

No. 13-720

In the
Supreme Court of the United States

STEPHEN KIMBLE, ET AL.,

Petitioners,

v.

MARVEL ENTERPRISES, INC.,

Respondent.

**On Petition for a Writ of Certiorari to the
U.S. Court of Appeals for the Ninth Circuit**

**BRIEF OF THE INTELLECTUAL PROPERTY LAW
ASSOCIATION OF CHICAGO AS AMICUS CURIAE
ON PETITION FOR WRIT OF CERTIORARI IN
SUPPORT OF PETITIONERS**

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INTEREST OF *AMICUS CURIAE*

The Intellectual Property Law Association of Chicago (“IPLAC”) submits this brief as *amicus curiae*, but in support of neither party on the ultimate merits of the case.^{1,2,3} Founded in 1884, the Intellectual Property Law Association of Chicago is a voluntary bar association of over 1,000 members who practice in the areas of patents, trademarks,

¹ Pursuant to Supreme Court Rule 37.6, no counsel for a party authored this brief in whole or in any part, no such counsel or a party made a monetary contribution intended to fund the preparation or submission of the brief, and no person other than the *amicus curiae*, its members, or its counsel, made such a monetary contribution.

² In addition to the required statement of footnote 1, IPLAC adds that after reasonable investigation, IPLAC believes that (a) no member of its Board or Amicus Committee who voted to prepare this brief, or any attorney in the law firm or corporation of such a member, represents a party to this litigation in this matter, (b) no representative of any party to this litigation participated in the authorship of this brief, and (c) no one other than IPLAC, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

³ Pursuant to Supreme Court Rule 37.2, counsel of record received timely notice of the intent to file this brief under the Rule and consent was granted.

copyrights, trade secrets and the legal issues they present. IPLAC is the country's oldest bar association devoted exclusively to intellectual property matters. In litigation, IPLAC's members are split about equally between plaintiffs and defendants. Its members include attorneys in private and corporate practices before federal bars throughout the United States, as well as the U.S. Patent and Trademark Office and the U.S. Copyright Office. As part of its central objectives, IPLAC is dedicated to aiding in the development of intellectual property law, especially in the federal courts.⁴

SUMMARY OF ARGUMENT

Half a century ago, in *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), this Court held that post-expiration royalties in patent licenses were “unlawful per se.” *Brulotte* predates the Court's more recent application of sound economic principles to deciding cases. *Brulotte* is now roundly criticized as out of step with this Court's economics-based patent and antitrust jurisprudence. Such criticisms should not be ignored. This case presents the Court with a timely opportunity to reconsider *Brulotte*. IPLAC therefore urges the Court to grant the petition for certiorari.

⁴ Although over 30 federal judges are honorary members of IPLAC, none of them was consulted or participated in any way regarding this brief.

ARGUMENT

I. ***BRULOTTE* RUNS COUNTER TO THIS COURT'S OTHERWISE SOUND APPLICATION OF ECONOMIC PRINCIPLES TO PATENT AND ANTITRUST LAW**

This Court's jurisprudence has long been informed by sound principles of economic analysis. Economically sound jurisprudence is particularly important at the interface of patent law and antitrust law, which are in tension. Patents confer a time-limited right to exclude others from practicing patented inventions. U.S. Const., Art. 1, Sec. 8. Antitrust law seeks to prevent the exercise of monopoly power. *E.g.*, 15 U. S. C. § 2. This Court now rightly recognizes that laws designed to promote commerce and industry should be applied to achieve that aim. *E.g.*, *Spectrum Sports, Inc. v. McQuillan*, 506 U.S. 447, 458 (1993) ("The [antitrust] law directs itself not against conduct which is competitive, even severely so, but against conduct which unfairly tends to destroy competition itself.")

In *Continental T.V. v. GTE Sylvania*, 433 U.S. 36, 53 (1977), for example, this Court overruled *U.S. v. Arnold, Schwinn & Co.*, 388 U.S. 365, 380 (1967). The Court had decided *Schwinn* just ten years earlier. *Schwinn* had declared restrictions on a dealer's territories illegal *per se* on the authority of "the ancient rule against restraints on alienation." 433 U.S. at 53 n.21. But by 1977 the Court was ready to consider "substantial scholarly and judicial authority" supporting economic analysis and so reversed itself. 433 U.S. at 57-58.

More recently, in *State Oil Co. v. Khan*, 522 U.S. 3 (1997), the Court overruled *Albrecht v. Herald Co.*, 390 U.S. 145 (1968) as economically unsound. *Khan* noted “the substantial criticism the [*Albrecht*] decision has received.” 522 U.S. at 18. It therefore found “insufficient economic justification for *per se* invalidation of vertical maximum price fixing.” *Id.* See also, e.g., *Windsurfing International, Inc. v. AMF, Inc.*, 782 F.2d 995, 1002 (Fed. Cir. 1986) (“Recent economic analysis questions the rationale behind holding any licensing practice *per se* anticompetitive,” citing, *inter alia*, *GTE Sylvania*.)

The Court decided *Schwinn* three years after *Brulotte*, and *Albrecht* just a year after that. *Brulotte* has received comparable criticism and yet remains the law of this Court. Yet like *Schwinn*, *Brulotte* “was an abrupt and largely unexplained departure from” existing law. *GTE Sylvania*, 433 U.S. at 47. In essence, *Brulotte* inexplicably adopted Justice Douglas’s dissent from *Automatic Radio Mfg. Co., Inc. v. Hazeltine, Inc.*, 339 U.S. 827 (1950). It also relied on an analogy to tying cases that *Hazeltine* itself had expressly rejected. Compare *Brulotte*, 339 U.S. at 33, to *Hazeltine*, 339 U.S. at 832-33.

In short, *Brulotte* is an antiquated outlier in this Court’s jurisprudence that cries out for revisiting.

II. THE COURT SHOULD TAKE THIS OPPORTUNITY TO RECONSIDER *BRULOTTE*

Under the antitrust laws, this Court has an interest “in recognizing and adapting to changed circumstances and the lessons of accumulated experience.” *State Oil Co.*, at 522 U.S. at 20. In applying and interpreting patent law, sound economic analysis is also of paramount importance. See, e.g., Kenneth W. Dam, *The Economic Underpinnings Of Patent Law*, John M. Olin Law & Economics Working Paper No. 19 (2d Series) at 2 (“In discussing the economic underpinnings of patent law, it is well to remember that this branch of the law is based squarely on an economic policy articulated in the Constitution.”)

This case explicitly invites the Court to revisit *Brulotte* in view of accumulated experience. As in *Brulotte*, a voluntary license requires payment after the licensed patent expired, but in no way extends the patent itself. And the court below here notes with frustration *Brulotte*’s apparent unsoundness. *Stephen Kimble v. Marvel Enterprises Inc.*, 727 F.3d 856, 857 (9th Cir. 2013) (“This appeal calls on us to again construe the Supreme Court’s frequently-criticized decision in *Brulotte v. Thys Co.*, 379 U.S. 29, 85 S.Ct. 176, 13 L.Ed.2d 99 (1964).”).

Brulotte was controversial from the start. In reversing the court below, it ignored without comment many contrary cases and authorities. See *Thys Co. v. Brulotte*, 382 P.2d 271, 290-91 (Wash. 1963) (expressly noting such authorities and cases on which they relied); see also, e.g., *Ar-Tik Systems, Inc.*

v. Dairy Queen, Inc., 302 F.2d 496, 506 (3d Cir. 1962) (“an agreement to pay royalties after a patent has expired may be valid and binding”). In the past fifty years the controversy has reached a crescendo, both judicial and academic.

Judicial criticism began with Justice Harlan's dissent. *Brulotte*, 379 U.S. at 34 (1964) (“I think that more discriminating analysis than the Court has seen fit to give this case produces a different result.”) It continues with the 9th Circuit decision below. *Stephen Kimble*, 727 F.3d at 857 (“[In] *Zila, Inc. v. Tinnell*, 502 F.3d 1014, 1021 (9th Cir. 2007) ... [w]e acknowledged that the *Brulotte* rule is counterintuitive and its rationale is arguably unconvincing. *Id.* at 1019–20 & n.4.”).

At least two Courts of Appeals have explicitly invited the Court to reconsider *Brulotte*. *Zila, Inc. v. Tinnell*, 502 F.3d 1014, 1019-20 (9th Cir. 2007); *Scheiber v. Dolby Laboratories, Inc.*, 293 F.3d 1014, 1018 (7th Cir. 2002), *cert. denied*, 537 U.S. 1109 (2003), 293 F.3d at 1018. Others criticize it or similar reasoning. *See, e.g., USM Corp. v. SPS Technologies, Inc.*, 694 F.2d 505, 510-11 (7th Cir.1982); *cf. Jahn v. 1-800-FLOWERS.com, Inc.*, 284 F.3d 807, 811-12 (7th Cir.2002) (deferred royalty for a lawful sale does not violate subsequent laws or regulations proscribing such sales).

Academic criticism is nearly ubiquitous and unanimous. *E.g.*, Raymond T. Nimmer and Jeff Dodd, *Modern Licensing Law* § 13:31 (2012) (Post-expiration royalties do not “expand the claims or the scope of the patent.”); Vincent Chiappetta, *Living with Patents: Insights from Patent Misuse*, 15

Marquette Intellectual Property L. Rev. 1, 142-43 (2011) (*Brulotte* “causes affirmative social harm”); John W. Schlicher, 2 Patent Law, Legal and Economic Principles §13:218 at 13-388 (2d ed. 2009) (“The use of the longer royalty term does not permit the patent owner to turn a patent with a 20 year term into a patent with a 30 year term The market power existing during the term [sic] patent can be exploited only once.”); Michael Koenig, *Patent Royalties Extending Beyond Expiration: An Illogical Ban From Brulotte To Scheiber*, 2 Duke Law & Technology Review 1-11 (2003); 10 Phillip E. Areeda et al., Antitrust Law §§ 1782c2-c3, p. 505 (1996) (“*Brulotte* refused to see that typically such post-expiration royalties merely amortize the price of using patented technology.”); Harold See & Frank M. Caprio, *The Trouble with Brulotte: the Patent Royalty Term and Patent Monopoly Extension*, 1990 Utah L.Rev. 813, 814, 851 (1990); Rochelle Cooper Dreyfuss, *Dethroning Lear: Licensee Estoppel and the Incentive to Innovate*, 72 Va. L.Rev. 677, 709-12 (1986).

CONCLUSION

The time has come for this Court to settle whether *Brulotte* should remain good law. The Court should grant the petition for *certiorari*.

Respectfully submitted,

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