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Continuing the Conversation of "The Economic Irrationality of the Patent Misuse Doctrine"

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INTRODUCTION

This Article seeks to use economic tools and insights to find the best way for courts to construe or for Congress to modify the patent misuse doctrine. As the title suggests, it attempts to continue the conversation begun by Professor Mark Lemley in his often-cited Comment, The Economic Irrationality of the Patent Misuse Doctrine.¹

Part I provides a brief history of the doctrine of patent misuse. Part II begins with a premise that a partial economic equilibrium can be achieved by attempting to match Congress’s intended patent scope with the actual patent scope, even assuming that economic tools can never perfectly determine the ideal scope of patent law. Part II also holds that the ideal patent misuse doctrine should (1) adequately discourage patentees from seeking to exceed their patent scope while (2) continuing to encourage innovation by permitting patentees to fully benefit up to Congress’s intended scope.

Part II then discusses a variety of solutions proposed by prior scholarship, determines which solutions satisfy this balancing point, and recommends several novel modifications to the patent misuse doctrine. Specifically, subpart A suggests that the misuse doctrine, if it is not abolished, should apply only where antitrust law applies. Subpart B recommends that an antitrust injury requirement should be added to the misuse doctrine, much like the doctrine of unclean hands requires the party asserting it to have been harmed. Subpart C recommends that the remedy for patent misuse should be balanced in a way that is fair to all parties and does not under- or over-deter misuse or infringement, which necessarily requires the abolishment of the unenforceability remedy. Last, Part III briefly discusses how recent Federal Circuit decisions like Princo v. International Trade Commission might reignite the conversation on the value of the doctrine of patent misuse.

I. BRIEF HISTORY OF PATENT MISUSE

The patent misuse defense arose from but is not identical to the doctrine of unclean hands, which denies equitable relief to those who commit misconduct related to

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the issue being litigated that harms the other party to the litigation. While cases have hinted at the doctrine of patent misuse for over 150 years, most scholars reference *Morton Salt Co. v. G.S. Suppiger Co.* as the first case to solidify the doctrine.

In *Morton Salt*, the owner of a patent on a machine for adding salt to foods conditioned its license upon an agreement that the licensee would only buy salt from the patentee. When a competitor made and leased allegedly infringing machines, the patentee sued for *direct* infringement. The alleged infringer defended on the ground that the patent should not be enforced because the patent was being used for anticompetitive conduct, even though the alleged infringer was not actually harmed by that conduct. The Court noted: “The question we must decide is not necessarily whether respondent has violated the Clayton Act, but whether a court of equity will lend its aid to protect the patent monopoly when respondent is using it as the effective means of restraining competition with its sale of an unpatented article.” In the end, the Court held that the patentee misused its patent and therefore could not enforce its patent:

> Where the patent is used as a means of restraining competition . . ., [e]quity may rightly withhold its assistance from such a use of the patent by declining to entertain a suit for infringement, and should do so at least until it is made to appear that the improper practice has been abandoned and that the consequences of the misuse of the patent have been dissipated.

Arguably, the Court in *Morton Salt* believed that equitable unenforceability of a patent would only be applicable where the patentee had in fact used the patent in anticompetitive conduct. In later mid-century cases, the Court continued to struggle with this question, several times arriving at the conclusion that an antitrust violation is

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2 Troy Paredes, *Copyright Misuse and Tying: Will Courts Stop Misusing Misuse?*, 9 HIGH TECH. L.J. 271, 276 (1994). For a complete history of the doctrine of misuse and a detailed description of the current state of the doctrine, see DONALD S. CHISUM, CHISUM ON PATENTS § 19.04 (2008). The doctrine of unclean hands, like the doctrine of patent misuse, is an equitable defense. While it benefits the defendant, it does not technically fall into the category of a remedy, as legal damages and equitable remedies do. However, to remain concise, this Article will often refer to success of the misuse defense as the “remedy of unenforceability.”

3 Paredes, *supra* note 2, at 279 (citing Pennock v. Dialogue, 27 U.S. 1, 19 (1829); Kendall v. Winsor, 62 U.S. 322, 328 (1858); Motion Picture Patents Co. v. Universal Film Mfg. Co., 243 U.S. 502, 519 (1917)); see also Princo Corp. v. U.S. Int’l Trade Comm’n, 616 F.3d 1318, 1326-31 (Fed. Cir. 2010) (discussing the history of the patent misuse doctrine and citing two cases that started the formation of the misuse doctrine that were decided before *Morton Salt Co. v. G.S. Suppiger Co.* (citing Motion Picture Patents, 243 U.S. at 518; Carbice Corp. of America v. Am. Patents Dev. Corp., 283 U.S. 27 (1931)).


5 Paredes, *supra* note 2, at 276-77.

6 *Morton Salt*, 314 U.S. at 490-91.

7 *Id.* at 490-92.

8 *Id.* at 490-92, 494.

9 *Id.* at 490.

10 *Id.* at 493.

11 Paredes, *supra* note 2, at 284; *Morton Salt*, 314 U.S. at 493-94 (noting that public policy favors the misuse defense “[w]here the patent is used as a means of restraining competition,” but noting also that “[i]t is unnecessary to decide whether respondent has violated the Clayton Act”).
not required for a patent to be held unenforceable for patent misuse. In 1980, the Supreme Court held in *Dawson Chem. Co. v. Rohm & Haas Co.* that the owners of a patent for a method of using a chemical did not misuse the patent by attempting to control the market in the chemical, which was a nonstaple good with no reasonable use other than for infringement of the method patent, as the antitrust laws would proscribe.

In 1952, Congress passed the Patent Act. The portion of the Act relevant to misuse is § 271(d), subsections 1-3 of which were passed in 1952 and subsections 4-5 of which were passed in 1988. Section 271(d) provides:

(d) No patent owner otherwise entitled to relief for infringement or contributory infringement for a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having done one or more of the following:

1. derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent;
2. licensed or authorized another to perform acts which if performed without his consent would constitute contributory infringement of the patent;
3. sought to enforce his patent rights against infringement or contributory infringement
4. refused to license or use any rights to the patent; or
5. conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned

The purpose of the 1988 amendment was to “eliminate presumptions in defining markets,” such as that repeated by the Supreme Court in *Jefferson Parish Hospital District No. 2 v. Hyde* that a patent equals market power for the purpose of establishing patent misuse via the antitrust violation of tying. Recent case law suggests further

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12 *See, e.g.*, *Zenith Radio Corp. v. Hazeltine Research, Inc.* 395 U.S. 100, 140 (1969); *Transparent-Wrap Machine Corp. v. Stokes & Smith Co.* 329 U.S. 637, 641 (1947); *see also* Paredes, supra note 2, at 285 n.77 (discussing these cases and others and the language used to indicate whether an antitrust violation is required to find misuse of the patent).
17 466 U.S. 2, 16 (1984) (“If the Government has granted the seller a patent or similar monopoly over a product, it is fair to presume that the inability to buy the product elsewhere gives the seller market power. Any effort to enlarge the scope of the patent monopoly by using the market power it confers to restrain competition in the market for a second product will undermine competition on the merits in that second market. Thus, the sale or lease of a patented item on condition that the buyer make all his purchases of a separate tied product from the patentee is unlawful.”) (citations omitted).
18 S.AMDT.3689 to HR.4972 [102nd] (noting that the purpose of the 1988 reform was to “eliminate presumptions in defining markets”); S.Rep. No. 100-492, at 14 (1988) (“The lack of clarity and predictability in application of the patent misuse doctrine and that doctrine's potential for impeding procompetitive arrangements are major causes for concern.”); 134 Cong. Rec. 32,471 (1988) (statement of
contraction of the misuse doctrine, such as in Princo v. International Trade Commission, where the Federal Circuit expressed disbelief, in view of the Independent Ink Supreme Court case, that every antitrust violation is patent misuse.19

II. Solutions

Patent misuse is often defined as a use that exceeds the rightful scope of the patent grant.20 Because this Article will assume that Congress’s determination of the term and scope of a patent is ideal, considering economic and other goals,21 any use of a patent that causes the applied scope to deviate from the ideal determined by Congress is necessarily an economically inefficient means to meet Congressional goals for the patent system, because it will result in those Congressional goals not being met.22

Once Congress has determined the ideal balance, economic tools can be used to direct behavior toward that set point. Because misuse is undesirable, some commentators have argued that holding a patent unenforceable in response to misuse is a useful tool to disincentivize a patentee from exceeding the patent grant.23 Wherever a patentee exceeds the intended patent scope, there must be a balancing force to reign in that exceeded patent scope and prevent other patentees from also choosing to exceed their rightful scope. But

Sen. Patrick Leahy) (“Reform of patent misuse will ensure that the harsh misuse sanction of unenforceability is imposed only against those engaging in truly anticompetitive conduct.”); id. at 32, 295 (statement of Rep. Robert Kastenmeier) (“[T]he proposed modifications should have a procompetitive effect, insofar as they require some linkage between patent licensing practice and anti-competitive conduct.”); see also Illinois Tool Works, Inc. v. Independent Ink, 547 U.S. 28, 41 (2006) (“Four years after our decision in Jefferson Parish repeated the patent-equals-market-power presumption, 466 U.S. at 16, Congress amended the Patent Code to eliminate that presumption in the patent misuse context, 102 Stat. 4676.”).


Id. at 1321.

Practically, however, Congress’s desired patent scope is not well-defined. And even if it were well-defined, our ability to reach those goals precisely in every case, even with the most sophisticated economic tools, is often questioned. Nonetheless, Congress set the patent term and scope arguably because it determined that such limits would provide the optimum balance between the advancement of innovation and freedom of trade. Admittedly, consideration of foreign policy, rather than a careful consideration of the ideal patent scope, likely influenced the current patent term. See Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 33. Nonetheless, the current term of 20 years from filing in practice is not very different from the old term of 17 years from issue. Note that worthwhile scholarship has offered alternative models for the ideal term and scope of a patent. See, e.g., Louis Kaplow, The Patent-Antitrust Intersection: A Reappraisal, 97 Harv. L. Rev. 1815, 1823-25, 1839, 1842 (1984) (arguing that the ideal patent term varies by the scope of the patent grant, decreasing when the patentee collects a larger reward relative to the exclusion imposed on society). That is beyond the subject of this Article.

One type of efficiency, Pareto Efficiency, is often defined as a situation in which no one can be made better off without making anyone else worse off, but it does not fully explain or encompass all that is economically beneficial. See Guido Calabresi, The Pointlessness of Pareto: Carrying Coase Further, 100 Yale L.J. 1211, 1215-19 (1991), available at http://digitalcommons.law.yale.edu/fss_papers/2014. Congress is the branch of government most responsible for making value-based determinations, so this Article permits Congress to make such a judgment and instead asks how courts can most efficiently maintain the balance Congress desires.

not all disincentives are efficient; an efficient solution neither over- nor under-corrects, with respect to any individual, for this exceeded scope.\textsuperscript{24}

An efficient solution will (1) adequately discourage patentees from seeking to exceed their patent scope and (2) continue to encourage innovation by permitting patentees to benefit up to the intended scope. Part 2 of this balance requires that infringers not receive windfall benefits in the form of immunity from damages based on infringement of the intended patent scope (even while immunity from damages based on activity exceeding the intended patent grant would not be a windfall), because this does not permit patentees to collect up to the amount of their legitimate patent scope. Furthermore, because patent misuse often, albeit not always, overlaps with antitrust violations, this balancing test should consider whether, when combined with damages imposed through antitrust laws, remedies for misuse overcorrect for the behavior, even if such remedies would not be an overcorrection in absence of the antitrust laws.\textsuperscript{25}

Many solutions have been proposed to help achieve an economically efficient patent misuse doctrine. This Article will address each of the proposed solutions and offer its own.

\textit{A. Antitrust Law and Patent Misuse Should Not Be Unique Doctrines}

\textbf{i. Scholars’ Positions}

Several commentators argue that misuse, if it is not abolished, should mirror antitrust law as much as possible.\textsuperscript{26} In particular, Professors Kieff and Paredes note that having a unique patent misuse doctrine creates uncertainty, thus discouraging commercialization of patented innovation.\textsuperscript{27} Instead, they argue that applying only antitrust rules as they exist in antitrust doctrine at the time will improve certainty for businesses and thus continue to encourage investment in patented inventions.\textsuperscript{28} Furthermore, they argue that applying only antitrust rules will provide a “more informed forum for debate” because antitrust law is more experienced than intellectual property law at dealing with antitrust issues and will ensure that the principles that are applied remain up-to-date with new innovation in the antitrust field.\textsuperscript{29} When an independent antitrust doctrine within misuse precedent develops, these innovations go missing, an example being the failure of misuse cases to consider the procompetitive effects of vertical restraints on trade.\textsuperscript{30}

Scholars debate what the goals of the misuse doctrine are. Professors Kieff and Paredes argue that “the pernicious effect of the misuse doctrine is that it erodes IP rights, 

\begin{footnotesize}
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\item \textsuperscript{24} Efficiency in this context, therefore, is where there is deterrence of misuse, but not so much that a patentee suffers beyond what is necessary to deter the misuse.
\item \textsuperscript{25} See Lemley, supra note 1, at 1614-20.
\item \textsuperscript{26} See Lemley, supra note 1; Kieff & Paredes, supra note 15.
\item \textsuperscript{27} Kieff & Paredes, supra note 15.
\item \textsuperscript{28} Id. at 181.
\item \textsuperscript{29} Id.
\item \textsuperscript{30} Id. at 182.
\end{itemize}
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at least at the margin, and risks rooting out procompetitive and competitively neutral behavior that the antitrust laws recognize as such and permit.”31 The misuse doctrine’s goal, they say, is to punish for the use of intellectual property in an anticompetitive way, an activity that the antitrust law directly addresses.32 Other commentators argue the misuse doctrine seeks to correct a different problem, that of the patentee exceeding the intended scope of the patent grant, regardless of whether that excess is a violation of the antitrust law; therefore, misuse should have its own doctrine, separate and in addition to antitrust law.33

Careful analysis is required to determine which of these scholars, if any, are correct. Is the goal of misuse simply to punish antitrust violations involving patents? Perhaps. But even if that is the goal, has the case law satisfied that goal, and would the Patent Act and precedent permit courts to apply only antitrust law, as opposed to a unique misuse doctrine?

ii. Legislative History and Formative Cases

Historically, courts struggled to determine where and whether antitrust and misuse overlap because the doctrines, though made to deter anticompetitive conduct, developed at separate times. Judge Posner, renowned for his economic insights, in USM Corp. v. SPS Technologies, Inc.,34 noted that not only should antitrust principles be applied to misuse cases, but, at least in 1982, they were:

The doctrine arose before there was any significant body of federal antitrust law, and reached maturity long before that law (a product very largely of free interpretation of unclear statutory language) attained its present broad scope. Since the antitrust laws as currently interpreted reach every practice that could impair competition substantially, it is not easy to define a separate role for a doctrine also designed to prevent an anticompetitive practice-the abuse of a patent monopoly. . . . Outside [of tying cases] there is increasing convergence of patent-misuse analysis with standard antitrust analysis. . . . One still finds plenty of statements in judicial opinions that less evidence of anticompetitive effect is required in a misuse case than in an antitrust case. . . . But apart from the conventional applications of the doctrine we have found no cases where standards different from those of antitrust law were actually applied to yield different results. . . . If misuse claims are not tested by conventional antitrust principles, by what principles shall they be tested? Our law is not rich in alternative concepts of monopolistic abuse; and it is rather late in the day to try to develop one without in the process subjecting the rights of patent holders to debilitating uncertainty.

The legislative history of the 1988 amendment to 35 U.S.C. § 271(d) likewise suggests a desire to unify antitrust and misuse. The version of the bill that passed in the Senate would have ensured that doctrine of misuse, if applied, would overlap directly

31 Id. at 199.
32 Id.
34 694 F.2d 505, 511-12 (7th Cir. 1982).
with antitrust law; it stipulated that a patent owner is not guilty of misuse “by reason of his or her licensing practices or actions or inactions relating to his or her patent, unless such practices or actions or inactions, in view of the circumstances in which such practices or actions or inactions are employed, violate the antitrust laws.” But because the House wanted to specifically list the actions that would not constitute misuse, Congress compromised and instead produced the current § 271(d)(4-5).

This compromise permits the misuse doctrine to develop separately from the antitrust doctrine, if the courts so desire. But such a result is not mandated or, as noted above, even encouraged by Congress. The negative language used by Congress in § 271(d), that “[n]o patent owner . . . shall be denied relief or deemed guilty of misuse . . . unless . . . ,” left open the possibility of courts eliminating the misuse doctrine entirely. It also permits courts the possibility of applying antitrust law to any misuse case, because that would still provide that §271(d)(5) is satisfied. Namely, tying is not misuse absent market power in the patented product both under §271(d)(5) and under the antitrust laws. Section 271(d) provides that a very limited area of patent misuse must overlap with antitrust law in order for such misuse to exist, but it would also permit either a broad application of all antitrust principles to all patent misuse or the application of antitrust law to the exclusion of the misuse doctrine.

In fact, the architect of the Patent Act, Giles Rich, once noted that patent laws do not need a separate and greater punishment for anticompetitive practices from the antitrust laws; rather, antitrust laws, rather than patent laws, should be scrutinized for any failure of antitrust to operate effectively where patents are involved.

Not only have the courts not eliminated the misuse doctrine, but the misuse doctrine does not currently overlap entirely with antitrust principles other than under § 271(d)(5). According to Chisum, an expert on patent law, “Use of a patent to violate the antitrust laws will constitute misuse. However, conduct which in some respect falls short of an antitrust violation may still constitute misuse.” This result is quite contrary to the desires expressed by Giles Rich and other influential scholars, and does not conform with the intent of Congress. Courts are free to and should either modify the patent misuse doctrine to overlap precisely with antitrust law or eliminate the doctrine of misuse entirely.

iii. Is Misuse Too Unique For Antitrust To Fill In?

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36 CHISUM, supra note 2, at § 19.04[1][f].
37 Id.
38 Kieff & Paredes, supra note 15, at 190.
40 CHISUM, supra note 2, at § 19.04[2].
The commentators who hold that misuse should have its own doctrine, separate and in addition to antitrust law, argue that the misuse doctrine seeks to correct a different problem, that of the patentee exceeding the rightful exclusionary scope of the patent grant, rather than the problem of the patentee committing any particular antitrust violation involving a patent.\footnote{See Note, \textit{Is the Patent Misuse Doctrine Obsolete?}, supra note 23.}

Commentators that oppose an independent misuse doctrine argue against this by saying that patent law cannot seek to limit the ways that the patentee may use her invention because the most basic principle of patent law is that a patent gives a right to exclude others from using but, like other property rights, does not impose limits on the owner’s right to use; therefore, only other areas of law that do restrict the right to use property, such as antitrust law, can be applied to so restrict that use.\footnote{Kieff & Paredes, supra note 15, at 188.}

In a system without an independent misuse doctrine, patent law would still have relevance in determining whether a patentee has excluded someone from using a property that the patent owner does not have property rights to. An analogy: if someone refuses other people access to a park, real property law would be appropriate for determining whether that person has a right to exclude, whereas criminal law would be applicable to determine the punishment for blocking access to where one does not have a right to exclude.

Likewise, a combination of patent and antitrust law is ideal at the misuse doctrine’s intersection of patent and antitrust law. Patent law should apply to determine the rightful scope of the patent’s right to exclude, whereas antitrust should apply to determine whether exceeding that scope is anticompetitive.\footnote{\textit{Id.}} This result is sometimes, but not always, true in practice,\footnote{CHISUM, supra note 2, at § 19.04[2].} though it should be true anytime that courts apply the misuse doctrine. As mentioned \textit{supra}, courts would still be acting consistently with the Patent Act if they choose to apply only antitrust law and eliminate the misuse doctrine entirely.

\textbf{B. The Misuse Doctrine Should Include an Antitrust Injury Requirement}

If, despite the above recommendations by scholars to apply only antitrust law, a separate misuse doctrine is nonetheless maintained from antitrust law, courts should consider who should be able to sue under the misuse doctrine.

Professor Mark Lemley argues that the misuse doctrine is economically inefficient and should be abolished, because the remedy of unenforceability is (1) unrelated to the injury caused by the misuse and (2) duplicative of antitrust remedies.\footnote{Lemley, supra note 1.} If the misuse doctrine must remain, at the very least, courts should ensure that infringers who try to use the misuse doctrine to escape liability be required to demonstrate
anticompetitive injury from the patentee’s actions.\footnote{Lemley, supra note 1, at 1612, 1614.} Furthermore, Professor Lemley argues that the remedy of unenforceability is not only not in proportion to the loss to society from the patentee’s misuse, but benefits not those individuals who suffered the loss but an entirely unrelated third party, the infringer, generating a windfall for that infringer, who escapes paying damages.\footnote{Id. at 1617.}

Other commentators suggest that anyone should be permitted to raise the misuse doctrine as a defense.\footnote{Id. at 1617.} They argue that if only a few people, or only the government, have standing to raise these issues, patent misuse will be underdeterred.\footnote{Id.} Furthermore, they argue, when litigants are already in court to adjudicate infringement claims, adding a misuse defense permits misuse to be prosecuted for very low transaction costs and to be prosecuted multiple times if there are multiple infringers who raise the issue, multiplying the deterrent effect.\footnote{Id.}

From an economic standpoint, the first commentator is much more persuasive. A counterargument to the second argument’s deterrence theory is that multiple litigations, while they would compensate for underdeterrence, could also lead to overdeterrence. Overdeterrence is equally as undesirable as underdeterrence because an overdeterrence of misuse, when the remedy is unenforceability, results in underdeterrence for infringement. Not having an antitrust injury requirement, then, leads to overdeterrence of misuse and underdeterrence of infringement.

Additionally, a misuse doctrine that permits parties without injury to raise the defense does not comport to the historical basis of the misuse doctrine, the doctrine of unclean hands, because infringers raising the defense of misuse need not have been harmed by the conduct and the conduct does not need to relate to the litigated transaction.\footnote{Paredes, supra note 2, at 277.} Those who support this difference from the doctrine of unclean hands argue that the doctrine of unclean hands seeks to deter only misconduct between the litigants to the case, whereas the doctrine of misuse seeks to deter the patentee’s misconduct towards the entire public, who suffers not only competitive harm but potentially a decrease in innovation that results from extension of Congress’s intended patent scope.\footnote{Morton Salt Co. v. G.S. Suppiger Co., 314 U.S. 488, 493 (1942); Paredes, supra note 2, at 278 n.23 (“Requiring that plaintiff's conduct injure defendant would be inconsistent with the concern of the misuse defense, which is not the equities between defendant and plaintiff, but between the public interest and a plaintiff. A plaintiff's misconduct may undermine the public interest without injuring the infringer.”). But, by the same theory, unclean hands also harms society, such as with subversion of the judicial process and negative externalities, yet that doctrine’s remedies remain confined.

However, the argument that misuse justifies remedies external to the person directly harmed because the damage is to all society, while it sounds convincing at first, when applied in a more personal scenario, reveals itself as being unfair and economically inefficient. Under this argument, by analogy, courts should permit anyone being sued by a criminal to defend by arguing that forbidding criminals to collect in any civil case would deter criminal conduct and would remedy this misconduct toward the entire public, which necessarily suffers as a result of any criminal activity, just as society suffers when patentees exceed their patent grant. Courts do not do so because society has other mechanisms in place to deter the conduct that are more precisely balanced to the level of harm (i.e., criminal law) and to do so would permit other, unrelated harms (i.e., the unlawfulness of the civil defendant) to go unpunished and uncompensated based solely upon the identity of the plaintiff (i.e., a criminal). Likewise, in cases of patent misuse, courts already have the mechanism of antitrust law to deter anticompetitive conduct and unenforceability permits infringement to go unpunished based solely on the identity of the patentee (i.e., as an antitrust violator).

Why not, then, apply the doctrine of unclean hands as it has always existed, rather than using the doctrine of misuse, a bloated and specialized doctrine of unclean hands? The reasons presented supra as to why misuse is unfair and inefficient, (that courts have more developed legal mechanisms to handle the problem and that it discriminates in the fair access to legal remedies based on the identity of the plaintiff), are the same reasons why the doctrine of unclean hands is limited to situations in which the defendant was harmed by the misconduct and that misconduct is related to the pending litigation.

If the misuse doctrine should exist as a separate doctrine from antitrust law, which this Article submits that it should not, courts should at least apply the “basics approach” presented by Professors Kieff and Paredes. Under a basics approach, courts could apply antitrust law directly, along with its requirement of antitrust injury. Alternatively, also applying a “basics approach,” except here reflecting the basics of the doctrine of unclean hands, the doctrine of misuse should only provide a defense to infringement if the defendant was directly harmed by the misconduct and the misconduct relates to the pending litigation.

When remedies are awarded to injured parties and in proportion to the amount of injury, society necessarily returns closer to the state that existed prior to the injurious activity. Assuming such a prior state is the desired state, the most economically efficient outcome has resulted. But when a remedy is granted to a third party rather than to the injured party, it leads to an unfair result with possible perverse incentives.

Assume that in a perfect world, you have an infringer (I), a patentee (P), and an as-yet-uninjured entity (E). I injures P through infringement, say in an amount of 2 units, and P injures E through anticompetitive use of the patent in an amount of 3 units. If the misuse doctrine as it stands is applied, I will keep its 2 units from P because P will be precluded from enforcing the patent, leaving I with +2, P with +1, and E with -3. The result is that a party who committed a wrong, here infringement, gains a huge windfall at

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54 See Kieff & Paredes, supra note 15, at 188.
the expense of both the patentee and the injured entity, which is simply not a fair or rational result.

C. The Remedy of Unenforceability Should Be Abolished

If, despite the recommendations presented supra, separate antitrust and misuse doctrines remain, or if antitrust principles are used to determine misuse but the misuse remedy still exists independently, courts should ensure that a remedy in both cases does not duplicate the deterrent effect for the patentee. And even when the remedy is only under the doctrine of misuse, courts should provide that such a remedy operates efficiently to encourage the goals and limits of patent law as determined by Congress.

Because unenforceability of a patent is a windfall profit to the uninjured infringer, unenforceability necessarily alters the relationship set by Congress between patentees and infringers, where infringers pay the patentee to remedy infringement’s invasion of the patentee’s right to exclude. In trying to achieve economic efficiency, the goal, as previously mentioned, is to maintain the exclusionary effect of the patent at the levels set by Congress. Therefore, just as misuse is inefficient by expanding the patent’s exclusionary effect, infringement is inefficient by deflating the patent’s exclusionary effect. Both harms should be corrected. And when misuse and infringement exist together, it is not the case that economic efficiency can be achieved by throwing the parties out of court and remedying neither on the assumption that they will balance each other out.

Unenforceability is especially counter to economic efficiency when overlapping remedies like the antitrust law order the patentee to compensate the truly injured parties for the effect of the misuse beyond the loss that the patentee suffers from unenforceability. In other words, applying both antitrust remedies and misuse remedies overdeters the anticompetitive use of the patent. Courts should apply only one of the two remedies in any given situation.

The ideal solution to accurately deter misuse is to eliminate the remedy of unenforceability and apply antitrust law to cases of patent misuse. At the very least, the current system could be improved by requiring antitrust injury as a prerequisite to raising a misuse defense. But given the very low transaction costs of raising a misuse defense in an already-pending litigation, extraordinary windfalls to infringers, like unenforceability or even the antitrust damages multiplier, for raising anticompetitive conduct are not necessary. If a requirement to have misuse injury to have standing to raise a misuse defense underdeters misuse, then the government, like for antitrust violations, should be permitted to sue for misuse. This would be administratively

55 Lemley, supra note 1, at 1619.
56 Id. at 1619.
57 Id. at 1617-18.
58 Id. at 1619.
CONTINUING THE CONVERSATION

difficult, showing that misuse should simply be abolished and replaced by antitrust law, which already has systems in place to deter anticompetitive conduct.

III. Recent Case Law: Princo v. International Trade Commission

The Federal Circuit’s recent decision in Princo v. International Trade Commission\(^{60}\) suggests a new pro-patent direction for the future of the patent misuse doctrine. After a lengthy discussion of the history of misuse, the Federal Circuit concluded:

While proof of an antitrust violation shows that the patentee has committed wrongful conduct having anticompetitive effects, \textit{that does not establish misuse} of the patent in suit \textit{unless} the conduct in question restricts the use of that patent and does so \textit{in one of the specific ways that have been held to be outside the otherwise broad scope of the patent grant.}\(^{61}\)

In fact, in the footnote following this quoted sentence, the Federal Circuit acknowledged the scholarly criticism of the misuse doctrine, suggesting, perhaps, that prior Supreme Court precedent binds the court to perpetuate the doctrine even where the court would prefer to abolish it.\(^ {62}\) If another such case is heard by the Supreme Court, it would provide an opportunity for the Supreme Court to finally put the misuse doctrine to rest, following legislative intent and the plethora of insightful and well-researched judicial opinions and scholarly works that oppose this archaic doctrine.

CONCLUSION

The recent Federal Circuit decision in Princo v. International Trade Commission is a good opportunity to reignite the conversation started by now-Professor Lemley as to the value of the patent misuse doctrine. Even though economic tools cannot determine the precise scope of the ideal misuse doctrine, by starting with the premise that Congress’s intended exclusionary effect of a patent is ideal, it becomes clear that the ideal patent misuse doctrine should (1) adequately discourage patentees from seeking to exceed their patent scope while (2) continuing to encourage innovation by permitting patentees to benefit up to the intended scope. To satisfy these goals, the remedy of unenforceability should be abolished, the misuse doctrine should apply only where antitrust law applies, and, like the antitrust laws and the doctrine of unclean hands, any misuse defense should require antitrust injury.

\(^{60}\) 616 F.3d 1318 (Fed. Cir. 2010) (en banc).
\(^{61}\) Id. at 1329 (emphasis added).
\(^{62}\) Id. at 1329 n.2 (“Some courts and commentators have questioned the continuing need for the doctrine of patent misuse, which had its origins before the development of modern antitrust doctrine. See USM Corp., 694 F.2d at 511 (‘Since the antitrust laws as currently interpreted reach every practice that could impair competition substantially, it is not easy to define a separate role for a doctrine also designed to prevent an anticompetitive practice—the abuse of a patent monopoly.’); Lemley, supra note 1, at 1614-20. The Supreme Court's patent misuse cases have not been overruled, however, and we therefore apply the principles of patent misuse as that Court's decisions and our own prior precedents direct.”).