

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

STEPHEN KIMBLE AND
ROBERT MICHAEL GRABB,

Petitioners,

v.

MARVEL ENTERPRISES, INC.,

Respondent.

**On Writ Of Certiorari To The
United States Court Of Appeals
For The Ninth Circuit**

REPLY BRIEF FOR PETITIONERS

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TABLE OF CONTENTS

	Page
INTRODUCTION	1
I. <i>Brulotte's Per Se</i> Ban Remains A Rule Without A Reason	3
A. Patent Policy Does Not Support <i>Brulotte</i>	3
B. The Unnecessary Complexity and Transaction Costs <i>Brulotte</i> Imposes On Hybrid Licensing Further Sup- press Innovation	8
C. The Parade Of Horribles Marvel Con- jures Up Is Illusory	10
D. The Rule Of Reason Provides An Ap- propriate Test For Scrutinizing Licens- ing Arrangements Involving Patent Royalties On Post-Expiration Use	13
II. <i>Stare Decisis</i> Does Not Foreclose Reconsideration Of <i>Brulotte</i>	16
A. Overruling <i>Brulotte</i> Would Raise No Reliance Concerns	16
B. If <i>Brulotte</i> Is Statutory For <i>Stare Decisis</i> Purposes, It Is Also Constitutional For <i>Stare Decisis</i> Purposes	18
C. Congress' Past Legislative Activity Presents No Bar To Overruling <i>Brulotte</i>	21
CONCLUSION	24

TABLE OF AUTHORITIES

Page

CASES

<i>American Securit Co. v. Shatterproof Glass Co.</i> , 268 F.2d 769 (3d Cir. 1959)	18
<i>Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.</i> , 402 U.S. 313 (1971)	23, 24
<i>Brulotte v. Thys Co.</i> , 379 U.S. 29 (1964)	<i>passim</i>
<i>eBay, Inc. v. MercExchange, L.L.C.</i> , 547 U.S. 388 (2006)	15
<i>Festo Corp. v. Shoketsu Kinzoku Kogyo Ka- bushiki Co., Ltd.</i> , 535 U.S. 722 (2002)	15
<i>Illinois Tool Works, Inc. v. Independent Ink, Inc.</i> , 547 U.S. 28 (2006)	21, 22, 23
<i>KSR Int’l Co. v. Teleflex, Inc.</i> , 550 U.S. 398 (2006)	15
<i>Monell v. Dep’t of Soc. Servs.</i> , 436 U.S. 658 (1978)	20
<i>Patterson v. McLean Credit Union</i> , 491 U.S. 164 (1989)	21
<i>Payne v. Tennessee</i> , 501 U.S. 808 (1991)	20
<i>Rocform Corp. v. Acitelli-Standard Concrete Wall, Inc.</i> , 367 F.2d 678 (6th Cir. 1966)	18
<i>Scheiber v. Dolby Labs., Inc.</i> , 293 F.3d 1014 (7th Cir. 2002)	11
<i>Virginia Panel Corp. v. MAC Panel Co.</i> , 133 F.3d 860 (Fed. Cir. 1997)	17

TABLE OF AUTHORITIES – Continued

Page

CONSTITUTION, STATUTES, AND LEGISLATIVE MATERIALS

U.S. Const. Art. I, §8, cl. 8.....	19
35 U.S.C. §154	19
Patent Misuse Reform Act, Pub. L. No. 100-703 (1988).....	21, 22
S. 438, 100th Cong. (1987)	21

BRIEFS

Brief for the United States As <i>Amicus Curiae</i> , <i>Blonder-Tongue Labs., Inc. v. Univ. of Ill.</i> <i>Found.</i> , 402 U.S. 313 (1971), No. 70-338 (Jan. 8, 1971) 1971 WL 133763	23
Brief for Respondent, <i>Illinois Tool Works, Inc.</i> <i>v. Independent Ink, Inc.</i> , 547 U.S. 28 (2006), No. 04-1329 (Sept. 28, 2005) (<i>available at</i> http://www.americanbar.org/content/dam/aba/ publishing/preview/publiced_preview_briefs_ pdfs_05_06_04_1329_Respondent.authcheck dam.pdf)	21, 22
Brief for the United States As <i>Amicus Curiae</i> , <i>Illinois Tool Works, Inc. v. Independent Ink,</i> <i>Inc.</i> , 547 U.S. 28 (2006), No. 04-1329 (Aug. 4, 2005) 2005 WL 1864093	23
Reply Brief for Petitioner, <i>Scheiber v. Dolby</i> <i>Labs., Inc.</i> , 537 U.S. 1109 (2003), No. 02-689 (Dec. 16, 2002) 2002 WL 32133591 (<i>available</i> <i>at</i> https://drive.google.com/file/d/0B94nb-XSCp NUYXRDS1A2MGtVM04yMzhmcXllcVNfS3 h5RTMw/view?usp=sharing)	3, 11

TABLE OF AUTHORITIES – Continued

Page

OTHER AUTHORITIES

1 Herbert Hovenkamp, Mark D. Janis, Mark A. Lemley & Christopher R. Leslie, <i>IP and Antitrust: An Analysis of Antitrust Principles Applied to Intellectual Property Law</i> (2d ed. 2015)	13, 17, 18
Mark A. Lemley & A. Douglas Melamed, <i>Missing the Forest for the Trolls</i> , 113 Colum. L. Rev. 2117 (2013)	13
Letter from Seth P. Waxman and Thomas G. Saunders to Guy Donatiello, Amicus Committee, American Intellectual Property Law Ass’n at 1 (December 18, 2014) (proposal to lodge pursuant to Rule 32.3 pending)	20
3 Roger M. Milgrim & Eric E. Bensen, <i>Milgrim on Licensing</i> (2014)	7
Tim Reckart, <i>Are Royalty Structures in Hybrid Licenses About To Get Simpler?</i> , Feb. 4, 2015, http://rllaz.com/intellectual-property/are-royalty-structures-in-hybrid-licenses-about-to-get-simpler	10
U.S. Dep’t of Justice and Fed. Trade Comm’n, <i>Antitrust Enforcement and Intellectual Property Rights: Promoting Innovation and Competition</i> (Apr. 2007)	5

INTRODUCTION

Respondent makes no effort to defend the holding of *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), on the basis of any of the three premises underlying that decision. See Pet. Br. 9-11 & 18-19 (describing three premises). On the contrary, Marvel concedes that patent royalties on post-expiration use do not extend the patent right to exclude into the post-expiration period, Resp. Br. 42, does not dispute that such royalties can be procompetitive, Resp. Br. 43, and agrees that merely having a patent does not always confer market power and thus does not inherently allow the licensor to exercise improper negotiating leverage over the licensee. Resp. Br. 45.

Why, then, should such royalties be prohibited *per se*? Marvel and its *amici* say that the categorical ban is justified by patent policy – but *what* patent policy, exactly, if it is conceded that the right to exclude is not extended? *Brulotte*’s defenders cannot agree on the answer. The government posits one patent policy, Marvel another, the other *amici* supporting Marvel still another. See Part I.A., *infra*. Yet the principal patent policy arguments suffer from the same underlying defect – they take a blinkered view of the consequences of such royalty arrangements, ignoring their overall effect over the pre- and post-expiration period taken as a whole. And when the entire impact of such royalties is considered, the attempted patent policy justifications for a *per se* ban fail. See Part I.A., *infra*.

Marvel's new *stare decisis* argument – pointedly not endorsed by the government – is similarly flawed. Marvel speculates (Resp. Br. 11 & 32-33) that overruling *Brulotte* would upset settled expectations because some hypothetical contracting parties that intended for patent royalty accrual to end at patent expiration may have relied on *Brulotte*'s background rule instead of explicitly specifying the accrual termination date in their license. Thus overruling *Brulotte*, Marvel contends, would open the door to widespread strategic demands by dishonest licensors, who would take advantage of this intentional ambiguity to now demand additional royalties for expired patents. *Id.*

But licenses where the parties expressly contemplated that patent royalty accrual would end at patent expiration, but then, relying on *Brulotte*, intentionally left the issue ambiguous, are very unlikely to exist in the real world. As explained in detail below, *see* Part II.A., *infra*, no sensible patent licensor who was aware of *Brulotte* would choose to draft an agreement this way because doing so would entail the risk of rendering the licensed patent unenforceable against all potential infringers on the grounds of patent misuse.

* * *

Categorical prohibitions may make sense when the practice being proscribed is always, or almost always, socially harmful. But patent royalties on post-expiration use, as even Marvel (Resp. Br. 43) and the government (US Br. 27) concede, are frequently

socially beneficial. Why, then, should they be prohibited *per se*? At bottom, Marvel and the government each invite this Court to retain a *per se* rule that makes no economic sense and hampers innovation on the basis of a formalistic and cropped view of patent policy that itself does not survive closer examination. *Brulotte* should be overruled.¹

I. *Brulotte*'s *Per Se* Ban Remains A Rule Without A Reason.

A. Patent Policy Does Not Support *Brulotte*.

One telling aspect of the disarray among *Brulotte*'s defenders is that they cannot even agree on *what* patent policy supposedly justifies a *per se* ban on patent royalties on post-expiration use.

¹ In its brief on the merits, Marvel argues for the first time that the agreement at issue in this case, as a matter of contract interpretation under New York law, "require[s] no further royalties for petitioners, regardless of *Brulotte*." Resp. Br. 55. This contention is incorrect, but, more importantly, it is now beside the point. Marvel had ample opportunity to make this argument in the lower courts, but chose not to. The argument consequently has been waived. Compare Reply Brief for Petitioner, at 6-7 & n.4, *Scheiber v. Dolby Labs., Inc.*, 537 U.S. 1109 (2003), No. 02-689 (Dec. 16, 2002) 2002 WL 32133591 (*available at* <https://drive.google.com/file/d/0B94nb-XSCpNUYXRDS1A2MGtVM04yMzhmcXllcVNfS3h5RTMw/view?usp=sharing>) (acknowledging that respondent-licensee in that case did not waive contract interpretation argument because it had consistently made it below, and at the petition stage, as an alternative to its *Brulotte*-based argument).

1. The government, reprising the position it took at the petition stage, offers the broadest formulation, arguing that *Brulotte* “reflects the Court’s understanding that, once a patent expires, the federal patent laws reflect an affirmative policy of unrestricted public access to the formerly-patented invention.” US Br. 11. But patent royalties on post-expiration use indisputably do not preclude the public at large from practicing the invention after patent expiration – even Marvel concedes that much. Resp. Br. 42. Consequently, if, as the Ninth Circuit pointed out in this case, patent “[e]xpiration . . . [already] accomplishes what it is supposed to accomplish” because “[a]fter the patent expires, anyone can make the patented process or product without being guilty of patent infringement,” Pet. App. 24 (internal quotation marks omitted), how does *Brulotte*’s categorical prohibition on such royalties further this proffered patent policy? The government does not even try to explain.

2. Eschewing the government’s approach, Marvel instead makes a narrower – but no less erroneous – argument. “Federal patent policy,” Marvel says, “requires taking account of the public interest in benefiting from the unrestricted exploitation of the invention *by the licensee*” – in other words, “the overriding consideration is . . . the general public’s right to *buy* [the licensed product] from him.” Resp. Br. 38 (internal quotation marks, some emphases, and some brackets omitted).

But what, exactly, is the nature of this “right”? The licensor cannot stop the licensee from supplying

the public after patent expiration; its only remedy at that point is a suit for damages for breach of contract, not injunctive relief. And the public obviously cannot compel the licensee to supply it should the licensee choose to cease manufacture. Thus what is actually at issue are the *prices and outputs* at which the licensee supplies the public. Indeed, Marvel expressly concedes this, arguing that “allowing a patentee to demand royalties on a licensee’s post-expiration use would affect the licensee’s prices or outputs in the post-expiration period.” Resp. Br. 46; *see also* US Br. 30-31 (same).

But why are prices and outputs exclusively, or even primarily, a concern of patent rather than competition policy? Marvel does not say. And, in any event, Marvel’s analysis ignores the other factors influencing the relevant prices and outputs – (i) the public will already have benefited (as the government previously has acknowledged) from *lower prices and increased output* during the patent term because the licensor will have had to lower the royalty rate or defer the start of the royalty accrual period in exchange for the licensee having agreed to patent royalties on post-expiration use, and (ii) the continued royalty obligation may incentivize new market entrants post-expiration, who will undercut the licensee on price, further benefitting the public. *See* Pet. Br. 38-39 (citing sources); 2007 DOJ/FTC Report²

² U.S. Dep’t of Justice and Fed. Trade Comm’n, *Antitrust Enforcement and Intellectual Property Rights: Promoting*
(Continued on following page)

at 118 n.20 (“The countervailing benefit to society from allowing the licensor greater freedom to contract is the reduction in royalty rate, and hence prices, during the patent period that occurs as the licensor adjusts the license to induce a licensee to accept the longer term.”) (internal quotation marks omitted). Why should patent policy – or competition policy, for that matter – be deployed categorically to favor higher prices during the patent term, with a price cut thereafter, over an upfront price cut? Again, Marvel does not explain.

3. *Amici* supporting Marvel proffer still another patent policy formulation – one that, in turn, neither Marvel nor the government apparently endorses. Patent royalties on post-expiration use, these *amici* argue, are “anathema to patent policy” because of their supposed effect on follow-on innovation – “the licensee will have less incentive to build improved products based on the licensed patent, knowing that such improved products will only trigger more royalty payments down the road.” Public Knowledge *Amicus* Br. 14; *see also* Feldman *Amicus* Br. 21-22 (same); AIPLA *Amicus* Br. 11-12 (same).

But this argument, too, overlooks a key part of the overall picture. If the parties agree to patent royalties on post-expiration use, the licensor gives up

Innovation and Competition (Apr. 2007) (“2007 DOJ/FTC Report”), available at <http://www.ftc.gov/reports/innovation/P040101PromotingInnovationandCompetitionrpt0704.pdf>.

revenue, and assumes more risk of innovation failure, from the start. *See* Pet. Br. 31-33 & n.17 (citing sources). The licensee, by contrast, initially bears less risk of innovation failure, and keeps more revenue, as a result of having traded a longer royalty base for an upfront royalty rate discount or deferral of the start of the royalty accrual period. *Id.* Applying the logic of these *amici*'s own argument, then, the licensee not only has more resources at the outset to build on the licensor's invention and to create follow-on innovation, but also is *incentivized* to devote those additional resources to further innovation. *See* 3 Roger M. Milgrim & Eric E. Bensen, *Milgrim on Licensing* §18.05 (2014) ("The low royalty rate might help the licensee in the early investment phase and thereby encourage it to take the risks to launch new, and thus inherently risk-prone, technology."). And this follow-on innovation head-start, in turn, could well result in more innovation overall, and thus a larger revenue pie, that the licensee can then share with the licensor in the post-expiration period, while still generating greater profits for itself than it would have done had it not licensed the invention with an upfront royalty rate discount or deferral of the start of the royalty accrual period.

The arrangement is thus, in business terms, a win-win – if the invention turns out to be commercially worthwhile, the licensee's own ability to build on it will have been aided, not hampered, by the risk-redistributive effect of patent royalties on post-expiration use. *See* Memorial-Sloan Kettering Cancer

Center, et al. Merits-Stage *Amicus* Br. 12 & 17-18. And it is for this reason that patent policy, properly understood, not only fails to support *Brulotte*'s rigid *per se* prohibition on collecting patent royalties based on post-expiration use, but actually favors discarding it. Pet. Br. 29-36.

B. The Unnecessary Complexity and Transaction Costs *Brulotte* Imposes On Hybrid Licensing Further Suppress Innovation.

Marvel and the government assert that *Brulotte*'s *per se* prohibition somehow doesn't matter because it supposedly is "narrow." Resp. Br. 14-17 & 44; US Br. 30-31. Licensing professionals know better.

Petitioners already have discussed, in their opening brief, how *Brulotte* discourages commercialization of life-saving medical treatments by universities and research hospitals by interfering with the parties' ability to balance and allocate the risks of developing and commercializing new technology. Pet. Br. 31-36; *see also* Memorial Sloan Kettering Cancer Center, et al. Merits-Stage *Amicus* Br. 11-12 & 17-18. Suffice it to say that Marvel and the government have yet to explain how the supposed narrowness of *Brulotte*'s *per se* prohibition in any way mitigates this innovation-suppressing effect.

But there is more. As several *amici* have pointed out, *Brulotte* also discourages innovation by unnecessarily increasing the complexity and cost of “hybrid” licensing – i.e., transactions involving both patent and non-patent intellectual property. See BioTime *Amicus* Br. 4-8; see also Memorial Sloan Kettering Cancer Center, et al. Merits-Stage *Amicus* Br. 24-25.

Marvel argues that “hybrid” licensing provides a path around the *Brulotte* prohibition because, as long as the parties separately value the patent and non-patent royalty streams, the latter may continue after patent expiration. Resp. Br. 16-17. But, in the real world, the complexity of this separate valuation requirement, imposed by *Brulotte*, significantly increases the probability that socially-beneficial licensing transactions simply will not occur.

At the time the parties are negotiating a licensing agreement to early-stage technology, the relevant patents may not have been issued, and, indeed, the relevant patent applications may not even have been filed. Consequently, the parties will not yet know what those patents ultimately will cover, as they will have no idea what claim scope – broad or narrow – the Patent Office ultimately will allow. BioTime *Amicus* Br. 4-5. At the same time, because the relevant commercial products may not yet exist – and may not exist for years – the parties also may not know what non-patent intellectual property those products ultimately will incorporate. BioTime *Amicus* Br. 5.

Against this background of uncertainty, the parties “are thrust [by *Brulotte*] into a negotiation over the relative value of the patent and non-patent rights in the technology, and a battle over the assumptions used in, and the results of, any forecast of the market for the pertinent technology and future benefits attributable to each component of the IP.” Tim Reckart, *Are Royalty Structures in Hybrid Licenses About To Get Simpler?*, February 4, 2015.³ At best, “requiring parties to distinguish the value of the licensed patent rights from the licensed non-patent rights significantly increases the transaction costs associated with the license.” BioTime *Amicus* Br. 8. At worst, forcing them into this exercise “increases the risk that the prospective deal” will be “stillborn.” Reckart, *supra*.

C. The Parade Of Horribles Marvel Conjures Up Is Illusory.

Marvel speculates that overruling *Brulotte* would exacerbate royalty stacking and benefit patent trolls. Resp. Br. 50-52. Not so.

1. Each of the commentators Marvel cites (Resp. Br. 50-51) in support of its royalty stacking argument – Mark Lemley and Douglas Melamed of Stanford, and Carl Shapiro of Berkeley – expressly

³ Available at <http://rllaz.com/intellectual-property/are-royalty-structures-in-hybrid-licenses-about-to-get-simpler>.

has called for *Brulotte* to be overruled. Pet. Br. 14 (Shapiro); *id.* 44 n.19 (Melamed); *id.* 14-15 n.7 & 25 n.11 (Lemley). This should immediately signal that there is a logical hole in Marvel’s royalty stacking argument – and there is.

Royalty stacking occurs when a number of patents read on a particular product, and each must be licensed in order for the product to remain on the market. If *Brulotte* is overruled, Marvel argues, the burden of royalty stacking will increase because patent royalties will be “permitted to stack up forever.” Resp. Br. 51.

But, as “a tidal wave of legal and economic scholarship point[s] out, the idea that you can,” in “the post-expiration patent royalty setting,” lever your way to “a longer and therefore greater . . . monopoly is economic nonsense, imputing systematic irrationality to businessmen.” *Scheiber v. Dolby Labs., Inc.*, 293 F.3d 1014, 1020 (7th Cir. 2002) (Posner, J.). “[I]f the licensee agrees to continue paying royalties after the patent expires the royalty rate will be lower.” *Id.* at 1017. Thus, as the government itself previously has noted, overruling *Brulotte* will not increase the overall patent royalty burden in such situations. See 2007 DOJ/FTC Report at 118 n.18 (“Once a patent expires, a licensee can use the patent for no charge,” and it “is therefore unclear how a licensor could persuade a licensee to pay more than the amount the licensee would be willing to pay to use the patent during its term.”).

2. Marvel's patent troll argument suffers from the same conceptual defect. A licensor cannot extract additional patent royalties by relying on post-expiration use because a lower royalty rate compensates for a longer royalty base. Pet. Br. 19-25 (citing numerous sources). Consequently, there is no reason to believe that patent trolls would find such royalties especially attractive.

On the contrary, patent royalties on post-expiration use are fundamentally incompatible with the conventional patent troll business model. Such royalty arrangements involve (i) business risk, because, if the licensed product ceases to be successful, few or no payments will be forthcoming, (ii) credit risk, because the licensee may fail to pay what is owed, and (iii) monitoring and compliance costs, because the licensor will need to audit the licensee from time to time to make sure that royalties are properly calculated and paid. In other words, patent royalties on post-expiration use make sense for parties that wish to engage in a long-term business relationship.

Patent trolls operate in a completely different way:

[T]rolls rarely resolve patent assertions with running royalties. Because their interest is in generating cash and their business models often depend critically on cash flow from patent assertions, they have no incentive to prefer running royalties and, if anything, are likely to prefer lump-sum payments.

Mark A. Lemley & A. Douglas Melamed, *Missing the Forest for the Trolls*, 113 Colum. L. Rev. 2117, 2134 (2013).

In other words, because patent trolls favor guaranteed up-front rewards over long-term risks, the notion that lifting the *per se* prohibition on patent royalties on post-expiration use somehow will benefit them is incorrect.

D. The Rule Of Reason Provides An Appropriate Test For Scrutinizing Licensing Arrangements Involving Patent Royalties On Post-Expiration Use.

Marvel and the government do not dispute that the rule of reason framework has not, for many years, been an antitrust-only test. Rather, the courts of appeals also have, for decades, “invoked antitrust’s rule of reason as a determinant in most patent misuse cases.” 1 Herbert Hovenkamp, Mark D. Janis, Mark A. Lemley & Christopher R. Leslie, *IP and Antitrust: An Analysis of Antitrust Principles Applied to Intellectual Property Law* §3.2e. at 3-12 (2d ed. 2015) (“Hovenkamp IP & Antitrust Treatise”); *see also id.* §3.2 at 3-6–3-13 (surveying cases in this area). Relying on the rule of reason if *Brulotte* is overruled would thus be the most measured step the Court could take, simply harmonizing the analysis of patent royalties on post-expiration use with existing patent misuse law.

Marvel nonetheless argues (Resp. Br. 54-55) that such royalties should, at a minimum, be “presumptively unlawful” – a test that exists in no other area of patent misuse jurisprudence. Why should the Court take the radical step of crafting a *sui generis* misuse test for patent royalties on post-expiration use? Marvel offers two reasons, but neither is convincing.

Marvel first asserts that its proposed test should be adopted because it “is reasonable at least to presume, as *Brulotte* did, that a licensee would agree to pay for post-expiration royalties only as a result of improper patent leverage.” Resp. Br. 54. But given the repudiation of the patent-equals-market-power presumption in the years since *Brulotte*, Pet. Br. 41-45, the overwhelming evidence that such royalties frequently make business sense for both parties and are socially beneficial, Pet. Br. 29-40, and the broad consensus that such arrangements do not enable the licensor to extract additional patent royalties because a lower royalty rate compensates for a longer royalty base, Pet. Br. 19-25, why, exactly, is it still “reasonable” to continue to make *Brulotte*’s underlying assumption? Marvel does not explain.

Marvel next contends that such a presumption also is justified because patent royalties on post-expiration use “are contrary to the public policies of the Patent Act.” Resp. Br. 54-55. But, as Petitioners already have demonstrated, that is simply not the case – such royalties promote rather than hamper innovation and advance the goals of the patent

system. *See* Part I.A., *supra* & Pet. Br. 29-36. Thus the presumption Marvel proposes cannot be justified on this ground either.

The government makes the additional – and frankly startling – argument that rule of reason analysis should not be employed to scrutinize patent royalties on post-expiration use because “the Patent Act . . . operates through bright-line rules rather than through case-specific comparisons of benefits and harms.” US Br. 9-10 & 27. But this Court repeatedly has said precisely the opposite, chastising the Federal Circuit in case after case for adopting bright-line rules under the Patent Act instead of engaging in contextualized analysis. *See, e.g., Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 737-41 (2002) (rejecting, on the government’s recommendation, the bright-line complete bar file-wrapper estoppel rule in favor of case-specific analysis); *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391-94 (2006) (rejecting bright-line rule making permanent injunctions virtually always available in patent cases in favor of case-specific analysis); *KSR Int’l Co. v. Teleflex, Inc.*, 550 U.S. 398, 418-19 (2006) (rejecting application of TSM test in obviousness analysis as a “rigid and mandatory formula[.]” in favor of a flexible case-specific approach). The premise of the government’s argument against the application of the rule of reason framework is thus demonstrably incorrect.

II. *Stare Decisis* Does Not Foreclose Reconsideration Of *Brulotte*.

Marvel's *stare decisis* analysis largely recycles the arguments it – and the government – already had made at the petition stage, and to which Petitioners anticipatorily responded in their opening brief. Pet. Br. 49-58. Consequently, only a few key points bear re-emphasis.

A. Overruling *Brulotte* Would Raise No Reliance Concerns.

Marvel's only genuinely new *stare decisis* argument – pointedly not endorsed by the government – is that overruling *Brulotte* could upset settled expectations because some hypothetical contracting parties that intended for patent royalty accrual to end at patent expiration may have relied on *Brulotte*'s background rule instead of explicitly specifying the accrual termination date in their license. Resp. Br. 11 & 32-33; *see also* Washington Legal Foundation *Amicus* Br. 6 & 23-24. Thus overruling *Brulotte*, Marvel speculates, could open the door to widespread strategic demands by dishonest licensors, who would take advantage of this intentional ambiguity to now demand additional royalties for expired patents. *Id.*

But agreements where the parties expressly contemplated that patent royalty accrual would end at patent expiration, but then, relying on *Brulotte*, intentionally left the issue ambiguous, are very

unlikely to exist in the real world – for a straightforward reason. The Federal Circuit (and other courts of appeals before it) have long characterized *Brulotte* not merely as a rule of royalty uncollectibility, but rather as one of patent misuse. *See, e.g., Virginia Panel Corp. v. MAC Panel Co.*, 133 F.3d 860, 869 (Fed. Cir. 1997) (“[A]rrangements in which a patentee effectively extends the term of its patent by requiring post-expiration royalties” are “*per se* patent misuse” (citing *Brulotte*)); 1 Hovenkamp IP & Antitrust Treatise §3.3c1 at 3-31 (“While *Brulotte* itself did not invoke the patent misuse doctrine, merely speaking of the unenforceability of the royalty agreement itself, term extension has been accepted into the canon of patent misuse. Thus, it seems clear that . . . a license of a patent expiring in 2010 that required royalties to be paid on all products sold until 2020 . . . would constitute patent misuse.”).

Consequently, no sensible patent licensor would intentionally agree to leave the royalty accrual end date ambiguous if the parties had in fact been aware of *Brulotte* and had contemplated that accrual would end at patent expiration, because entering into such an agreement would entail the risk of rendering the licensed patent worthless. An unlicensed competitor could defend against an accusation of infringement on the ground that the ambiguous agreement *does* in fact provide for patent royalties for post-expiration use, and the licensed patent thus is unenforceable, and damages are uncollectible, against all potential infringers on the grounds of patent misuse. *See, e.g.,*

Rocform Corp. v. Acitelli-Standard Concrete Wall, Inc., 367 F.2d 678, 679-81 (6th Cir. 1966) (patent in suit held unenforceable due to license agreement construed to require patent royalties on post-expiration use); *American Securit Co. v. Shatterproof Glass Co.*, 268 F.2d 769, 777 (3d Cir. 1959) (same) (alternative holding); 1 Hovenkamp IP & Antitrust Treatise at §3.6a at 3-71 (“The fundamental remedy for intellectual property misuse is that the intellectual property right or rights that have been misused are rendered unenforceable. If a patentee has misused its patent, the courts will neither enjoin infringement of that patent nor award damages to the patentee. . . . Further, a patentee tarred with a misuse finding cannot enforce the patent against any defendant, whether or not there is a relationship between the misuse and the recovery it seeks.”).

Because the risk of patent unenforceability on this basis has been present for as long as the holding of *Brulotte* has been in effect, see *Rocform*, 367 F.2d at 679-81, it is very unlikely that a meaningful number of license agreements of the type posited by Marvel actually exist. Consequently, reliance interests would not be significantly implicated by reconsideration of *Brulotte*. Pet. Br. 57-58.

B. If *Brulotte* Is Statutory For *Stare Decisis* Purposes, It Is Also Constitutional For *Stare Decisis* Purposes.

Marvel and the government continue to insist that overturning *Brulotte* is a matter for Congress,

not this Court, and that considerations of *stare decisis* apply with “special force” here, because *Brulotte* is a “statutory precedent.” Resp. Br. i & 13; US Br. 19. But in so doing, they ignore the logical implications of their own argument.

The Court’s opinion in *Brulotte* simultaneously cited *two* limited patent term provisions – Art. I, §8, cl. 8 of the Constitution, which “authorizes Congress to secure ‘for limited times’ to inventors ‘the exclusive right’ to their discoveries,” and 35 U.S.C. §154, which, at the time, provided for a seventeen-year patent term. *Brulotte*, 379 U.S. 30, Pet. App. 74-75. Thus, to the extent that the *per se* rule announced in *Brulotte* is seen as statutory for *stare decisis* purposes simply because it was fashioned against the background principle of limited patent terms embodied in section 154, that *per se* rule, by parity of reasoning, must also be seen as at least partly constitutional for *stare decisis* purposes, as it was equally fashioned against the same background principle of limited patent terms embodied in Art. I, §8, cl. 8. Indeed, even *amici* supporting Marvel acknowledge this. See Public Knowledge *Amicus* Br. 9 (“*Brulotte* is a simple corollary to the patent policy goals expressed in [Art. I, §8, cl. 8 of the Constitution].”).

But if that is so, then the logical consequence of Marvel’s position is that *stare decisis* applies with *less* force here, not more. This Court has never hesitated to reconsider prior constitutional decisions, as “correction through legislative action is practically

impossible.” *Payne v. Tennessee*, 501 U.S. 808, 828 (1991) (internal quotation marks omitted).

Although Marvel itself publicly described *Brulotte* as a rule “with constitutional moorings”⁴ a mere three months ago, it now says that *Brulotte* has no constitutional basis because “*Brulotte’s* application has always been tied to the patent term set by statute, which does not remotely approach the outer bounds of Congress’s authority to authorize patents for ‘limited Times.’” Resp. Br. 19 n.7. But nothing in *Brulotte* turned on Congress’ choice, at the time, to set the patent term at seventeen years rather than ten or twenty or fifty. The key point, rather, was that the Court in *Brulotte* (erroneously) viewed patent royalties on post-expiration use as rendering the patent term, whatever its statutory boundary, potentially unlimited – a premise that cannot logically implicate the policies underlying the statute without also implicating the policies underlying the “limited times” clause of the Constitution.

Consequently, this is a singularly inappropriate case in which to “place on the shoulders of Congress the burden of the Court’s own error.” *Monell v. Dep’t of Soc. Servs.*, 436 U.S. 658, 695 (1978) (internal quotation marks omitted). At a minimum, whether

⁴ Letter from Seth P. Waxman and Thomas G. Saunders to Guy Donatiello, Amicus Committee, American Intellectual Property Law Ass’n at 1 (December 18, 2014) (proposal to lodge pursuant to Rule 32.3 pending).

Brulotte is susceptible to Congressional correction is legitimately in question. And the Court cannot address the issue in this case without rendering an impermissible advisory opinion about the propriety of a hypothetical Congressional enactment. Thus the more prudent course is for the Court itself to act to overrule *Brulotte*.

C. Congress' Past Legislative Activity Presents No Bar To Overruling *Brulotte*.

Additionally, even putting aside the question of whether Congress has the power to abrogate *Brulotte*, its past failure to do so presents no bar to the Court now overruling that decision. On the contrary, this Court consistently has warned against “the danger of placing undue reliance on the concept of congressional ‘ratification,’” *Patterson v. McLean Credit Union*, 491 U.S. 164, 175 n.1 (1989), and has reconsidered its own precedent notwithstanding essentially identical instances of Congressional inaction.

This Court’s decision in *Illinois Tool Works, Inc. v. Independent Ink, Inc.*, 547 U.S. 28, 41, 45-46 (2006), for example, involved the very same ultimately-enacted legislation, the Patent Misuse Reform Act of 1988, and even one of the same proposed bills, S. 438, as that relied upon by Marvel here. Compare Brief for Respondent Independent Ink, Inc. at 34-35, *Illinois Tool Works, Inc. v. Independent Ink, Inc.*, 547 U.S. 28

(2006), No. 04-1329 (Sept. 28, 2005)⁵ *with* Resp. Br. 22 & 25-26. And the respondent in *Illinois Tool Works* had argued that the four prior decisions establishing “the patent-equals-market-power presumption” in the antitrust tying context should not be overruled for essentially the same reasons Marvel advances now:

Congress has had ample opportunity to eliminate the market power presumption, but has repeatedly declined to do so. . . . [¶] For example, Congress considered proposals to eliminate the patent tying presumption from antitrust law when it enacted the Patent Misuse Reform Act of 1988, but the final legislation omitted any such proposal. The Senate bill contained a provision eliminating the presumption, *see* S. 438 (proposing the “Intellectual Property Antitrust Protection Act of 1988” to provide that an intellectual property right “shall not be presumed to define a market or to establish market power”), but the House deleted that provision and the Senate later acquiesced to the House version. *See* Patent Misuse Reform Act, PL 100-703 (1988) (containing no such provision).

Brief for Respondent Independent Ink, Inc. at 34-35.

⁵ Available at http://www.americanbar.org/content/dam/aba/publishing/preview/publiced_preview_briefs_pdfs_05_06_04_1329_Respondent.authcheckdam.pdf.

In response, the government, in its *amicus* brief in *Illinois Tool Works*, condemned as “unsound” the suggestion that Congress had endorsed the patent-equals-market-power presumption because of its “failure to adopt [the] proposed statutory language,” and argued that the prior cases should be overruled – a suggestion this Court followed. See Brief for the United States As *Amicus Curiae* at 6 & 15 n.11, *Illinois Tool Works, Inc. v. Independent Ink, Inc.*, 547 U.S. 28 (2006), No. 04-1329 (Aug. 4, 2005), 2005 WL 1864093.

Similarly, in *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 320, 327 n.17, 339-42 (1971), this Court, in overruling a prior decision and rejecting the “judge-made doctrine” of mutuality of estoppel in patent litigation, refused to find Congressional ratification of the prior rule despite “the introduction of several bills” to effect relevant changes, congressional hearings on the issue, and an intervening reform of the Patent Act. And, in *Blonder-Tongue*, the government again argued that alleged Congressional ratification was entitled to little weight:

Congress’ failure to act on [the] various legislative proposals which have . . . been introduced [to change the relevant rule is] . . . without significance. . . . This Court created the [relevant] rule . . . , and this Court appropriately may modify [it].

Brief for the United States As *Amicus Curiae* at 41 & 44, *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*,

402 U.S. 313 (1971), No. 70-338 (Jan. 8, 1971) 1971 WL 133763.

This Court similarly created *Brulotte's per se* bar, and thus Congress' failure to act – applying the government's own logic from its brief in *Blonder-Tongue* – presents no obstacle to overruling *Brulotte* now.



CONCLUSION

The judgment of the court of appeals should be vacated, and the case remanded with directions for the lower courts to evaluate the agreement in this case under the rule of reason.

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