

Refusals to License IP -- The Perspective of the Private Plaintiff

**Federal Trade Commission -
Department of Justice
May 1, 2002**

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the author and do not represent those of
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Examples of Refusals to License Intellectual Property

- All Industries
 - Biotech
 - Electronics
 - Digital Music
- Recent Cases -- Intel, Kodak, Xerox, Microsoft

Other Predatory Conduct Associated With Refusals to License IP

- Patent Infringement Litigation/Sham Litigation
- Fraud on the PTO
- Tying
- Coercive Reciprocity
- Marketplace Accusations of Patent Infringement
- Interference with Customers

Legal Advice to Victims of Refusals to License

- Compare
CSU v. Xerox, 203 F.3d 1322 (Fed. Cir. 2000)
(intellectual property rights trump antitrust law)
and
Intergraph Corp. v. Intel Corp., 195 F.3d 1346
(Fed. Cir. 1999) (antitrust laws do not negate
patentee's right to exclude)

with ...

Legal Advice to Victims of Refusals to License (cont.)

Image Technical Service v. Eastman Kodak Co.,
125 F.3d 1195 (9th Cir. 1997) (patent right to
exclude is also a presumptively valid business
justification for a refusal to license but rebutted
with proof that patent holder's intent was to
restrain competition)
and

Legal Advice to Victims of Refusals to License (cont.)

U.S. v. Microsoft, 1998 WL 614485 at 15 (D.D.C. Sept. 14, 1998) (“copyright law does not give Microsoft blanket authority to license (or refuse to license) its intellectual property as it sees fit.”), *affirmed*, 253 F.3d 34, 63 (D.D.C. 2001) (the use of lawfully acquired property can give rise to tort liability.)

Kodak is the Better Rule:

- Attempts to balance two important statutory schemes and policies
- Comports with DOJ/FTC Guidelines for Licensing IP
 - IP not immune from antitrust
- *Eastman Kodak v. Image Technical Service*, 504 U.S. 451 (1992) return to fact based inquiry of “commercial realities”
- Will not “reek havoc:” Section 2 claims and antitrust “intent” are difficult to prove

Kodak (cont.)

- Intellectual Property Rights Are Not Absolute!
- Equitable Defenses Defeat Patent Infringement Claims - estoppel, laches, unclean hands
- Conduct which severely harms consumers should be on the same par

Kodak (cont.)

- Refusal to license especially harmful when they involve
 - Industry standards
 - Network access
- No evidence that Kodak rule inhibits innovation

Legal Advice to Victim of Refusals to License (cont.)

- CONCLUSION: XEROX IS THE LAW IN ALL FEDERAL COURTS
 - Refusals to license IP claims usually arise together with Patent/Copyright Infringement Claims
 - For private plaintiffs debate about which is correct -- Xerox or Kodak -- is academic.

Plaintiffs' Other Options

- Pursue other federal unfair competition claims if appropriate
- State law causes of action/State venue
- International venue - EC
- Convince DOJ/FTC to prosecute claims

Unfair Competition/State Tort Claims Are Not Preempted By Patent/Copyright Laws

- *Zenith v. Exzec*, 182 F.3d 1340 (Fed. Cir. 1999)
(patent laws do not preempt federal unfair competition claims based upon bad faith marketplace statements of infringement and inability to design around a patent)

Unfair Competition/State Tort Claims (cont.)

- *Dow Chem. v. Exxon*, 139 F.3d 1470, 1473 (Fed. Cir. 1998) (state law tortious interference claims based on inequitable bad faith threats)
- *Lingo v. Microsoft*, S.F. Superior Court (August 4, 1999) (court denies Microsoft's motion to dismiss Cartwright Act and Unfair Practices Act claims on copyright preemption grounds)

Examples of State Antitrust/Unfair Competition Claims Which May Be Used to Attack the Anticompetitive Unilateral Refusal to License

- States with Sherman § 2 equivalents
(Texas, Minnesota)

- California

Cartwright Act

- generally does not reach unilateral conduct
- 16721.5 - refusal to deal based on plaintiff's "lawful business associations"

Examples of State Antitrust/Unfair Competition Claims Which May Be Used to Attack Anticompetitive Unilateral Refusals to License (cont.)

- California
 - § 17200 - “unlawful” or “unfair” business act or practice
 - *Cel-Tech v. LA Cellular*, 20 Cal. 4th 163 (1999)
 - “conduct that threatens an incipient violation of an antitrust law or violates the policy or spirit of” the antitrust laws

Good News For Plaintiffs -- California Courts May Be:

- Receptive to Kodak - Ninth Circuit
- Critical of formalism of Xerox, Intel
- Focused on harm to competitors as well as harm to competition. See United Process Company v. Raychem, (Cal. Ct. Appeal 2/5/02, unpublished)

European Commission

- *IMS Health v. NDC Health*
 - Copyrighted software re pharmaceutical sales and perception data
 - Refusals to license violated Article 82
 - Compulsory license
- *Magill*
 - Copyrighted TV programming information - duty to license

Conclusion

- Outlook bleak for private plaintiffs in Federal courts
- DOJ and FTC should pursue anticompetitive refusals to deal to correct or limit the Xerox Rule

Otherwise ...

- National and International Competition Law and Policy may be developed by State Court Judges and State Attorneys General.