



# Deviated, Unsound, and Self-Retreating: A Critical Assessment of *Princo v. ITC* en banc Decision

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# The Case

- Philips CD-R/RW Patent Pool licensing
  - “Orange Book” technical standard for manufacturing CD-R/RW
  - Mandatory Package License
  - Overlapping Patents in the package:
    - Philips: 3 Raaymakers patents
    - Sony: 1 Legadec patents
    - Orange Book standard adopts the Raaymakers technology, but the patent pool includes the Legadec patent as well.

# Consequence and Suspect

- Sony cannot license separately the Legadec technology.
- Sony and Philips shared the royalty from the package license, including the Raaymakers and Legadec patents.
- An anticompetitive non-compete conspiracy between Philips and Sony?

# Rulings of *Princo* en banc Decision

- Patent misuse is limited to the only single scenario: use restrictions that the patent owner imposes on licensees.
- Antitrust violation does not necessarily constitute patent misuse, even if it involves broadening of the patent grant.

# Reasoning of the Majority Opinion

- Restrictions on licensees are the only type of limitations that the patentee might impose on the use of the patent by other entities.
- In all the cases that S. Ct. and Fed. Cir. have sustained the assertion of patent misuse, the misconducts involved are invariably the restrictions on licensees.

# Deviating from Precedents

- The “use” of patent did not work as a fixed restraint on the application of misuse defense.
  - E.g., *C.R. Bard, Virginia Panel*.
- In all the S. Ct. cases on patent misuse, the Court put its focus on containing the patentee from transgressing the patent boundary with an aim to avoid rewarding what they did not invent.

# Neglecting the Legislative History

- In drafting the 1988 Patent Misuse Reform Act, Congress intentionally set aside the option that totally aligned the misuse doctrine with the antitrust law.
- Instead, Congress provides two limited and clearly-defined safe harbor:
  1. Refusals to license.
  2. Tying arrangements without market power

# Unsound from the Policy Aspect

- Patent misuse is an extension of the equitable doctrine of unclean hands in tort law.
  - Rigid formulation as laid down in this decision will deprive necessary equitable discretion to cope with diversified types of misuse practices.
  - Should the court as an administer of justice, lend support to enforce an anticompetitive practice in a patent case?



# Unsound from the Policy Aspect

- Not only restrictions on licensees could “broaden the patent grant with anticompetitive effect.”
- Collusion between licensors and licensees or among patent owners (as in this case) may fit the same Fed. Cir. standard as well
  - E.g., price-fixing, market division, or covenant of non-compete on patented goods or technologies.

# Functionally Self-Retreating

- In Sec. 337 proceedings before ITC, no antitrust counterclaim available for respondents.
- The misuse doctrine needs a standing requirement to confine itself only for those who suffer from the misconduct to assert, but not such a substantial curtailment.



**Thank you for your  
attention!**