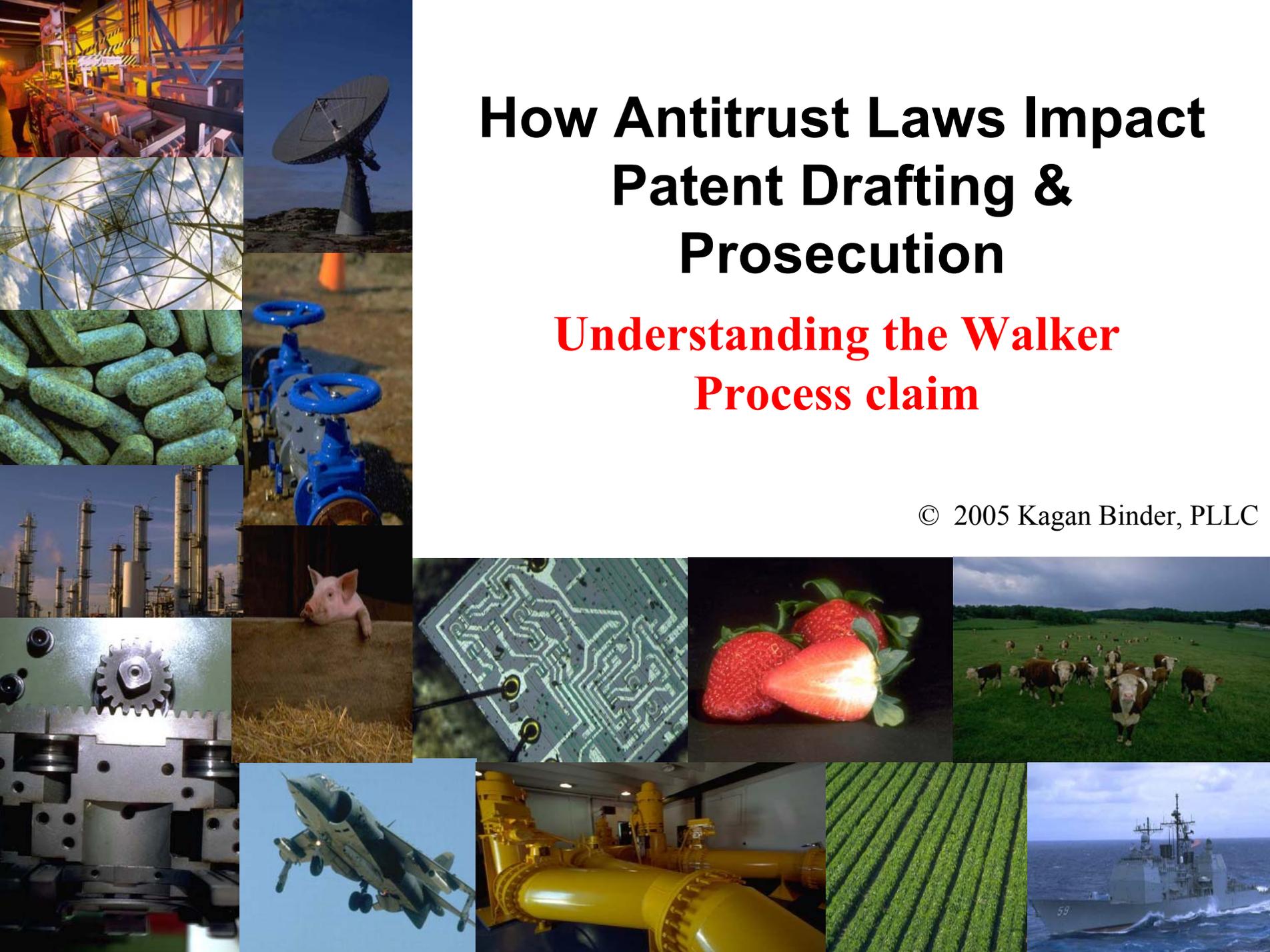


How Antitrust Laws Impact Patent Drafting & Prosecution

Understanding the Walker Process claim

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Antitrust laws apply to every aspect
of PATENT PROCUREMENT.

Patent Drafting

Patent Prosecution

Patent Filing

Patenting Decisions

Formal Papers

Patent Maintenance

“Walker Process” Problems

*Walker Process Equipment, Inc. v. Food
Machinery and Chemical Corp.*



Basic Walker Process Rule:

Under Walker Process (1965):

Enforcement of a patent procured by intentional fraud may violate antitrust laws.

Under Unitherm (2004):

Enforcement of a patent procured inappropriately may violate antitrust laws.

Unitherm loosens standards.



Statutory Basis

15 USC § 2 (Sherman Act)

Criminal statute makes it a felony to monopolize or to attempt to monopolize

15 USC § 15 (Clayton Act)

Creates civil cause of action for violations of Sherman Act.

BONUS

Attorney Fees! Treble Damages!



Prosecution pitfalls can be antitrust violations!

- Not just dead in the water
- You could owe the most willful infringer \$\$
- Not a balancing of equities to date (“Sorry, no recovery for you. You’re too evil.”)



Walker Process Itself:

- Appeal from a motion to dismiss
- Knowing and willful misrepresentation
- Issue: Antitrust liability for enforcing a patent procured by fraud?

Case of first impression

At issue in Walker Process:

Option A

Patentee says:
No such
antitrust claim.

Option B

Infringer says:
Per se antitrust
violation.

Justice Dept. supports Option B.

Which Option did the
Supreme Court choose?



At issue in Walker Process:

Option A

Patentee says:
No such
antitrust claim.

Option B

Infringer says:
Per se antitrust
violation.

Which Option did the
Supreme Court choose?

Option C





Walker Process Basic Elements:

-  Procured patent.
-  Intentional fraud
-  Enforcement
-  Monopolization or attempted monopolization

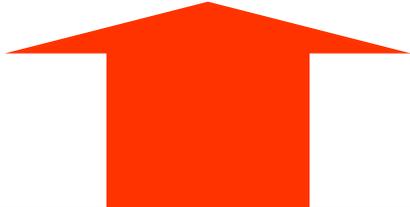
Unitherm
modifies
these a bit.

Good faith (negligence) is a defense.



Fraud is the keystone of a WP claim

- Procured patent
- Misconduct
- Intent
- Other stuff (moving target)



Nobelpharma/Unitherm



Lots of misconduct creates
antitrust risk.

False oath

Back-dating

Public use

Misrepresentations

Nondisclosure

Best Mode

Inventorship

Maintenance fees*

Only the most egregious misconduct
triggers antitrust liability.



Can you draft and prosecute perfectly and still violate the antitrust laws?

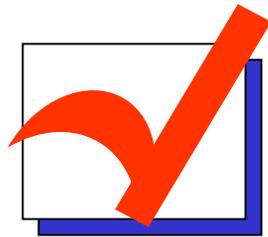
Yes.

No.

The answer must be “No.”
Right?

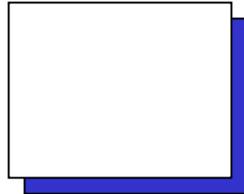


Can you draft and prosecute perfectly and still violate the antitrust laws?



Yes.

No way!



No.

The answer must be “No.”
Right?



1

How you can draft and prosecute perfectly and still violate the antitrust laws:

Repugnant patenting.

Protecting components to stymie Repair v. Reconstruction Doctrine

C.R. Bard Inc. v. M3 Systems Inc., 48 USPQ2d 1225 (Fed. Cir. 1998)

Door is open, but not open and shut.



2

How you can draft and prosecute perfectly and still violate the antitrust laws:

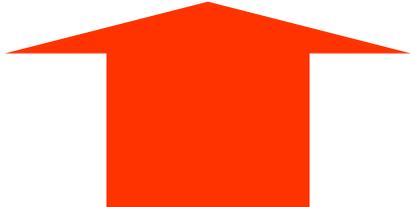
Maintenance fees

Paying maintenance fee when all claims are fatally flawed.



Fraud is the keystone of a WP claim

- Procured patent
- Misconduct
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Nobelpharma/Unitherm



Early on, only INTENTIONAL
misconduct actionable.

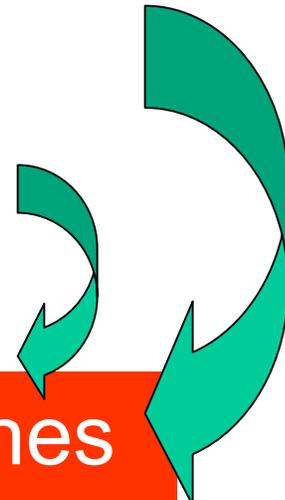
- Intentional Misconduct at issue in Walker Process
- Good faith (negligence) a complete defense

What about gross negligence
or recklessness?



Until Recently only
INTENTIONAL misconduct
actionable in CAFC.

- *American Hoist & Derrick Co. v. Sowa & Sons, Inc.* (1984)
- *Argus Chemical Corp. v. Fibre Glass-Evercoat Co. Inc.* (1987)**
- *Nobelpharma AB v, Implant Innovations Inc.* (1997)**



** CAFC expressly declines
to extend further.

July 2004: CAFC extends WP liability to reckless conduct.

- *Unitherm Food Systems Inc. v. Swift-Eckrich Inc.* (2004)
- *Walker Process liability involves an “inappropriate attempt to procure a patent[.]”*
- *Walker Process fraud involves “the intent to deceive, or, at least a state of mind so reckless as to the consequences that it is held to be the equivalent of intent (scienter)[.]”*

New intent standard of Unitherm will change outcomes.

Decided before Unitherm

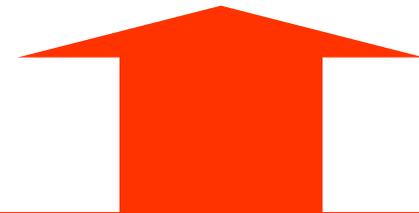
- *Western Electric Co., Inc. v. Piezo Technology Inc. (1990)*
- *Substantial inventory of misconduct*
- *Escaped liability because incompetent, not evil*

Likely would be reckless and liable under Unitherm.



Fraud is the keystone of a WP claim

- Procured patent
- Misconduct
- Intent
- Other stuff (moving target)



Nobelpharma/Unitherm



Nobelpharma and Unitherm each provide a fraud recipe

- *Recipes are inconsistent*
- *Both require misconduct and intent*
- *Nobelpharma recipe much more rigorous*
- *Unitherm probably the ONE*
- *Proving WP elements easier today*



Nobelpharma fraud recipe :

■ *misconduct*

■ *intent*

■ *“but for”*

Tough,
tough,
tough

Patent owners love the taste of
this recipe.

Unitherm fraud recipe :

■ *misconduct*

■ *intent*

■ *Justifiable reliance*

■ *injury*

No
“but for”
in this one

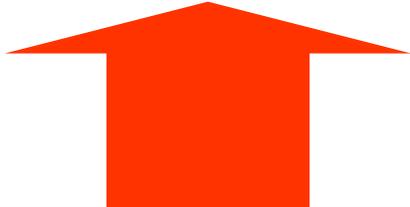
Presumed!

Infringers love the taste of this
recipe.



Fraud is the keystone of a WP claim

-  Procured patent
-  Misconduct
-  Intent
-  Other stuff (moving target)



Nobelpharma/Unitherm



Walker Process Basic Elements:

- Procured patent.
- Intentional fraud
- Enforcement
- Monopolization or attempted monopolization

Good faith (negligence) is a defense.



Walker Process Basic Elements:

- Procured patent.
- ~~Intentional fraud~~ ← Inappropriate attempt
- Enforcement
- Monopolization or attempted monopolization

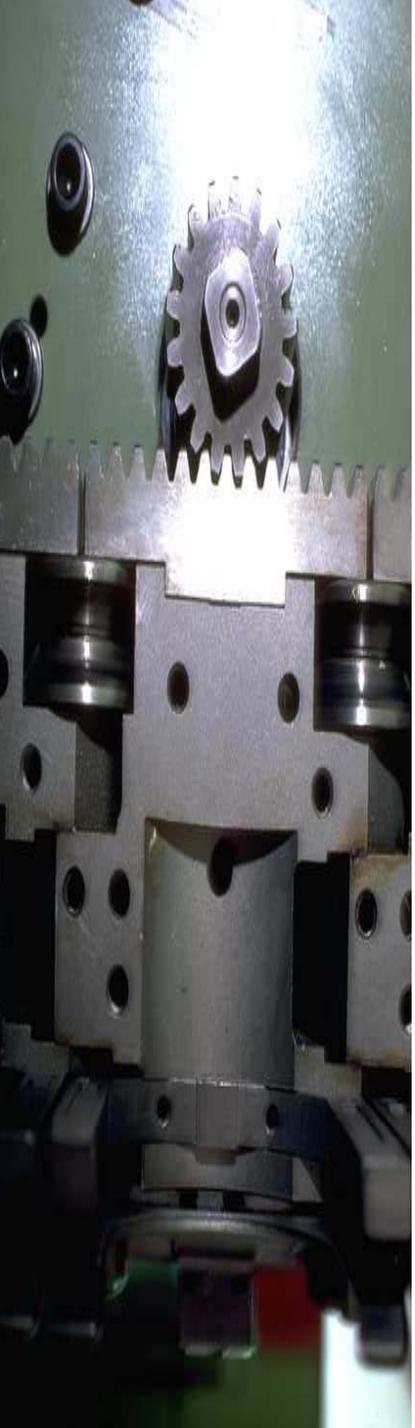
Good faith (negligence) is a defense.



Enforcement

- Some effort by Patentee to enforce
- Patentee aware of the taint (Nobelpharma)

What is enforcement?



What is “enforcement?”

- Litigation: Patentee files and pursues infringement action
- Conduct by Patentee sufficient to create DJ jurisdiction

*Cygnus Therapeutics Systems v.
Alza Corp. (1996)*



This is “enforcement” under Walker Process:

The same facts that establish an actual controversy for purposes of a DJ action also may be used to show enforcement for a *Walker Process* claim.

Acts/threats creating reasonable apprehension



Walker Process Basic Elements:

- Procured patent.
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(Attempted) Monopolization

Basic Elements:

Common terms:	Alias
Relevant Market	Same
Market Power	Intent to monop. & dangerous probability of success
Standing	Damages



Is Market Share Dispositive for
proving/disproving market
power?

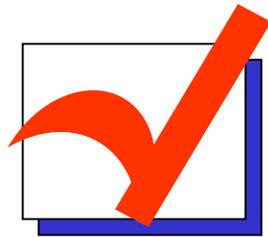
Yes.

No.

The answer must be “Yes.”
Right?



Is Market Share Dispositive for
proving/disproving market
power?



Yes.



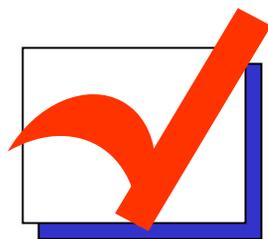
No.

How
can this
be?

The answer must be “Yes.”
Right?



Is Market Share Dispositive for
proving/disproving market
power?

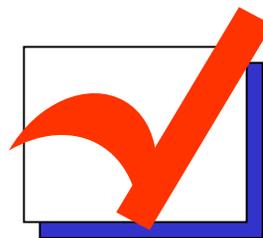


Yes.

87% market share left no doubt
of market power.

Conceptual Eng. Assoc. v.
Aelectronic Bonding Inc. (1989)

Is Market Share Dispositive for proving/disproving market power?



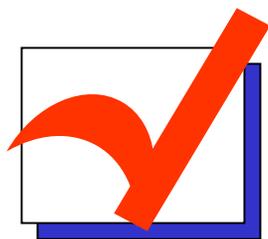
No.

10% and 60% market share too low to show market power.

Buehler AG v. Ocrim SpA.
(1993)



Is Market Share Dispositive for
proving/disproving market
power?



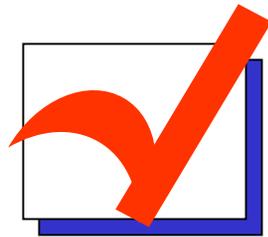
Yes.

30% to 40% market share plus
other evidence showed market
power.

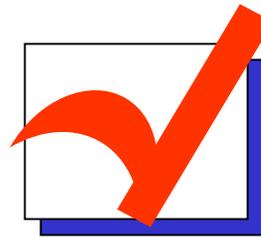
Agere Systems Guardian Corp.
v. Proxim Inc. (1993)



Is Market Share Dispositive for
proving/disproving market
power?



Yes.



No.

Very high market share shows
market power.

Low market share by itself does
not show market power, but can
be bolstered.



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Thanks!

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