Pet. App. 7a.) Before trial, the district court (now-Circuit

Judge Kim McLane Wardlaw) construed the claims at issue. The court held, in particular, that the common preamble phrase (which, it is now undisputed, constitutes a limitation on the patent claims) requires a standard automotive gasoline, not aviation or specialty racing fuels. Pet. App. 32a-47a.

Trial was then had to a jury as to the factual issues underlying the determination of the patent's validity. Specifically, as relevant here, the jury tried whether certain gasoline compositions in the art prior to the 1990 invention date matched the claimed gasoline compositions and thus rendered the claimed compositions not novel ("anticipated"), 35 U.S.C. § 102, and whether the claims were sufficiently supported by the original application (the specification, plus the original claims) to show that the inventors were in possession of the claimed gasoline compositions at that time, thereby satisfying the "written description" requirement under 35 U.S.C. § 112, ¶ 1. After 49 days of trial, the jury deliberated for 13 days and, in answering 223 special-verdict questions, held that Unocal's patent was valid, rejecting petitioners' anticipation and written-description challenges. Pet. App. 7a-8a. The California citizen jury also found infringement and, upon hearing damages evidence, found a royalty rate of 5.75 cents per gallon to be appropriate and awarded \$69 million (plus interest) in damages for the period ending July 1996. Pet. 5.

The district court denied petitioners' post-trial motions on the validity issues. Pet. App. 48a-56a. In addition, the district court separately tried, and rejected, petitioners' contention that Unocal committed inequitable conduct in prosecuting the application before the PTO. 34 F. Supp. 2d 1208, 1222; see Pet. App. 8a. The district court also awarded Unocal attorney

fees under 35 U.S.C. § 285, citing “the manner and method by which [petitioners] asserted, litigated and ultimately abandoned [certain] claims,” including equitable estoppel and assertions that Unocal “derived” its invention from CARB and sandbagged the Auto/Oil group working toward the regulations, as well as the “personal and destructive nature” of petitioners’ litigation allegations, “vexatious conduct” and the “unsupported” nature of several contentions. 34 F. Supp. 2d 1222, 1224 -25.

C. The Court of Appeals Decision

On appeal, petitioners presented three contentions: *first*, that the patent claims had been improperly construed so as to embrace only standard automotive gasolines (the basis for finding novelty), Ct. App. Corrected Brief for Defendants-Appellants at 15-35; *second*, that the issued claims were “unsupported by the original application” and thus flunked the ordinary standards of the written-description requirement, *id.* at 36-49; *third*, that there was inequitable conduct before the PTO, *id.* at 50-66. Although petitioners presented the regulatory context for atmospheric, they made no contention that the CARB regulations trumped, or required bending of, the ordinary principles of patent validity, including the adequate-support standards of the written-description requirement. The court of appeals rejected all three of petitioners’ contentions and affirmed the district court. Pet. App. 1a-24a.

The court first affirmed the district court’s construction of the patent claims’ preamble language, read in the context of the entire patent (including its description of the problem being solved), as embracing only standard automotive fuels. Pet. App. 9a-12a. That construction settled the anticipation issue, as

the jury found. Petitioners, to show anticipation (lack of novelty under Section 102), had identified only certain aviation and racing gasolines as prior art supposedly containing all the limitations of the patent claims. The court of appeals readily noted petitioners' own evidence and admissions that such fuels were not the same chemical compositions as standard automotive fuels. Pet. App. 12a.¹

The court of appeals next concluded that the jury could reasonably find that Unocal's patent application, including the written description and original claims, contained adequate information to support the claims as issued. Pet. App. 13a-22a. The court recited that an inventor's application must "allow persons of ordinary skill in the art to recognize that [he or she] invented what is claimed," *i.e.*, the inventor must have "conveyed with reasonable clarity to those of skill in the art that he was in possession of the subject matter of the claims." Pet. App. 13a. Applying those standards, the court noted that, in this

¹ Racing gasoline, in particular, requires very high octane levels, necessitating use of pure compounds produced in chemical plants. Ct. App. JA 5005-07, 5189-96, 5186, 5293-95, 5208A-5208B. Petitioners' experts acknowledged that the compositions of racing gasoline and motor gasoline (the latter the term for standard gasoline) are very different. *Id.* at 5314, 5361-67, 5371. A letter from petitioner Chevron's in-house gasoline expert told state authorities that "racing gasoline . . . is not considered motor gasoline." *Id.* at 6070. A PTO submission by petitioner Atlantic Richfield notes that "motor vehicle gasoline . . . is thus not a highly purified chemical, nor mix of highly purified petrochemicals." *Id.* at 6024.

particular art, it simply was not necessary for the molecular, chemical makeup of the compositions to be identified for those skilled in the art to see that the inventors possessed particular compositions, because the refiners' art allowed such identification by T50, RVP, and other properties, with teachings about the direction of adjustment of these properties to produce particular compositions:

The patent unmistakably informs skilled refiners to increase or decrease the various components to arrive at preferred combinations. In fact, the written description usually labels both preferred and most preferred levels within each range. Skilled refiners testified that they knew the composition of the claimed combinations based on this written description. . . . In sum, the record shows that the inventors possessed the claimed invention at the time of filing in the assessment of those of ordinary skill in the petroleum refining art.

Pet. App. 18a (footnote omitted). Stressing that "written description questions are intensely factual," the Federal Circuit carefully reviewed and distinguished *In re Ruschig*, 379 F.2d 990 (CCPA 1967), on that and other grounds (citing *Ralston Purina Co. v. Far-Mar-Co., Inc.*, 772 F.2d 1570, 1575 (Fed. Cir. 1985)). Pet. App. 21a-22a. Whereas *Ruschig* had found inadequate support for a claim to a single compound copied from another's patent in the applicant's disclosure of a broad class of compounds in the pharmaceutical field, the present patent does not claim a single compound and the relevant prior art is different: "Artisans skilled in petroleum refining, in contrast, are aware of the properties of raw petroleum sources and know how to mix streams of such sources to achieve a final product with desired characteristics." Pet. App. 21a. In this field, teaching the

desired combination of characteristics defined the compositions to those of skill in the art. *Id.* Accordingly, there was substantial evidence to support the jury's finding of adequate support.²

Judge Lourie dissented on the application of the written-description requirement in this case. Pet. App. 24a-31a. He noted that the requirement was inevitably case-specific (*id.* at 26a), and he did not disagree with the above-quoted standards for satisfaction of the requirement. He merely disagreed with the majority in its holding that a jury could reasonably find adequate support for the claims in the disclosure of the '393 patent, including its description of the directions in which the T50, RVP, and other properties could be adjusted to arrive at the targeted reductions of harmful emissions. *Id.* at 24a-31a. Judge Lourie did not cite any regulation-based ground for his conclusion.

Petitioners sought both panel and *en banc* rehearings. Both requests were denied. Neither Judge Lourie nor any other judge on the Federal Circuit voted for rehearing. Pet. App. 57a.

REASONS FOR DENYING THE PETITION

Petitioners have presented no question meriting this Court's review. The Federal Circuit's decision does not announce any principle of law in conflict with any decision of this Court, of

² The court also rejected petitioners' inequitable-conduct contention (Pet. App.22a-23a), which they do not renew in this Court.

another court of appeals, or of the Federal Circuit itself (or its predecessor courts) – as indicated by the failure of any judge, including the dissenting member of the panel, to vote for en banc review. Presenting pure (non-constitutional) patent-law issues within the special expertise of the Federal Circuit, this case involves no disputed general propositions of patent law, let alone fundamental ones, and still less any issues that have generated a persisting cacophony of views within the Federal Circuit. The decision below addresses a highly fact-specific application of uncontested legal principles to one particular set of patent claims and disclosures. Even in dissenting on the written-description issue, Judge Lourie himself made clear the case-specific nature of the dispute. Pet. App. 26a, 30a. On both the written-description and claim-construction issues, moreover, the Federal Circuit's application of settled principles in this case was correct.

In their effort to justify review, petitioners pervasively stress the similarity of the patent to California-law regulatory requirements for less polluting gasoline. But petitioners simply cannot transform that general theme into a properly preserved and certworthy legal question, most obviously because no version of the contention that state-law regulatory requirements somehow dominate patent rights was either presented to or decided by the Federal Circuit. Without any general legal ruling for this Court to review, the fact that the patent at issue has significant commercial value (commensurate with the environmental

benefits it confers) is not a ground for review.³ The petition accordingly should be denied.

³ The only thing presently known about the commercial value of the patent is the damage award for the tried period of infringement with no efforts made in that period to blend gasolines that might be outside the patent. Even a larger award – based on 29% of the summer gasoline sold infringing, and a royalty of 7 cents a gallon – works out to less than \$11 per year for an individual driving 15,000 miles per year and getting 18 miles per gallon. Ct. App. JA5375-80.

Petitioners have little other basis for touting the cost import of the patent. A single sentence in recent congressional testimony by the FTC Chairman about the potential causes of the recent rise in gasoline prices in the Midwest (quoted at Pet. 9-10), amid lengthy discussions of numerous factors, says that the patent's validity "*may have caused*" some refiners to attempt to design gasolines outside the patent and thus delayed or reduced some refinery output. (Emphasis added.) In contrast, the Congressional Research Service recently concluded that "any license fee owed to Unocal once the license fee is ultimately determined would be too small to create a barrier to making [reformulated gasoline]." June 16, 2000 Congressional Research Service Memorandum, p. CRS-2. Unocal has openly offered to license the patent to all refiners, blenders and importers of gasoline since April of 1995. 34 F. Supp. 2d at 1224.

A. The Lower Courts' Upholding of the Jury's Finding of Adequate Written Description Does Not Merit Review

Though petitioners have written a single complex question mentioning the written-description requirement, the awkward drafting of the question itself betrays the distinct nature of the issues it presents. Petitioners' central contention is that the patent claims' resemblance to state-law regulatory requirements should erase Unocal's patent rights even if the patent claims meet all other requirements, including the normal standards for adequate support in the original disclosure. Pet. 11-16. That contention is wholly different from, and cannot fairly be shoehorned into, the issue whether the disclosures in the original patent application were sufficient to show that the inventors were in possession of the inventions set forth in the claims of the patent as later issued.

Petitioners strain to merge the issues for the simple reason that their regulatory-trumping, regulatory-gaming contention was not raised in the Federal Circuit. This Court has repeatedly rejected efforts to raise issues not presented or decided below. *Davis v. United States*, 495 U.S. 472, 489 (1990); *Schall v. Martin*, 467 U.S. 253, 261 n.11 (1984). As previously noted, petitioners did not argue that CARB requirements defeated otherwise-valid patent rights in the court of appeals, whether as an independent legal limit on patent rights or, illogically, as an additional new test for satisfaction of the written-description requirement (which has nothing to do with regulation). Petitioners did attempt some form of regulatory-gaming argument *in the district court*, through "equitable estoppel" and "derivation" contentions, but they were charged with attorney fees for pressing those

unsupported contentions, and they did not pursue any such contention in the court of appeals. ruling on any issue of regulatory trumping for this Court to review. Petitioners' failure to raise the issue and the absence of any court. Not surprisingly, then, there is no Federal Circuit of appeals pronouncement to review are doubly sufficient to deny review of petitioners' contention.

The regulatory-trump contention in this case also plainly lacks merit. It finds no support in written-description precedent because such regulatory concerns have nothing to do with that requirement, which simply demands that claims added by amendment in the PTO have adequate support in the application as filed (so as to be entitled to the filing date of that application for purposes of determining what is "prior" art). And the notion of a free-standing limit on otherwise-valid patent rights – for which petitioners latch onto the Second Circuit's recent decision in *SmithKline Beecham Consumer Healthcare, L.P. v. Watson Pharmaceuticals, Inc.*, 211 F.3d 21 (2d Cir. 2000), petition for cert. filed (June 3, 2000) (No. 00-19) – has no application here. *SmithKline* held that one federal statute (the generic-drug-encouraging amendments to the Food Drug &

⁴ We note that petitioners did not object to the following legally correct jury instruction: "It is not improper to amend or insert claims into a patent after the application has been filed, even if those claims are intended to cover a competitor's product about which the applicant learned during the prosecution of the application, provided that the amended or inserted claims are supported by the written description in the original patent specification." Court's Instruction No. 27, JA6198; see *Kingsdown Medical Consultants Ltd. v. Hollister Inc.*, 863 F.2d 867, 874 (Fed. Cir. 1988).

Cosmetics Act) limited certain (not very central) rights under another federal statute (the Copyright Act), reaching such a conclusion out of necessity because there was a “conflict between two statutes” at the federal level. *Id.* at 27. The premise for undertaking the effort to resolve that statutory conflict, however, simply does not exist in this case, which involves no conflict of the federal patent law with any other federal statute at all. California regulations cannot trump federal patent rights, and nothing in the Federal Circuit’s decision repudiates the Second Circuit’s general analysis in *SmithKline* where a statutory conflict does exist. Indeed, *SmithKline* relied on the Federal Circuit’s decision in *Zenith Elecs. Corp. v. Exzec., Inc.*, 182 F.3d 1340, 1347 (Fed. Cir. 1999), for that analysis. *SmithKline*, 211 F.3d at 28.

With no basis to support review of their regulation-based contention, petitioners have nothing left but a brief argument that the panel mistakenly concluded that the jury could reasonably find ordinary written-description requirements satisfied. Pet. 16-18. This argument, the one petitioners did present to the Federal Circuit, raises no issue warranting this Court’s review. All three judges recognized the fact-specific nature of the inquiry. There was no dispute about the general standards, only how they should be applied here. And the Federal Circuit amply explained why the jury in this case could reasonably find the extensive disclosure of the ’393 application adequate to support the issued claims, judged from the necessary perspective of skilled refiners. Pet. App. 13a-22a.

Petitioners, challenging this holding, do not press the particular point emphasized by Judge Lourie: that the original disclosure should have described each specific combination of each issued claim’s limitations. Instead, petitioners, citing the ’393

application's disclosure of a large number of possible compositions (based on varying the T50, RVP, and other properties), suggest that the 1967 decision of the Court of Customs and Patent Appeals in *In re Ruschig* forbids basing any narrower claims on disclosure of such a large number of combinations. This claim, aside from being insufficient on its face to justify review, is wrong. As the court of appeals explained, (Pet. App. 18a-19a), the nature of the particular art and the claims at issue determines whether or not a particular case involves a forbidden needle-in-a-haystack situation, like *Ruschig* – a pharmaceutical case involving a disclosure of a broad class of compounds and an ultimately claimed single but wholly undisclosed specific compound. Here, unlike *Ruschig*, the resulting claims are themselves broad ranges, and the disclosures' explanation of the directions of effects from changing variables readily identified each of the ultimately claimed combinations. (Hence, there was possession of the resulting claims at the time of the application.) The difference in facts explains and justifies the difference in result.

⁵ Although petitioners twice assert that the final T10 ranges and aromatics limits were broadened from the original disclosure (Pet. 7, 18), that is plainly wrong: original claim 1 imposed no limitation on T10 or aromatics at all. See Pet. App. 58a. Consequently, the claims were actually narrowed. The assertion is also irrelevant, as the only issue is whether the final claims had support in the original disclosure, which does not turn on narrowing or broadening alone. Nor is it relevant whether the '393 application disclosed a "trillion" different compositions (by varying the properties in different combinations). The disclosure, by teaching the direction of alteration of the combination of identified variables, adequately supported all the compositions – specifically, the claimed compositions – as the testimony and evidence amply proved.

B. The Lower Courts' Claim Construction Does Not Merit Review

The Federal Circuit, in agreement with the district court, construed the patent claims – particularly, the preamble language that petitioners agree serves as a claim limitation – to require a “standard automotive fuel *composition*.” Pet. App. 12a (emphasis added); Pet. App. 34a-44a. That construction is intrinsically case-specific. And it properly reflects the application of established principles of claim construction.

This Court has recently confirmed the importance, in construing patent claims as in construing statutes and documents, of interpreting the claim terms so they comport “with [the] patent’s internal logic,” based on a “necessarily sophisticated analysis of the whole document, required by the standard construction rule that a term can be defined only in a way that comports with the instrument as a whole.” *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 389 (1996); *id.* at 390 (claims must be construed “in relation to the overall structure of the patent”; construction must “fully comport[] with the specification and claims and so will preserve the patent’s internal coherence”). The Federal Circuit relied on the internal evidence of the patent in just that way. Pet. App. 10a-12a.

This Court has recently confirmed the importance, in “An unleaded gasoline suitable for combustion in an automotive engine” is properly understood not to refer to aviation gasolines

or exorbitantly priced specialized high-purity gasolines made for specialized racing cars, even though such gasolines “could be burned” in a regular car (Pet. App. 41a). Rather, the invention targets and the preamble refers to gasolines designed for regular use at expected prices in the typical automobile driven by the millions of drivers who cause pollution. The patent pervasively confirms that narrower focus: for example, the language “automotive engine” points away from aviation fuels; the language “unleaded gasoline” in normal usage “invokes standard automotive fuels, rather than specialized fuels”; the patent’s description of “the problem that the[] invention addressed” refers to pollution not from a few racing cars but from the millions of standard automobiles; and the patent’s description of the testing that led to the invention refers entirely to “ordinary passenger automobiles.” Pet. App. 11a-12a. The language at issue thus bears the meaning discerned and, in context, must take that meaning. See *General Mills, Inc. v. Hunt-Wesson, Inc.*, 103 F.3d 978, 981-82 (Fed. Cir. 1997) (construing term based on problem invention designed to solve); *Applied Materials, Inc. v. Advanced Semiconductor Materials*, 98 F.3d 1563, 1572-73 (Fed. Cir. 1996) (same).

Petitioners accuse the lower courts of adding a limitation to the claims, citing *McCarty v. Lehigh Valley R. Co.*, 160 U.S. 110, 116 (1895). Pet. 20, 22. The courts below, however, did not announce any principle allowing such addition or purport to approve such an addition; to the contrary, the Federal Circuit has expressly followed the rule against adding claim limitations. See *Northern Telecom Limited v. Samsung Electronics Co.*, 215 F.3d 1281, 1290-91 (Fed. Cir. 2000) (“This court has repeatedly and clearly held that it will not read unstated limitations into claim

language.”); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 979-80 (Fed. Cir.1995) (en banc), *affd*, 517 U.S. 370 (1996); *E.I. DuPont de Nemours & Co. v. Phillips Petroleum Co.*, 849 F.2d 1430, 1433-34 (Fed. Cir. 1988); *Renishaw PLC v. Marposs Societa' per Azioni*, 158 F.3d 1243, 1248 (Fed. Cir.1998). In this case, the district court and Federal Circuit both reached their interpretation by the straightforward construction of claim terms undisputedly present, namely, the preamble language. Petitioners' accusation is nothing more than a disagreement with the courts' construction of the key preamble phrases.

Petitioners also accuse the lower courts of violating the principle of *General Elec. Co. v. Jewel Incandescent Lamp Co.*, 326 U.S. 242, 249 (1945), that an old composition cannot be patented based on a new use of the composition (though the new use may be patentable as a method). Pet. 20, 23-24. But the court of appeals could not have been clearer that what was claimed here were certain “compositions” (Pet. App. 10a, 12a) and that these compositions were, in fact, *not* found in the prior art cited by petitioners (Pet. App. 12a). The standard automotive gasolines claimed by this patent were, by petitioners' own evidence, *not* the same compositions as either the aviation or racing fuels that petitioners identified as their sole prior art. Pet. App. 12a. This case thus involves new compositions, not old compositions, and *Jewel Incandescent* is simply inapposite.

Petitioners' complaint, ultimately, is nothing more than that the claimed standard automotive gasoline was never given a chemical-composition *definition*. But lack of such a definition is immaterial to petitioners' legal point based on *Jewel Incandescent*: the fact remains that the patent here claims new, not old, compositions. And such a specific molecular definition, in this

case, would have been superfluous. It was undisputed, and confirmed by petitioners' own evidence, that standard automotive gasoline is a different composition from the relied-on aviation and racing fuels. The fact of the difference was determinative of the novelty issue, without need for further definition of the molecular-makeup specifics of the difference.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted,

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