The “Article of Manufacture” in 1887

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SAVING PATENT LAW FROM COMPETITION POLICY AND ECONOMIC THEORIES:
KIMBLE v. MARVEL ENTERTAINMENT
Cassandra E. Havens†

In Kimble v. Marvel Entertainment, LLC,1 the Supreme Court considered whether it should overrule Brulotte v. Thys Co., which held that royalties accruing after a patent has expired are unlawful per se.2 Writing for the majority, Justice Kagan discussed the intersection of patent law and antitrust, and emphasized the importance of stare decisis.3 Rejecting patentee Kimble’s argument for an antitrust-based rule of reason analysis instead of the bright-line Brulotte rule,4 the Supreme Court held that patent policy should govern patent law, and the “superpowered”5 stare decisis of the Brulotte rule was not overcome by a similarly strong justification.6

Deciding to keep the Brulotte rule was not a foregone conclusion. Critics felt Brulotte reflected an outdated view of competition policy, and pointed to changes in economic theories about market power. The certiorari petition argued the Brulotte rule should follow the shift in antitrust jurisprudence away from per se rules, towards a case-by-case rule of reason analysis.7 Kimble gave the Brulotte critics a chance to show how terrible the rule is, but they failed.

This Note examines the legal underpinnings of Kimble in Part I, reviewing patent policy and using patent misuse to transition to a discussion of the relationship between antitrust and patent law. Part II covers the background and procedural history of Kimble, culminating in

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4. Id. at 2408, 2412–14.
5. See id. at 2410 (using “superpowered” to describe the strength of stare decisis at issue).
6. See id. at 2406, 2410, 2415.
the Supreme Court decision. Part III argues that the Court correctly decided Kimble, and that the decision reinforces the importance of stare decisis and will result in greater clarity for patent licenses.

I. LEGAL BACKGROUND

Kimble is a patent story with an antitrust twist. To understand why the Court declined to overrule Brulotte, a background into how patent and antitrust intertwine is required. Patent misuse exists at the intersection of these two bodies of law, and provides a helpful transition from discussing the goals of patent law to documenting the changes in antitrust law over the last fifty years.

A. PATENT POLICY

Patent law in the United States balances “fostering innovation and ensuring public access to discoveries.” On one side, inventors may recoup their investment in discovering something new and useful. More importantly, the other side contains the promise to give the invention to the public when the patent expires, and to allow the invention to become a building block for further discovery. Patent policy swings between these two purposes, at times favoring strong protection rights for patentees, and at others supporting strict patent limits.

Patent principles adapt over time in response to controversies within the patent sphere. Courts developed the doctrine of patent misuse to curb attempts by patentees to tip the balance away from the public and into their own pockets.

B. PATENT MISUSE

Patent misuse is an “impermissible attempt to extend the time or scope of the patent grant,” an equitable doctrine which denies enforcement of a

9. Patents last “20 years from the date on which the application for the patent was filed in the United States.” 35 U.S.C. § 154(a)(2) (2012). The term may be extended in certain circumstances, such as a patent application processing delay. 35 U.S.C. § 156 (2012).
patent if the patentee abuses the privileges granted by patent law. These abuses include tying, package licensing, horizontal price-fixing, territorial allocations, and term extension, which is especially pertinent in *Kimble*.

1. Misuse: The Origin Story

In 1917, the Supreme Court created the affirmative defense of patent misuse in *Motion Picture Patents Co. v. Universal Film Manufacturing Co.* The patentee had placed a notice on its film projectors, which had a small patent-protected mechanism, barring purchasers from showing moving pictures printed on competitors’ film. The Court held “the primary purpose of our patent laws is not the creation of private fortunes for the owners of patents but is ‘to promote the progress of science and useful arts.’” Due to this longstanding policy, the Court reasoned that the scope of the patent grant “must be limited to the invention described in the claims of his patent.”

Twenty-five years later, the Court invoked principles of equity and the holding from *Motion Picture Patents* to clearly articulate the misuse doctrine in *Morton Salt Co. v. G.S. Suppiger Co.* Suppiger required that licensees of its patented salt depositing machines use Suppiger’s unpatented salt tablets. The Court held that a patent is a “special privilege” designed to carry out the public policy established by the Constitution, and prohibited “the use of the patent to secure an exclusive right or limited monopoly not granted by the Patent Office and which it is contrary to public policy to grant.” The Court then applied the long-established “clean hands” principle of equity, finding that a patentee “may not claim protection of his grant by the courts where it is being used to subvert” the public policy of promoting innovation. Finally, the Court

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14. *Id.* at 301 n.6, 309.
15. 243 U.S. 502 (1917).
17. *Id.* at 511 (quoting U.S. CONST. art. I, § 8).
18. *Id.*
20. *Id.* at 490.
21. *Id.* at 492.
22. *Id.*
23. *Id.* (“It is a principle of general application that courts, and especially courts of equity, may appropriately withhold their aid where the plaintiff is using the right asserted contrary to the public interest.”).
24. *Id.* at 494.
decided that a patentee cannot obtain relief for an infringement claim until the patentee has ceased the improper practice, and the consequences of the misuse have dissipated.  

In both *Motion Picture Patents* and *Morton Salt*, the Supreme Court considered, and rejected, antitrust-based arguments. In *Motion Picture Patents*, even though the appellate court had found the patentee’s behavior a violation of the Clayton Act, the Court restricted the focus to patent law. The *Morton Salt* Court also rejected consideration of Clayton Act violations for misuse, and emphasized that the primary purpose of patent law is to serve the public interest. These decisions show that patent misuse only considers abuses of patent law privileges, not the complicated economic concerns of antitrust.

### 2. Post-Expiration Patent Royalties

Patent misuse prohibits patentees from extending their patent past the statutory duration. This includes requiring licensees to pay royalties for use after the patent has expired.

The leading case for post-expiration patent royalties is *Brulotte v. Thys Co.*, which Kimble sought to overrule. In *Brulotte*, the patentee sold its hop-picking machines for a minimum royalty based on yearly use that extended past the expiration of its last patent. The Court relied on *Scott Paper Co. v. Marcalus Manufacturing Co.*, which held any attempt by the patentee to continue “the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws.” The Court noted the payments were for use after the patent expired, and not deferred payments from use within the patent period. Another “significant” aspect of the license was the royalty

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25. *Id.* at 493.
26. See *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 517–18 (“Our conclusion renders it unnecessary to make the application of [the Clayton Act] to the case at bar which the Circuit Court of Appeals made of it but it must be accepted by us as a most persuasive expression of the public policy of our country with respect to the question before us.”).
27. See *Morton Salt*, 314 U.S. at 490 (“The question we must decide is not necessarily whether respondent has violated the Clayton Act, but whether a court of equity will lend its aid to protect the patent monopoly when respondent is using it as the effective means of restraining competition with its sale of an unpatented article.”).
28. *Brulotte v. Thys Co.*, 379 U.S. 29, 29 (1964). A flat sum was also charged, but was not at issue. *Id.*
31. *Id.* Deferred payments from the patent period would have been allowed. See *infra* Section III.C for more details about licensing options.
price, which stayed the same for the pre- and post-expiration period, with no step-down as patents expired. \(^32\) Relying on patent policy reasoning, the Court held “a patentee’s use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se.*”\(^33\)

Refining the *Brulotte* rule, in *Aronson v. Quick Point Pencil Co.*, the Court found a royalty agreement valid because it contained a step-down provision if a patent did not issue.\(^34\) Aronson contracted with Quick Point Pencil for her keyholder invention while her patent application was pending.\(^35\) The agreement was not limited in duration, and provided for a 5% royalty, with an alternate 2.5% royalty if the patent did not issue within five years.\(^36\) Because the parties contracted with the “full awareness” that a patent may not issue, and provided for royalties in the alternative at a lower rate, the agreement did not run afoul of *Brulotte*.\(^37\)

More recently, the Ninth Circuit described several significant limits to the *Brulotte* rule in *Zila, Inc. v. Tinnell*.\(^38\) First, if the license demands post-expiration royalties, the entire contract is not rendered void, only the offending portion which extends beyond the life of the patent.\(^39\) Second, if there are multiple patents, and the U.S. patent expires before a foreign patent, *Brulotte* does not “extend its royalty-canceling powers to contracts for foreign patents.”\(^40\) Therefore, royalties may continue until the last patent expires without violating *Brulotte*, even if the last patent is foreign.

Even before *Brulotte*, there was a general understanding that patent royalties could not extend beyond expiration.\(^41\) *Brulotte* and its progeny refined this aspect of patent misuse over the years, operating relatively

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33. *Id.* at 32.
35. *Id.* at 259.
36. *Id.*
37. *See id.* at 261, 264.
38. 502 F.3d 1014 (9th Cir. 2007).
39. *Id.* at 1023.
40. *Id.*
under the radar. The grafting of antitrust into patent misuse, and the increasing prominence of the Chicago school, spurred criticism of patent misuse and *Brulotte* in the 1990s.42

C. **ANTITRUST AND PATENT MISUSE: ARCHENEMIES OR ALLIES?**

Understanding the evolution in antitrust away from per se rules, and the application of antitrust principles to patent misuse, explains Kimble's hope for a similar shift in patent law. Patent and antitrust laws have an inherent tension, because one creates and protects a monopoly, while the other limits harms caused by monopolization. Both serve the public: patent laws facilitate invention by providing a chance to earn a return on investments, and antitrust laws protect market competition.43

1. **The Purpose and Predominant Test of Antitrust Law**

The Sherman Antitrust Act and the Clayton Antitrust Act govern agreements that restrain44 and monopolize45 trade. Antitrust law protects competition on the merits and prevents anticompetitive effects on the marketplace,46 using a balancing test called the rule of reason.47 The rule of reason first requires a finding that the defendant has sufficient market power, and then inquires whether the anticompetitive effects of the restraint on trade outweigh the pro-competitive efficiencies.48

2. **Evolution of Antitrust**

Antitrust is susceptible to political regime changes49 and has tilted back and forth between trust-busting and hands-off policies over the last


43. Lim, supra note 13, at 310.


46. Feldman, supra note 12, at 422.

47. As discussed infra Section I.C.2, most per se rules have been replaced with the rule of reason. Judge Posner has called the rule of reason a “euphemism for nonliability [sic].” Feldman, supra note 12, at 422–23.

48. Id. at 422. The rule of reason is considered burdensome and difficult to satisfy. Id.

century. By making the Sherman Act simple and open-ended, Congress delegated enormous power to judges to determine whether an agreement restrains trade, or whether a company engages in unlawful monopolization.50

In the early twentieth century, courts established the rule of reason as the basic method of antitrust analysis, and the Supreme Court banned only “unreasonable” restraints, instead of all trade restraints.51 This attempt to narrow the scope of antitrust law prompted Congress to enact the Clayton Act and the Federal Trade Commission Act.52 The executive branch urged businesses to cooperate, to curb the competitive model that many attributed to causing the Great Depression.53 Enforcement was discouraged to allow dominant firms to prosper.54

From the 1930s to the 1960s, believing competition to be the key to restoring the economy, Franklin Roosevelt kicked off an era of trustbusting.55 Antitrust enforcement was reinvigorated amid heightened suspicion of large corporations.56 To reduce the government’s burden of proof, courts used per se rules to summarily condemn certain acts, like horizontal price fixing.57 Brulotte was a product of this era, near the height of the enforcement pendulum swing.58

The trustbusting era prompted a swing in favor of industrial concentration in the 1970s.59 Chicago School scholars questioned per se illegality rules, advocated rule of reason analysis, and influenced new court appointees to apply narrow standards for antitrust enforcement.60 Critics influenced by the Chicago School argued that U.S. firms were losing out in international markets due to antitrust laws, giving weight to arguments that larger companies create efficiencies that outweigh harmful anticompetitive effects from market concentration.61

51. Id. at 45–46.
52. Id. at 46.
53. See id. at 46–47.
54. See id. at 46–49.
55. Id. at 49.
56. Id.
57. Id. at 49–50.
58. See id. at 51 (citing mid-1960s as the height of the era; Brulotte was decided in 1964).
59. Id. at 52–53.
60. See id. at 53–55.
61. See id. at 53.
The changes in antitrust since the 1970s also influenced patent misuse. Per se rules against tying and other restrictions from the 1950s and 1960s have been replaced with the rule of reason, or otherwise narrowly revised. However, patent misuse differs from antitrust law in a number of important ways. The Federal Circuit ignored these distinctions when it injected antitrust principles into the patent misuse doctrine, creating a more permissive, rule of reason-based regime.

3. Splicing Antitrust into Patent Misuse Doctrine

By adding a new phrase, “with anticompetitive effect,” into a Supreme Court rule, the Federal Circuit grafted an antitrust interest in market control into the doctrine of patent misuse. In *Windsurfing International, Inc. v. AMF, Inc.*, the misuse claim arose due to a licensing agreement that required the licensee to affirm the patentee’s trademarks were valid. The Federal Circuit relied on *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation* for the applicable patent misuse test: “The doctrine of patent misuse is an affirmative defense to a suit for patent infringement, . . . and requires that the alleged infringer show that the patentee has impermissibly broadened the “physical or temporal scope” of the patent grant with anticompetitive effect.”

The Federal Circuit further explained that if the licensing arrangement is not per se anticompetitive, then the defense must show the license “tends to restrain competition unlawfully in an appropriately defined relevant market.” By borrowing from antitrust law, *Windsurfing* limited patent misuse by further requiring anticompetitive effects.

Changes to antitrust policy, and coinciding patent misuse rebalancing, may have signaled to the parties in *Kimble* the Supreme Court was ready

62. Procedurally, misuse is an affirmative defense to infringement, while antitrust laws state their own federal cause of action. Lim, *supra* note 13, at 316. Remedies also differ: antitrust provides for triple damages, while patent misuse results in unenforceability of the patent. *Id.* at 317. Patent policy is not limited to firms with market power, and is concerned with extensions of patent rights that inhibit innovation. Feldman, *supra* note 12, at 401. Antitrust policy focuses on relevant market effects, which could overlook the nuanced behavior that threatens the efficiency of the patent system. *Id.*

63. *See* *Windsurfing* *Int'l*, *Inc.* v. *AMF, Inc.*, 782 F.2d 995, 1001 (Fed. Cir. 1986).

64. *Id.*


66. *Windsurfing*, 782 F.2d at 1001 (emphasis added). The original *Blonder-Tongue* decision did not require anticompetitive effects. *See* 402 U.S. at 313–14 (discussing impermissible broadening of the patent’s scope without reference to anticompetitive effects).


to move away from per se illegality for post-expiration patent royalties. Disdain from scholars and judges forced to apply Brulotte added momentum for a change.69

II. KIMBLE CASE SUMMARY

From the beginning, Kimble had the burden of distancing itself from the Brulotte rule. The Supreme Court had an opportunity to review a much-criticized rule and determine if there was a better approach to post-expiration patent royalties. There was not.

A. BACKGROUND AND EARLIER LITIGATION

In 1990, Stephen Kimble invented a web-shooting toy, for which he obtained U.S. Patent No. 5,072,856; that patent expired on May 25, 2010.70 Kimble met with Marvel’s predecessor, who verbally agreed to compensate Kimble if they used any of his ideas.71 Marvel created the “Web Blaster” toy based on Kimble’s idea, without paying Kimble, so in 1997 Kimble sued for patent infringement and breach of contract.72 The parties settled, with Marvel buying the patent for an upfront payment and three percent of future “net product sales,” with no expiration date for the payments.73 The parties were unaware of Brulotte, which prohibits royalties for sales made after a patent has expired.74 The parties complied with the terms of the settlement until disagreements between Kimble and Marvel arose in 2006 concerning the calculation of royalties for subsequent toys based on or including the Web Blaster.75

71. Id. at 1157–58; Kimble v. Marvel Enters. Inc. (Kimble II), 727 F.3d 856, 858 (9th Cir. 2013).
73. Id. at 1158.
75. Kimble II, 727 F.3d at 859.
B. The District Court Rules for Marvel

In 2008, Kimble sued Marvel for breach of the settlement agreement and royalty payment issues, and Marvel moved for a declaratory judgment that any obligation to make payments would terminate when the patent expired.\(^\text{76}\)

Kimble argued the agreement “transferred both patented and non-patented rights and while the royalties for the patented rights end with the patent, they do not end for non-patented rights which cover the Web Blaster.”\(^\text{77}\) The district court was not persuaded, because the agreement provided no distinction between the patented and non-patented royalties.\(^\text{78}\) Further, the court ruled that Kimble’s argument failed under \textit{Brulotte}.\(^\text{79}\)

C. The Ninth Circuit Affirms

Kimble appealed the decision to the Ninth Circuit,\(^\text{80}\) which reluctantly affirmed the district court’s decision.\(^\text{81}\) The court discussed how other circuits have interpreted the holdings from \textit{Brulotte} and \textit{Aronson} to create a general rule.\(^\text{82}\) Patent owners cannot leverage their patent beyond expiration because then “the free market visualized for the post-expiration period would be subject to monopoly influences that have no proper place there.”\(^\text{83}\)

The Ninth Circuit distilled the rule that “a license for inseparable patent and non-patent rights involving royalty payments that extends beyond a patent term is unenforceable for the post-expiration period unless the agreement provides a discount for the non-patent rights from the patent-protected rate.”\(^\text{84}\) Because the agreement between Marvel and Kimble did not contain separate royalty rates for the patented rights and the non-patented Web Blaster rights, the court found the absence of

\(^{76}\) \textit{Kimble I}, 692 F. Supp. 2d at 1158–59.
\(^{77}\) \textit{Id.} at 1159.
\(^{78}\) \textit{Id.} at 1160.
\(^{79}\) \textit{Id.}
\(^{80}\) Because Kimble’s action was based on a breach of contract, and not specifically patent law, the appeal went to the Ninth Circuit instead of the Federal Circuit.
\(^{81}\) \textit{Kimble II}, 727 F.3d at 857.
\(^{82}\) \textit{Id.} at 860–63.
\(^{83}\) \textit{Id.} at 861.
\(^{84}\) \textit{Id.} at 863.
separate rates dispositive. The Ninth Circuit spent considerable time criticizing *Brulotte* and expressing its displeasure at being bound by it. The court’s disapproval, and Kimble’s further loss, set the stage for a last-ditch appeal to the Supreme Court.

D. THE SUPREME COURT RETAINS *BRULOTTE*

The sole question before the Court was whether it should overrule *Brulotte*, and by a 6–3 majority, it declined to do so. Justice Kagan delivered the opinion of the Court, while Justice Alito filed a dissenting opinion.

Justice Kagan explained the doctrine of stare decisis and how a “special justification” is required to overrule a decision, something more than an argument that the Court wrongly decided the issue before. In addition, when a decision interprets a statute, as in *Brulotte*, stare decisis carries “enhanced force” because critics are free to petition Congress to correct the mistake. Further, *Brulotte* has enhanced precedential force because it is more than fifty years old, and has survived several revisions to patent law. Finally, the subject matter of *Brulotte*, intersecting property (patents) and contract (licensing agreements) rights, found stare decisis at its acme, because parties are especially likely to rely on precedents in these areas. These considerations created a “superpowered form of stare decisis,” requiring a “superspecial justification to warrant reversing *Brulotte*.”

Two traditional reasons to overrule a decision are (1) if the statutory and doctrinal underpinnings have eroded over time, or (2) if the decision

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85. *Id.* at 864. In addition, the Settlement Agreement did not include a discounted rate for the non-patent rights, which would have indicated that this royalty was not subject to patent leverage. *Id.*

86. *Id.* at 857 (“frequently criticized decision in *Brulotte*”); *id.* (“*Brulotte* rule is counterintuitive and its rationale is arguably unconvincing”); *id.* at 863 (“*Brulotte* is economically unconvincing”).

87. *Id.* at 857 (“reluctantly applied the rule . . . compelled to do so again”); *id.* at 863 (“reluctantly followed the other circuits”); *id.* at 867 (“*Brulotte* and its progeny are controlling. We are bound to follow *Brulotte* and cannot deny that it applies here.”).


89. Justice Alito’s dissent relied on Kimble’s economic theory error justification in explaining why he would overrule *Brulotte*, which he considered “a clear case of judicial overreach.” See *Kimble III*, 135 S. Ct. at 2415 (Alito, J., dissenting).

90. *Id.* at 2409 (majority opinion).

91. *Id.*

92. *Id.* at 2410.

93. *Id.*

94. *Id.*
has proved unworkable.\textsuperscript{95} First, the Court found “the core feature of the patent laws on which \textit{Brulotte} relied remains just the same,” and \textit{Scott Paper}, which \textit{Brulotte} relied on, remains good law.\textsuperscript{96} Second, the \textit{Brulotte} decision “is simplicity itself to apply,” so it is the opposite of unworkable.\textsuperscript{97} Its ease of use is much clearer than Kimble’s proposal to use antitrust law’s rule of reason, an “elaborate inquiry” which results in “notoriously high litigation costs and unpredictable results.”\textsuperscript{98}

The Court also addressed two justifications offered by Kimble to overrule \textit{Brulotte}: (1) that \textit{Brulotte} rests on a mistaken view of competitive effects, and (2) that \textit{Brulotte} suppresses technological innovation and harms the economy.\textsuperscript{99} Although the Court did not disagree with Kimble’s economic argument, the \textit{Brulotte} Court did not rely on economic theories that post-patent royalties harm competition.\textsuperscript{100} \textit{Brulotte} applied a categorical principle that “all patents, and all benefits from them, must end when their terms expire,” and “post-expiration restraints on even a single licensee’s access to the invention clash with that principle.”\textsuperscript{101} Regarding Kimble’s second argument, the Court noted that there was no empirical evidence showing that \textit{Brulotte} has decreased innovation, and Kimble and his amici were merely asking the Court “to take their word for the problem.”\textsuperscript{102}

\section*{III. DISCUSSION: PATENT POLICY LIMITS AND STARE DECISIS LEAD TO LICENSING CLARITY}

On the surface, \textit{Kimble} appears uninteresting. It was affirmed all the way up through the Supreme Court, based on old, recently maligned precedent. When the Supreme Court granted certiorari, reactions were

\begin{itemize}
\item \textsuperscript{95} \textit{Id.} at 2410–11.
\item \textsuperscript{96} \textit{Id.}
\item \textsuperscript{97} \textit{Id.} at 2411.
\item \textsuperscript{98} \textit{Id.}
\item \textsuperscript{99} \textit{Id.} at 2412–15.
\item \textsuperscript{100} See \textit{id.} at 2412–13. Kimble’s economic argument claimed that \textit{Brulotte} relied on an economic error, by assuming post-patent royalty “arrangements are invariably anticompetitive.” \textit{Id.} at 2412. Kimble argued such agreements foster competition because a longer payment period means a lower rate can be charged, which enables more companies to afford a license. \textit{Id.}
\item \textsuperscript{101} \textit{Id.} at 2413.
\item \textsuperscript{102} \textit{Id.} at 2414. Kimble’s argument that \textit{Brulotte} harms innovation was based on the hypothetical situation where the parties’ ideal agreement is prohibited by the \textit{Brulotte} rule, which may prevent any agreement from being reached, and thus discourage innovation. \textit{Id.}
Some commentators noted that if *Brulotte* fell there could be perpetual royalties for expired patents, while acknowledging the ubiquity of *Brulotte*. Other observers, including research universities, argued that overturning *Brulotte* could help fuel creation of life-saving drugs. After finally hearing the best arguments against *Brulotte*, the Court was not persuaded.

Delving into the decision’s rationale, however, reveals more subtle principles of patent policy. The importance of stare decisis provides further justification and guidelines for how, and why, courts should stand by precedent. Finally, *Kimble* provides judicially sanctioned patent licensing options for parties to adequately share risks and rewards.

A. **KIMBLE WAS CORRECTLY DECIDED**

The Court correctly decided *Kimble* for several reasons. First, there was no valid justification to overrule *Brulotte*. Second, from the “better the devil you know” perspective, the alternative of overruling *Brulotte* could lead to far worse outcomes. Finally, strict patent term limits best serve the goals of patent policy, to encourage progress and innovation.

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105. Research institutions like universities rely on income from licensing their inventions and discoveries, and agreements often delay royalties until after clinical trials are over or when the product reaches the market, which may be after the patent has expired. By allowing post-expiration royalties based on use of the patent, these organizations could generate more income than use based on the limited patent period. See Jana Kasperkevic, *Could a Spider-Man Toy Help Invent More Life-Saving Drugs?*, THE GUARDIAN (Mar. 31, 2015), http://www.theguardian.com/law/2015/mar/31/could-a-spider-man-toy-help-invent-more-life-saving-drugs [http://perma.cc/EZT5-59JR].
1. No Justification to Overrule

It takes more than “we got it wrong” to overrule statutory interpretation: it requires a special justification that the law has eroded, or that the rule has proved unworkable. Neither of these applies to Brulotte and its ban on post-expiration patent royalties.

After half a century, Brulotte’s key holding from Scott Paper Co., restricting the patentee to the term of the patent, is still good law. Congress has revised the statute at issue numerous times over the years but has never nullified Brulotte’s holding. Much of patent misuse has been altered, aspects wiped out, and others grafted with onerous antitrust requirements of market power, but Brulotte’s ban on post-expiration patent royalties has remained unscathed. While some scholars thought Brulotte was dead, and many more argued it should be, they were wrong.

The other traditional reason to overrule precedent is when the rule proves to be unworkable. According to Justice Kagan, the Brulotte rule is “simplicity itself,” so “no dice” on the unworkability justification. Courts only have to look at whether the agreement provides for royalties for the use of an expired patent. Despite all the amicus curiae briefs in support of Kimble’s position, the harshest argument they could muster was the Brulotte rule had to be worked around.

107. See Brulotte v. Thys Co., 379 U.S. 29, 31 (citing Scott Paper Co. v. Marcalus Co., 326 U.S. 249, 256) (“[A]ny attempted reservation or continuation in the patentee or those claiming under him of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws.”).
110. See Lim, supra note 13, at 323–24.
111. See Rochelle Cooper Dreyfuss & Lawrence S. Pope, Dethroning Lear? Incentives to Innovate After MedImmune, 24 BERKELEY TECH. L.J. 971, 987, 995, 1003 (2009).
112. See, e.g., See & Caprio, supra note 42 (arguing Brulotte does not extend the patent monopoly); Michael Koenig, Patent Royalties Extending Beyond Expiration: An Illogical Ban from Brulotte to Scheiber, 2 DUKE L. & TECH. REV. 1–11 (2003) (calling Brulotte a “bad rule”); Ayres & Klemperer, supra note 42 (arguing Brulotte should be overruled to allow a lower, longer royalty); Posner, supra note 42 (arguing Brulotte was incorrect).
113. Kimble III, 135 S. Ct. at 2411.
114. The hardest part of the rule is calculating when the patent expires, but any first grader can add twenty to a number.
Kimble’s two non-traditional arguments were better suited for Congress, not for the Court.\footnote{Kimble III, 135 S. Ct. at 2412.} Even accepting the economic argument, \textit{Brulotte} concerns patent law, and holds that after the patent expires, the patent belongs to the public.\footnote{The licensee is also part of this “public” which should be free to use the patent. Transcript of Oral Argument at 34, \textit{Kimble III}, 135 S. Ct. 2401 (2015) (No. 13-720) [hereinafter Kimble Oral Argument]. Justice Kagan further held “post-expiration restraints on even a single licensee’s access to the invention” clash with this principle of a free-market after expiration. \textit{Kimble III}, 135 S. Ct. at 2413.} Economic considerations are already baked into the twenty-year term of protection: instead of ten or thirty years, Congress decided twenty years was the right length to provide patentees a chance to recoup their expenses, but not slow down innovation by tying up technology for too long.\footnote{Additionally, a patent is not a guarantee of recouping all research and development expenses. \textit{See Feldman, supra} note 12, at 437, 445.} Arguing that \textit{Brulotte} hinders innovation and harms the economy also failed. Since World War II, and continuing under the \textit{Brulotte} rule, there has been an incredible boom of innovation.\footnote{\textit{See Arti Rai, Stuart Graham & Mark Doms, Patent Reform: Unleashing Innovation, Promoting Economic Growth & Producing High-Paying Jobs} (2010) (“Technological innovation is linked to three-quarters of the Nation’s post-WW II growth rate. Two innovation-linked factors—capital investment and increased efficiency—represent 2.5 percentage points of the 3.4% average annual growth rate achieved since the 1940’s.”).} As cited by Kimble’s own amici, running royalties increased 30% from 2011 to 2012, and there are over 40,000 active license agreements reported;\footnote{Memorial Sloan Kettering Brief, \textit{supra} note 115, at 13.} if \textit{Brulotte} truly harmed innovation, as Kimble argued, fewer agreements would be made, and there would be noticeable declines in license agreements and royalties. There were no empirical studies cited to show the \textit{Brulotte} rule harms innovation, prevents agreements or harms the economy.\footnote{\textit{See Kimble III}, 135 S. Ct. at 2413.} Economic arguments based on hypothetical licensing situations are not enough, especially when the alternative to \textit{Brulotte} poses scarier consequences.
Alternate Universe—What if Kimble Won?


License agreements could now require perpetual royalties for patented technology. This is the key to most Brulotte objections: the patent period is not long enough, so patent holders need “accrual deferral.” Certain technologies, notably pharmaceuticals, take a considerable amount of time to become profitable, and thus do not generate significant royalties until after the patent has expired. But, if the patent period is not long enough, patentees can seek relief from Congress. There are creative and effective solutions for inventions that need more time to become profitable.

In this post-Brulotte world, parties could stretch the accrual period further, allocate risk between the parties, and use the rule of reason to knock out any truly illegal agreements, as economists advocate. However, as noted by Justice Breyer, economists often overlook the administrative cost of judges forced to implement a complex rule. The expense of a rule of reason analysis, beyond the expense of applying the bright-line Brulotte rule, even factoring in extra accrual time for royalties, would likely make the whole enterprise profitable only for patent litigators.

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122. See, e.g., See & Caprio, supra note 42 (arguing royalties calculated based on post-patent term are risk-shifting credit arrangement); Ayres & Klemperer, supra note 42 (arguing a “lower per-unit royalty in return for a longer royalty time period is likely to reduce the deadweight loss of supra-competitive pricing”); Posner, supra note 42 (arguing Brulotte was reasoned incorrectly).

123. See, e.g., Samp, supra note 103 (“Overturning Brulotte would be a patent troll’s dream. It could expose licensees to unforeseen royalty demands based on long-forgotten license agreements that they reasonably assumed—in reliance on the Brulotte rule—imposed no additional payment obligations after the expiration of the licensed patent.”).

124. Kimble Oral Argument, supra note 117, at 5, 6, 8.

125. See BioTime Brief, supra note 115, at 3–6.

126. See infra Section III.C.

127. Kimble Oral Argument, supra note 117, at 20. While Kimble’s counsel guessed only the licensor would bear the risk, both parties would incur substantial legal fees to litigate this complex rule of reason analysis. See UMass Biologic Labs Brief, supra note 115, at 4–15 (complaining about the cost to defend a lawsuit where Brulotte did not even apply).

128. Kimble Oral Argument, supra note 117, at 14 (“[E]verybody complains about the expense related to the rule of reason.”).

129. Id. at 21 (“[T]he virtues of a simple rule are obvious.”).
Faced with the prospect of being on the hook for eternal payments to a patentee, potential licensees may opt for alternatives. One option is to wait until the patent expires and then use the technology for free. This would delay innovation and new products and would be a lose-lose situation for businesses and consumers alike. Another option is to invent around the technology. This would likely be wasteful and expensive, with costs passed on to consumers. Neither alternative benefits patent holders.

Scrapping the Brulotte rule may also provide a new weapon to the patent troll’s arsenal: perpetual royalties. Injunctions for patent infringement are harder to come by after eBay, Inc. v. MercExchange, LLC, especially for non-practicing entities. Courts are more likely to order a reasonable royalty for damages for the breach of contract claim. In addition, long-forgotten license agreements, negotiated with Brulotte in mind, could be resurrected in new rounds of “zombie” litigation. Without the Brulotte default, royalties could continue forever if orders did not specify a termination date. Eliminating this safety valve could set back legislative and judicial efforts to curb the patent troll problem.

One final consequence of Kimble overruling Brulotte is that doing so might call into question the holding in Lear, Inc. v. Adkins, which eliminated licensee estoppel. Brulotte, like Lear, is an example of the Court weighing the importance of patent policy against other considerations, including the freedom to contract. If Kimble abrogated Lear, it and all cases that relied on Lear’s reasoning could fall like dominoes, eliminating important patent policy limits. However, at least

130. See Samp, supra note 103.
133. Id. at 205.
134. See Samp, supra note 103.
136. See Crouch, supra note 103.
138. See discussion of Lear, infra Section III.A.3.
one scholar139 has noted that Lear does not rely on Brulotte, so overruling Brulotte would not put Lear in jeopardy.

Faced with these consequences, the Court had yet another reason to keep Brulotte. Even if there had been no foreseeable complications, or stare decisis requirements, patent policy considerations weighed against overruling Brulotte.

3. Patent Policy and Limits on Freedom to Contract

Patent policy is well served by a bright-line rule prohibiting post-expiration royalties, because this enables the free use of inventions in the public domain. Minor limits on the freedom to contract may require creative solutions to licensing scenarios, but these limits are not unheard of, and benefit more people than they harm.

The Constitution established patent law as a policy bargain: to “promote the Progress of Science and useful Arts,” creators are entitled to an exclusive right to their discovery for “limited [t]imes.”140 As Justice Kagan noted, “Congress struck a balance between fostering innovation and ensuring public access to discoveries.”141 “Disclosure is one of the primary purposes of the patent system,”142 to broadly disseminate and share innovations with the public. After twenty years, the discovery belongs to everyone to use freely. We build on top of discoveries that came before us, drawing inspiration from a rich, well-developed commons.143

To safeguard this public domain, patents have strict limits.144 Brulotte is one such limit, as it applies a categorical rule that “all patents, and all benefits from them, must end when their terms expire.”145 Restraining even a single licensee’s access to the discovery clashes with patent policy.146

139. See & Caprio, supra note 42, at 851–53.
144. Recently, the Supreme Court has worked to reduce the strength of patents and make it harder to obtain a patent in the first place. See Dreyfuss, supra note 111, at 972–73. In addition, enforcing boundaries for intellectual property and minimizing restrictive licensing can help prevent harms caused by anticommons, especially in biomedical research. See Michael A. Heller & Rebecca S. Eisenberg, Can Patents Deter Innovation? The Anticommons in Biomedical Research, 280 SCIENCE 698, 701 (1998).
146. Id.
Allowing contracts to circumvent patent laws and restrict the use of an expired or invalid patent would “impermissibly undermine the patent laws.” Misuse doctrine can be seen as a public policy check on abusive licensing practices. Allowing unlimited freedom of contract would lead to overprotecting intellectual property and reduced competition, which would cause a feedback loop to disincentivize investment in innovation.

Lear, Inc. v. Adkins imposed another restriction on patent license agreements, by prohibiting licensee estoppel. Adkins and Lear agreed that if Adkins’s improvements were not patented, or if his patent was subsequently invalidated, then Lear could terminate the agreement. Adkins sued Lear, and Lear raised patent invalidity as a defense. The lower court ruled Lear was “estopped by its licensing agreement from questioning the inventor’s patent.” On appeal, the Supreme Court noted judicial efforts over the years to “accommodate the competing demands of the common law of contracts and the federal law of patents.” Weighing the freedom to contract and the licensor’s interest in royalties against the public concerns of patent law, the Court held “requirements of contract doctrine must give way before the demands of the public interest.”

Freedom of contract has never been totally free. Courts should not blindly allow all contract terms because two parties voluntarily bargained for them. The Sherman Antitrust Act of 1890 is one limit on this freedom. The public interest in companies competing fairly on the merits is more important than certain contractual preferences. Laws against usurious or unconscionable contracts deter risky and socially costly behavior. Minimum wage laws further limit contracts. When these
limits are eliminated, as economists argue should happen, there is an increase in predatory loan-sharking and the number of people living in poverty. Patent law is no different, and removing policy-oriented limits would likely lead to similar outcomes.

In *Kimble*, the Court had many reasons to keep *Brulotte* in place. The rule was not as unworkable or harmful to innovation as critics claimed; there was no valid justification to overrule precedent; the alternative offered was less desirable; and patent policy considerations weighed in favor of a robust public domain. However, *Kimble*'s thorough discussion of stare decisis will give this decision importance in the years to come.

B. IMPORTANCE OF STARE DECISIS

*Kimble* is a poster child for stare decisis, “a foundation stone of the rule of law,” which is the concept that today’s Court should stand by yesterday’s decisions. Stare decisis serves significant purposes, including judicial efficiency and reliance. Normatively, it should be hard to overrule precedent, and require more than just a change in the Supreme Court bench, or a belief that times have changed.

1. Stare Decisis Background

The doctrine of *stare decisis et non quieta movere* developed as a rule of necessity in common law to follow precedent. An oft-quoted maxim by Justice Brandeis states it is “more important that the applicable rule of law be settled than that it be settled right.” An argument, even a strong argument, that the precedent was wrongly decided is not enough to overrule it. Even if the judicial reasoning underlying the decision is faulty or ambiguous, as may be argued about *Brulotte*, the “decision may commend itself as sensible and just.”

There are two different flavors of stare decisis: constitutional and statutory. Constitutional stare decisis can only be corrected by later Supreme Court decisions, so the Court has a stronger duty to overrule

157. See E. Posner, supra note 155, at 313.
158. McCarthy, supra note 41, at 549 (“[T]here must always come a point when the patent holder must sacrifice pecuniary reward from its patent to avoid trampling on the feet of public policy as expressed in the patent system and the antitrust laws.”).
163. See Moore & Oglebay, supra note 160, at 528.
precedent. On the other hand, the Court has a “general reticence to overrule precedents construing statutes.” One explanation for this difference is that Congress has the power to enact legislation to rollback an improper judicial decision. Conversely, the failure to do so indicates Congressional approval of the Court’s statutory interpretation. Another theory relies on a normative view that the power to overrule statutory precedents should be a legislative function and an element of the Constitution’s separation of powers.

2. Patent Law and Stare Decisis

Congress has repeatedly revised patent laws over the half-century since Brulotte. The specific provision at issue in Brulotte has also been revised, leaving the Brulotte rule alive and kicking. There have been efforts to replace the Brulotte rule with a rule of reason analysis, which Congress has declined. Long congressional acquiescence further enhances the precedential power given to statutory interpretations.

In Mercoid Corp. v. Mid-Continent Co., the Court extended patent misuse to also cover a patentee trying to secure a monopoly in the unpatented material or device that is integral to practicing the patent. Congress responded by immunizing arrangements that covered non-staple items in the context of contributory infringement. Congress later added additional restrictions to immunize both refusals to license and tying

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164. *Id.* at 537; *Burnet*, 285 U.S. at 406–08 (Brandeis, J., dissenting) (footnotes omitted) (“[I]n cases involving the Federal Constitution, where correction through legislative action is practically impossible, the Court has often overruled its earlier decisions.”).


166. *Id.* at 184. Critics condemned silent acquiescence on multiple grounds. See *id.* at 186–96 for a detailed discussion of these criticisms.

167. *Id.* at 200.


169. *Kimble III*, 135 S. Ct. at 2410 (citing S. 1200, 100th Cong. (1st Sess. 1987) (holding no patent owner guilty of “illegal extension of the patent right by reason of his or her licensing practices . . . unless such practices . . . violate the antitrust laws”); S. 438, 100th Cong. § 201(3) (2d Sess. 1988) (same)).


arrangements where the patent owner lacked market power from patent misuse. In all of these revisions, Brulotte remained unscathed.

Patent law represents a unique crossroads within stare decisis. Because the decisions are based on statutes and concern property, there is a particularly high barrier when overruling precedent. Within this niche area of the law, Kimble is distinguishable from past cases where the Court decided to overrule precedent, and is on point with cases where the Court was constrained by stare decisis.

In Blonder-Tongue, the Court overruled Triplett v. Lowell, which held a determination of patent invalidity is not res judicata against the patentee in subsequent litigation against a different defendant. Triplett was based on mutuality of estoppel, which became significantly limited and eroded over time as it came under fire from scholars and courts. The Court also considered the “public interest in efficient judicial administration” and judicial inefficiencies involved in relitigating issues multiple times, as justification to overrule Triplett. In contrast, while some judges and scholars criticized the Brulotte rule, the law underlying that decision remained intact, and policy arguments for efficiency and simplicity weighed in favor of keeping the Brulotte rule.

In Deepsouth Packing Co. v. Laitram Corp., the Court declined to overrule Radio Corp. of America v. Andrea, which held that “unassembled export of the elements of an invention did not infringe the patent.” The statute in Deepsouth Packing was a codification of Andrea, which provided no protection for infringement to process patents as long as one of the steps took place abroad. In 1984, Congress stepped in to close the “loophole” acknowledged by Deepsouth Packing. Similarly, in Kimble the Court was constrained by stare decisis to keep Brulotte due to a lack of special justification to overrule, but Congress is free to step in to amend the law and eliminate the Brulotte rule.

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176. Id. at 323–25.
177. See id. at 328.
179. 79 F.2d 626 (2d Cir. 1935).
180. Deepsouth Packing, 406 U.S. at 529.
181. Id. at 530, 530 n.10.
3. Judicial Efficiency and Reliance

Courts have limited resources, so methods of streamlining disputes when there is controlling precedent benefit everyone. In patent litigation, efficiency is especially important. Patent trials require an additional procedure of claim construction, known as a Markman hearing. The median time for a patent case to reach trial is 2.4 years, and the cost of patent litigation is also very high. Using stare decisis to resolve aspects of the case can shift attention to the remaining contentious issues.

Both Kimble and Marvel were unaware of Brulotte when drafting their settlement agreement, so while these parties had no strong reliance, other parties over the years have relied on Brulotte. Decisions that affect property and contracts have an increased likelihood of reliance. When people can trust the continuity of the law, they are more encouraged to make deals and “arrange their affairs with confidence.”

It may have been easy when Brulotte came out for patentees and licensees to be unaware of the Court’s rule against post-expiration royalties. It was the 1960s, and decisions were not as widely available as they are today over the Internet. Even in the early 1990s, when Kimble and Marvel were settling their dispute, the Internet was not as ubiquitous as it is today. As time passes, the public reliance on a doctrine increases as awareness of the doctrine grows. Recent technological advances in news coverage, commentary, and discussion of Supreme Court decisions provide more notice to parties and practitioners, thereby creating more reliance on these rules.

187. See Davis, supra note 104 (noting that attorneys have been trained that royalties cannot extend beyond the life of a patent).
188. Kimble III, 135 S. Ct. at 2410.
4. **It Should Be Hard to Overrule Precedent**

From a normative view, it *should* be hard to overrule statutory interpretations like *Brulotte*. Stare decisis promotes important values of fairness, stability, predictability, and efficiency.\(^{190}\) If all it took to overrule a decision was the low, subjective bar that a new court thought the old decision was wrong, most decisions would be up in the air. Stare decisis prevents “abrupt doctrinal upheavals” and maintains public confidence in the law.\(^{191}\)

It is a terrible policy to overrule a decision because the lineup of the court has changed, and worse still when there is no solid reason for throwing out precedent. One rare example is *Citizens United v. Federal Election Commission*,\(^{192}\) which overruled two recent Supreme Court decisions\(^{193}\) holding “unequivocally that government can constitutionally limit corporate political expenditures.”\(^{194}\) The Court relied heavily on the dissents from the prior decisions to overrule them.\(^{195}\) The only major change justifying the Court’s decision had been in the Court’s lineup: Justice Alito had replaced Justice O’Connor.\(^{196}\)

Fast and loose stare decisis would also make other controversial Court decisions, like *Roe v. Wade*,\(^{197}\) vulnerable. More recently, the Court’s decision in *Obergefell v. Hodges*\(^{198}\) will likely face challenges given the furor from certain groups.\(^{199}\) Justice Kagan’s clear explanation and guidelines in *Kimble* for assessing the strength and applicability of stare decisis should influence the Court when these challenges occur.

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190. *Id.* at 347.

191. *Id.*


195. *Id.*

196. *Id.* at 487–88.

197. 410 U.S. 113 (1973). *Roe* has been challenged over the years, with subsequent decisions carving out exceptions. See *Rehnquist*, *supra* note 189, at 359–61 (reviewing arguments both for and against overruling *Roe*).


Licensing options after *Kimble* are more informed now, due to judicial clarification. Future negotiations with patent holders should incentivize licensees to ask for clear, concise agreements that explicitly divide up the royalty payment for each item of intellectual property being licensed. Stakeholders can take comfort from the following practices and strategies that Justice Kagan cited as *Brulotte* compliant.

1. **Lump Sum**

The simplest option is a flat sum not based on patent use. Courts have previously authorized paid-in-full lump sum licenses, covering all past and future uses of the patented article for the entire duration of the patent term. An alternative arrangement could apportion this lump sum into installments, payable even after the patent expires.

Lump sum licenses could be beneficial for a patent holder looking to recoup her costs, and provide money for further research or to finance other business needs. However, lump sum licenses have substantial downsides, because the value of an emerging technology can be difficult to predict. A lump sum license requires pricing based on rudimentary guesswork, which may result in royalty fees that are either too high (for a technology that quickly becomes obsolete) or too low (for a technology that becomes unexpectedly popular).

2. **Joint Ventures**

Another *Kimble*-compliant option is a joint venture. Considering Justice Kagan’s language, describing joint ventures as the “most broad[]” option for royalty arrangements that comply with *Brulotte*, there is likely

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200. For other licensing concerns, see Dreyfuss, *supra* note 111, at 991–1006 (exploring five different licensing approaches to redistribute risk in light of another recent decision).

201. One licensing option that was not directly addressed, and may fall afoul of *Brulotte* and *Kimble* is reach-through royalties. See Feldman, *supra* note 12, at 401, 439–49; Herbert J. Hovenkamp, *Brulotte’s Web*, 11 J. COMPETITION L. & ECON. 537–38 (2015).

202. See *Kimble III*, 135 S. Ct. 2401, 2408 (2015) (distinguishing lump sum payments which are not prohibited by *Brulotte* from other royalty plans).


204. See *Brulotte* v. Thys Co., 379 U.S. 29, 31 (1964) (distinguishing the flat sum purchase price from annual royalty payments for the use of the machine during the year).

205. Seaman, *supra* note 132, at 224.

more flexibility within joint ventures for parties to fairly and equitably share risks and rewards. 207

Joint ventures have the advantages of (1) reducing high barriers to entry, (2) sharing risk for high-leverage but uncertain ventures, and (3) breaking into new, untapped markets. 208 The downsides of joint ventures include the difficulty of merging two different companies and their varying cultures, management styles, and working relationships. 209 Poorly drafted agreements may not provide clear objectives and may lead to misunderstandings about each company’s required role. 210

3. Hybrid Licenses

Hybrid licenses contain other forms of intellectual property such as copyright, trademark, and trade secrets. If structured properly, they can provide for royalties that extend beyond the expiration of any patents involved. Both Brulotte and Kimble discuss hybrid licenses, and the importance of including a step-down provision reducing the royalty upon patent expiration. 211 One drafting approach is to place most of the royalty on the rights that last the longest, such as a trade secret. 212

Trade secret licenses without expiration have a long judicial history of being upheld. 213 In Aronson, the step-down provision in case the patent did not issue protected the trade secrets disclosed while the patent application was pending. 214 More famously, in Warner-Lambert Pharmaceutical Co. v. Reynolds, the licensee for the secret formula of Listerine was obliged to continue making royalty payments even after the secret was well known to the public. 215 Although trade secrets are subject to the risk of disclosure, even if the public knows the secret, the agreement between the parties remains intact.

207. See id.
209. Id.
210. Id.
211. Kimble III, 135 S. Ct. at 2408 (“That means, for example, that a license involving both a patent and a trade secret can set a 5% royalty during the patent period (as compensation for the two combined) and a 4% royalty afterward (as payment for the trade secret alone).”); see also Brulotte v. Thys Co., 379 U.S. 29, 31 (1964) (“The royalty payments due for the post-expiration period are by their terms for use during that period, and are not deferred payments for use during the pre-expiration period.”).
212. See Hovenkamp, supra note 201, at 9.
213. See discussion of Aronson, supra Section I.B.2.
An advantage of hybrid licenses is that they conform to normal licensing practice, as companies often license more than one type of intellectual property. The key is to clearly designate the rates and terms for each technology being licensed. While some of Kimble’s amicus briefs bemoaned this requirement, it is good policy to have clear agreements: license agreements without ambiguities are easy to follow, and easy to interpret. There is a disadvantage in having to carefully draft terms, because it may cause problems if done poorly. Valuing certain forms of property, like trade secrets, may be tricky as their value could change over time, but this is an inherent risk in most licensing contracts.

4. Traditional Licenses

Of course, traditional licensing options, which charge royalties for use of the patented article based on a fixed dollar amount or a percentage of the sales price, are also available. However, they cannot charge royalties for use of the patent after it expires. Kimble allows some flexibility, allowing royalties to run until “the latest-running patent covered in the parties’ agreement expires.”

Patent holders are allowed to keep the royalty base within the patent period, and stretch the payments over time. This complies with Kimble because the accrual is only based on the patent period, and the payments are amortized past expiration to allow the licensee to pay a smaller royalty for a longer period of time. The disadvantage is that licensors cannot charge for use after the patent expires, known as accrual deferral. This is what Kimble and his amici were after: the ability to generate income even after the patent expires through licensing agreements. Sometimes inventions need a considerable amount of time to become profitable, but there is no promise within patent law that every patent generates a profit, let alone a considerable windfall, to the patentee. At its heart, this is a patent duration argument, and one that should be addressed with Congress directly.

216. See BioTime Brief, supra note 115, at 3–6; Memorial Sloan Kettering Brief, supra note 115, at 11.
217. See BioTime Brief, supra note 115, at 6.
218. See Seaman, supra note 132, at 225–27.
220. See id. (“A licensee could agree, for example, to pay the licensor a sum equal to 10% of sales during the 20-year patent term, but to amortize that amount over 40 years.”).
221. See Kimble Oral Argument, supra note 117, at 5, 6, 8.
IV. CONCLUSION

In the end, Kimble was a false start. The Court took the case to assess criticisms lobbed at Brulotte by judges and scholars. The assumption of Kimble and his amici was that Brulotte stands for an economically unsound principle, namely that extending royalties beyond the expiration of the patent extends the power of the patent. Kimble affirms that Brulotte is about patent law setting limits on the grant of power contained within a patent. The reasons to keep Brulotte, including stare decisis and patent policy considerations, far outweighed the antitrust-based alternative proposed by Kimble, or any freedom to contract arguments. Licensing stakeholders have more clarity now, with judicially sanctioned options that comply with Brulotte.