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The Antitrust Duty to Deal and Intellectual Property Rights

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I. INTRODUCTION

Although the goal of promoting competition has been a foremost public policy concern for decades, the means through which that goal is best achieved has continued to remain elusive. Certainly the explicit objective of the antitrust laws is to thwart the efforts of those who would stifle competition through actions directed at eliminating business rivals. And though less explicit, promoting competition is also the goal of the intellectual property laws and the purpose behind patent monopolies. Because both the antitrust and the intellectual property laws[1] aim in their own ways to preserve a competitive economic

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1. Although this article refers primarily to patent rights, it generally encompasses copyright principles as well. Unlike patent laws, "the Copyright Act [17 U.S.C.A. §§ 101-1332 (West 1996 & Supp. 1999)] does not purport to limit the scope of the Sherman Act [15 U.S.C. §§ 1-7 (1994)]." Data Gen. Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147, 1187 (1st Cir. 1994). Thus, whereas the Patent Act, 35 U.S.C. §§ 1-376 (1994 & Supp. II 1996), expressly permits a patent holder to refuse to license its patent, the Copyright Act provides "only an exclusive right to distribute the copyrighted work," 3 PHILLIP E. AREEDA & HERBERT HOVENKAMP, ANTITRUST LAW ¶ 711b, at 202 (1996); 17 U.S.C. § 106 (1994). Nonetheless, courts have generally held that copyright holders, like patentees, are not obligated to license copyrighted works. *See* Fox Film Corp. v. Doyal,

environment, the course to steer when the two doctrines come into conflict logically presents a challenge for the courts. Notably, patent law has lost out in several recent cases, perhaps because the pro-competitive effect of patent laws is less direct and thus easily overshadowed by the immediate mission of the antitrust laws to foster competition. This Article discusses how courts have addressed so-called "duty-to-deal" antitrust claims involving intellectual property, and what they should do in those circumstances to ensure appropriate deference to the competition goals of intellectual property doctrine.

Part II discusses duty-to-deal principles in the general case, where intellectual property rights are not at issue, noting that hard and fast rules have yet to emerge.[2] Part III discusses the approaches courts have taken in the intellectual property context and contends that, although many courts have conducted their analyses with a view to the objectives of patent law, at least two have not, with potentially detrimental consequences for the preservation of patent rights.[3] Part IV discusses two recent cases involving significant antitrust and intellectual property issues—*In re Intel Corp.*[4] and *United States v. Microsoft*.[5] Each of the cases highlights a different facet that courts must consider as they confront an increasing number of cases with intellectual property and antitrust implications. The Article concludes by suggesting that any doctrine endeavoring to navigate the waters of intellectual property/antitrust cases must devote considerable attention to patent law and its objectives.[6] When that attention is given, there are only a few circumstances (involving intellectual property rights) in which a duty to deal should be imposed.

II. REFUSALS TO DEAL

When determining how to treat unilateral refusals to deal in licensing intellectual property, a central issue is whether "a unilateral refusal to license a patent should be treated like any other refusal to deal by a monopolist, where the patent has afforded its holder monopoly power over an economic market."[7] This query rests on the presupposition that there are some clear principles guiding courts as they analyze "any

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286 U.S. 123, 127 (1932); Triad Sys. Corp. v. Southeastern Express Co., 64 F.3d 1330 (9th Cir. 1995); Service & Training, Inc. v. Data Gen. Corp., 963 F.2d 680, 686 (4th Cir. 1992).

The discussion, however, does not encompass trade secret rights because "there is presumptively less accommodation of federal antitrust to state trade secret law, as compared with patent and copyright law." 3 AREEDA & HOVENKAMP, *supra*, ¶ 711c, at 203. Whereas trade secrets are protected under state law, and that protection is sometimes "excessive and anticompetitive," patent protection is provided by federal law and is on an "equal footing with the antitrust laws." *Id.* Both are within the jurisdiction of the federal courts, "which have accommodated each to the other." *Id.* Trade secret protection under state law does not accord a trade secret holder the level of protection accorded patent and copyright holders under the laws governing those types of intellectual property. *See id. But see* U.S. DEP'T OF JUSTICE AND FEDERAL TRADE COMM'N, ANTITRUST GUIDELINES FOR THE LICENSING OF INTELLECTUAL PROPERTY § 2.1 (1995) [hereinafter *IP Guidelines*] ("The Agencies apply the same general antitrust principles to conduct involving any other form of tangible or intangible property.").

2. *See infra* Part II.
3. *See infra* Part III.
4. *See infra* Part IV.
5. *See id.*
6. *See infra* Part V.
7. SCM Corp. v. Xerox Corp., 645 F.2d 1195, 1204 (2d Cir. 1981) (internal citations omitted).

other refusal to deal." As the following discussion demonstrates, that presupposition is dubious.

As a general proposition, Section 2 of the Sherman Act permits one firm unilaterally to refuse to conduct business with another firm, even if such a refusal perpetuates monopoly power for the refusing firm.[8] In *United States v. Colgate*,[9] the Supreme Court declined to endorse the creation of a duty to deal merely to thwart possession of monopoly power, reasoning that the Act did not modify the firm's right "freely to exercise [its] own independent discretion as to parties with whom [it] will deal."[10] The Court also observed, however, that a refusal to deal would run afoul of Section 2 when a monopolist had exhibited an *intent* to establish or to maintain a monopoly.[11]

The Supreme Court's post-*Colgate* decisions applying refusal-to-deal analysis provide the point of departure for the development of modern duty-to-deal exceptions.[12] Seventy-two years ago, in *Eastman Kodak Co. v. Southern Photo Materials Co.*,[13] the Court affirmed the jury's verdict of monopolization in a case in which Kodak refused to sell wholesale products to a retailer, whose business Kodak had unsuccessfully sought to acquire.[14] Focusing on Kodak's motivation, the Court determined that Kodak's refusal to sell wholesale products to a competing retailer at the usual dealer discount could not be attributable to any motive other than the intent to create a monopoly.[15]

In *Lorain Journal Co. v. United States*,[16] the Court affirmed a verdict finding a Section 2 violation in a newspaper's refusal to sell advertising space to customers that had also bought advertising from a newly-established radio station that had become the paper's main competitor.[17] The Court determined that even though the newspaper had a right freely to choose the competitors and customers with which it would deal, that right,

8. Section 2 of the Sherman Act interdicts efforts to "monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several states." 15 U.S.C. § 2 (1994). "The offense of monopoly under § 2 of the Sherman Act has two elements: (1) the possession of monopoly power in the relevant market, and (2) the willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident." United States v. Grinnell Corp., 384 U.S. 563, 570-71 (1966).

In general, the antitrust laws are violated if a refusal to deal "unnecessarily" excludes competitors, that is, if the conduct "does not benefit consumers by making a better product or service available . . . and instead has the effect of impairing competition." Aspen Skiing Co. v. Aspen Highlands Skiing Corp., 472 U.S. 585, 597 (1985) (observing that the relevant question is whether a defendant has acquired, maintained, or employed monopoly power in a relevant market "by arrangements and policies which rather than being a consequence of a superior product, superior business sense, or historic element, were designed primarily to further any domination of the relevant market or sub-market").

9. 250 U.S. 300 (1919).

10. *Id.* at 307; *see also* Laurel Sand & Gravel, Inc. v. CSX Transp., Inc., 924 F.2d 539, 542 (4th Cir. 1991) ("Generally, a business has the right to deal or not deal with whomever it likes, as long as it does so independently.").

11. *See Colgate*, 250 U.S. at 307.

12. *See* Kenneth L. Glazer & Abbott B. Lipsky, Jr., *Unilateral Refusals to Deal under Section 2 of the Sherman Act*, 63 ANTITRUST L.J. 749, 750-62 (1995).

13. 273 U.S. 359 (1927).

14. *See id.* at 368-69.

15. *See id.* at 375.

16. 342 U.S. 143 (1951).

17. *See id.* at 148.

like all rights, was not unqualified.[18] In particular, the newspaper's exercise of that right "as a purposeful means of monopolizing interstate commerce" was impermissible under the Sherman Act.[19] Citing *Colgate*, the Court concluded that the newspaper's conduct "amounted to an attempt by the publisher to destroy [the radio station] and, at the same time, to regain the publisher's pre-1948 substantial monopoly over the mass dissemination of all news and advertising."[20]

The Court's next refusal-to-deal case, *Otter Tail Power Co. v. United States*,[21] involved a situation in which the defendant electric utility company, which held a regulated monopoly for electric power distribution in a multi-state area and also sold power at the retail level, refused to sell wholesale power to competing municipal power companies.[22] In addition, Otter Tail refused to "wheel" power to municipal systems, and it sought to prevent them from gaining access to alternative power suppliers.[23] The result was the elimination of competition in retail electric power.[24] Citing *Lorain Journal* and *Southern Photo*, the Court affirmed the lower court's determination that Otter Tail had violated Section 2 by "attempt[ing] to prevent communities in which its retail distribution franchise had expired from replacing it with a municipal distribution system."[25] The Court also affirmed the lower court's decree requiring Otter Tail to sell and to wheel wholesale power to municipal systems.[26]

On the basis of the Supreme Court's refusal-to-deal cases, lower courts proceeded to carve out exceptions to the general no-duty-to-deal premise, applying two separate modes of analysis: intent and essential facility.[27] The basic thrust of the intent test derives directly from *Colgate* and *Southern Photo*: a firm may be in violation of Section 2 of the Sherman Act if its *purpose* in refusing to deal is "to create or maintain a monopoly."[28] But the test has not remained so simple. In more recent decisions, courts have come to evaluate not only subjective intent, but also the business justification for and the competitive effect of a monopolist's refusal to deal.[29] The essential facility approach, as

18. *See id.* at 155.

19. *Id.*

20. *Id.* at 153.

21. 410 U.S. 366 (1973).

22. *See id.* at 368.

23. *See id.* As the Court explained, the practice of "wheeling" was "to transfer by direct transmission or displacement electric power from one utility to another over the facilities of an intermediate utility." *Id.*

24. *See id.*

25. *Otter Tail*, 410 U.S. at 368.

26. *See id.*

27. *See* Glazer & Lipsky, *supra* note 12, at 753-54; Soap Opera Now, Inc. v. Network Publ'g Corp., 737 F. Supp. 1338, 1342-43 (S.D.N.Y. 1990) ("As this 'common law' of monopolization has evolved, the situations in which refusal to deal by a monopolist may violate Section 2 have grouped themselves around several formulae.") (discussing Byars v. Bluff City News Co., 609 F.2d 843, 846 (6th Cir. 1979)).

28. *Soap Opera Now*, 737 F. Supp. at 1342-43.

29. *See, e.g.*, Rural Tel. Serv. Co. v. Feist Publications, Inc., 957 F.2d 765, 768 (10th Cir. 1992) ("In determining whether a monopolist which has refused to deal with a competitor has acted lawfully or in violation of Section 2, we apply a two-part test. First, we look at the effects of the monopolist's conduct. Second, we look at its motivation."); MCI Communications v. AT&T Corp., 708 F.2d 1081, 1148 (7th Cir. 1982) (noting that the intent test requires courts to "focus on the intent and competitive effect of the refusal to deal"). Some courts have found intent immaterial when the refusal to deal can be justified economically. *See, e.g.*, Ocean State Physicians Health Plan, Inc. v. Blue Cross & Blue Shield of R.I., 883 F.2d 1101, 1113 (1st Cir. 1989) ("As long as Blue Cross's course of conduct was itself legitimate, the fact that some of its executives hoped to see Ocean

applicable to unilateral conduct under Section 2,[30] has its origins in *Otter Tail*.[31] Under this approach, a firm is obliged to permit competitors to use the facility on non-discriminatory terms if it controls a facility that is essential to the livelihood of its competitors.[32] The Seventh Circuit has created a widely-accepted test for determining the applicability of the doctrine: (1) a monopolist controls an essential facility; (2) competitors are practicably unable to duplicate the facility; (3) the monopolist denies the facility to its competitors; and (4) shared use of the facility is feasible.[33]

There seems to be no articulable demarcation between cases in which courts have applied the intent test and cases in which they have instead employed essential facility analysis.[34] Although the essential facility test has been applied predominantly to cases in which a monopolist controls a facility deemed essential to a competitor in a vertically-related market, at least one court has applied it in a case, involving only a single market, in which a monopolist refused to pursue a joint-venture relationship with a competitor.[35] For its part, the intent test has been applied to "every kind of refusal to deal."[36] In short, "There is a significant amount of overlap" between the two doctrines with respect to the facts to which each has been applied,[37] and as of yet, no court has coherently formulated the scenarios appropriate to each test. Indeed, as discussed below, the Tenth Circuit has

State disappear is irrelevant."); Oahu Gas Serv., Inc. v. Pacific Resources, Inc., 838 F.2d 360, 370 (9th Cir. 1988) (holding that evidence of a legitimate business justification will protect a monopolist from Section 2 liability, even in light of a finding of anticompetitive intent). The fact that courts evaluate objective rationales for monopolists' refusals to deal rather than mere subjective intent means that the label "intent test" is somewhat inapt. *See* Glazer & Lipsky, *supra* note 12, at 755.

30. The essential facility doctrine originated in Sherman Act Section 1 cases. *See, e.g.*, Associated Press v. United States, 326 U.S. 1 (1945); United States v. Terminal R.R. Ass'n, 224 U.S. 383 (1912); Gamco, Inc. v. Providence Fruit & Produce Bldg., Inc., 194 F.2d 484 (1st Cir. 1952).

31. Otter Tail Power Co. v. United States, 410 U.S. 366 (1973).

32. The scope of the essential facility doctrine is narrow. First, as Professor Areeda points out, because "there was already in place a regulatory agency that supervised prices and terms of dealings with local distributors," the *Otter Tail* Court was uniquely able to "require Otter Tail to deal but never burden itself with the administrative details." Phillip Areeda, *Essential Facilities: An Epithet in Need of Limiting Principles*, 58 ANTITRUST L.J. 841, 848 (1990). Second, because the purpose of the doctrine is to "prevent a firm with monopoly power from extending that power 'from one stage of production into another, and from one market into another,'" Interface Group, Inc. v. Massachusetts Port Auth., 816 F.2d 9, 12 (1st Cir. 1987) (quoting *MCI*, 708 F.2d at 1132), a monopolist's conduct is exclusionary and thus unlawful when it "denies a competitor access to a facility [the competitor] needs to compete," *Interface Group*, 816 F.2d at 12. However, because a monopolist's denial of a facility "to one who . . . is not an actual or potential competitor" does not enhance its market power, such conduct does not implicate Section 2. *Id.* (citing PHILLIP E. AREEDA & HERBERT HOVENKAMP, ANTITRUST LAW ¶¶ 736.2d, 736.2e (Supp. 1986)).

In addition to requiring that the facility be absolutely essential, the doctrine applies only where absence of the facility will virtually eliminate competition. *See* Alaska Airlines, Inc. v. United Airlines, Inc., 948 F.2d 536, 544 (9th Cir. 1991). If both requirements are met, an antitrust violation will be presumed, unless the monopolist has a legitimate business justification for its conduct. *See* City of Anaheim v. Southern California Co., 955 F.2d 1373, 1381 (9th Cir. 1992).

33. *See MCI*, 708 F.2d at 1133.

34. *See* Glazer & Lipsky, *supra* note 12, at 759.

35. Aspen Highlands Skiing Corp. v. Aspen Skiing Co., 738 F.2d 1509, 1518 (10th Cir. 1984), *aff'd*, 472 U.S. 585 (1985). The court noted it was "not convinced that the essential touchstone of bottleneck cases is vertical integration." *Aspen Highlands Skiing*, 738 F.2d at 1518 n.11.

36. Glazer & Lipsky, *supra* note 12, at 765.

37. *Aspen Highlands Skiing*, 738 F.2d at 1519-20.

applied both tests in the same case,[38] and to add further confusion, the Supreme Court has neither rejected nor embraced either test.[39]

The Court's primary doctrinal pronouncement for modern refusal-to-deal cases is *Aspen Highlands Skiing Corp. v. Aspen Skiing Co.*,[40] in which Aspen Skiing Co., the owner of three of four ski areas in Aspen, Colorado, discontinued its participation in an interchangeable, six-day, all-Aspen lift ticket. Aspen Skiing Co. ("Skiing Co.") offered the ticket jointly with Aspen Highlands, and it became very popular among visitors to the resort because of the variety it facilitated.[41] In addition, when Highlands sought independently to market an all-area ticket, Skiing Co. refused "to sell Highlands any lift tickets, either at the tour operator's discount or at retail."[42] Skiing Co. also refused to accept an all-area pass marketed by Highlands that contained vouchers, guaranteed by a local bank, that were exchangeable for Skiing Co.'s day passes.[43] The result was that Highlands lost a significant portion of its previous share of the Aspen skiing market.[44]

Employing both the intent test and the essential facility test, the court of appeals held that the multi-day, multi-area ticket could be deemed an "essential facility" that Skiing Co. was obliged to market with Highlands.[45] The court also determined that the record contained sufficient evidence to support a finding that, in refusing to market the all-area ticket, Skiing Co. intended to create or to maintain a monopoly.[46] The Supreme Court took neither tack. It acknowledged at the outset that "even a firm with monopoly power has no general duty to engage in a joint marketing program with a competitor," but observed that the case did not rest "on any such proposition of law."[47] Relying on *Lorain Journal*, the Court emphasized that Skiing Co. "elected to make an important change in a pattern of distribution that had originated in a competitive market and had persisted for several years,"[48] but was unable to provide any legitimate business purpose for that change.[49] Based on the facts that Skiing Co. gained no short-term benefits by refusing to continue with the joint ticket arrangement and that consumers were harmed by that decision, the Court determined that "the monopolist made a deliberate effort to discourage its customers from doing business with its small rival."[50] In reaching its conclusion, the Court expressly declined to "consider the possible relevance of the

38. *See infra* text accompanying notes 45-46.
39. *See infra* text accompanying notes 47-59.
40. 472 U.S. 585 (1985).
41. *See id.* at 589-95.
42. *Id.* at 593.
43. *See id.* at 593-94.
44. *See id.* at 594.
45. *See Aspen Highlands Skiing Corp. v. Aspen Skiing Co.*, 738 F.2d 1509, 1520-21 (10th Cir. 1984).
46. *See id.* at 1521-22.
47. *Aspen Highlands Skiing Corp. v. Aspen Skiing Co.*, 472 U.S. 585, 600 (1985).
48. *Id.* at 603.
49. The Court thus seemed to eschew reliance on evidence of subjective intent and instead focused on "objective actions and the justifications for them." Patrick J. Ahern, *Refusals to Deal After Aspen*, 63 ANTITRUST 153, 165 (1994). In this case, Skiing Co.'s justifications for its actions were that Highlands was an inferior skiing facility, that the method that companies had used to calculate revenue shares was unreliable, and that accepting the vouchers included in Highland's all-area tickets was administratively burdensome. *See Aspen Skiing*, 472 U.S. at 608-10. Skiing Co. provided no credible evidence for these justifications, however. *See id.*
50. *Aspen Skiing*, 472 U.S. at 610.

'essential facility' doctrine,"[51] as well as the question whether conduct motivated by anticompetitive intent could constitute an antitrust violation, regardless of the nature of that conduct.[52]

In its most recent opportunity to clarify these issues, *Eastman Kodak Co. v. Image Technical Services, Inc.*,[53] the Court provided little additional guidance. The plaintiff's claim that Kodak unlawfully refused to deal under Section 2 was based on the assertion by various independent service organizations (ISOs) that Kodak refused to sell parts to any owner of Kodak photocopying and micrographics equipment, unless the owner also purchased equipment servicing from Kodak.[54] In addition, Kodak allegedly refused to purchase replacement parts from original equipment manufacturers (OEMs) who also sold the parts to ISOs.[55] Lastly, Kodak allegedly "pressured Kodak equipment owners and independent parts distributors not to sell Kodak parts to ISOs."[56] Affirming the Ninth Circuit's denial of summary judgment, the Court observed that, "If Kodak adopted its parts and service policies as part of a scheme of willful acquisition or maintenance of monopoly power, it will have violated § 2."[57] In addition, the Court found that "respondents ha[d] presented evidence that Kodak took exclusionary action to maintain its parts monopoly and used its control over parts to strengthen its monopoly share of the Kodak service market;"[58] thus, only legitimate business justifications could save Kodak from Section 2 liability. Without setting forth any particular formula for its decision or commenting on any "categories" of refusal-to-deal analysis, the Court determined there were issues of material fact as to whether Kodak's proffered justifications were valid.[59]

The Supreme Court has thus provided no firm guiding principles for courts to employ in determining when a monopolist must deal with its competitors. The case law demonstrates that the orderliness of any doctrinal categories is illusory, and that duty-to-deal "principles" rest on unpredictable and even eclectic combinations of "intent" and "essential facility" notions, heavily entwined with the facts of each particular case. Further, courts have been less than rigorous in identifying salient facts of the cases before them. As Glazer and Lipsky point out, "the basic shortcoming of the refusal-to-deal cases is their failure to identify and to analyze the antitrust significance of key distinctions among the enormous variety of factual patterns that have been encountered in Section 2 litigation involving refusals to deal."[60] The most that the cases indicate is that, in general,

51. *Id.* at 611 n.44. Arguably, the *Aspen Skiing* approach may be more flexible than the essential facility doctrine because the latter doctrine requires that the monopolist's competitors be *completely* unable to compete without access to the essential facility. *See, e.g.*, Alaska Airlines, Inc. v. United Airlines, Inc., 948 F.2d 536, 544 (9th Cir. 1991) ("A facility that is controlled by a single firm will be considered 'essential' only if control of the facility carries with it the power to *eliminate* competition in the downstream market.").

52. *See Aspen Skiing*, 472 U.S. at 611 n.44.

53. 504 U.S. 451 (1992).

54. *See id.* at 458.

55. *See id.*

56. *Id.*

57. *Id.* at 483.

58. *Kodak*, 504 U.S. at 483.

59. *See id.* at 483-87.

60. Glazer & Lipsky, *supra* note 12, at 751 (1995) (arguing that "key differences in the specific facts and circumstances of refusal-to-deal cases should be consciously identified and their antitrust significance recognized in order to simplify and rationalize analysis of single-firm conduct under Section 2").

there is a duty to deal "when the monopolist's refusal to deal results in an important change in a competitive market that negatively affects consumers."[61]

That the general duty-to-deal case law evinces such diverse analyses and results means that it gives depressingly little guidance in considering when a duty to deal may be judicially imposed on a patent or copyright holder. Moreover, as Areeda and Hovenkamp point out, duty-to-deal analysis is fraught with problems. First, imposing such a duty to deal is inconsistent with the goals of antitrust law because it makes consumers no better off, and "the right to share a monopoly discourages firms from developing their own alternative inputs."[62] Second, forcing a dominant firm to deal under Section 2 creates a risk of collusion subject to Section 1 liability, forcing the firm "to thread a very small needle in an area where antitrust is plagued with ambiguity."[63] Third, it is illogical to regard a monopolist's refusal to deal as an antitrust injury because "antitrust is not concerned with preserving monopoly by requiring firms to divide the proceeds."[64] Fourth, even in those situations in which a refusal to deal "seems anticompetitive because there is little hope of competitive alternatives to the claimed facility," requiring the defendant to deal has no effect on price or market output.[65] And fifth, the doctrine raises complex questions concerning "which services or commodities are sufficiently important to warrant compulsory dealing" and what should be the terms of the mandated agreement.[66]

Thus, as discussed in the next part of this Article, any general refusal-to-deal principles that may be discerned—whether based on intent or essential facility analysis, or a combination thereof—seem manifestly inappropriate for export to the intellectual property context. It is thus of great importance that courts not thoughtlessly extend already-suspect "principles" into the intellectual property realm.

III. INTELLECTUAL PROPERTY AND UNILATERAL REFUSALS TO DEAL

With the exception of the second *Kodak* case,[67] none of the Supreme Court's duty-to-deal precedents involved intellectual property. And in *Kodak*, intellectual property rights played no meaningful role in the Court's analysis. Thus, the intersection of duty-to-deal antitrust analysis and intellectual property law remains virtually uncharted territory.

Although the lack of clarity and coherence in general duty-to-deal law seems reason enough not to extend its reach to monopolists who achieved or maintained their power by obtaining intellectual property rights, the Constitution and Congress provide the strongest rationale for refraining from such an extension. As discussed below, provisions in both the Constitution and federal statutes recognize that patent rights are pro-competitive and therefore not inconsistent with the goals of antitrust law.[68] To the extent that the patent laws and the antitrust laws must be balanced against each other in application to

61. Ahern, *supra* note 49, at 159.
62. 3A PHILLIP E. AREEDA & HERBERT HOVENKAMP, ANTITRUST LAW ¶ 771b, at 174 (1996).
63. *Id.* ¶ 772c4, at 195.
64. *Id.* ¶ 774b, at 220.
65. *Id.*
66. *Id.* ¶ 770e, at 171.
67. *See supra* text accompanying notes 53-59.
68. *See infra* Part III.A.

particular practices, Congress has largely completed that task and, accordingly, courts should not create exceptions to this balance without clear reason. Likewise, as courts have recognized, copyrights similarly serve pro-competitive functions. The only exceptions to the principle that patent and copyright holders have no duty to deal should remain those that already exist under intellectual property law as part of that congressional judgment and balance—enforced dealing to remedy patent and copyright misuse.

A. Case Law and Congressional Policy

The patent laws were enacted pursuant to Congress's authority to "promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries."[69] The classic definition of the rights of a patent owner is the right to exclude.[70] Thus, the patent laws create a monopoly in the "discovery" for the inventor who spent the time and resources necessary to create the invention. The monopoly owner is thereby insulated from "the competitive exploitation of his patented art."[71] The policy judgment is clear: the prospect of rewards spurs innovation in the first place, which, in turn, generates competition, the same goal as that of the antitrust laws.[72]

Notwithstanding the legal quagmire that has developed regarding unilateral refusals to deal generally, courts have been largely consistent in their determinations that, because of the nature of intellectual property, patent owners are not obligated to license to their competitors.[73] Of course, a patent monopoly does raise antitrust concerns if the patented product dominates its market. In such a situation, patent and antitrust laws are brought into apparent conflict. As the Second Circuit explained in *SCM Corp. v. Xerox Corp.*:[74]

> When the patented product, as is often the case, represents merely one of many products that effectively compete in a given product market, few antitrust

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69. U.S. CONST. art. I, § 8, cl. 8.

70. *See, e.g.*, 3 AREEDA & HOVENKAMP, *supra* note 1, ¶ 704a, at 151.

71. SCM Corp. v. Xerox Corp., 645 F.2d 1195, 1203 (2d Cir. 1981).

72. *See id.* at 1203. As the court explained:

> The patent laws reward the inventor with the power to exclude others from exploiting his invention for a period of seventeen years. 35 U.S.C. § 154 (1976). In return, the public benefits from the disclosure of inventions, the entrance into the market of valuable products whose invention might have been delayed but for the incentives provided by the patent laws, and the increased competition the patented product creates in the marketplace. The antitrust laws, on the other hand, were enacted to protect competition in the market. The antitrust laws are based upon the fundamental premise that the public benefits most from a competitive marketplace.

Id.

73. *See* PHILLIP E. AREEDA & HERBERT HOVENKAMP, ANTITRUST LAW ¶ 704.1, at 150 (Supp. 1998) (listing cases).

> Until recently, courts have uniformly held that the owner of valid patents who has not engaged in any form of misuse such as the tying of unpatented articles or the bringing of unjustified infringement claims has not violated the antitrust laws, and thus cannot be compelled by § 2 of the Sherman Act to license these patents to competitors.

Id.

74. 645 F.2d 1195, 1203 (2d Cir. 1981).

problems arise. When however, the patented product is so successful that it evolves into its own economic market . . . or succeeds in engulfing a large section of a preexisting product market, the patent and antitrust laws necessarily clash. In such cases the primary purpose of the antitrust laws to preserve competition can be frustrated, albeit temporarily, by a holder's exercise of the patent's inherent exclusionary power during its term.[75]

But usually a patent holder has no duty to deal.[76] In *SCM*, the plaintiff claimed that Xerox's acquisition of various patents and its subsequent refusal to license those patents "excluded SCM from competing effectively in a relevant product market and submarket dominated by Xerox products that embraced that patented art."[77] The Second Circuit held that, as long as the patent was lawfully acquired, "subsequent conduct permissible under the patent laws cannot trigger any liability under the antitrust laws."[78] The court explicitly addressed whether "the exclusionary power ordinarily inherent in a patent" should extend to situations in which the patent monopoly has evolved into an economic monopoly.[79] But the result was the same:

> Where a patent in the first instance has been lawfully acquired, a patent holder ordinarily should be allowed to exercise his patent's exclusionary power even after achieving commercial success; to allow the imposition of treble damages based on what a reviewing court might later consider, with the benefit of hindsight, to be too much success would seriously threaten the integrity of the patent system.[80]

Because a patent holder definitionally is free to exercise his power to exclude, neither the intent of the patent holder in refusing to license nor the business rationale for the refusal are relevant considerations. After all, intent analysis is primarily utilized to determine whether a monopolist's conduct is "fairly characterized as 'exclusionary,'"[81] and business justifications, for their part, are "case-specific factors" that courts employ in

75. *Id.* In addition, patents that have been acquired, rather than internally developed, may under some circumstances warrant less protection from antitrust laws, as may patents that remain unused. In particular, reduced protection may be warranted where a firm that dominates a market seeks to acquire exclusive patent rights in order to exclude potential market competitors, regardless whether the firm actually plans to use the patents. *See* AREEDA & HOVENKAMP, *supra* note 73, ¶ 704.1, at 154. Areeda and Hovenkamp note, however, that even in the case of acquired and unused patents, "a much more appropriate remedy would be to condemn the patent acquisitions themselves or insist that the licenses be nonexclusive." *Id.* ¶ 704.1, at 154 n.17.
Id.

76. *See* AREEDA & HOVENKAMP, *supra* note 70, ¶ 704.1, at 150 .

77. SCM Corp. v. Xerox Corp., 645 F.2d 1195, 1197 (2d Cir. 1981).

78. *Id.* at 1206.

79. *Id.* at 1204.

80. *Id.* at 1206. Most courts that have considered the intersection between patent and antitrust law have reached similar conclusions. *See, e.g.*, Miller Insituform, Inc. v. Insituform of N. Am., Inc., 830 F.2d 606, 609 (6th Cir. 1987); United States v. Westinghouse Elec. Corp., 648 F.2d 642, 647 (9th Cir. 1981); Boston Scientific Corp. v. Schneider (Europe) A.G., 983 F. Supp. 245, 269 (D. Mass. 1997); *In re* Indep. Serv. Orgs. Antitrust Litig., 989 F. Supp. 1131, 1134 (D. Kan. 1997); Servicetrends, Inc. v. Siemens Med. Sys., 870 F. Supp. 1042, 1056 (N.D. Ga. 1994); Crucible, Inc. v. Stora Kopparbergs Bergslags, A.B., 701 F. Supp. 1157, 1162 (W.D. Pa. 1988).

81. Aspen Skiing Co. v. Aspen Highlands Skiing Corp., 472 U.S. 585, 602 (1985).

deciding whether particular refusals to deal may be deemed exclusionary.[82] But in the intellectual property context, statutory protections mean that, absent patent misuse, fraud in the acquisition of the patent, or some other qualification of intellectual property rights, a monopolist is under all circumstances justified in asserting its intellectual property rights to their fullest extent. Put another way, "Absent claims of invalidity or misuse, there is nothing case-specific to consider. And it makes no sense to consider whether the assertion of the right is 'fairly characterized as "exclusionary"' because exclusion is the essence . . . [of] every assertion of an intellectual property right."[83]

Congressional policy fully coincides with the courts' recognition of "an implied and limited 'patent' exception to the antitrust laws."[84] In particular, codifying the case law,[85] Congress in 1988 amended the patent laws to provide that "No patent owner otherwise entitled to relief for [patent] infringement . . . shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of . . . refus[ing] to license or use any rights to the patent. . . ."[86] Thus, Section 271 "clearly prevents an infringer from using a patent misuse defense when the patent owner has unilaterally refused a license."[87] The statute also prohibits antitrust claims based on a refusal to license a patent.[88] Although Congress has enacted no equivalent of Section 271 in the Copyright Act, case law has drawn from patent law doctrine to determine that copyright holders have the right both to license the copyright to whomever they choose, and to refuse to license the copyright to anyone.[89]

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82. Petition for Writ of Certiorari at 13, Image Technical Servs. Inc. v. Eastman Kodak Co., 125 F.3d 1195 (9th Cir. 1997) (No. 96-15293, 96-15296) (discussing *Aspen*, 472 U.S. at 602).

83. *Id.* (citations omitted). In one court's words, "We cannot require antitrust defendants to prove and reprove the merits of this legislative assumption in every case." Data Gen. Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147, 1187 (1st Cir. 1994). Buttressing the case law and Congressional intent are the "Antitrust Guidelines for the Licensing of Intellectual Property," promulgated by the Department of Justice and the Federal Trade Commission, which explicitly state that there is no duty to deal in the intellectual property context. *See IP Guidelines*, *supra* note 1, § 2.2 (noting that market power conferred by intellectual property does not "impose on the intellectual property owner an obligation to license the use of that property to others"). The Guidelines also state, however, that the special characteristics of intellectual property "can be taken into account by standard antitrust analysis, however, and do not require the application of fundamentally different principles." *Id.* § 2.1.

84. *Boston Scientific*, 983 F. Supp. at 269 (citing *Data Gen.*, 36 F.3d at 1186).

85. *See* Richard Calkins, *Patent Law: The Impact of the 1988 Patent Misuse Reform Act and Noerr-Pennington Doctrine on Misuse Defenses and Antitrust Counterclaims*, 38 DRAKE L. REV. 175, 197 (1988-89) (noting that "Because little controversy exists over the right of a patent owner to refuse to use a patent or to license [to] others, the codification adds little to existing law").

86. 35 U.S.C. § 271(d) (1994).

87. *Data Gen.*, 36 F.3d at 1187.

88. *See In re* Indep. Serv. Orgs. Antitrust Litig., 989 F. Supp. 1131, 1135 (D. Kan. 1997) (determining that any interpretation that section 271(d) does not bar antitrust claims, predicated on a patentee's unilateral refusal to license, "is contrary to the statutory language and legislative history of the amendment"); *see also Data Gen.*, 36 F.3d at 1187 (observing that section 271 "may even herald the prohibition of all antitrust claims and counterclaims premised on a refusal to license a patent").

89. See Service & Training, Inc. v. Data Gen. Corp., 963 F.2d 680, 686 (4th Cir. 1992) (citing Laurel Sand & Gravel, Inc. v. CSX Transp., Inc., 924 F.2d 539, 542 (4th Cir. 1991) for the proposition that "Generally, a business has the right to deal or not deal with whomever it likes, as long as it does so independently," as well as United States v. Colgate & Co., 250 U.S. 300, 307 (1919)); *see also supra* note 1 (discussing the overlap of patent and copyright principles).

B. The Exceptions

As the language of Section 271 indicates, antitrust liability may be imposed in situations in which acquisition or usage of a patent was itself unlawful, rendering the patent unenforceable or invalid—that is, in cases of patent misuse. This is the flip side of the principle that patent holders may do as they please with their intellectual property, irrespective of whether they have manifested any intent to monopolize. Patent misuse is typically employed as a defense to a patent infringement claim and, in certain contexts, may rise to the level of an antitrust violation.[90]

One variety of patent misuse is based on a patentee's literal "misuse" of its patent—misuse that renders the patent unenforceable for the duration of the misuse. In this context, a patent is misused if used "to foster price-fixing arrangements or extend the patent monopoly to other products through tying arrangements."[91] It is also misuse if the patentee requires a patent licensee not to deal in goods that compete with the patented product,[92] conditions the license of one patent on the license of others,[93] or requires that the licensee pay royalties on unpatented items.[94] An antitrust violation should be found where such conduct is accompanied by market power and anticompetitive effect.[95] Thus, the pertinent inquiry is whether the patent holder has "impermissibly broadened the 'physical or temporal scope' of the patent grant with anticompetitive effect."[96]

A second type of patent misuse occurs when a patentee relies upon a patent that is invalid; the patentee in such situations holds no legitimate patent monopoly. In this context, the misuse exception assumes two primary forms. The first category of cases follows the decision in *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*,[97] and holds that the enforcement of a patent procured by fraud on the Patent

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90. *See* 6 DONALD S. CHISUM, CHISUM ON PATENTS § 19.04[2], at 19-298 (1998) ("Use of a patent to violate the antitrust laws will constitute misuse. However, conduct which in some respect falls short of an antitrust violation may still constitute misuse.").

91. Boston Scientific Corp. v. Schneider (Europe) A.G., 983 F. Supp. 245, 269 (D. Mass. 1997). The FTC recently alleged this type of patent misuse against two companies, Summit Technology, Inc. and VISX, Inc., contending that the companies pooled patents into a new partnership in order to "Raise, fix, stabilize and maintain" license fees. Complaint ¶¶ 8, 25, *In re* Summit Tech., Inc. (F.T.C. Mar. 24, 1998) (No. 9286). The companies and the FTC subsequently entered into a settlement agreement, which, among other things, provided for the dissolution of the pooling arrangement. *FTC Decisions and Orders* (visited Apr. 3, 1999) <http://www.ftc.gov/os/1999/9903/d09286summitd&o.htm>, <http://www.ftc.gov/os/1999/9903/d09286visxd&o.htm>.

92. *See* National Lockwasher Co. v. George K. Garrett Co., 137 F.2d 255, 256 (3d Cir. 1943) ("A patentee's right does not extend to the use of the patent to purge the market of competing non-patented goods except, of course, through the process of fair competition.").

93. *See* Hazeltine Research, Inc. v. Zenith Radio Corp., 388 F.2d 25, 33-34 (7th Cir. 1967) (affirming a district court finding that Zenith misused its patents by attempting to force a licensee to accept a package of licenses).

94. *See, e.g.*, International Salt Co. v. United States, 332 U.S. 392 (1947).

95. Courts are divided as to whether, in the absence of market power and anticompetitive effect, a patentee's conduct may ever constitute misuse. *Compare, e.g.*, Transitron Elec. Corp. v. Hughes Aircraft Co., 487 F. Supp. 885, 892-93 (D. Mass. 1980), *aff'd*, 649 F.2d 871 (1st Cir. 1981) ("[P]atent misuse may be seen as having . . . a lesser burden of proof than an antitrust claim."), *with* USM Corp. v. SPS Techs., 694 F.2d 505, 573 (7th Cir. 1982) (determining that without market power or anticompetitive effect, there can be no patent misuse).

96. Virginia Panel Corp. v. MAC Panel Co., 133 F.3d 860, 868 (Fed Cir. 1997) (quoting Windsurfing Int'l, Inc. v. AMF, Inc., 782 F.2d 995, 1001-02 (Fed. Cir. 1986)).

97. 382 U.S. 172, 174 (1965).

Office may violate Section 2, provided that all other required elements of a Section 2 claim are demonstrated.[98] The second category of cases is based on the Ninth Circuit's *Handgards* decisions,[99] in which the court determined that antitrust liability may be imposed against a patent holder who pursues a patent infringement claim in bad faith—that is, with knowledge that the patents, though lawfully obtained, are otherwise invalid. Here, too, the infringement defendant must prove the other elements of a Section 2 claim.[100]

C. Judicial Missteps

Courts in at least two recent cases have disregarded the narrowness of the categories of exceptions and instead applied traditional duty-to-deal analysis in the intellectual property context. One case proceeded from the premise that the legality of a patent holder's refusal to deal depends on the defendant's mental state;[101] the other applied both intent and essential facility analysis, without giving appropriate weight to intellectual property considerations.[102] These cases demonstrate the difficulties manifest in extending general duty-to-deal principles to intellectual property cases.

First, in *Image Technical Services, Inc. v. Eastman Kodak Co.*,[103] the Ninth Circuit on remand held that valid intellectual property rights create only a presumption of legitimate business justification for anticompetitive conduct. As noted by a Kansas district court analyzing the case, the Ninth Circuit apparently assumed at the outset that any single patent can create an "inherent" monopoly in no more than one market.[104] However, the court seemed to arrive at this conclusion only by extrapolating from a footnote in the Supreme Court's earlier holding in *Kodak*, which stated with regard to Section 1 of the Sherman Act that a "power gained through some natural and legal advantage such as a patent, copyright, or business acumen can give rise to liability if 'a seller exploits his dominant position in one market to expand his empire into the next.'"[105]

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98. *See, e.g.*, American Hoist & Derrick Co. v. Sowa & Sons, 725 F.2d 1350, 1367 (Fed. Cir. 1984).

99. *See* Handgards, Inc. v. Ethicon, Inc., 743 F.2d 1282, 1294 (9th Cir. 1984) (holding that immunity from antitrust liability recognized in the *Noerr-Pennington* doctrine "does not extend to 'sham proceedings,'" and that bad faith litigation is the equivalent of sham proceedings); Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986, 202 (9th Cir. 1979) (determining that, in an antitrust suit based on a bad faith claim of patent infringement, "the jury should be instructed that a patentee's infringement suit is presumptively in good faith and that this presumption can be rebutted only by clear and convincing evidence").

Even in the sham litigation/*Handgards* context, where there is a strong temptation to evaluate the subjective intent of the patentee, the Court has emphasized utilization of an objective test. *See* Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49, 64 (1993) (holding that a copyright holder's motivation in bringing an infringement action is irrelevant and that an effort to litigate can be considered a "sham" only if not objectively reasonable).

100. *See* Technicon Instruments Corp. v. Alpkem Corp., 866 F.2d 417, 421 (Fed. Cir. 1989).

101. *See* Image Technical Servs. v. Eastman Kodak Co., 125 F.3d 1195 (9th Cir. 1997).

102. *See* Intergraph Corp. v. Intel Corp., 3 F. Supp. 2d 1255 (N.D. Ala. 1998).

103. 125 F.3d 1195 (9th Cir. 1997).

104. *In re* Indep. Serv. Orgs. Antitrust Litig., 989 F. Supp. 1131, 1135 (D. Kan. 1997).

105. Eastman Kodak Co. v. Image Technical Serv., Inc., 504 U.S. 451, 479 n.29 (1992) (quoting Times-Picayune Publ'g Co. v. United States, 345 U.S. 594, 611 (1953)).

Acknowledging that "the right of exclusive dealing is reserved from antitrust liability," and that there was apparently "no reported case in which a court has imposed antitrust liability for a unilateral refusal to sell or license a patent or copyright,"[106] the court nonetheless determined that the jury must merely "account for" the statutory rights contained within the intellectual property laws.[107] "To ensure such consideration," the panel adopted "a modified version of" *Data General's* presumption that intellectual property rights are a valid business justification for a refusal to deal.[108] The Ninth Circuit concluded that such a presumption "should act to focus the factfinder on the primary interest of both intellectual property and antitrust laws: public interest."[109]

Finding that the district court's failure to "give any weight to Kodak's intellectual property rights" in its jury instructions to be an abuse of discretion, the court nonetheless concluded that the error was harmless because the presumption could be—and was—rebutted by evidence that Kodak's refusal to license was not based on its desire to protect its patent rights.[110] In particular, the court found it significant that Kodak's parts manager had testified that he had not considered the patents at the time Kodak implemented its parts policy.[111] In addition, Kodak, in its conduct, had not distinguished among patented and nonpatented parts.[112] The court thus abrogated the doctrine that a lawfully-acquired patent immunizes from antitrust liability subsequent conduct permissible under the patent or copyright laws.[113]

As an initial matter, the Ninth Circuit's understanding of the relationship between a patent and the markets it affects is unrealistic: leveraging does not exist "when a patent holder merely exercises its rights inherent in the patent grant."[114] Prior to *Kodak*, although courts had imposed constraints on the conduct of patent holders, "none of those instances involved overriding an express patent law grant."[115] The Supreme Court's statement that the extension of monopoly power from one market into another may give rise to antitrust liability is inapposite where a patentee exercises his statutory right not to license the patented product, and thereby acquires a monopoly in what are two separate relevant markets for antitrust purposes.[116] As one court has stated in response to *Kodak*, "patents only claim inventions. Because each use of that invention may be prevented by

106. *Image Technical.*, 125 F.3d at 1216.

107. *Id.* at 1218.

108. *Id.*

109. *Id.* (citing Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 661, 665 (1944).

110. *Id.* at 1219 ("Neither the aims of intellectual property law, nor the antitrust laws justify allowing a monopolist to rely upon a pretextual business justification to mask anticompetitive conduct."). Notably, the *Kodak* court's determination that evidence of pretext could rebut the presumption made no reference to *Data General*, which noted that the presumption may be defeated only in the event of "rare cases in which imposing antitrust liability is unlikely to frustrate the objectives of the Copyright Act," but did not suggest what those "rare cases" might be. Data Gen. Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147, 1188 n.64 (1st Cir. 1994).

111. *See Image Technical*, 125 F.3d at 1219.

112. *See id.*

113. *See* AREEDA & HOVENKAMP, *supra* note 73, ¶ 704.1, at 152 (Supp. 1998).

114. *In re* Indep. Serv. Orgs. Antitrust Litig., 989 F. Supp. 1131, 1135 (D. Kan. 1997).

115. 3 AREEDA & HOVENKAMP, *supra* note 1, ¶ 708d, at 190.

116. *See ISO Antitrust Litig.*, 989 F. Supp. at 1135.

the patent holder, the patent may have some anticompetitive effect in each market in which it is used or not used."[117]

An equally fundamental misstep in the Ninth Circuit's analysis was its conclusion that a patent holder's intent in refusing to license its patents is relevant in the determination of antitrust liability. Although intent to monopolize is a cornerstone of a Section 2 claim, "proof of intent to monopolize cannot transform a patent holder's unilateral refusal to deal into unlawful exclusionary conduct."[118] The *Kodak* panel's assertion to the contrary conflicts with the Supreme Court's determination in *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.*,[119] that one's intent in pursuing an infringement claim is irrelevant as long as the claim is objectively reasonable.[120] It also runs afoul of both Section 271(d)[121] and the Court's repeated holdings that a patentee is under no obligation, regardless of the circumstances, to license a lawfully-acquired patent.[122] There is no apparent justification for the result:

> The standard articulated by the Ninth Circuit in *Kodak* makes it very difficult for a jury, a judge, or even the patent holder, to distinguish between a permissible refusal to deal (based on a desire to profit from and protect patent rights) and an impermissible refusal to deal (apparently based on a desire to obtain a competitive advantage by excluding competitors). A patent holder does not refuse to share its invention because the property is patented, rather, the refusal is based on a desire to obtain a competitive advantage. To classify the desire to obtain a competitive advantage over competitors as pretext is to read the right to exclude out of the patent statute.[123]

Kodak's confused analysis may, at base, be attributable to the fact that Kodak made no real effort to distinguish between patented and unpatented parts. Nor did it make any effort to assess whether that distinction itself somehow moved Kodak's conduct beyond any legitimate monopoly flowing from its lawful patent rights. Thus, although the court's intellectual property analysis was grossly misguided, it seems that its ultimate conclusion

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117. *Id.* at 1136; *see also* Triad Sys. Corp v. Southeastern Express Co., 64 F.3d 1330, 1337 (9th Cir. 1995); Mallinckrodt, Inc. v. Medipart, Inc., 976 F.2d 700, 708-09 (Fed. Cir. 1992).

118. *ISO Antitrust Litig.*, 989 F. Supp. at 1140; *see also* Ocean State Physicians Health Plan, Inc. v. Blue Cross & Blue Shield of R.I., 883 F.2d 1101, 1113 (1st Cir. 1989) (holding that so long as a defendant's course of conduct is objectively legitimate, the fact that it hoped to harm its competition "is no more guilty of an antitrust violation than a boxer who delivers a perfectly legal punch—*hoping* that it will kill his opponent—is guilty of attempted murder").

119. 508 U.S. 49, 64 (1993).

120. *See* Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49, 64 (1993).

121. Although the *Kodak* court concluded that § 271(d) permits antitrust claims based on a refusal to license patented work, *see* Image Technical Serv., Inc. v. Eastman Kodak Co., 125 F.3d 1195, 1214 n.7 (9th Cir. 1997), that conclusion was misguided, *see supra* note 88 and accompanying text.

122. *See, e.g.*, Hartford-Empire Co. v. United States, 323 U.S. 386, 432 (1945) (noting that a patent holder "is not a trustee for the public" and "has no obligation either to use [the invention] or to grant its use to others"); Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U.S. 405, 426-30 (1908) (observing that "exclusion may be said to have been of the very essence of the right conferred by the patent, as it is the privilege of any owner of property to use or not use it, without question of motive").

123. *ISO Antitrust Litig.*, 989 F. Supp. at 1141 (D. Kans. 1997) (citing 3 AREEDA & HOVENKAMP, *supra* note 1, ¶ 705b at 156).

might rest less on the evidence that Kodak's business justification was pretextual, than on the realization its business justification was legally insufficient to begin with.

Regardless, at least one other court has in part followed the Ninth Circuit's reasoning regarding intent, and additionally incorporated essential facility reasoning[124] into its analysis. In *Intergraph Corp. v. Intel Corp.*,[125] a district court in Alabama held that a monopolist's unilateral refusal to license a lawfully-acquired patent or copyright may constitute unlawful exclusionary conduct in violation of Section 2. Intergraph, itself an Intel customer, had claimed in a lawsuit against third parties that their Intel-based technology infringed certain Intergraph patents.[126] The third parties in turn sought indemnification from Intel.[127] Intergraph contended that its lawsuit prompted Intel to increase pressure on Intergraph to accept a provision in Intergraph's license from Intel requiring Intergraph to license all of its patented technology to Intel at no cost.[128] When Intergraph refused, Intel withdrew proposed agreements for the provision of new microprocessor samples and information.[129] Seeking preliminary injunctive relief, Intergraph claimed that Intel had violated the antitrust laws by withdrawing these agreements and leaving Intergraph without access to a key component for development of future computer products.[130]

Addressing Intel's unilateral refusal to deal with Intergraph, the court noted that "Reasonable and timely access to critical business information that is necessary to compete is an essential facility," and that a monopolist's unilateral refusal to license the information violates Section 2, even when the information is not "indispensable."[131] Rather, the refusal must merely handicap competitors severely and unreasonably.[132] Observing that Intergraph was locked-in to Intel's technology, the court concluded that Intel's refusal to supply advanced products and technical information to Intergraph "likely violate[d] § 2" because the products and information "cannot be feasibly duplicated, and because competitors cannot effectively compete in the relevant markets without access to them."[133] The court also determined both that Intel had no legitimate business justification for its refusal to continue to license its technical information to Intergraph because Intergraph had been a "loyal and beneficial customer of Intel," and that the two companies could have resolved Intergraph's patent claims without Intel denying Intergraph the requisite information.[134] Relying on the Ninth Circuit's *Kodak* decision,

124. *See supra* note 32.

125. 3 F. Supp. 2d 1255, 1279 (N.D. Ala. 1998).

126. *See id.* at 1266.

127. *See id.*

128. *See id.* at 1267.

129. *See id.*

130. *See Intergraph Corp.*, 3 F. Supp. 2d at 1258, 1265-75. For a more complete description of Intel's alleged conduct, see *infra* text accompanying notes 142-165, which describes in detail the FTC's allegations against Intel regarding the conduct at issue in the *Intergraph* case, as well as in similar suits against Intel brought by other Intel customers.

131. *Intergraph Corp.*, 3 F. Supp. 2d at 1278.

132. *See id.*

133. *Id.*

134. *Id.* The court entirely discounted Intel's suggestion that it cancelled the licensing agreements simply because Intergraph had sued it. *See id.* at 1271 ("Other than Intel's position that it does not wish to do business with those who sue it . . . the court perceives of no rational or legitimate business reason why Intel would immediately terminate its NDAs with Intergraph.").

the court determined that Intel's intellectual property rights did not provide the company with a basis for refusing to supply its technical information to Intergraph. In particular, the court observed that Intel's patent rights did not "confer upon it a privilege or immunity" from antitrust claims, and that "Unlawful 'exclusionary conduct can include a monopolist's unilateral refusal to license a [patent or] copyright or to sell a patented or copyrighted work.'"[135]

Like the *Kodak* opinion, the *Intergraph* decision places no weight on case law and congressional policy safeguarding intellectual property rights. Rather, the court's judgment on the issue of Intel's unilateral refusal to deal is a mixture of essential facility analysis and, evidenced by its consideration of Intel's business justifications, an intent analysis imported from non-intellectual property cases. There is also a hint of the Supreme Court's determination in *Aspen Skiing* that a patent holder's destruction of a business relationship from which it benefited evidences anticompetitive conduct.[136] The *Intergraph* opinion contains no analysis of whether the use of a patent right to coerce the grant of a reciprocal right constitutes patent misuse, or of under what circumstances such forced reciprocity might constitute an antitrust violation.[137]

Finally, another court has opened the door to an intellectual property duty to deal by qualifying the exclusionary right of copyright holders.[138] In *Data General Corp. v. Grumman Systems Support Corp.*,[139] the First Circuit announced in dictum that copyrighted work is vulnerable to antitrust proscriptions on the basis that an "author's desire to exclude others from use of its copyrighted work" is merely a "presumptively valid business justification for any immediate harm to consumers."[140] The court observed that the presumption could be rebutted in those "rare" cases in which "imposing antitrust

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135. *Intergraph Corp.*, 3 F. Supp. 2d at 1279 (citing Image Technical Servs. v. Eastman Kodak Co., 125 F.3d 1195, 1216 (9th Cir. 1997)).

136. *See Intergraph Corp.*, 3 F. Supp. 2d at 1279 (placing weight on the fact that Intel had licensed to Intergraph "for the last four years on a mutually beneficial basis").

137. Although the *Intergraph* court's reasoning, noted above, is open to criticism, the court's decision could have rested on more justifiable grounds. As the *Intergraph* court recognized, Intergraph converted its products from incorporating its own Clipper microprocessor to incorporating Intel microprocessors on reliance upon Intel's "assurances and representations that Intel's CPUs had the necessary computing power and speed for Intergraph's high-end workstations and that Intel would supply its CPUs to Intergraph on fair and reasonable terms." *Id.* at 1264. By the end of 1993, Intergraph had ceased to develop the Clipper microprocessor, thereby eliminating a competitor of Intel in microprocessors for the high-end workstation market. *See id.* Intel's alleged conduct in convincing Intergraph to cease Clipper technology development in exchange for the dependency on Intel, joined by Intel's reneging on its promise, raises the question whether any justification exists for any reduction in competition that resulted when Intergraph apparently ceased development of the Clipper technology. While the court does not focus on an assessment of competitive impact, and seems largely concerned with intent and conduct, it at least hints that Intel's role in the demise of Clipper technology development played some part in its determination of the outcome. *See id.* at 1276 (noting that Intergraph's relinquishment of its own microprocessor technology "in reliance on Intel's representations that it would be a reliable source of technical information and technology to Intergraph . . . reinforce[d] and magnifie[d] Intel's monopoly power"). If in fact competition was reduced by Intel's broken promise and forced reciprocal licensing, a finding of both patent misuse and antitrust violation would be justified.

138. Copyright law essentially parallels patent law on the issue of antitrust violations. *See supra* note 1 (discussing the overlap of patent and copyright principles).

139. 36 F.3d 1147 (1st Cir. 1994).

140. *Id.* at 1187.

liability is unlikely to frustrate the objectives of the Copyright Act."[141] While it is difficult to imagine what sort of factual situation would fall within this exception, the First Circuit unfortunately has provided underpinning for further invasion of duty-to-deal notions into the intellectual property domain.

IV. CURRENT CASES

Both the Ninth Circuit's opinion in *Kodak* and the *Intergraph* decision illustrate the difficulties of extending general duty-to-deal notions into the intellectual property context. The sole exception should be in connection with the historical doctrines of patent or copyright misuse, outlined in section III.B. Two current cases—the *Intel* and *Microsoft* antitrust cases—provide further occasion to examine the interrelationship between antitrust and intellectual property law, including aspects of duty-to-deal principles.

A. Intel

The Federal Trade Commission ("FTC") instituted an action against the Intel Corporation, claiming that Intel violated Section 5 of the Federal Trade Commission Act ("FTCA").[142] The FTC asserted that Intel had "entrenched" its monopoly power in the microprocessor market[143] by "denying or threatening to deny technical information about Intel microprocessor products to Intel customers who have developed and patented innovations in microprocessor technology, as a means of coercing those customers into licensing their innovations to Intel."[144]

The backdrop to the FTC's charges was, as alleged in its complaint, that Intel had monopoly power in the microprocessor market, evidenced by market studies performed by Intel. These studies indicated that in each of the previous five years (1993-1998), "Intel microprocessor products ha[d] accounted for approximately 80 percent of the total dollar sales of general-purpose microprocessors."[145] Furthermore, Intel had traditionally promoted its microprocessors by "providing customers with technical information about new Intel products in advance of their commercial release."[146] Finally, the licensing arrangements had been very beneficial for both sides: advanced technical information permitted Intel's customers "to develop and introduce new computer products incorporating the latest microprocessor technology as early as possible," and the incorporation of Intel designs into customers' computer systems obviously benefited Intel.[147]

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141. *Id.* at 1186 n.64.

142. Section 5 of the FTCA empowers the FTC to "prevent persons, partnerships, or corporations . . . from using unfair methods of competition in or affecting commerce and unfair or deceptive acts or practices in or affecting commerce." 15 U.S.C. § 45(a)(2) (1994).

143. *See* Complaint ¶ 11, *In re* Intel Corp. (F.T.C. June 8, 1998) (No. 9288), *available in* WL FATR-FTC. A microprocessor is the "central processing unit of a computer system." *Id.* ¶ 2. "Intel's microprocessor products include a family of devices that are marketed and sold under the trade names Pentium, Pentium with MMX, Pentium Pro, and Pentium II." *Id.*

144. *Id.* ¶ 11.

145. *Id.* ¶ 6.

146. Complaint ¶ 12, *Intel* (F.T.C. June 8, 1998) (No. 9288).

147. *Id.*

The crux of the FTC's complaint was that Intel suspended its established licensing arrangements with at least three customers[148] in order to "forc[e] those customers to grant Intel licenses to microprocessor-related technology developed and owned by those customers."[149] The affected customers were thereafter unable to "remain competitive in developing and bringing to market in a timely manner computer systems based on Intel microprocessors."[150] Such conduct, according to the complaint, was exclusionary because it "diminish[ed] the incentives of the industry to develop new and improved microprocessor and related technologies."[151] The result, the FTC alleged, was that Intel had been able to strengthen its already formidable monopoly position in the "current-generation" general-purpose microprocessor market, and to reduce competition in the development of new microprocessor technology.[152]

Discerning the ways in which the Intel case placed antitrust and intellectual property doctrine into conflict requires some review of the allegations regarding each of the affected customers. The complaint alleged that Intel ceased to do business with Digital Equipment Corp. after Digital brought a patent infringement action against Intel.[153] In particular, when Intel introduced the Pentium Pro microprocessor in 1995, Digital concluded that Intel had incorporated Digital microprocessor technology from its Alpha microprocessors, and that Intel therefore had infringed Digital's patents regarding the Alpha technology.[154] On the basis of these conclusions, in May of 1997, Digital sued Intel for the infringement of ten Digital microprocessor patents.[155] Intel's response to Digital's lawsuit was to deny Digital access to "any of the Intel technical information needed to continue developing in a timely and efficient manner new computer systems incorporating new Intel microprocessors."[156]

The FTC further alleged that Intel ceased to license to Intergraph "important information relating to graphics technology"[157] after Intergraph refused to accede to Intel's demand that Intergraph grant Intel a royalty-free license to Intergraph's own microprocessor technology.[158] In 1997, Intergraph asserted that "certain third parties using Intel-based computer technology were infringing certain Intergraph patents."[159] In response, according to the complaint, the third parties sought indemnification from Intel, which in turn prompted Intel to exert additional pressure on Intergraph to grant to Intel the royalty-free licenses it desired.[160] Intergraph again refused to comply, and, in response, "Intel cut off Intergraph's access to any of the Intel technical information

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148. The three customers were Digital Equipment Corp., Intergraph Corp., and Compaq Computer Corp. *Id.* ¶¶ 15-37.

149. *Id.* ¶ 13.

150. *Id.*

151. Complaint ¶ 39, *Intel* (F.T.C. June 8, 1998) (No. 9288).

152. *Id.*

153. *See id.* ¶ 19.

154. *See id.* ¶ 18.

155. *See id.*

156. Complaint ¶ 19, *Intel* (F.T.C. June 8, 1998) (No. 9288).

157. *Id.* ¶ 27.

158. *See id.* ¶ 26.

159. *Id.* ¶ 28.

160. *See id.*

necessary to continue developing in a timely and efficient manner new computer systems incorporating new Intel microprocessors."[161]

Finally, the FTC complaint asserted that Intel ceased to license to Compaq Computer Corp. after Compaq sued Packard Bell Electronics, also a computer systems manufacturer, "for using patented Compaq technology in Packard Bell computer systems."[162] As the supplier of the allegedly infringing Packard Bell technology, Intel intervened as defendant on the basis that it was obliged to indemnify Packard Bell for any damages obtained against it. The complaint thus alleged that, as with Digital and Intergraph, Intel severed the licensing arrangement with Compaq in response to Compaq's assertion of its patent rights.[163]

In sum, the complaint alleged monopolizing conduct in Intel's cessation of dealings with the companies after it had been either directly or indirectly sued by each company. The complaint asserted that such conduct was not "reasonably necessary to serve any legitimate, procompetitive purpose"[164] and that it has "entrenche[d] [Intel's] monopoly power in the current generation of general-purpose microprocessor" and "diminishe[d] the incentives of any firm dependent on Intel to develop microprocessor-related technologies."[165]

The Intel case presents strains of the "intent" line of duty-to-deal cases[166] because there was an issue as to whether Intel's conduct was predicated on a desire to harm its competitor/customers, or whether it simply did not wish to conduct business with its litigation opponents. The case also resonates with the "essential facility" line of cases[167] in that it raised a suggestion that Intel's microprocessors either are an essential facility generally, or have become an essential facility to these particular competitors because of the lock-in effect resulting from prior dealing. Lastly, the case contains *Aspen*-like notions[168] concerning the discontinuation of apparently beneficial business relationships.

The facts in the Intel case present a tempting scenario for "correcting" Intel's alleged abuse of market power in seemingly purposely crippling customers who dared to assert intellectual property rights against it. However, the intellectual property considerations set out in Part III required that the FTC disregard such considerations. What *should* matter in such cases is whether a company's attempted or actual acquisition of patent rights from the alleged victims implicated general Section 2 principles pertinent to patent acquisition[169] or patent misuse. Under that analysis, the proper outcome is much less clear.

The following considerations thus should have guided the Intel case: If, in contrast to the approach of the *Intergraph* court,[170] the FTC could establish real anticompetitive

161. Complaint ¶ 29, *Intel* (F.T.C. June 8, 1998) (No. 9288).
162. *Id.* ¶ 34.
163. *See id* ¶ 35.
164. *Id.* ¶¶ 20, 30, 36, 40.
165. *Id.* ¶ 39.
166. *See supra* text accompanying notes 27-28.
167. *See supra* text accompanying notes 30-33.
168. *See supra* text accompanying notes 40-52.
169. *See, e.g.*, SCM Corp. v. Xerox Corp., 645 F.2d 1195, 1205 (2d Cir. 1981); Kobe, Inc. v. Dempsey Pump Co., 198 F.2d 416 (10th Cir. 1952); United States v. Besser Mfg. Co., 96 F. Supp. 304, 310-11 (E.D. Mich. 1951), *aff'd*, 343 U.S. 444 (1952).
170. *See supra* text accompanying notes 125-135.

effects resulting from Intel's alleged conduct,[171] then such conduct would be appropriately condemned as a misuse of market power.[172] If, on the other hand, Intel in fact did not use its patent rights as a leveraging tool to coerce its customers, or otherwise misuse those rights, then Intel would stand under Section 271's unqualified protection of intellectual property rights. After all, Congress already decided whether any antitrust liability should flow from the mere exclusionary impact of Intel's refusal to license, and its answer was "No."[173]

Notably, the FTC's complaint did not allege that Intel extended its patent monopoly through tying arrangements or other leveraging behavior found in past cases to constitute misuse regardless of competitive effects, or that Intel's patents were invalid or had been obtained through fraud. It did present issues of attempted or actual coercive reciprocal dealing regarding Intel's use of market power secured by intellectual property rights to obtain other rights from possibly unwilling licensors.[174] The somewhat speculative factual underpinnings of this potentially legitimate theory surfaced in connection with the consent decree that resolved the dispute.

The consent decree prevents Intel from restricting access to advance technical information or microprocessors as "leverage" in an intellectual property dispute with a customer.[175] Under the agreement, Intel is prohibited from withholding or threatening to withhold advance technical information from a customer for "reasons related to an Intellectual Property Dispute" if the customer is receiving technical information from Intel at the time the dispute arises.[176] The company is also prohibited from refusing to

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171. The complaint alleged the following anticompetitive effects from Intel's conduct: Intel injured "the ability of [its] customers to remain competitive in developing and bringing to market . . . computer systems based on Intel microprocessors," thereby "reduc[ing] competition to develop new microprocessor technology and future generations of microprocessor products," Complaint ¶¶ 13, 39, *Intel* (F.T.C. June 8, 1998) (No. 9288); reduced the incentives of its customers "to develop new innovations relating to microprocessor technology," *id.* ¶ 14; and entrenched its monopoly power in microprocessors, *see id.* ¶ 39.

172. There are almost no reported misuse decisions involving reciprocal dealing. There are, however, "leverage" precedents amply supporting misuse through reciprocal dealing that produces anticompetitive effect. *See* Data Gen. Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147, 1169-70 (1st Cir. 1994) (holding that there can be no "copyright misuse" unless elements of an antitrust violation are shown); Windsurfing Int'l v. AMF, 782 F.2d 995, 1001-02 & n.9 (Fed. Cir. 1986) ("To sustain a misuse defense involving a licensing arrangement not held to have been per se anticompetitive by the Supreme Court, a factual determination must reveal that the overall effect of the license tends to restrain competition unlawfully in an appropriately defined relevant market.").

173. *See* supra text accompanying notes 84-88. A further complication in the Intel case flows from the variety of goods and services that Intel allegedly withheld. Some appear to be subject to patent and some to copyright protection, but much of the Intel information at issue may be subject only to trade secret protection. As noted earlier, the appropriate balancing of trade secret principles against antitrust goals is much less clear than that regarding patents or copyrights. *See supra* note 1. This raises the question of Intel's duty to deal regarding trade secret information. It is at least logically possible that a court could reach different conclusions regarding the duty to deal with respect to trade secrets, requiring Intel to make available only products or information not covered by patent or copyright. It is just this intermixture of patented or copyrighted material with other material not covered by patent or copyright law that appears to have caused the Ninth Circuit so much difficulty in *Kodak*. *See supra* text accompanying notes 114-123.

174. *See* Complaint ¶¶ 13, 18, 19, 26-29, 34, 35, 39, *Intel* (F.T.C. June 8, 1998) (No. 9288).

175. Analysis of Proposed Consent Order at 20-21, *In re* Intel Corp. (F.T.C. Mar. 1999) (No. 9288), *available in* WL-FATR-FTC.

176. Decision and Order ¶ II.A, *In re* Intel Corp. (F.T.C. Mar. 1999) (No. 9288), *available in* WL-FATR-FTC.

sell or threatening to refuse to sell microprocessors to a customer for reasons related to an intellectual property dispute with that customer.[177]

The FTC's Analysis of the Proposed Consent Order contains a more complete account than did the complaint of the FTC's rationale for pursuing this action against Intel. While the FTC in this Analysis notes that its concern was that advance technical information about new microprocessor products is "essential" to Intel's OEM customers,[178] it primarily relies on coerced reciprocal dealing and the resulting anticompetitive effects. Noting that Intel refused to deal "as a means of coercing those customers into licensing their patented innovations to Intel,"[179] the FTC strains to articulate effects in the market for microprocessors that allegedly would continue Intel's dominance in that market. First, firms that might otherwise challenge Intel's dominance in the microprocessor market are disadvantaged because they are unable to obtain access to the wide range of developing technology to which Intel has preferential access as a result of its conduct.[180] Second, customers' incentives to develop microprocessor-related technologies, and thus innovation in such technologies, is diminished as a result of Intel's coercing its customers to license away their intellectual property rights.[181] And third, it is more difficult for OEMs to serve as platforms for competing microprocessors and to "differentiate their computer systems from their competitors['] through patented technology" because an OEM seeking to enforce its intellectual property rights against other Intel customers is subject to retaliation from Intel.[182]

Whatever one thinks of the FTC's effort to articulate anticompetitive effects in the peculiar factual circumstances of Intel, it is encouraging that the Commission appeared to recognize that antitrust liability flowed only from the existence (even if only presumed) of such harm to competition.[183] Of equal importance, it seemed to acknowledge the congressional balancing already in place by pointing out that the settlement "does *not* impose any kind of broad 'compulsory licensing' regime upon Intel."[184] Intel retains the discretion "to decide in the first instance" whether to provide information to customers and whether to supply additional or earlier information to particular customers as part of a joint venture, for example.[185] Had the FTC glossed over these key issues, its Intel case

177. *See id.* These provisions hold even when a customer has asserted patent infringement against Intel and is seeking legal or equitable remedies, including damages, reasonable royalties, and attorneys fees and costs. *See id.* The sole exception arises when a customer is seeking an injunction against Intel's manufacture, sale, use, offer to sell, or importation of its microprocessors. *See id.* In such a situation, Intel "may request a customer to waive that remedy and give the customer a reasonable opportunity to make a simple written statement to that effect." Analysis of Proposed Consent Order at 21, *Intel* (F.T.C. Mar. 1999) (No. 9288). Only if the customer refuses will Intel be allowed to refuse to provide technical information or products with regard to the microprocessors that the customer is seeking to enjoin. Decision and Order ¶ II.A, *Intel* (F.T.C. Mar. 1999) (No. 9288).

178. *See* Analysis of Proposed Consent Order at 14, *Intel* (F.T.C. Mar. 1999) (No. 9288).

179. *Id.*

180. *See id.* at 17.

181. *See id.* The Commission never quite explains the relationship between "microprocessor-related" technologies and microprocessors themselves, or how diminished innovation in the former impacts the latter. *See id.*

182. *See* Analysis of Proposed Consent Order at 17, *Intel* (F.T.C. Mar. 1999) (No. 9288).

183. *See id.* at 18-19.

184. *Id.* at 20 (emphasis provided).

185. *Id.*

held the potential further to confuse duty-to-deal law and continue the unwarranted extension of general duty-to-deal precedent into the intellectual property realm.

B. Microsoft

The *Microsoft* case presents other challenges to antitrust law in the intellectual property context. Although the litigation involves a wide range of alleged antitrust violations, the following discussion highlights only those aspects in the case of relevance to duty-to-deal issues and intellectual property rights.

The U.S. Department of Justice and twenty states have filed complaints alleging antitrust violations stemming from Microsoft's marketing of its Internet browser. Each complaint alleges that Microsoft has attempted "to maintain its monopoly in operating systems and to achieve dominance in other markets" through the use of tying arrangements, exclusive dealing contracts, and other exclusionary agreements that "deter innovation, exclude competition, and rob customers of their right to choose among competing alternatives."[186] The heart of the complaints is that Microsoft effectively destroyed the ability of Netscape Corporation and other competitors to market their Internet browsing software by tying its browser, Internet Explorer, to its operating systems, Windows 95 and Windows 98.[187] The plaintiffs further argue that Microsoft has used its dominant position in the operating systems market to restrict the use of competing browsers by original equipment manufacturers, Internet access providers, and Internet content providers.[188]

Microsoft has defended itself by arguing, *inter alia*,[189] that Internet Explorer is an integral element of Windows and has always been incorporated into the Windows design, and is therefore not a separate product under any kind of tying analysis.[190] Microsoft's

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186. Complaint ¶ 36, United States v. Microsoft Corp., No. CIV. A. 98-1232, 1998 WL 614485 (D.D.C. Sept. 14, 1998) [hereinafter Microsoft Complaint]. Specifically, the complaints allege that Microsoft:

> (1) unreasonably restrained competition by "tying" its Internet browser to Windows 98; (2) unreasonably restrained competition by entering into "exclusive dealing" arrangements with various Internet providers; (3) unreasonably restrained competition by imposing "boot and start-up screen" restrictions on original equipment manufacturers ("OEMs"); (4) illegally maintained a monopoly in its operating system software through various exclusionary and predatory practices, including, but not limited to, the tying and exclusive dealing arrangements; and (5) attempted to monopolize the market for Internet browsers.

United States v. Microsoft Corp., No. CIV. A. 98-1232, 1998 WL 614485, at *1 (D.D.C. Sept. 14, 1998). The states also brought a claim of monopoly leveraging, contending that "Microsoft has unlawfully used its operating system monopoly to obtain a competitive advantage in the browser market." *Id.* The district court denied Microsoft's summary judgment motion on all claims except for the states' monopoly leveraging claim. *See id.*

187. *See* Microsoft Complaint, *supra* note 186, ¶¶ 111, 117.

188. *See id.* ¶¶ 75-102.

189. Microsoft has also contended that a company with a large market share should not be "precluded from competing vigorously with its rivals by engaging in ordinary business practices such as developing improved products, exercising its rights under the federal copyright laws and entering into routine cross-marketing arrangements." Defendant Microsoft Corporation's Memorandum in Support of Its Motion for Summary Judgment at 31, United States v. Microsoft Corp., No. CIV. A. 98-1232, 1998 WL 614485 (D.D.C. Sept. 14, 1998).

190. *See id.* at 21 ("[T]here is no distinct product called Internet Explorer that can be separated from Windows 98 without doing serious violence to the operating system."). In addition, Microsoft asserts that

position, then, is that because the joining of Internet Explorer with its operating system constitutes an integrated product, it cannot be the case that the company extended its power from one market into the other. The fact that the two products have been "integrated" means that there is only one product, and hence only one market, at issue.

The *Microsoft* case may be viewed as a duty-to-deal case because one government objective is to force Microsoft to make Windows available to customers without an embedded Internet browser. In this regard, the primary legal issue is whether Microsoft's Internet Explorer should be considered "inside" or "outside" the market where Microsoft's power is protected by its intellectual property rights in Windows. If the market—the Windows monopoly—is defined to include the browser, then no antitrust issues arise under intellectual property principles or other rules. If it excludes the browser, then both antitrust and misuse law come into play.

The *Microsoft* case raises the concern that courts, in their efforts to curb monopoly power (legitimately) obtained or protected through intellectual property rights, will be tempted to define the relevant market "around" the intellectual property right. This was the mistake of the Ninth Circuit in holding that the power created by Kodak's intellectual property right was conceptually restricted to only a single, narrowly-defined parts market. It was also the approach underlying past conceptual mistakes in the intersection between intellectual property and antitrust law, such as the equation of a patent right with a market[191] and the presumption that an intellectual property right creates monopoly power.[192] An overly narrow definition of the relevant market not only will overstate the market power created by intellectual property rights, but also will subject the intellectual property holder to claims of illicit extension if the intellectual property becomes part, but not all, of a broader "product."

In seeming recognition of this issue, the D.C. Circuit in *Microsoft* has set a fairly minimal standard for determining whether Windows and Internet Explorer constitute one or two products (and thus, whether they compete in one or two markets).[193] As interpreted by the D.C. Circuit, the concept of integration "is most reasonably understood as a product that combines functionalities (which may also be marketed separately and operated together) in a way that offers advantages unavailable if the functionalities are bought separately and combined by the purchaser."[194] The integrated product "must also

Windows passes the relevant test of whether the bundling of Internet Explorer with the operating system achieves technologically beneficial results vis-a-vis a purchaser's merging of related individual functionalities. *See id.*

191. Congress has remedied the doctrine by amending the section of the Patent Act pertaining to misuse. *See* 35 U.S.C. § 271(d) (1994).

192. This presumption arguably still exists as a matter of Supreme Court law, *see* Jefferson Parish Hosp. Dist. No. 2 v. Hyde, 466 U.S. 2, 16 (1984), but it has few adherents, *see* 10 AREEDA & HOVENKAMP, ANTITRUST LAW ¶ 1737b, at 92 (1996) ("[A]nalysis and most current lower courts decline to infer power from the limited legal monopolies conferred by patents, copyrights, or trademarks.").

193. An unlawful tying arrangement may be found only when there are two separate products at issue. *See* Fortner Enters., Inc. v. United States Steel Corp., 394 U.S. 495, 507 (1969). Whether the two products are indeed separate is determined according to the "character of the demand" for them. *Jefferson Parish*, 466 U.S. at 19. Generally, two products exist if there is "sufficient consumer demand so that it is efficient for a firm to provide" each separately. Eastman Kodak Co. v. Image Technical Servs., Inc., 504 U.S. 451, 462 (1992).

194. United States v. Microsoft Corp., 147 F.3d 935, 948 (D.C. Cir. 1998).

be better in some respect," in the sense that it exhibits some "technological value."[195] Thus, the test for the integration of two products is whether the combination of the two products provides technological benefits beyond those that could be achieved by a purchaser who bought the products separately and performed the integration himself.[196] Because the institutional competence of courts for assessing product design is extremely circumscribed, "technically interconnected products are immune from tying claims as long as the physical interconnection of the two products achieves some technologically beneficial result."[197] To prevail on a technological tying claim, then, a plaintiff must show that the integration of one product with another was done only "for the purpose of tying the products."[198]

This antitrust analysis squares appropriately with patent principles where misuse arises from conduct that "extend[s] the economic impact of the patent beyond the area actually claimed and the statutory period of monopoly."[199] Misuse does not arise where "packaging" the product results in a technological improvement. At that point, there should be no more query as to whether two separate products are tied to one another because the unit of analysis has become a single product.

That said, a recent Federal Circuit case, *C.R. Bard, Inc. v. M3 Systems, Inc.*,[200] hints that the seemingly settled misuse doctrine may not be all that secure. In that case, plaintiff Bard alleged that M3 had infringed its patents on a biopsy gun and on needles designed to fit the gun. In defense, M3 alleged that Bard had "unlawfully leveraged its monopoly power in the guns to obtain a competitive advantage in replacement needles by modifying its gun to accept only Bard needles."[201] Although the jury had not considered whether Bard's modification of its gun and needles constituted patent misuse,[202] the court nonetheless affirmed the jury's verdict that the purpose of the technological advancement was to thwart competition, and that Bard had therefore violated Section 2.[203]

Yet it is unclear how Bard's conduct of creating a technologically advanced biopsy gun violated antitrust strictures. It appears that the court ignored the presumption that technological innovation is an advancement rather than a monopolistic restraint on competition[204] and thus allowed the jury to overrule the Patent Office's determination

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195. *Id.* at 949.

196. *See id.*

197. *Id.* at 950.

198. *Microsoft*, 147 F.3d at 950 (quoting Response of Carolina, Inc., v. Leasco Response, Inc., 537 F.2d 1307, 1330 (5th Cir. 1976)). A court need not determine that the integrated product "is superior to its stand-alone rivals." *Id.* (citing ILC Peripherals Leasing Corp. v. International Bus. Mach. Corp., 458 F. Supp. 423, 439 (N.D. Cal. 1978)). Rather, the key question is whether the integration "brings some advantage." *Id.*

199. 6 CHISUM, *supra* note 90, § 19.04[2] at 19-299.

200. 157 F.3d 1340 (Fed. Cir. 1998).

201. *Id.* at 1367.

202. The jury did find that Bard had misused its patents, but only on the basis that Bard had attempted to enforce its patents against goods that it knew were not infringing. *See id.* at 1372. Thus, the only misuse defense the jury considered was unrelated to the subject of the antitrust charge. In any event, the appeals court reversed on this issue and concluded that Bard had not misused any of its patents. *See id.* at 1373.

203. *See id.* at 1382-83.

204. *See* Foremost Pro Color, Inc. v. Eastman Kodak Co., 703 F.2d 534, 542-43 (9th Cir. 1983) ("[T]he development and introduction of a system of technologically interrelated products is not sufficient alone to establish a *per se* unlawful tying arrangement even if the new products are incompatible with the products then

that the integration of the two products provided a sufficient technological advancement to warrant a patent. Some reassurances may be found in Judge Gajarsa's concurrence in the court's order declining Bard's suggestion for rehearing *en banc*. Noting that "the majority opinion turns solely on Bard's argument regarding the sufficiency of the evidence and its failure to challenge the propriety of the jury instructions," he concluded that the case cannot be read to address "The question of whether or not a cause of action premised upon the antitrust laws exists when a patentee redesigns a patented product within the scope of the patent claims."[205]

V. CONCLUSIONS

As intellectual property becomes a more frequent subject of antitrust actions, courts need clear guiding principles to follow in determining the circumstances in which antitrust defendants should be obligated to deal with other parties. Establishing such principles is even more important where courts deciding non-intellectual property duty-to-deal cases have failed to develop consistent and coherent rationales. In the process, however, the special problems presented by the intellectual property context must be heeded. Addressing unilateral refusals to deal involving patent rights or copyrights requires insight both into the purposes animating the intellectual property and antitrust laws, and into the types of intellectual property concerns that are likely to arise in a rapidly advancing technological society. Such considerations lead, at least at the outset, to the conclusion that courts should impose a duty to deal on intellectual property antitrust defendants only where the intellectual property holder has misused its rights in some way. However, as the above discussions pertaining to the *Intel* and *Microsoft* cases suggest, there remain many questions to be resolved.

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offered by the competition and effective use of any one of the new products necessitates purchase of some or all of the others.").

205. C.R. Bard, Inc. v. M3 Sys., Inc., 161 F.3d 1380, 1381 (Fed. Cir. 1998) (Gajarsa, J., concurring).