UNILATERAL TECHNOLOGY SUPPRESSION: APPROPRIATE ANTITRUST AND PATENT LAW REMEDIES

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This article reviews some of the antitrust and patent law remedies for improper unilateral suppression of technology and considers what the appropriate remedy under these laws should be, if any, in the particular context of the refusal both to use and to permit others to use patent rights.[1] It concludes that there is little reason to change the current law: a patent holder that is the inventor or the employer of the inventor is free simply to withhold the patented technology from the marketplace, while a patent holder that acquired its know-how by acquisition, assignment, or license may be subject to antitrust challenge if it has accumulated market power along with the patent rights and withholds that technology from the marketplace in a manner that unreasonably restrains competition.

I. CURRENT LAW

Presently, there is little remedy under the patent laws if the only activity by a holder of rights to some technology is to withhold the technology from the marketplace by not developing it and not licensing others to develop it. The crux of the rights granted under the patent law is "the right to exclude others from making, using, offering for sale, or selling the invention . . . or importing the invention . . . from using, offering

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[1] Technology may also be suppressed unilaterally by other methods, such as by the acquisition or enforcement of intellectual property rights to prevent the use of other technology, and by developing or using technology in ways that retard the development of other technology. These other unilateral methods of suppressing technology and multilateral methods of suppressing technology (such as standard-setting and product-certification processes, patent pools, and joint research and development efforts) may be much more common than unilateral suppression of technology by the refusal both to use and to permit others to use patent rights. The extent of any remedy under the antitrust or the patent laws for these types of activities is beyond the scope of this article.

for sale or selling . . . or importing . . . products made by the invented process . . . ."[2] Thus, the patent law makes it clear that "[n]o patent owner otherwise entitled to relief for infringement or contributory infringement of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having . . . refused to license or use any rights to the patent . . . ."[3]

The antitrust laws have also generally been inhospitable to claims that a holder has improperly withheld the technology from the marketplace. The Supreme Court in *Continental Paper Bag Co. v. Eastern Paper Bag Co.*[4] found that it was not unreasonable for a patent owner to use existing equipment embodying old technology rather than to build new machines using new patents, and that it was also not unreasonable for the patent owner to refuse to license others to use its new patents. The Court stated:

> As to the suggestion that competitors were excluded from the use of the new patent, we answer that such 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.[5]

In *Hartford-Empire Co. v. United States*[6] the Supreme Court confirmed that an inventor of technology should be permitted to patent the invention even if there is an intent not to use the invention and not to license others to use it. The Court observed:

> A patent owner is not in the position of a quasi-trustee for the public or under any obligation to see that the public acquires the free right to use the invention. He has no obligation either to use it or to grant its use to others. If he discloses the invention in his application so that it will come into the public domain at the end of the 17 year period of exclusive right he has fulfilled the only obligation imposed by the statute. This has been settled doctrine since at least 1896.[7]

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[2] 35 U.S.C. § 154.

[3] 35 U.S.C. § 271(d).

[4] 210 U.S. 405, 425–30 (1908).

[5] *Id.* at 429 (citation omitted; emphasis added).

[6] 323 U.S. 386, 432–33, *clarified*, 324 U.S. 570 (1945).

[7] *Id.* at 432–33 (citation and footnote omitted); *see also* Standard Oil Co. v. United States, 283 U.S. 163, 179 (1931) (cross licenses and royalty pool to settle conflicting patent claims that created disincentives for additional licenses did not create monopoly or unreasonably restrain competition); United States v. United Shoe Mach. Corp., 247 U.S. 32, 57–58 (1918) (leases that restrict use of lessor's patents not antitrust violation); United States v. Westinghouse Elec. Corp., 648 F.2d 642, 647 (9th Cir. 1981) (doing "no more than to license some of its patents and refuse to license others" not antitrust violation); Cataphote Corp. v. DeSoto Chem. Coatings, Inc., 450 F.2d 769, 774 (9th Cir. 1971) ("A patentee has the untrammeled right to suppress his patent or to grant an exclusive or nonexclusive license."); Montgomery Co. Ass'n of Realtors, Inc. v. Realty Photo Master

A patent holder's privilege simply to refuse to use or license its invention applies generally even where the patent holder may have, as a result of the patent or otherwise, monopoly power in a market.[8] The "mere accumulation of patents, no matter how many, is not in and of itself illegal" under the patent or antitrust laws.[9] "[T]he procurement of a patent . . . will not violate § 2 even where it is likely that the patent monopoly will evolve into an economic monopoly."[10] The powers "granted under a valid patent are not powers on which plaintiff may rely to establish monopolization."[11]

Accordingly, if the technological know-how is legitimately obtained, there is no antitrust violation if the holder of the know-how refuses to license the technology to competitors, even if that know-how enabled the holder to acquire monopoly power.[12] Otherwise, the "imposition of a duty to license might serve to chill the very kind of innovative process that led to [the technology owner's] cost advantage."[13] To be sure, the refusal by a monopolist to license its patented technology may give rise

Corp., 878 F. Supp. 804, 816–17 (D. Md. 1995) (refusal to permit non-member of realtors' association to copy database not antitrust violation), *aff'd*, 91 F.3d 132 (4th Cir. 1996); Tricom, Inc. v. Electronic Data Sys. Corp., 902 F. Supp. 741, 743–44 (E.D. Mich. 1995) (refusal to license software not impermissible refusal to deal); E.I. du Pont de Nemours & Co., 96 F.T.C. 653, 705 (1980) (refusal to license to competitors advanced, significantly less costly, technology to make titanium dioxide pigments, reserving technology for own use, not antitrust violation).

[8] *See, e.g.*, Data Gen. Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147 (1st Cir. 1994); SCM Corp. v. Xerox Corp., 645 F.2d 1195 (2d Cir. 1981); Corsearch, Inc. v. Thomson & Thomson, Inc., 792 F. Supp. 305 (S.D.N.Y. 1992); Chisholm-Ryder Co., Inc. v. Mecca Bros., Inc., 1983-1 Trade Cas. (CCH) ¶ 65,406 (W.D.N.Y. 1982), *aff'd*, 746 F.2d 1489 (Fed. Cir. 1984); GAF Corp. v. Eastman Kodak Co., 519 F. Supp. 1203, 1233 (S.D.N.Y. 1981). The Court in *Continental Paper Bag* and *Hartford-Empire* did not specifically find that the patent holder had monopoly power, but may have been operating under the assumption then prevailing that patents automatically convey monopoly power.

[9] Automatic Radio Mfg. Co. v. Hazeltine Research, Inc., 339 U.S. 827, 834 (1950). However, if a patent was obtained by fraud on the Patent Office and then attempts are made to enforce it, there may be both patent misuse and antitrust violations. Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172 (1965). Similarly, if it was known at the time an infringement action was brought that the patent being enforced was invalid, there is a possible antitrust violation. *E.g.*, Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986 (9th Cir. 1979).

[10] *SCM,* 645 F.2d at 1206.

[11] United States v. E.I. du Pont de Nemours & Co., 118 F. Supp. 41, 214 (D. Del. 1953), *aff'd,* 351 U.S. 377 (1956). *See, e.g.*, Cole v. Hughes Tool Co., 215 F.2d 924, 934, 937 (10th Cir. 1954); United States v. Aluminum Co. of Am., 148 F.2d 416 (2d Cir. 1945).

[12] *See, e.g.*, California Computer Prods., Inc. v. IBM Corp., 613 F.2d 727, 744 (9th Cir. 1979); Berkey Photo, Inc. v. Eastman Kodak Co., 603 F.2d 263, 283–84 (2d Cir. 1979); ILC Peripherals Leasing Corp. v. IBM, 458 F. Supp. 423, 436–37 (N.D. Cal. 1978), *aff'd per curiam sub nom.* Memorex Corp. v. IBM, 636 F.2d 1188 (9th Cir. 1980).

[13] E.I. du Pont de Nemours & Co., 96 F.T.C. at 748.

only to a rebuttable presumption that such refusal is proper,[14] but no case has been found that holds that a patent holder's desire to prevent its monopoly from being eroded by technology that *it* has developed is an illegitimate business justification.

The patent holder's privilege simply not to license is consistent with the prevailing approach to refusals to deal in non-intellectual property contexts. It has long been held that a mere refusal to deal is permissible under the antitrust laws, even by monopolists. "In the absence of any purpose to create or maintain a monopoly, the [Sherman] act does not restrict the long-recognized right of trader or manufacturer engaged in an entirely private business, freely to exercise his own independent discretion as to parties with whom he will deal."[15] Where there is a legitimate business purpose, even refusals by those with a monopoly position or a unique product have been upheld.[16] "Even a firm with monopoly power ordinarily has no duty to deal with a competitor."[17]

Nonetheless, "[b]ecause of a monopolist's special position the antitrust laws impose what may be characterized as affirmative duties. These duties

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[14] *See, e.g.*, Eastman Kodak Co. v. Image Technical Servs., Inc., 125 F.3d 1195 (9th Cir. 1997); Data Gen. Corp. v. Grumman Sys. Support Corp., 36 F.3d, 1147, 1187–89 (1st Cir. 1994).

[15] United States v. Colgate & Co., 250 U.S. 300, 307 (1919).

[16] *See, e.g.*, Drinkwine v. Federated Publications, 780 F.2d 735, 740 (9th Cir. 1985) (newspaper not required to carry advertising inserts of rival who did not pay bills); Paschall v. Kansas City Star Co., 727 F.2d 692, 704 (8th Cir. 1984) (en banc) (newspaper publisher's forward integration into distribution upheld); Official Airline Guides, Inc. v. F.T.C., 630 F.2d 920, 927–28 (2d Cir. 1980) (refusal of airline flight schedules publisher to include commuter airlines connecting flight schedules not FTC Act § 5 violation); Homefinders of Am., Inc. v. Providence Journal Co., 621 F.2d 441, 443 (1st Cir. 1980) (monopolist newspaper may refuse to deal with advertiser that may lower newspaper's advertising standards with misleading advertising); *Berkey Photo,* 603 F.2d at 284 (monopolist may refuse to sell for a valid business reason); Sargent-Welch Scientific Co. v. Ventron Corp., 567 F.2d 701, 712 (7th Cir. 1977) (distributor's poor performance proper basis for termination by monopolist); Universal Brands, Inc. v. Philip Morris, Inc., 546 F.2d 30 (5th Cir. 1977); International Rys. of Cent. Am. v. United Brands Co., 532 F.2d 231 (2d Cir. 1976) (monopsonist not required to maintain unprofitable business for benefit of supplier); Venzie Corp. v. United States Mineral Prods. Co., 521 F.2d 1309, 1314–16 (3d Cir. 1975); WeatherWise Co. v. Aeroquip Corp., 468 F.2d 716, 718 (5th Cir. 1972) (sole source could refuse to sell to unqualified buyer); J.H. Westerbeke v. Onan, 580 F. Supp. at 1189–90 (not use of monopoly power to terminate ineffective distributor); American Can Co. v. A.B. Dick Co., 1983-2 Trade Cas. (CCH) ¶ 65,751, at 69,833 (S.D.N.Y. 1983) (even monopolist may terminate unsatisfactory distributor); America's Best Cinema Corp. v. Fort Wayne Newspapers, 347 F. Supp. 328, 333 (N.D. Ind. 1972) (newspaper refusal to advertise pornographic films not antitrust violation).

[17] Healthco Int'l, Inc. v. A-dec, Inc., 1989-2 Trade Cas. (CCH) ¶ 68,703 at 61,692 (D. Mass. 1989). *See also,* Olympia Equip. Leasing Co. v. Western Union Tel. Co., 797 F.2d 370, 379 (7th Cir. 1986) ("Refusing to act as your competitor's sales agent is not an unnatural practice engaged in only by firms bent on monopolization."); Oahu Gas Serv., Inc. v. Pacific Resources Inc., 838 F.2d 360 (9th Cir. 1988) (not providing a source of

are not absolute, however; they arise only when there is no justification for refusing to aid a competitor."[18] One possible approach to challenge refusals to license technology is the essential facilities doctrine.[19] This doctrine should be equally applicable to intangibles as well as tangibles.[20] However, "a better mousetrap is not necessarily an essential facility."[21] Moreover, the cases where the essential facilities doctrine has been asserted successfully are relatively rare, generally with distinctive fact situations.[22] And, an entity controlling an essential facility is unlikely to

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supply to competitor by not extending capacity of plant to make product for competitor not antitrust violation).

[18] *Oahu Gas*, 838 F.2d at 368. *See also* Eastman Kodak Co. v. Image Technical Servs., Inc., 504 U.S. 451 (1992).

[19] *See* United States v. Terminal R.R. Ass'n, 224 U.S. 383 (1912); MCI Communications Corp. v. AT&T, 708 F.2d 1081, 1132 (7th Cir. 1983). The essential facilities doctrine comes into play when (1) an entity with monopoly power in one market, which is an input, or a distribution channel, for another market; (2) is also a competitor in that second market; and (3) uses that monopoly power against competitors in that second market by denying access to the monopolized input, or output. In order to prove a claim under that theory, the claimant must show that: (1) the know-how owner controls the essential facility; (2) the competitor seeking access cannot practically duplicate the facility; (3) the owner denied the competitor access to the facility; and (4) it would have been feasible for the owner to provide access to the facility. *See id.* at 1132; Montgomery Co. Ass'n of Realtors, Inc. v. Realty Photo Master Corp., 878 F. Supp. 804, 817 (D. Md. 1995).

[20] BellSouth Adver. & Publ'g Corp. v. Donnelley Info. Publ'g, Inc., 719 F. Supp. 1551, 1565–66 (S.D. Fla. 1988), *rev'd on other grounds*, 999 F.2d 1436 (11th Cir. 1993).

[21] Data Gen. Corp. v. Grumman Sys. Support Corp., 761 F. Supp. 185 (D. Mass. 1991), *aff'd,* 36 F.3d 1147 (1st Cir. 1994).

[22] *Compare Terminal R.R. Ass'n*, 224 U.S. 383 (only railroad terminal in city with capacity must provide reasonable access to competitors of owners because it is essential to competitors' ability to compete); Fishman v. Estate of Wirtz, 807 F.2d 520, 539–40 (7th Cir. 1986) (stadium essential where cost of building new stadium for sports team unreasonable in light of cost of acquiring team); *MCI Communications,* 708 F.2d at 1132 (AT&T improperly denied connection to its network to MCI, which was essential for MCI to compete), *with* Alaska Airlines, Inc. v. United Airlines, Inc., 948 F.2d 536, 544–46 (9th Cir. 1991) (no essential facility claim where denial of access only imposed financial burden on competitors, not "eliminate" them); Illinois *ex rel.* Burris v. Panhandle E. Pipe Line Co., 935 F.2d 1469 (7th Cir. 1991) (pipeline access not essential because competitors could interconnect with other pipelines and construct new ones); McKenzie v. Mercy Hosp., 854 F.2d 365, 370 (10th Cir. 1988) (access to hospital not essential facility for physician who can treat majority of patients in his clinic); Flip Side Prods. v. Jam Prods., 843 F.2d 1024, 1034 (7th Cir. 1988) (not essential facility where alternate rock concert arenas available); *Oahu Gas Serv.*, 838 F.2d at 369 n.4 (no essential facility where there was monopoly power in sale of propane in Hawaii, but no monopoly power in supply of propane to Hawaii for resale); City of Anaheim v. Southern Cal. Edison Co., 1990-2 Trade Cas. (CCH) ¶ 69,246 at 64,909–11 (C.D. Cal. 1990) (transmission line that will provide lower price for power not essential facility), *aff'd,* 955 F.2d 1373 (9th Cir. 1992); Soap Opera Now, Inc. v. Network Publ'g Co., 737 F. Supp. 1338, 1348–49 (S.D.N.Y. 1990) (magazine advertising space not essential facility to reach target audience when competitors do not all advertise in that magazine); Twin Labs. v. Weider Health & Fitness, 720 F. Supp. 31, 34 (S.D.N.Y. 1989) (facility not essential if can be replicated with reasonable investment), *aff'd,* 900 F.2d 566 (2d Cir. 1990); Driscoll v. City of N.Y., 650 F. Supp. 1522, 1529 (S.D.N.Y. 1987) (municipal pier not essential facility where private ones are available).

reap improper competitive advantage from withholding that facility from others unless it is itself getting the benefit of that facility, which, in the case of technology, means that the marketplace is getting the benefit of that technology (even if from only the holder of the know-how), and the technology is not suppressed.[23] Indeed, it may be difficult to argue that an essential facility exists if the holder of the technology can get along without it while also withholding it from competitors. There are thus substantial hurdles for a plaintiff arguing an essential facilities case in the context of unilateral suppression of technology from the marketplace.

The treatment under the antitrust laws of situations involving the acquisition of market power by the accumulation of rights through *invention* may be contrasted with the approach in situations where market power was obtained through the purposeful *acquisition* of patent rights. The latter may be vulnerable to attack under Section 2 of the Sherman Act and/or Section 7 of the Clayton Act.[24] There may be a Section 2 claim, for example, where "the dominant competitor in a market acquires a patent covering a substantial share of the same market that [it] knows when added to [its] existing share will afford [it] monopoly power."[25]

This distinction between invention and acquisition is exemplified by *Kobe, Inc. v. Dempsey Pump Co.*, where the court found that the acquisition, non-use, and enforcement of "every important patent" in the field with a purpose to exclude competition, together with other anticompetitive acts, constituted a violation of Section 2.[26] In *Kobe* the patent holder was

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[23] *See, e.g.*, Image Technical Servs., Inc. v. Eastman Kodak Co., 125 F.3d 1195 (9th Cir. 1997) (patented or copyrighted replacement parts withheld from competitors were used by owner); Data Gen. Corp. v. Grumman Sys. Support Corp., 36 F.3d 1147 (1st Cir. 1994) (refusal to license to competitor internally developed diagnostic software to service its computers). Of course, in those situations antitrust violations may be, and have been, found under other theories.

[24] Patents and copyrights, and exclusive licenses of patents and copyrights, are "assets" for purposes of § 7. *See, e.g.*, Crucible, Inc. v. Stora Kopparbergs Bergslags AB, 701 F. Supp. 1157, 1162–63 (W.D. Pa. 1988); SCM Corp. v. Xerox Corp., 463 F. Supp. 983 (D. Conn. 1978), *remanded on other grounds*, 599 F.2d 32 (2d Cir. 1979); *In re* Yarn Process Patent Validity & Antitrust Litig., 398 F. Supp. 31, 35 (S.D. Fla. 1974), *aff'd in part and rev'd in part*, 541 F.2d 1127 (5th Cir. 1976); Dole Valve Co. v. Perfection Bar Equip., Inc., 311 F. Supp. 459, 463 (N.D. Ill. 1970); United States v. Lever Bros., 216 F. Supp. 887, 889 (S.D.N.Y. 1963); United States v. Columbia Pictures Corp., 189 F. Supp. 153, 181–82 (S.D.N.Y. 1960).

[25] *SCM*, 645 F.2d at 1205; *see also* Kaspar Wire Works v. K-Jack Eng'g Co., 70 F.3d 129 (table; unpublished disposition), 1995 WL 662674, *4, 1995 U.S. App. LEXIS 33145, *11 (Fed. Cir. 1995).

[26] 198 F.2d 416, 423–27 (10th Cir. 1952). *See also* United States v. Singer Mfg. Co., 374 U.S. 174 (1963); United States v. United States Gypsum Co., 333 U.S. 364 (1948); *Hartford-Empire,* 323 U.S. 386; United States v. Besser Mfg. Co., 96 F. Supp. 304 (E.D. Mich. 1951), *aff'd,* 343 U.S. 444 (1952); United States v. General Elec. Co., 82 F. Supp. 753, 816 (D.N.J.

found to have a plan to acquire all present and future patents in an entire industry and warehouse them, to obtain covenants not to compete from the sellers of the patents, to threaten suits against all who dealt with possible infringers, and to publicize the infringement suits. This course of conduct resulted in "a complete monopoly of the business relating to hydraulic pumps for oil wells."[27]

The distinction between invention and acquisition is also apparent from the actions of the federal antitrust enforcement agencies. The agencies have required divestiture and licensing in acquisitions resulting in the aggregation of intellectual property that the agencies believed may have anticompetitive effects.[28] The agencies have not hesitated to

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1949); United States v. Vehicular Parking, Ltd., 54 F. Supp. 828, 839–40 (D. Del.), *modified*, 56 F. Supp. 297 (D. Del. 1944), *modified*, 61 F. Supp. 656 (D. Del. 1945); Stewart-Warner Corp. v. Staley, 42 F. Supp. 140, 146 (W.D. Pa. 1941).

[27] 198 F.2d at 422.

[28] *See, e.g.*, Ciba Geigy Ltd., Dkt. C-3725, 62 Fed. Reg. 65,706 (Notice, Dec. 15, 1997) (required non-exclusive license of certain patent rights to third party for HIV-tk gene therapy products and in gene therapy area generally, sublicense (or conversion of exclusive rights to non-exclusive) rights to Factor VIII gene for hemophilia gene therapy products, and prohibited future acquisition of exclusive rights in intellectual property in area of chemoresistance gene therapy products); United States v. Raytheon Co., 1997 WL 811048 (D.D.C. Nov. 6, 1997) (final judgment) (required divestiture of radar component business to avoid anticompetitive impact on chips for radar systems in acquisition of Texas Instruments' Defense Systems and Electronics Unit); United States v. Raytheon Co., 1997 WL 669646 (D.D.C. Oct. 22, 1997) (Competitive Impact Statement), 62 Fed. Reg. 60,267 (Notice, Nov. 2, 1997) (required divestiture of electro-optical and infrared sensor business in connection with acquisition of Hughes Aircraft Co.); Cadence Design Sys., Inc., Dkt. C-3761 (Decision and Order, Aug. 7, 1997), 62 Fed. Reg. 26,790 (Notice, May 15, 1997) (required to allow developers of commercial integrated circuit routing tools to participate in program to enable developers to develop and sell interfaces to Cadence layout tools and environments); Autodesk, Inc., Dkt. C-3756 (Decision and Order, June 18, 1997), 62 Fed. Reg. 16,814 (Notice, Apr. 8, 1997) (divestiture of computer-aided design technology, with reacquisition banned); Mahle GmbH, Dkt. C-3746 (Decision and Order, June 4, 1997), 62 Fed. Reg. 10,566 (Notice, Mar. 7, 1997) (divestiture of large-bore, two-piece pistons for high-output diesel and natural gas engines); American Home Prods. Corp., Dkt. C-3740 (Decision and Order, May 16, 1997) (divestiture of U.S. and Canadian rights to vaccines and requirement to supply buyer pending FDA manufacturing approval); Cooperative Computing Inc., FTC File No. 971-0013 (Feb. 1997) (divestiture of electronic automotive aftermarket parts catalog through exclusive, royalty-free perpetual license); Montedison, S.p.A., Dkt. C-3580, 5 Trade Reg. Rep. (CCH) ¶ 23,749 (1995) (divestiture of assets including intellectual property where merger of polyolefins businesses into joint venture would reduce incentives to innovate and to license polypropylene technology); Glaxo plc, Dkt. C-3586, 5 Trade Reg. Rep. (CCH) ¶ 23,784 (1995) (divestiture of assets including intellectual property where acquisition would adversely affect research and development of drug to control migraine headaches); Wright Med. Tech., Dkt. C-3564, 1995 FTC LEXIS 70 (1995) (licensing of technology required where acquisition would adversely affect research and development of orthopedic implants for use in human hand); Sensormatic Elecs. Corp., Dkt. No. C-3572, 5 Trade Reg. Rep. (CCH) ¶ 23,742 (1995) (acquirer precluded from obtaining technology where acquisition would adversely affect research and development of types of disposable package labels); Silicon Graphics, Inc., Dkt. C-3626, 5 Trade Reg. Rep. (CCH) ¶ 23,838 (1995) (acquirer of graphics software

seek relief in both patent and non-patent situations even years after the consummation of the acquisitions.[29]

On the other hand, even where a patent holder has engaged in anti-competitive activity in connection with an acquisition, the courts have not been sympathetic to the antitrust claims of sellers of patent rights against the buyers. In *McDonald v. Johnson & Johnson*,[30] for example, plaintiffs claimed that Johnson & Johnson had monopoly power in the relevant market and willfully failed to commercialize intellectual property acquired from the plaintiffs with the intent and result of injuring competition in that market. As a result, the contingent compensation the plaintiffs were to receive in connection with the sale was reduced. The Eighth Circuit concluded that whatever competitive injury to the marketplace resulted from Johnson & Johnson's actions after the purchase was not competitive injury to the plaintiffs, and vacated and remanded the antitrust judgment with directions to dismiss the antitrust claims. However, the plaintiffs were not left without redress. They received contract damages of $5.7 million, while a fraud verdict of $6.275 million was remanded for reconsideration in connection with possible punitive damages.

Similarly, in *Alling v. Universal Manufacturing Corp.*[31] the inventor was found not to be an appropriate antitrust plaintiff. That case involved an oligopolist that acquired a patent license from an inventor for what was to be the next generation of a product—fluorescent light ballast. However, the oligopolist was making an excellent profit on its existing energy-inefficient product—an electro-magnetic, carbon core ballast—

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firms required to port software to competitor); Dow Chem. Co., Dkt. 3533, 5 Trade Reg. Rep. (CCH) ¶ 23,623 (1994) (licensing of technology to new entrant required, together with supply of product made by technology until entrant able to manufacture and sell independently); American Home Prods. Corp., 59 Fed. Reg. 60,807 (1994) (Proposed Consent Decree Agreement with Analysis to Aid Public Comment) (same); Sulzer Ltd., 59 Fed. Reg. 51,983 (1994) (Proposed Consent Decree Agreement with Analysis to Aid Public Comment) (divestiture required of intellectual property relating to manufacture of aluminum polyester powder used to improve aircraft engine performance); Adobe Sys., Inc., Dkt. C-3536 (1994), 5 Trade Reg. Rep. (CCH) ¶ 23,643 (divestiture required of professional illustration software in merger between only two providers of such programs).

[29] *See, e.g.*, Dow Chem. Co., Dkt. 3533 (1994), 5 Trade Reg. Rep. (CCH) ¶ 23,623 (relief sought after early termination of the waiting period granted under the Hart-Scott-Rodino Antitrust Improvements Act); Red Apple Cos., 59 Fed. Reg. 65,364 (1994) (Proposed Consent Agreement with Analysis to Aid Public Comment) (relief sought after series of acquisitions between 1991 and 1993); Kiwi Brands, Inc., Dkt. C-3523 (1994), 5 Trade Reg. Rep. ¶ 23,628 (relief sought for 1987 and 1991 acquisitions); Medical Clinic v. Dominican Santa Cruz Hosp., 58 Fed. Reg. 14,573 (1993) (Proposed Consent Agreement with Analysis to Aid Public Comment) (challenge to 1990 acquisition).

[30] 722 F.2d 1370 (8th Cir. 1983).

[31] 5 Cal. App. 4th 1412, 7 Cal. Rptr. 2d 718 (Ct. App. 1992).

and did not want to invest in developing the inventor's energy-saving electronic ballast until it had to. The licensee also did not want its few competitors to have this new technology or to introduce comparable, albeit possibly more expensive, new technology. Therefore, the licensee took the license from the inventor and shelved the invention for years. It also threatened its competitors that if they introduced their next generation products, it would introduce the invention it had licensed, which was better than its competitors' next generation innovations.

As in *McDonald*, the plaintiffs in *Alling* obtained no redress under the antitrust claims, although they recovered substantial damages on fraud claims—$26 million in the first trial,[32] and $96 million in January 1997 after a second trial. The licensee was found to have entered into the license agreement, promising to commercialize the invention, without any good-faith intent to do so.[33]

The state of the law may thus be summarized as follows: Inventors may accumulate as many patents as they can invent, and may generally refuse both to use and to license the use of their own inventions even if that maintains a monopoly position. However, an entity that controls a patent by acquisition, assignment or license, and that uses the market power of that patent to restrict competition, may be subject to challenge under the antitrust laws, but not by the inventor, seller, assignor, or licensor of that patent.

II. THE APPROPRIATE REMEDY FOR UNILATERAL SUPPRESSION OF TECHNOLOGY

The appropriate remedy for unilateral technology suppression under the U.S. laws must be considered in the context of the United States' policies toward innovation. The importance of intellectual property in the U.S. scheme is clear from the fact that Article I, Section 8 of the Constitution provides that "Congress shall have Power . . . 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." The purpose of granting patents is to promote inven-

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[32] *Id.* at 1432–33.

[33] This result was obtained even though there was also significant evidence that the invention required substantial development before it could be commercialized and that the licensee had invested significant sums in trying to commercialize it. The invention was in fact licensed to at least two other licensees that had tried unsuccessfully to develop a commercially defect-free product before it was finally licensed to the licensee in the lawsuit. Moreover, there were indications that the licensor had not fully disclosed to the final licensee the history of difficulties the invention had had in earlier development efforts. *Id.* at 1419–29.

tion, and patents are to provide inventors with the exclusive rights to their discoveries.

The U.S. approach may be compared with that of jurisdictions, such as some of the Member States of the European Union, which require a patentee to either use the invention or license its use by others. In those jurisdictions, the patentee may be subject to revocation of the patent or to compulsory license of the technology to others if the invention is not used within a certain period of time.[34]

It might be similarly argued in the United States that someone who acquires a patent right should be required to use it so that the public receives its benefits, because the purpose of the patent system is to encourage innovation for the public good. However, this approach is contrary to the basic philosophy of the U.S. patent system.[35] Moreover, all patented inventions are dedicated to the public domain at the end of the patent term. Therefore, whether or not a holder of patent rights exploits the invention during the term of the patent, the invention will be in the public domain eventually, and the public will benefit. If the patent holder chooses not to exercise the patent during its term and to forgo the (monopoly) profits during the period of patent exclusivity, it is doubtful that it should be saved willy-nilly from a perhaps unintelligent decision.

Furthermore, if a patent holder is required to use the patent or lose it, the decision may simply be not to patent the invention, but to keep it a trade secret and decide at leisure if and when to use it. In that case, the invention may never benefit the public at all. Another perverse result that may follow from a requirement that a patent holder use or license arises in the case of inventors who do not have the wherewithal to bring their inventions to market. In that event, such a requirement may place the inventor at the mercy of licensees who know that the inventor must license the invention on some terms soon or lose the patent entirely. Such an outcome would quite likely discourage innovation. A similar perverse result may also follow if exclusive licensees, which are in effect stepping into the shoes of the patent holder, are also required to adhere to some legal standard of "use or lose." If all exclusive licensees are

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[34] *See, e.g.*, Centrafarm B.V. v. Sterling Drug, Inc., Case 15/74, [1974] E.C.R. 1147, [1974] 2 C.M.L.R. 480, [1974 Transfer Binder] Common Mkt. Rep. (CCH) ¶ 8246.

[35] U.S. CONSTITUTION, art. I, § 8; 35 U.S.C. § 271(d); Dawson Chem. Co. v. Rohm & Haas Co., 448 U.S. 176, 215 (1980) ("Compulsory licensing is a rarity in our patent system, and we decline to manufacture such a requirement out of § 271(d)."); *Hartford-Empire Co.*, 323 U.S. at 432–33.

required to exploit a license, beyond the good-faith requirement under contracts, then there may be a disincentive to seek a license. This may result in inventors being unable to obtain licensees with the resources to bring the invention to market. The cure may be worse than the perceived disease.

The policy question of the appropriate remedy under the antitrust laws for unilateral suppression of technology should be considered in light of two distinctions. The first distinction is between patented technology and unpatented technology. The second distinction is between a holder of patent rights who is also the inventor or the employer of the inventor, and a holder of patent rights who obtained those rights by acquisition, assignment, or license.

As to the first distinction, it is not practical to require that unpatented technology be used or licensed, because its existence may never be known. Even if the existence of a trade secret is known, the argument for compelling the use of trade secrets is even weaker than that for compelling the use of patents. A patent holder has the legal right to exclude competitors, while a trade secret owner can exclude others only so long as the trade secret remains secret; the lesser degree of legal protection for trade secrets provides less justification to compel its use by the owner or its disclosure to others for development. An inventor has a fundamental choice, to seek or not to seek a patent. A patent has a limited life of twenty years. If the inventor can maintain the confidentiality of the invention and still exploit it, then it may make sense not to patent it. It may make sense to take the risk of trying to control the invention indefinitely by treating it as an unpatented trade secret. The choice not to patent may be a particularly sensible one where the invention may have questionable patentability, and the inventor therefore does not want to take the risk of applying unsuccessfully for a patent and then having the invention dedicated to the public domain when the application is rejected. The Coca-Cola formula may be the most famous example of an unpatented trade secret.

With respect to the unilateral suppression of patented technology, the law appropriately distinguishes between two very different types of patent holders. In the current scheme under U.S. law, the precedents distinguish between patent rights acquired as a result of work done by the patent holder (or its employees) and rights obtained as a result of acquisitions, assignments, or licenses. An accumulation accomplished by internal growth may be unobjectionable, while accumulation by acquisition, assignment, or license may be challenged under Section 7 of the Clayton

Act, which bars acquisitions "the effect of [which] may be substantially to lessen competition, or to tend to create a monopoly,"[36] or under Section 2 of the Sherman Act. Any indication that the acquirer of the patent rights intended to warehouse the patents to obtain or maintain market power would be a factor in any such challenge.

It is appropriate that different standards regarding technology suppression should be applied to the inventor, who has created a new technology, than to the non-inventor, that has reached its position by trading in and not by creating know-how. In the first case, the holder of patent rights who is also the inventor or the employer of the inventor, is dealing with the fruits of his or her own labor. In the second case, the holder of patent rights is dealing with the fruits of the labor of others.[37] As a general rule, we tolerate monopoly obtained by "superior skill, foresight and industry"[38] but not by acquisition.

It might be argued, then, that an antitrust remedy should also be available to the inventor in cases like *McDonald* and *Alling*. However, the results in those two cases do not support any change in the law so as to provide an antitrust claim to an inventor who transferred rights to a patent and who may have received less compensation than contemplated as a result of the transferee's arguably anticompetitive failure to exploit the patent. This can be seen by considering the possible results if the inventor prevailed on an antitrust claim. Such an outcome may require an oligopolist to use the technology that it received and thus to entrench itself further into monopoly, a perverse result under the antitrust laws. Similarly, there appears to be little basis under *antitrust* policy to provide injunctive relief to an inventor against a transferee, requiring termination of the license, rescission of the assignment, or divestiture of the technology, because any harm to the inventor would occur only if the monopolist fails to exploit the license.

In summary, if the unilateral suppression of technology by a holder of patent rights who is not the inventor results in an impermissible restriction on competition, the current law may provide remedies under either Section 7 of the Clayton Act or Section 2 of the Sherman Act. Appropriate private plaintiffs have brought such antitrust challenges, and the federal antitrust agencies have not hesitated to challenge acquisitions that raise the specter of technology suppression. The fact that the inventor may not be an appropriate antitrust plaintiff in such situations

[36] 15 U.S.C. § 18.

[37] Of course, there may be situations that do not fall readily into the two categories, such as some types of joint ventures.

[38] United States v. Aluminum Co. of Am., 148 F.2d 416, 432 (2d Cir. 1945).

does not require a change in the law. Those plaintiffs have other adequate remedies. Not every bad act should be punished by antitrust treble damages. Finally, there are sound policy reasons why inventors should have generally unfettered ability under the antitrust laws to choose to practice or not to practice their patents.