The patent laws, granting a patent owner the right to exclude others from making, using, and selling his invention, uniquely provide immunity from antitrust violation.\(^1\) However, having obtained such immunity, the patent owner is obligated to refrain from asserting its rights in an anticompetitive manner or outside the scope of his patent.\(^2\) A primary method for a patent owner to legitimately assert his patent rights is to sue alleged infringers, enjoin the infringing activity, and recover damages for revenue losses caused by the infringement.\(^3\)

To defend himself in a patent infringement lawsuit, an accused infringer may attempt to prove the invalidity and unenforceability of the patent in question.\(^4\) The accused infringer may also prove patent misuse, thereby suspending the patent owner’s right to recover for infringement until the misuse is corrected.\(^5\) Or he may strike back by proving that the patent owner wrongfully asserted a patent in violation of antitrust laws, thereby stripping away his patent-granted immunity from such laws.\(^6\)

The stakes are high for both parties when a violation of antitrust laws is alleged in an infringement counterclaim. The accused infringer must meet the challenge of proving 1) improper obtainment and assertion of the patent by the patent owner,\(^7\) as well as 2) injury as a result of improper

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\(^2\) See DONALD S. CHISUM, CHISUM ON PATENTS § 19.04, 19-283 (1998). See also Brownell v. Ketcham Wire & Mfg. Co., 211 F.2d 121, 128-29 (9th Cir. 1954) (discussing improper patent practices under the antitrust laws including attempts to extend the scope of the patent monopoly).


\(^5\) See CHISUM, supra note 2.

\(^6\) See Atari Games Corp. v. Nintendo of America Inc., 897 F.2d 1572, 1576, 14 U.S.P.Q.2d (BNA) 1034, 1037 (Fed. Cir. 1990) (noting that “[w]hen a patent owner uses his patent rights not only as a shield to protect his invention, but as a sword to eviscerate competition unfairly, that owner may be found to have abused the grant and may become liable for antitrust violations when sufficient power in the relevant market is present”).

patent assertion. If the accused infringer is successful, the patent owner faces the very high cost of patent invalidation, treble damages, and attorney’s fees.

In addition to raising the stakes, an antitrust counterclaim in a patent infringement suit frequently creates complex jurisdictional questions for the district court due to the mixed nature of the claims. Congress has statutorily invested original jurisdiction in district courts for “civil actions arising under the Constitution, laws, or treaties of the United States,” specifically for civil actions arising under the patent laws. State courts are preempted from adjudicating such claims. A district court’s jurisdiction over mixed patent and civil law cases dictates appellate jurisdiction in the circuit courts. Thus, the development of a uniform body of law for actions such as antitrust claims raised in defense of patent infringement actions depends on difficult threshold determinations of jurisdiction.

10. See Panduit Corp. v. All States Plastic Mfg. Co., 744 F.2d 1564, 1574-75, 223 U.S.P.Q. (BNA) 465, 471 (Fed. Cir. 1984) (discussing the confusion arising in cases involving a procedural question independent of the patent issues in dispute and ruling as a matter of policy that the Federal Circuit shall review procedural matters, that are not unique to patent issues, under the law of the appropriate regional circuit court).
12. See 28 U.S.C. § 1338(a) (“[D]istrict courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents.”).
14. See 28 U.S.C. § 1295(a)(1) (vesting the Federal Circuit with jurisdiction over any appeal from a final decision of a district court “if the jurisdiction of that court was based, in whole or in part, on § 1338 of this title, except in a case involving a claim arising under an Act of Congress relating to copyrights or trademarks and no other claims under Section 1338(a) shall be governed by Sections 1291, 1292 and 1294 of this title”).
I. BACKGROUND

Doctors Branemark and Bo-Thuresson af Ekenstam are the named inventors on U.S. Patent 4,330,891 (the '891 patent) directed to an element of a dental implant. The U.S. application was filed in 1980 claiming priority to a Swedish application filed in 1979. The element acts as a tooth root substitute when placed in a patient’s jawbone. The growing bone tissue forms a connection with the implant through the natural process of osseointegration into holes in the element. These holes, termed “micropits,” have a specified size range and spacing disclosed within the patent specification.

Branemark co-authored and published a book in 1977 entitled “Osseointegrated Implants in the Treatment of the Edentulous Jaw Experienced from a 10-Year Period” (hereinafter the 1977 Book). The 1977 Book displayed four scanning electron micrographs (SEMs) showing titanium implants with small holes. The SEMs were captioned, in part: “Irregularities are produced during manufacturing in order to increase the retention of the implants within the mineralized tissue.” While the 1977 Book did not refer to the irregularities as micropits, it did indicate that the diameters of the irregularities were within the size range claimed in the '891 patent.

Despite its apparent relevance to the technology of the claimed invention, the 1977 Book was not disclosed in the Branemark patent applications. A draft of the earlier-filed Swedish application contained a reference to the 1977 Book, but that reference was deleted prior to filing. The U.S. application, based on the Swedish application, similarly contained no
reference to the 1977 Book, nor was the reference disclosed to the patent examiner during prosecution of the U.S. application.27

Nobelpharma licensed the technology of the pending U.S. application in June 1980.28 Following issuance of the application as the ’891 patent in 1982, Nobelpharma used it to assert at least three patent infringement suits.29

II. THE DISTRICT COURT DECISION

In 1991, Branemark was a member of Nobelpharma’s board of directors, Nobelpharma sued Implant Innovations, Inc. (“3I”) alleging that some of 3I’s dental implants infringed the ’891 patent.30 3I defended itself by asserting the claims of invalidity, unenforceability, and non-infringement.31 3I had the burden of showing invalidity and unenforceability by clear and convincing evidence to overcome the presumption of patent validity.32 To demonstrate a best mode violation, 3I had to show that the best mode of practicing the invention was known at the time the application was filed and, if so, whether the best mode was disclosed in the application.33 To meet this challenge, 3I referred to statements made by Branemark in testimony from an unrelated case.34 In that testimony, Branemark revealed that he was aware of a variety of undisclosed machining parameters critical to the production of an implant useful for osseointegration at the time of filing the U.S. application.35 Branemark stated that the procedure for manufacturing the micropitted surface could

27. See id.
28. See id.
29. See id.
31. See id. at 1063, 46 U.S.P.Q.2d at 1099.
34. See Nobelpharma, 141 F.3d at 1065, 46 U.S.P.Q.2d at 1101 (noting Branemark’s statements that “(1) ‘there were some minor details that were not included [in the patent] and which proved to be quite important,’ (2) other skilled artisans would have to be ‘lucky’ to obtain a suitable micropitted implant ‘by cutting a piece of titanium at a speed less than twenty meters per minute,’ the cutting speed disclosed in the patent, and (3) ‘any of the small detailed recipes that I discussed but did not specify’ in the patent ‘can cause you to fail to get micropitting even though you were cutting the metal at less than twenty meters per minute’”). See also Nobelpharma AB v. Implant Innovations, Inc., 930 F. Supp. 1241, 1247-48 (N.D. Ill. 1996) (citing additional testimony by Branemark indicating knowledge of the invention prior to filing the patent applications).
35. See Nobelpharma, 141 F.3d at 1063, 1065, 46 U.S.P.Q.2d at 1099, 1101.
be considered a trade secret, and that possibly important details for making the micropitted surface were not disclosed in the patent.\textsuperscript{36} The trial court found that Nobelpharma's patent was invalid for failing to disclose the best mode under 35 U.S.C. § 112, ¶1, and that Nobelpharma failed to prove infringement.\textsuperscript{37}

31, as the accused infringer, also counterclaimed that Nobelpharma had asserted a patent it knew was invalid and, in so doing, violated antitrust law.\textsuperscript{38} In a separate jury trial on the antitrust issue, the jury agreed with 31, finding that the patent was obtained through fraud and that the patent owner knew this at the time the patent was asserted against 31.\textsuperscript{39} In addition, while 31 showed that Nobelpharma intended to sue 31 so that it would "spend money and time fighting the lawsuit," the district court found that the sham litigation test articulated in \textit{Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.} ("P.R.E.")\textsuperscript{40} was inapplicable because proof of Nobelpharma's knowing fraud upon the PTO existed.\textsuperscript{41} Consequently, the '891 patent was not only invalidated due to fraud, but because the jury found that Nobelpharma had violated antitrust law, the court awarded treble damages.\textsuperscript{42} Nobelpharma's subsequent motions for judgment as a matter of law or, in the alternative, a new trial were denied.\textsuperscript{43}


\textsuperscript{37} See \textit{id.} The Federal Circuit affirmed the district court's grant of a motion for judgment as a matter of law on the invalidity issue as a case in which the movant, 31, had established its case using evidence that the jury would not be at liberty to disbelieve and that a decision in the movant's favor was the only reasonable conclusion. See \textit{id.} at 1065, 46 U.S.P.Q.2d at 1102 (citing Hurd v. American Hoist & Derrick C., 734 F.2d 495, 499 (10th Cir. 1984)).

\textsuperscript{38} See \textit{id.} at 1062-63, 46 U.S.P.Q.2d at 1099-1100.

\textsuperscript{39} See \textit{id.} at 1063, 46 U.S.P.Q.2d at 1100 (citing Nobelpharma AB v. Implant Innovations, Inc., 875 F. Supp. 481 (N.D. Ill. 1985)).

\textsuperscript{40} 508 U.S. 49 (1993).


\textsuperscript{43} See \textit{Nobelpharma,} 930 F. Supp. at 1259-60.
III. BACKGROUND CASELAW

A. Fraudulent Procurement of a Patent May Constitute an Antitrust Violation: The Walker Process Test

A finding that the antitrust laws have been violated under section 2 of the Sherman Act is significant because it exposes the patentee to treble damages under section 4(a) of the Clayton Act. It is not a violation of the Sherman Act to assert a patent in good faith, even if the patent is later found to be invalid. However, assertion of a patent obtained by fraud or known to be invalid may constitute misconduct before the Patent and Trademark Office ("PTO") sufficiently egregious to strip the patentee of his immunity from antitrust laws. It is essential, therefore, that a clear test be available for defining what conduct tips the balance from inequitable conduct to fraud such that the patent owner is stripped of his immunity from antitrust liability.

An important test for determining the inequitable conduct-fraud transition developed from the 1965 case of Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp. In Walker Process, an infringement suit in which an antitrust counterclaim was filed, the patentee was accused of failing to inform the PTO that a statutory bar to patentability existed. In a later analysis in Norton v. Curtiss, the Court of Customs and Patent


45. See Handgards, Inc. v. Ethicon, Inc. 601 F.2d 986, 993 (9th Cir. 1979) ("Patentees must be permitted to test the validity of their patents in court through actions against alleged infringers. Their status as alleged possessors of a legal monopoly does not cause them to be pariahs before the law.") (citations omitted).

46. See C.R. Bard, Inc. v. M3 Systems, Inc., 157 F.3d 1340, 1364-65, 48 U.S.P.Q.2d (BNA) 1225 (Fed. Cir. 1998) (noting that the requirements of common law fraud differ from the broader sweep of "'inequitable conduct,' an equitable defense that may be satisfied when material information is withheld with the intent to deceive the examiner, whether or not the examiner is shown to have relied thereon") (citation omitted). See also Argus Chemical Corp. v. Fibre Glass-Evercoat Co., 812 F.2d 1381, 1384-85, 1 U.S.P.Q. (BNA) 1971, 1974 (Fed. Cir. 1987) (clarifying that inequitable conduct less egregious than common law fraud would not create liability under Walker Process for the patent owner).

47. 382 U.S. 172 (1965).

48. See id. at 177. See also ABA SECTION OF ANTITRUST LAW, ANTITRUST LAW DEVELOPMENTS 936 n.58 (4th ed. 1997) (citing 35 U.S.C. § 102(b), which precludes grant of patent if the invention has been on sale for more than one year prior to filing the application, and noting that at the time the Walker Process patent application was filed, the applicant was required to sign an oath averring that no on-sale bar existed for the claimed invention).

Appeals distinguished inequitable conduct from common law fraud, noting that common law fraud does not exist unless five elements are present: 1) a representation of a material fact, 2) the falsity of that representation, 3) the intent to deceive or, at least, a state of mind so reckless as to the consequences that it is held to be the equivalent of intent (scienter), 4) a justifiable reliance upon the misrepresentation by the party deceived which induces him to act thereon, and 5) injury to the party deceived as a result of his reliance on the misrepresentation. Inequitable conduct, a broader, lesser offense, fails to satisfy all of the elements of common law fraud.

The *Walker Process* Court held that an antitrust counterclaim in an infringement suit requires sufficient proof of the enforcement of a patent procured by fraud, as well as support of an antitrust claim under section 2 of the Sherman Act. Because the misconduct must be intentional to be fraudulent, assertion of the fraudulently obtained patent must also be intentional. As a result, the key element of a patent-related antitrust violation under the *Walker Process* test is knowledge on the part of the patent owner of the patent’s fraudulent procurement before asserting it.

The *Walker Process* test combines the elements of patent fraud and the elements of an antitrust violation as criteria to be met in stating a claim for a patent-related antitrust violation. The accused infringer asserting an antitrust counterclaim for *Walker Process* fraud has the burden of fulfilling several elements to make a showing of *Walker Process* fraud. These elements include patent law violations in which 1) the patent was obtained by willful fraud, 2) the claimed invention was not patentable in the absence of the fraud, and 3) there was an effort to assert the fraudulently obtained patent.

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51. *See* id. at 1070, 46 U.S.P.Q.2d at 1106.


54. *See* Walker Process, 382 U.S. at 177 & n.5 (noting that maintenance and enforcement of a fraudulently obtained patent with knowledge of the patent’s infirmity is sufficient to strip the assignee of its exemption from the antitrust laws).

55. *See* Walker Process, 382 U.S. at 177.

In addition, the elements include antitrust violations in which 4) the patentee is capable of obtaining monopoly power in the relevant market, and 5) the plaintiff has suffered injury due to the patent’s enforcement. 58

B. Fraudulent Assertion of a Patent May Constitute an Antitrust Violation: The P.R.E. Test

While an owner of a valid patent is immune from antitrust violation when asserting a valid patent against an accused infringer, fraudulent assertion of that patent may be considered a “sham” lawsuit. 59 Historically, the concept of “sham” litigation developed from the case of Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc. 60 in which litigation against a business competitor was held to have immunity from antitrust violation if the purpose of the litigation was to influence legislation. 61 However, the Supreme Court in Noerr also held that litigation constituting a mere sham to cover what would otherwise be a means of interfering directly with a competitor’s business is excepted from antitrust immunity. 62 The Court later expanded the Noerr doctrine in California Motor Transport Co. v. Trucking Unltd., 63 noting that the philosophy of Noerr immunity was applicable to activities before an administrative agency or the court. 64

Applying the Noerr antitrust exception to patent infringement litigation, the Supreme Court later developed a two-pronged test to determine whether an infringement lawsuit is a sham used to harm the accused in-

57. See Walker Process, 382 U.S. at 177. See also Handgards, Inc. v. Ethicon, Inc. 601 F.2d 986, 994 (9th Cir. 1979) (distinguishing enforcement of a fraudulently-procured patent from bad faith assertion in an infringement action of a patent known to be invalid).


61. See id. at 144 (holding that a railroad consortium’s efforts to restrict competition from the trucking industry involved legislative lobbying, which enjoyed antitrust immunity despite anticompetitive effects).

62. See id.

63. 404 U.S. 508 (1972).

fringer's market position. The test was set out in *P.R.E.*, a case involving a copyright infringement suit and an antitrust counterclaim. According to the test, a sham lawsuit must be objectively baseless, meaning that no reasonable litigant could realistically expect to succeed on the merits. Next, in the subjective prong of the test, the baseless suit must conceal an attempt to interfere directly with a competitor's business relationships by using a governmental process (as opposed to the outcome of that process) as an anticompetitive weapon. This two-tiered process requires that the challenged lawsuit's legal viability be disproved before the court may evaluate its economic viability. Even if the objective and subjective criteria are met, the plaintiff must still prove a substantive antitrust violation.

In its decision, the Court in *P.R.E.* offered an early indication that application of the expanded *Noerr* doctrine to antitrust liability for a litigant's fraud or other misrepresentation (such as *Walker Process* fraud) in an administrative or judicial process was an unresolved question. The *Nobelpharma* case provided a unique opportunity to address this issue because elements of both *Walker Process* fraud and *P.R.E.* sham litigation were present.

C. Consistent Jurisdictional Authority Over Mixed Cases of Civil and Patent Law Generates a Uniform Body of Law

Addressing the issue of what conduct in procuring or enforcing a patent causes the patent owner to lose its immunity to antitrust laws relates, in part, to the Federal Circuit's concern regarding its jurisdiction over cases involving both patent infringement and antitrust questions. The court's decision to apply Federal Circuit law to antitrust cases arising from infringement suits is founded in the court's intent to clarify federal jurisdic-

    66. *See id.*
    67. *See id.*
    68. *See id.* at 60-61. *See also* Columbia v. Omni Outdoor Advertising, Inc., 499 U.S. 365, 380 (1990) (noting that an example of a "sham" is the "filing of frivolous objections to the license application of a competitor, with no expectation of achieving denial of the license but simply in order to impose expense and delay").
    71. *See id.* at 61 n.6.
tion over issues related to patent law. More specifically, with regard to which patent-related cases should be left to its subject matter jurisdiction and which to the federal regional courts, the Federal Circuit’s jurisdictional mandate is of central importance.

The purpose that Congress sought to advance in forming the Federal Circuit court in 1982 was to effect “‘a clear, stable, uniform basis for evaluating matters of patent validity/invalidity and infringement/noninfringement,’ so as to ‘render[] more predictable the outcome of contemplated litigation, facilitate[] effective business planning, and add[] confidence to investment in innovative new products and technology.’” In cases that offer a mixture of civil and patent-related claims, however, the predictability of the outcome may be more problematic. Proper guidance as to the district courts’ original jurisdiction is essential because that jurisdiction ultimately determines what cases involving patent issues are appealed to the Federal Circuit court. Original jurisdiction is provided to the district courts in 28 U.S.C. § 1331, the general federal-question jurisdiction provision, stating that “the district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.” Section 1338(a) provides that “the district courts shall have original jurisdiction of any civil action arising under an Act of Congress relating to patents,” but state courts will not have such jurisdiction in patent cases. Thus, in cases arising from a mixture of civil and patent-related causes of action, the district court must carefully consider whether the case, as a whole, is governed by section 1338(a) as a patent-related case, or whether the case is primarily a civil action falling outside the governance of section 1338(a). The Supreme Court in Christianson v. Colt Indus. Operating Corp. described the jurisdictional extent of section 1338(a) as relating to those cases in which “a well-pleaded complaint establishes either [1] that federal patent law creates the cause of action or [2] that the plaintiff’s right to relief necessarily depends on resolution of a

76. See 28 U.S.C. § 1338(a). See also 28 U.S.C. § 1295(a)(1) (providing in part that the Federal Circuit has jurisdiction over any appeal from a final decision of a district court if the jurisdiction of that court is based at least in part on § 1338).
substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims.\(^7\)

Congress mandated that the Federal Circuit develop standards for determining jurisdiction in cases involving patent and non-patent claims according to the Federal Courts Improvement Act.\(^8\) In the 1991 case of *Biodex Corp. v. Loredan Biomedical, Inc.*,\(^8\) the Federal Circuit reviewed its policy of achieving uniformity in district court case management, noting that it has factored significantly in the Federal Circuit’s deference to regional circuit law.\(^8\) Citing policy articulated in *Panduit Corp. v. All States Plastic Mfg. Co.*,\(^8\) the Federal Circuit ruled that procedural matters not unique to patent law will be reviewed under the state law of the regional circuit court where appeals from the district court would normally lie.\(^8\) Deference, the *Panduit* court noted, would depend on whether the procedural matter sufficiently relates to patent issues to directly affect the outcome of the action.\(^8\) The *Biodex* court’s analysis noted that, subsequent to *Panduit*, the court had generally deferred to regional circuit law when reviewing procedural matters as well as substantive legal issues not within its exclusive jurisdiction arising under the patent laws.\(^8\) However, the *Biodex* court stated that where the issue on appeal involved a substantive matter unique to the Federal Circuit, deference would be inappropriate.\(^8\) This tension between deference to regional laws and exercise of its exclusive jurisdiction has dogged the court throughout its existence and is only beginning to be resolved.

\(^7\) *Id.* at 808-09 (noting that whether a claim arises under section 1338 depends on what statements appear in the complaint). *See also* *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle Ltd.*, 895 F.2d 736, 743-44, 13 U.S.P.Q.2d (BNA) 1670, 1676 (noting that the well-pleaded complaint rule is not a principle of law but a useful analytical tool for determining Federal Circuit appellate jurisdiction, and that the well-pleaded complaint includes assertions in the claim as well as the counterclaim).

\(^8\) *See* *Atari, Inc. v. J.S. & A. Group, Inc.*, 747 F.2d 1422, 1428, 223 U.S.P.Q. (BNA) 1074, 1078 (Fed. Cir. 1984) (en banc).

\(^8\) *See* *id.* at 856, 20 U.S.P.Q.2d at 1256.

\(^8\) *See* *id.* at 856, 20 U.S.P.Q.2d at 1256.

\(^8\) *See* *Biodex*, at 856, 20 U.S.P.Q.2d at 1256.

\(^8\) *See* *id.* at 857, 20 U.S.P.Q.2d at 1257.

\(^8\) *See* *id.* at 857-58, 20 U.S.P.Q.2d at 1258.

\(^8\) *See* *Biodex Corp. v. Loredan Biomedical, Inc.*, 946 F.2d 850, 858 n.12, 20 U.S.P.Q.2d (BNA) 1252, 1258 n.12 (Fed. Cir. 1991).
IV. THE FEDERAL CIRCUIT DECISION

Following the jury trial in which Nobelpharma was found to have committed Walker Process fraud, Nobelpharma appealed to the Federal Circuit from the district court decisions that 1) the '891 patent was invalid under section 112, paragraph 1 (best mode), 2) 3I did not infringe the '891 patent, and 3) Nobelpharma was not entitled to judgement as a matter of law or, in the alternative, a new trial on the antitrust verdict in favor of 3I. 88

Nobelpharma argued that there was a lack of substantial evidence for the jury to find fraudulent procurement of the '891 patent and awareness of the fraud at the time the patent was asserted (i.e. Walker Process fraud). 89 In addition, it argued that the district court erred by failing to instruct the jury that to find an infringement action violative of antitrust laws they must first find that the lawsuit was objectively baseless (i.e., a P.R.E. sham litigation). 90 With regard to the issue of fraudulent procurement, the Federal Circuit stated that intentional fraud committed by either a misrepresentation or an omission before the PTO, and relied upon by the patentee in obtaining the patent, is sufficient for a finding of Walker Process fraud. 91 It noted that the omission of any reference to the 1977 Book in the '891 patent and Nobelpharma’s apparent knowledge of the omission left it exposed to antitrust violation. 92 Holding that the district court’s jury instructions regarding Walker Process fraud were not legally erroneous, the Federal Circuit noted that Nobelpharma could not have benefited from additional jury instructions regarding fraudulent assertion of its patent under a P.R.E. analysis. 93

V. DISCUSSION

Whether both fraudulent patent procurement and sham litigation must be shown to strip a patent owner of its antitrust immunity is a question of law that was not considered by the Supreme Court in the Walker Process
case, and later only alluded to in P.R.E.\textsuperscript{94} Thus, until Nobelpharma, the Federal Circuit left unresolved the question of whether a patentee's conduct may be considered independently under Walker Process and P.R.E. in determining whether the patentee is exposed to antitrust liability.\textsuperscript{95} On appeal, the Nobelpharma case provided an opportunity for the Federal Circuit to apply both tests to the same facts.

Application of the Walker Process test to the facts of patent prosecution determines whether the patent was fraudulently procured.\textsuperscript{96} On the other hand, application of the P.R.E. test to the facts surrounding assertion of the patent in an infringement suit determines whether the suit was a sham intended to interfere with the accused infringer's business relationships.\textsuperscript{97} Because each test relates to a separate element of patent fraud—assertion of a fraudulently procured patent (Walker Process fraud) and assertion of a patent for a fraudulent purpose (P.R.E. "sham" litigation)—the Nobelpharma court held that these tests relate to independent actions and provide alternative legal grounds on which a patentee may be stripped of its immunity from the antitrust laws.\textsuperscript{98}

\textsuperscript{94} See Nobelpharma AB v. Implant Innovations, Inc., 930 F. Supp. 1241, 1251-52 (N.D. Ill. 1996) (citing James B. Dobak, Jr., Professional Real Estate Investors and the Future of Patent-Antitrust Litigation: Walker Process and Handgards Meet Noerr-Pennington, 63 ANTITRUST L.J. 185, 186, 193 (1994)). The district court noted that the Supreme Court did not mention the Noerr line of cases in its decision in Walker Process nor did it decide in P.R.E. whether and to what extent Noerr permits imposition of antitrust liability for a litigant’s fraud. See id. The Supreme Court apparently believed that there was no necessary or inherent connection between the cases. The district court in Nobelpharma also noted that other courts have followed this lead. See id.

\textsuperscript{95} In two cases decided after P.R.E., the Federal Circuit found insufficient allegations to support a finding of an objectively baseless infringement law suit and further noted in each case that there was no need for the court to determine whether antitrust immunity under the Noerr doctrine affected immunity under Walker Process because fraudulent patent procurement was not alleged. See FilmTec Corp. v. Hydarnautics, 67 F.3d 931, 36 U.S.P.Q.2d (BNA) 1410 (Fed. Cir. 1995); Carroll Touch, Inc. v. Electro Mechanical Sys., Inc., 15 F.3d 1573, 27 U.S.P.Q.2d (BNA) 1836 (Fed. Cir. 1993).

\textsuperscript{96} See Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp., 382 U.S. 172, 179 (Harlan, J. concurring) (limiting the reach of Walker Process fraud to knowing and willful patent procurement, as opposed to actions in which “technical fraud” is found).


\textsuperscript{98} See Nobelpharma AB v. Implant Innovations, Inc., 141 F.3d 1059, 1071, 46 U.S.P.Q.2d (BNA) 1097, 1107 (Fed. Cir. 1998) (stating that “[e]ach [test] provides its own basis for depriving a patent owner of immunity from the antitrust laws; either or both may be applicable to a particular party’s conduct in obtaining and enforcing a patent”).
The infringement-based antitrust lawsuit also provided the Federal Circuit with an opportunity to analyze its jurisdiction over cases of mixed patent and civil causes of action. The court in *Nobelpharma* held, *en banc*, that whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is a question of Federal Circuit law. The court had two explicit purposes for so ruling. First, most patent-related antitrust issues are counterclaims to infringement actions and will be appealed to the Federal Circuit. Second, the court noted that it is in the best position to create a uniform body of federal law on the subject of patent-related antitrust issues. The ruling applies equally to all antitrust claims premised on the bringing of a patent infringement suit. The court noted, however, that the law of the appropriate regional circuit would be applied to “issues involving other elements of antitrust law such as relevant market, market power, damages, etc., as those issues are not unique to patent law, which is the subject of [the Federal Circuit’s] exclusive jurisdiction.” Thus, the Federal Circuit claimed subject matter jurisdiction over the threshold issue of patent-based antitrust immunity. Once immunity from antitrust law is established under Federal Circuit patent law, the remaining issues of antitrust law are subject to the Federal Circuit’s interpretation of regional circuit law.

The Federal Circuit’s *en banc* decision in *Nobelpharma* overruled three cases: *Atari v. JS & A Group*, *Loctite Corp. v. Ultraseal Ltd.* and *Cygnus Therapeutic Systems v. ALZA Corp.* Each of these cases

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99. See id. at 1067, 46 U.S.P.Q.2d at 1104.
100. See id. at 1068, 46 U.S.P.Q.2d at 1104. Federal Circuit appellate jurisdiction may be invoked when mixed actions of patent and civil issues fall within section 1338(a) extending to actions arising under a federal patent law or actions where the plaintiff’s right to relief necessarily depends on resolution of a substantial question of federal patent law. See *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1428-29 223 U.S.P.Q. (BNA) 1074, 1078 (Fed. Cir. 1984) (en banc) (discussing section 1338 jurisdiction). See also *Hunter Douglas, Inc. v. Harmonic Design, Inc.*, 153 F.3d 1318, 1324, 47 U.S.P.Q.2d (BNA) 1769, 1773 (discussing section 1338(a) and its “arising under” jurisprudence related to the general federal-question jurisdiction provision of 28 U.S.C. § 1331 (1993)).
101. See *Nobelpharma*, 141 F.3d at 1067-68, 46 U.S.P.Q.2d at 1104.
102. See id.
103. See id.
involved a patent-related action and civil actions where the court adhered to regional circuit laws to guide its decisions. The Cygnus case arose from Cygnus’ alleged apprehension of a patent infringement lawsuit by ALZA, forming the basis of its request for a declaratory judgment of patent invalidity and unenforceability as well as its antitrust claim under Walker Process. The Cygnus court noted that its exclusive jurisdiction over both claims was based on the district court’s section 1338 jurisdiction over the declaratory judgment. However, the Federal Circuit, following Loctite, stated that it would apply the law of the regional circuit in which the district court sat to rule on a summary judgment motion related to Cygnus’ Walker Process claim. The Cygnus court, having affirmed that there was no objective support for reasonable apprehension of an infringement lawsuit, apparently reviewed the Walker Process antitrust claim independent of its patent origin. Instead, the court applied regional law to a determination of possible anticompetitive behavior without addressing the issue of fraudulent patent procurement.

108. See Cygnus, 92 F.3d at 1161, 39 U.S.P.Q.2d at 1672; Loctite, 781 F.2d at 875, 228 U.S.P.Q. at 99; Atari, 747 F.2d at 1438-40, 223 U.S.P.Q. at 1086-87. In each case regional circuit law was applied to the patent infringement and antitrust claim elements. Note that in Argus Chemical Corp. v. Fibre Glass-Evercoat Co., Inc., 812 F.2d 1381, 1 U.S.P.Q.2d (BNA) 1971 (Fed. Cir. 1987), a patent infringement-based antitrust case, the Federal Circuit decided whether to extend Walker Process fraud to the patentee’s conduct by looking to the law of the regional circuit in which the case was brought. See id. at 1384, 1 U.S.P.Q.2d at 1974 (citing Loctite, 781 F.2d at 875, 228 U.S.P.Q. at 99). It appears that Argus Chemical should be overruled as well, to the extent that it disagrees with the Nobelpharma decision, although the Nobelpharma court made no mention of it.

109. See id. at 1157-58, 39 U.S.P.Q.2d at 1670, 1672.

110. See id. at 1158, 39 U.S.P.Q.2d at 1669.

111. See id. at 1161, 39 U.S.P.Q.2d at 1672 (citing Loctite, 781 F.2d at 875, 228 U.S.P.Q. at 99) (noting that “[the Federal Circuit] must approach a federal antitrust claim as would a court of appeals in the circuit of the district court whose judgment we review,” and later applying Ninth Circuit “clear and convincing” evidence standard to a determination of bad faith in an infringement law suit).

112. See id. at 1160-61, 39 U.S.P.Q.2d at 1672.

113. See Cygnus Therapeutic Systems v. ALZA Corp., 92 F.3d 1153, 39 U.S.P.Q.2d (BNA) 1666 (Fed. Cir. 1993). The Walker Process fraud complaint in the Cygnus case appears to be improper. Cygnus did not allege fraud in patent procurement. Instead, it alleged that ALZA asserted the patent to “stifle competition” and instill fear in Cygnus of expensive and unpredictable litigation. This behavior is more in line with P.R.E. “sham” litigation. This apparent confusion in the pleading points to confusion over the relationship between Walker Process fraud and P.R.E. bad faith assertion as elements of an antitrust claim. Despite this confusion, patent-related fraud was alleged as the basis of the antitrust claim making the court’s application of regional law contrary to the later reasoning of the Nobelpharma court.
This jurisdictional focus in *Cygnus* and *Loctite* derived from the *en banc* decision in *Atari*, in which the Federal Circuit held that district courts have the freedom "to follow the guidance of their particular circuits in all but the substantive law fields assigned exclusively to [the Federal Circuit]."\(^\text{114}\) The *Atari* court reasoned that deference to regional circuit law on matters over which the Federal Circuit does not have exclusive jurisdiction would comport with Congress' intent in establishing the Federal Circuit to avoid bifurcation of cases, "specialization" of the Federal Circuit, forum shopping, and appropriation by the Federal Circuit of law not exclusively assigned to it.\(^\text{115}\)

The *en banc* decision in *Nobelpharma* overruled *Atari*, *Loctite*, and *Cygnus* to the extent that they conflict with the decision that an antitrust claim premised on patent infringement is a question of Federal Circuit law.\(^\text{116}\) By so holding, the court recognized that the patent element of an infringement-based antitrust claim, the key element that determines the patentee's immunity from antitrust law, should be decided as a separate patent issue and only after application of federal patent law. As discussed, *supra*, the *Cygnus* court failed to address the patent element of its *Walker Process* antitrust claim.\(^\text{117}\) The court in *Loctite* applied the law of the Seventh Circuit to an antitrust claim premised on bad faith assertion of a pat-

\(^{114}.\) Atari, Inc. v. JS & A Group, 747 F.2d 1422, 1439, 223 U.S.P.Q. (BNA) 1074, 1087 (Fed. Cir. 1984) (en banc). This case reviewed Congress' intent in enacting the Federal Courts Improvement Act (FCIA) in 1982. Opponents of the FCIA suggested that a plaintiff suing for antitrust violation might join an incidental patent claim to remove the antitrust ruling to the Federal Circuit and away from any unfavorable regional circuit law. In addition, opponents expressed concern that allowing the Federal Circuit to have jurisdiction over cases that included "in part" a patent claim would allow the court to usurp the role of regional courts and regional law. The Federal Circuit, cognizant of this concern, but seeing a need to prevent the forum shopping that was an issue in *Atari* and bifurcated appeals generally, accepted jurisdiction for the case but deferred to the relevant Seventh Circuit law to decide it. See id. Justices Friedman and Davis separately concurred in the result, but noted that the majority opinion was too broad and should have been decided more narrowly on the issue of claim separation, which was sought merely to manipulate appellate jurisdiction. See id. at 1441, 223 U.S.P.Q. at 1088.

\(^{115}.\) See *id*. at 1439-40, 223 U.S.P.Q. at 1087-88 (noting that *Atari* apparently sought bifurcation of copyright infringement and antitrust claims as a means of "forum shopping" and holding that it would be appropriate to decide non-patent matters in light of the applicable law of the district from which each count originated).


\(^{117}.\) See *Cygnus Therapeutics Systems v. ALZA Corp.*, 92 F.3d 1153, 1161, 39 U.S.P.Q.2d (BNA) 1666, 1672 (Fed. Cir. 1993).
The Atari court declined to address the degree of "relatedness" of the antitrust issue to the patent issue in a Walker Process claim. Thus, the Nobelpharma en banc decision suggests that a specific pleading of infringement-based antitrust violation requires that the patent element be addressed before addressing the other elements of antitrust.

Nobelpharma should not, however, be construed to mean that all civil claims having a patent element should fall under the subject matter jurisdiction of the Federal Circuit. The Nobelpharma decision reflects a tension between the need to provide a uniform body of patent law on the one hand, and federalism issues inherent in taking jurisdiction over a class of cases on the other hand. In Dow Chemical Co. v. Exxon Corp., decided within a few days of Nobelpharma, Dow alleged state unfair trade practice violations based, in part, on patent law violations. The majority noted that federal patent law regarding the alleged inequitable conduct before the PTO did not preempt the state law torts of unfair competition because the tort may be proven without any showing of misconduct before the PTO. In Hunter Douglas, Inc. v. Harmonic Design, decided after Nobelpharma and Dow Chemical, Hunter Douglas sought a declaratory judgment of noninfringement, invalidity, or unenforceability of some of Harmonic Design's patents. Hunter Douglas also pleaded state law causes of action, such as a state law tort of injurious falsehood premised on Harmonic Design's assertion of patent invalidity. The court held that its jurisdiction arose under sections 1338(a) and 1295(a)(1) only for the tort of injurious falsehood because that complaint—a falsity with respect

118. See Loctite Corp. v. Ultraseal Ltd., 781 F.2d 861, 875, 228 U.S.P.Q. (BNA) 90, 99-100 (Fed. Cir. 1985).
122. See id. at 1471-72, 46 U.S.P.Q.2d at 1122.
123. See id. at 1477, 46 U.S.P.Q.2d at 1126 (Lourie, J. dissenting) (stating that Dow's state law cause of action should be preempted by federal patent law because a question of inequitable conduct before the PTO was at issue, regardless of whether non-patent elements beyond inequitable conduct must be shown).
125. See id. at 1322, 47 U.S.P.2d at 1771.
126. See id.
to patent procurement—necessarily depended on resolution of a question of federal patent law.\footnote{127}

The Federal Circuit, having established its statutory subject matter jurisdiction over infringement-based antitrust claims, was able to further contribute to the creation of a uniform body of law by using the unique set of facts in \textit{Nobelpharma} to 1) simultaneously review the tests for \textit{Walker Process} fraud and \textit{P.R.E.} bad faith patent assertion, and then 2) rule on the relative independence of the two types of fraud as applied to a patentee's conduct.\footnote{128}

\textbf{VI. CONCLUSION}

The \textit{Nobelpharma} decision is framed by the heightened awareness in the Federal Circuit and the regional circuits of anticompetitive behavior by intellectual property owners.\footnote{129} By providing guidance for the analysis of patent misconduct affecting antitrust issues and taking such cases into its subject matter jurisdiction, the Federal Circuit attempts to provide coherence to the current judicial discourse on patent-related antitrust issues. Under \textit{Nobelpharma}, a patent owner must accept the risk that assertion of

\footnote{127. \textit{See Hunter Douglas}, 153 F.3d at 1328-29, 47 U.S.P.Q.2d at 1776 (applying the analysis in \textit{Dow Chemical}, and holding that a state law claim of injurious falsehood arose under section 1338(a) because assertion of an invalid and unenforceable patent is conduct that raises a substantial question of federal patent law).

128. Apparently, confusion over jurisdiction in infringement-based antitrust claims continues despite the Federal Circuit's attempt to clarify the issue in \textit{Nobelpharma}. In \textit{In re FilmTec Corporation}, No. 548, 1998 U.S. App. LEXIS 17322 (July 7, 1998), the court rejected FilmTec's argument that the Federal Circuit "has exclusive jurisdiction to determine whether a patentee should be stripped of immunity from antitrust laws." \textit{Id.} at *4-*5 (emphasis added). FilmTec appeared to be referring to the Federal Circuit's statements regarding the court's exclusive jurisdiction over patent law. \textit{See id.} However, in \textit{In re FilmTec}, the court noted that its holding in \textit{Nobelpharma} provided that "conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is to be decided as a question of Federal Circuit law." \textit{In re FilmTec}, No. 548, 1998 U.S. App. LEXIS at *5 (citing \textit{Nobelpharma}, 141 F.3d at 1068, 46 U.S.P.Q.2d at 1104). Based on the explicit rejection of FilmTec's argument that the Federal Circuit should have exclusive jurisdiction over deciding whether a patentee should lose its immunity to antitrust laws, the references to exclusive Federal Circuit jurisdiction in \textit{Nobelpharma} should be construed as dicta. Note that FilmTec's argument also failed because the patent issue had been removed from the case, and only the antitrust claim remained. \textit{See In re FilmTec}, No. 548, 1998 U.S. App. LEXIS at *5-*6.

its patent carries an increased likelihood of scrutiny for fraudulent procurement or bad faith assertion before the patent owner’s alleged anticompetitive behavior is adjudicated. In addition, the antitrust claimant must recognize that federal appellate jurisdiction over such antitrust claims depends upon a well-pleaded claim that appropriately arises under federal patent laws.\textsuperscript{130}