

PROFESSIONAL REAL ESTATE: THE LINE BETWEEN PATENT AND ANTITRUST

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INTRODUCTION

During much of this century, intellectual property law and antitrust law have coexisted uneasily. Although patents and copyrights grant certain rights to limit the activities of competitors, antitrust law still defines the limits of permissible anticompetitive behavior. The Supreme Court made the point clear in the landmark 1942 case of *Morton Salt Co. v. G.S. Suppiger Co.*¹ Although a "patent operates to create and grant to the patentee an exclusive right to make, use and vend the particular device described and claimed in the patent," the Court held that a patent "affords no immunity for a monopoly not within the grant, and the use of it to suppress competition in the sale of an unpatented article may deprive the patentee of the aid of a court of equity to restrain an alleged infringement by one who is a competitor."² After *Morton Salt*, where the lawful assertion of intellectual property rights ends and an antitrust violation begins has been a subject of much contention and confusion.³ With patent and copyright owners "seeking unrestrained exploitation of their [patents or copyrights] and alleged infringers crying restraint of trade, the line of demarcation between these opposing viewpoints has ebbed and flowed like an ocean tide, never becoming fixed."⁴

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1. 314 U.S. 488 (1942).

2. *Id.* at 490-91 (citations omitted).

3. Later cases adopted *Morton Salt's* holding that the courts will neither enjoin an infringement nor award damages for it when the patent has been asserted contrary to public policy. See PHILLIP AREEDA & LOUIS KAPLOW, *ANTITRUST ANALYSIS: PROBLEMS, TEXT, CASES*, ¶ 189 (4th ed. 1988). What is contrary to public policy is still subject to debate, but "[i]t does seem clear that conduct offensive to the antitrust laws is a misuse." *Id.* "More recent cases have found an increasing convergence between the requirements for misuse and for antitrust violations." *Id.* (citations omitted). The same convergence has been occurring between antitrust laws and copyright misuse. See Note, *Clarifying the Copyright Misuse Defense: The Role of Antitrust Standards and First Amendment Values*, 104 HARV. L. REV. 1289, 1297-1307 (1991) [hereinafter *Copyright Misuse Note*]. But cf. *Lasercomb America, Inc. v. Reynolds*, 991 F.2d 970 (4th Cir. 1990) (refusing to import antitrust requirements into the misuse doctrine). Thus, when an assertion of intellectual property rights violates antitrust laws, the courts will neither enjoin an infringement nor award damages.

4. 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.

In this past term, the Supreme Court revisited the dividing line in *Professional Real Estate Investors, Inc., v. Columbia Pictures Industries, Inc.*⁵ While maintaining that a valid copyright does not confer immunity to antitrust laws, the Court nevertheless provided an exception under *Noerr-Pennington*, a First Amendment doctrine.⁶ For those wishing to use antitrust analysis to restrain the application of intellectual property interests,⁷ *Professional Real Estate* was a hollow victory. Although the Supreme Court embraced the use of antitrust analysis to limit intellectual property rights, in the end it provided patent and copyright owners with greater protection against antitrust laws than many lower courts had previously recognized.

I. NOERR-PENNINGTON

The Supreme Court laid out the *Noerr-Pennington* doctrine in a trio of decisions. In the first, *Eastern Railroad Presidents Conference v. Noerr Motor Freight Inc.*, the Court held that railroads' publicity and lobbying efforts to obtain favorable state legislation that would destroy their motor trucking competitors were immune from antitrust attack.⁸ Noting that "[t]he right of petition is one of the freedoms protected by the Bills of Rights," the Court refused to apply antitrust analysis to the railroads' activities "insofar as those activities comprise mere solicitation of governmental action with respect to the passage and enforcement of laws."⁹ Nevertheless, the Court noted that in exceptional situations where a publicity campaign is a "mere sham" disguising purposeful interference with a competitor's business relationships, an "application of the Sherman Act would be justified."¹⁰

The doctrine was later applied in *United Mine Workers v. Pennington* to protect efforts to influence an administrative proceeding.¹¹ There the United Mine Workers and large coal mine operators collaborated to

REV. 175, 176 (1988-89).

5. 113 S.Ct. 1920 (1993).

6. See *infra* notes 8-18 and accompanying text.

7. See, e.g., Michael P. Chu, Note, *An Antitrust Solution to the New Wave of Predatory Patent Infringement Litigation*, 33 WM. & MARY L. REV. 1341 (1992); *Copyright Misuse Note*, *supra* note 3.

8. 365 U.S. 127 (1961).

9. *Id.* at 138.

10. *Id.* at 144.

11. 381 U.S. 657 (1965).

influence both a minimum wage determination by the Secretary of Labor and the buying practices of the Tennessee Valley Authority. The Court ruled that the "[j]oint efforts to influence public officials do not violate the antitrust laws even though intended to eliminate competition. Such conduct is not illegal, either standing alone or as part of a broader scheme itself violative of the Sherman Act."¹²

The Supreme Court extended the application of the *Noerr-Pennington* doctrine to a judicial proceeding in *California Motor Transport Co. v. Trucking Unlimited*.¹³ The complaint in *California Motor* alleged a conspiracy by a group of trucking companies "to institute state and federal proceedings to resist and defeat applications by [competing trucking companies] to acquire operating rights or to transfer or register those rights."¹⁴ The Court held that the complaint stated a valid cause of action under the Sherman Act.¹⁵ Although acknowledging that "the right of access to the courts is indeed but one aspect of the right of petition," the Court stated that antitrust laws may still apply where the litigation "is a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor and the application of the Sherman Act."¹⁶ While the Court ruled that a pattern of baseless, repetitive claims may be considered a "sham," it also acknowledged that the boundary between "sham" and legitimate conduct may be "a difficult line to discern and draw."¹⁷ The court did not attempt to remedy this obscurity.¹⁸

As a result, the federal courts of appeals have struggled since *California Motor* to distinguish litigations that fall under the *Noerr-Pennington* immunity from "mere sham." Their decisions have been "inconsistent and contradictory."¹⁹ The main source of conflict was that "lower courts have been unable to agree on the proper mix of subjective and objective criteria in determining whether specific litigation should be entitled to *Noerr-Pennington* immunity."²⁰ While some circuits hold that

12. *Id.* at 670.

13. 404 U.S. 508 (1972).

14. *Id.* at 509.

15. *Id.*

16. *Id.* at 510-11 (quoting *Eastern R.R. Pres. Conf. v. Noerr Motor Freight*, 365 U.S. 127, 144 (1961)).

17. 404 U.S. at 513.

18. *Id.*

19. *Professional Real Estate Invs., Inc. v. Columbia Pictures Inds., Inc.*, 113 S. Ct. 1920, 1925 & n.3 (1993) (citations omitted).

20. Neal R. Stoll & Shepard Goldfein, *The Supreme Court and the Sham Exception*, N.Y.

litigation which raises a legal issue of genuine substance can never be a sham, others would confer such litigation only a presumption that it is not a sham, leaving the issue open to rebuttal by evidence that the suit was brought purely to inconvenience, harass, or harm competitors, and not for the end of obtaining favorable judicial relief.²¹ The broadest interpretation of "sham" was developed by Judge Richard Posner in *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, where the Seventh Circuit argued that litigation presenting colorable claims for relief may still be a "sham" if the stakes of winning the litigation discounted by the probability of winning "would be too low to repay the investment in litigation."²² Faced with these inconsistent decisions, the *Professional Real Estate* Court sought to establish a clear and objective standard to settle the dispute once and for all.

II. PROFESSIONAL REAL ESTATE

Professional Real Estate Investors and Kenneth Irwin (PRE) operated a resort hotel in Palm Springs, California. Having installed videodisc players in the hotel rooms, PRE rented videodiscs to guests for in-room viewing. In 1983, Columbia Pictures Industries and seven other movie studios (Columbia Pictures) brought a copyright infringement action against PRE, alleging that PRE's videodisc rental activities violated the copyrights the studios held to the motion pictures recorded on the discs. PRE denied any wrongdoing, and counterclaimed that Columbia Pictures' infringement suit was a violation of Sections 1 and 2 of the Sherman Act,²³ and various state antitrust laws. In particular, PRE charged that

LAW JOURNAL, May 18, 1993, at 3.

21. *Id.* (citing *Columbia Pictures Inds., Inc. v. Professional Real Estate Invs., Inc.*, 944 F.2d 1525, 1527 (9th Cir. 1991) (holding that an objectively reasonable litigation can never be a sham) and *Westmac Inc. v. Smith*, 797 F.2d 313, 319 (6th Cir. 1986)). See also *McGuire Oil Co. v. Mapco, Inc.*, 958 F.2d 1552, 1560 & n.12 (11th Cir. 1992) (noting that a sham must be legally unreasonable); *Eden Hannon & Co. v. Sumitomo Trust & Banking Co.*, 914 F.2d 556, 564-65 (4th Cir. 1990) (holding that successful litigation by definition cannot be a sham); *In re Burlington Northern, Inc.*, 822 F.2d 518, 528 (5th Cir. 1987) (holding that success on the merits does not preclude a finding of sham if the litigation was not significantly motivated by a genuine desire for judicial relief).

22. *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466, 472 (7th Cir. 1982), cert. denied, 461 U.S. 958 (1983). See also *Stoll & Goldfein, supra* note 20, at 3.

23. Section 1 of the Sherman Act prohibits "[e]very contract, combination . . . or conspiracy, in restraint of trade or commerce among the several States." Section 2 punishes "[e]very person who shall 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. §§ 1, 2 (1988 and Supp. IV 1992).

the copyright infringement action was a "sham," brought with the intent to monopolize and restrain trade.²⁴ The parties filed cross-motions for summary judgment on Columbia Pictures' infringement claim and postponed further discovery on PRE's antitrust counterclaims. Ruling that the rentals did not constitute "public" performances, the district court entered summary judgment for PRE,²⁵ and the Ninth Circuit affirmed and remanded for resolution of the antitrust counterclaims.²⁶

On remand, Columbia Pictures sought summary judgment on PRE's antitrust counterclaims, arguing that the original copyright infringement suit was no "sham" and was, therefore, entitled to the *Noerr-Pennington* immunity for petitioning to the government.²⁷ The district court ruled for Columbia Pictures, stating that, although it had granted summary judgment for PRE earlier, the case was "far from easy to resolve" and "there was probable cause for bringing the action."²⁸ The district court also denied PRE's request for further discovery on Columbia Pictures' intent in bringing the copyright action and dismissed PRE's state-law counterclaims without prejudice.²⁹ The Ninth Circuit affirmed.³⁰ The Ninth Circuit defined a "sham suit" as "one that is an abuse of the judicial processes," either being "baseless" or involving "misrepresentations."³¹ Since Columbia Pictures' lawsuit had neither of these two attributes and PRE's sole argument was that Columbia Pictures "did not honestly believe that the infringement claim was meritorious," the Ninth Circuit ruled that PRE was not entitled to the "sham" exception of the *Noerr-Pennington* doctrine.³²

The Supreme Court affirmed in a 9-0 decision.³³ Writing for the majority,³⁴ Justice Thomas noted that the Court has consistently "assumed

24. *Columbia Pictures Inds., Inc. v. Professional Real Estate Invs., Inc.*, 944 F.2d 1525, 1527 (9th Cir. 1991).

25. 228 U.S.P.Q. 743 (BNA) (C.D. Cal. 1986).

26. 866 F.2d 278 (9th Cir. 1989). The panel affirmed on the grounds that a hotel room was not a "public place" and that PRE did not "transmit or otherwise communicate" a copyrighted work. *Id.* at 280-81.

27. *Professional Real Estate Invs., Inc. v. Columbia Pictures Inds., Inc.*, 113 S.Ct. 1920, 1924 (1993).

28. *Id.*

29. *Columbia Pictures Indus., Inc. v. Professional Real Estate Invs., Inc.*, 944 F.2d 1525, 1527-28 (9th Cir. 1991).

30. *Id.*

31. *Id.* at 1529-30 (citation omitted).

32. *Id.* at 1530.

33. *Professional Real Estate Invs., Inc. v. Columbia Pictures Inds., Inc.*, 113 S.Ct. 1920, 1921 (1993).

34. Chief Justice Rehnquist and Justices White, Blackmun, Scalia, Kennedy, and Souter

that the sham exception contains an indispensable objective component."³⁵ Justice Thomas also noted that the Court had recently refused to "let antitrust defendants immunize otherwise unlawful restraints of trade by pleading a subjective intent to seek favorable legislation or to influence governmental action," and it "had similarly held that challenges to allegedly sham petitioning activity must be resolved according to objective criteria."³⁶ Thus, "fidelity to precedent compels [the Court] to reject a purely subjective definition of 'sham.'"³⁷ Justice Thomas then adopted a two-part definition of "sham" litigation. First, to be considered "sham" litigation, a lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on its merits. Only if the challenged litigation is objectively meritless, according to Justice Thomas, "may a court examine the litigant's subjective motivation."³⁸ As for the second part of the inquiry, a court should "focus on whether the baseless lawsuit conceals an 'attempt to interfere *directly* with the business relationship of a competitor.'"³⁹

Upon an application of the two-part test to the facts, Justice Thomas concluded that the existence in the infringement suit of "probable cause," as understood and applied in the common law, satisfied the objective prong and thus precluded a finding of "sham litigation."⁴⁰ In reaching this conclusion, Justice Thomas first observed that the common-law tort of wrongful civil proceedings requires proof that the defendant lacked probable cause and that the defendant pressed the suit for malicious ends; in that context, the existence of probable cause is an absolute defense.⁴¹ Accordingly, Justice Thomas argued, just as the existence of probable cause is an absolute defense in the context of the common-law "wrongful civil proceedings," so should it be with respect to the objective prong of the *Noerr-Pennington* "sham" exception.⁴²

joined.

35. *Id.* at 1927.

36. *Id.* at 1927-28 (citing *City of Columbia v. Omni Outdoor Advertising, Inc.*, 111 S.Ct. 1344 (1991); *Federal Trade Comm'n v. Superior Court Trial Lawyer Ass'n.*, 493 U.S. 411 (1990); *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492 (1988)).

37. 113 S.Ct. at 1928.

38. *Id.*

39. *Id.* (quoting *Eastern R.R. Pres. Conf. v. Noerr Motor Freight*, 365 U.S. 127, 144 (1961)). The Court, however, explicitly left unanswered the question "whether and, if so, to what extent *Noerr* permits the imposition of antitrust liability for a litigant's fraud or other misrepresentations." 113 S.Ct. at 1929 n.6.

40. 113 S.Ct. at 1929.

41. *Id.*

42. *Id.* In a later part of the opinion, the Court also suggested that a lawsuit that satisfies

The Court then found that, as a matter of law, Columbia Pictures had probable cause in bringing its copyright infringement action.⁴³ Justice Thomas noted that at the time this suit was brought, the Third Circuit had held that the rental of video cassettes for viewing in on-site, private screening rooms had indeed infringed upon the copyright owner's right of public performance.⁴⁴ Although the Ninth Circuit distinguished these Third Circuit decisions on the ground that hotel rooms offer more privacy than video rental stores, its reasoning was subsequently rejected by many copyright scholars and by the Seventh Circuit.⁴⁵ "In light of the unsettled condition of the law," according to Justice Thomas, "Columbia plainly had probable cause to sue."⁴⁶ The Ninth Circuit was, therefore, correct in denying PRE's request for further discovery on the economic circumstances of the underlying copyright litigation, for matters concerning Columbia Picture's economic motivations in bringing suit "were rendered irrelevant by the objective reasonableness of the litigation."⁴⁷

Justice Souter filed a separate concurring opinion objecting only to the Court's usage of the common-law term "probable cause."⁴⁸ Fearing that "other courts could read today's opinion as transplanting every substantive nuance and procedural quirk of the common-law tort of wrongful civil proceedings into federal antitrust law," Justice Souter would read the term "probable cause" in the Court's opinion only as a mere shorthand for "a reasonable litigant's realistic expectation of success on the merits."⁴⁹

In a separate opinion,⁵⁰ Justice Stevens, while concurring with the judgment, criticized the Court's opinion as being unnecessarily broad.⁵¹ Although he agreed with the Court's ruling that, regardless of subjective

Rule 11 of the Federal Rules of Civil Procedure should not be considered objectively baseless. *See id.* at 1930-31.

43. *Id.* at 1930.

44. *Id.* (citing *Columbia Pictures Inds., Inc. v. Redd Home, Inc.*, 749 F.2d 154 (3d Cir. 1984); *Columbia Pictures Inds., Inc. v. Aveco, Inc.*, 612 F.Supp. 315 (M.D. Pa. 1985), *aff'd*, 800 F.2d 59 (3d Cir. 1986)).

45. *See* 113 S.Ct. at 1930 (citing PAUL GOLDSTEIN, COPYRIGHT: PRINCIPLES, LAW AND PRACTICE § 5.7.2.2 (1989); MELVILLE B. NIMMER & DAVID NIMMER, NIMMER ON COPYRIGHT § 8.14[C][3] (1992); *Video Views, Inc. v. Studio 21, Ltd.*, 925 F.2d 1010, 1020 (7th Cir.), *cert. denied*, 112 S.Ct. 181 (1991)).

46. 113 S.Ct. at 1930.

47. *Id.* at 1931.

48. *Id.* at 1932 (Souter, J., concurring)

49. *Id.*

50. Justice O'Connor joined Justice Stevens' opinion.

51. *Id.* at 1932 (Stevens, J., concurring)

intent, an objectively reasonable effort to litigate cannot be a sham, Justice Stevens refused to equate the objective reasonableness inquiry with "the question whether any 'reasonable litigant could realistically expect success on the merits.'"⁵² Specifically, he questioned whether the prospect of "'10 years of litigation and two trips to the Court of Appeals' to recover 'one dollar from one defendant' would qualify as a reasonable expectation of 'favorable relief' under [the majority's] opinion."⁵³ When a reasonable litigant can realistically expect to recover only one dollar from the defendant after 10 years of litigation, it would clearly be objectively unreasonable to prosecute this claim if the only purpose is to obtain this expected judicial relief.

Justice Stevens defined a "sham" as "the use of 'the governmental process—as opposed to the *outcome* of that process—as an anticompetitive weapon.'"⁵⁴ In the context of litigation, the label "sham" is appropriate for a case "in which the plaintiff is indifferent to the outcome of the litigation itself, but has nevertheless sought to impose a collateral harm on the defendant by, for example, impairing his credit, abusing the discovery process, or interfering with his access to governmental agencies."⁵⁵ Thus, according to Justice Stevens, the majority's test, which only examines the merits of a single claim, is far too simplistic to be applied to factually complex cases, some of which may involve uses of the judicial processes as anticompetitive weapons, not merely as means of obtaining favorable judicial outcomes.⁵⁶ Specifically, Justice Stevens, citing Judge Posner's decision in *Grip-Pak*, stated:

[m]any claims not wholly groundless would never be sued on for their own . . . except that [a monopolist] wanted to use pretrial discovery to discover its competitor's trade secrets; or hoped that the competitor would be required to make public disclosure of its potential liability in the suit and that this disclosure would increase the interest rate that the competitor had to pay for bank financing; or just wanted to impose heavy legal costs on the competitor in the hope of

52. *Id.*

53. *Id.* at 1932 n.2 (citing *Farrar v. Hobby*, 113 S.Ct. 566, 575 (1992) (O'Connor, J., concurring)).

54. 113 S.Ct. at 1932 (Stevens, J., concurring) (quoting *City of Columbia v. Omni Outdoor Advertising, Inc.*, 111 S.Ct. 1344, 1354 (1991)).

55. 113 S.Ct. at 1932 (Stevens, J., concurring).

56. *Id.* at 1935-36.

detering entry by other firms.⁵⁷

Justice Stevens would have accepted Judge Posner's test, which asks whether the stakes of winning the litigation discounted by the probability would be sufficient to repay the investment in litigation, even if the litigation has probable cause.⁵⁸ While he concurred with the Court's judgment on the facts of this case, which only involved what he believed to be an objectively reasonable effort to litigate,⁵⁹ Justice Stevens warned the Court that it might one day come to regret its seemingly universal extension of the *Noerr-Pennington* immunity to cover all litigation having probable cause.⁶⁰

III. CRITIQUE

A. Collateral Harm

The Supreme Court now recognizes that antitrust law does place some limits on assertions of intellectual property rights, for *Professional Real Estate* makes clear that an infringement suit may violate antitrust laws if it lacks probable cause.⁶¹ Nevertheless, *Professional Real Estate*, while embracing the antitrust laws, has set forth an objective screen, granting

57. 113 S.Ct. at 1935 (Stevens, J., concurring) (citing *Grip-Pak, Inc. v. Illinois Tool Works, Inc.*, 694 F.2d 466, 472 (7th Cir. 1982)).

58. 113 S.Ct. at 1935 (Stevens, J., concurring).

59. Justice Stevens noted:

[t]here was no unethical or other improper use of the judicial system; instead, respondents [Columbia Pictures] invoked the federal court's jurisdiction to determine whether they could lawfully restrain competition with petitioners [PRE]. . . . Given that the original copyright infringement action was objectively reasonable . . . neither the respondents' own measure of their chances of success nor an alleged goal of harming petitioners provides a sufficient basis for treating it as a sham. We may presume that every litigant intends harm to his adversary; moreover, uncertainty about the possible resolution of unsettled questions of law is characteristic of the adversary process.

Id. at 1933.

60. *Id.* at 1932.

61. In addition to sham litigation, other bases for antitrust counterclaims in patent infringement actions have been successfully used where: there is fraud on the Patent Office; the patentee had obtained an economic monopoly through patent pooling agreements; there is an illegal "tying" agreement or "price-fixing;" and there is a multiplicity of baseless infringement suits. See Calkins, *supra* note 4, at 201-15. The *Noerr-Pennington* doctrine does not seem to affect the validity of any of these bases of antitrust counterclaims. See *id.* at 223-28.

Noerr-Pennington immunity to all litigation having probable cause. In doing so, as pointed out by Justice Stevens, a litigant who seeks to impose a collateral harm on a defendant would be immunized against antitrust liability as long as the infringement claim had probable cause. To appreciate Justice Stevens' warning, one needs only to examine the facts of the *Handgards* cases.⁶²

In 1962, Ethicon, a manufacturer of plastic gloves, filed a patent suit against two corporations that subsequently combined to form Handgards. In 1968, the trial court entered judgment for Handgards, according to the Ninth Circuit Court of Appeals, because it found Ethicon's patent invalid on the basis of "prior public use."⁶³ The Ninth Circuit, though stating that it was "a case that could have been decided either way," deferred to the trial court and affirmed its decision.⁶⁴

In 1968, Handgards filed an antitrust action alleging that Ethicon and its parent, Johnson & Johnson, "had either unilaterally or in concert, monopolized, attempted to monopolize, and conspired to monopolize trade and commerce for the purpose of eliminating [Handgards] as a competitor in the sale of disposable plastic gloves to the hair care and medical markets."⁶⁵ In this action, Handgards proved to a jury that Ethicon had known that its patent was invalid due to "prior public use" when it filed its infringement suit.⁶⁶ On appeal, the Ninth Circuit found that the evidence was sufficient to show that Ethicon had "attempt[ed] to enforce a government granted monopoly to which the patent holder knows he has no right," and had engaged in bad-faith prosecution of the infringement suit.⁶⁷ Since Handgards had proved "(1) by clear and convincing evidence that Ethicon prosecuted the . . . patent in bad faith,

62. See generally Stephen A. Stack, Jr., *Recent and Impending Developments in Copyright and Antitrust*, 61 A.B.A. ANTITRUST L.J. 331, 344-45 (1993).

63. *Handgards, Inc. v. Ethicon, Inc.*, 743 F.2d 1282, 1285 (9th Cir. 1984), cert. denied, 469 U.S. 1190 (1985). The Patent Act provides that "[a] person shall be entitled to a patent unless . . . the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States." 35 U.S.C. § 102(b) (1988). Thus, it seemed that Ethicon had waited more than one year after its invention was on sale to the public before it applied to patent its invention.

64. *Ethicon, Inc. v. Handgards, Inc.*, 432 F.2d 438, 438 (9th Cir. 1970) (per curiam), cert. denied, 402 U.S. 929 (1971).

65. *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 989 (9th Cir. 1979), cert. denied, 444 U.S. 1025 (1980).

66. *Handgards, Inc. v. Ethicon, Inc.*, 743 F.2d 1282 (9th Cir. 1984), cert. denied, 469 U.S. 1190 (1985).

67. *Id.* at 1289.

(2) that Ethicon had a specific intent to monopolize the relevant market, and (3) that a dangerous probability of success existed," the Ninth Circuit affirmed Ethicon's antitrust liability.⁶⁸

The *Professional Real Estate* Court would have decided *Handgards* much differently. Under the objective screen laid out in *Professional Real Estate*, the Ninth Circuit's prior finding that Ethicon's infringement claim "could have been decided either way," would have terminated the antitrust lawsuit claim before any inquiry into Ethicon's intent in prosecuting the claim.⁶⁹ Thus, Ethicon, an aspiring monopolist on the threshold of success, could have used dubious intellectual property claims to persecute and harass its competitors without any fear of antitrust liability. This outcome seems preposterous under *Morton Salt*, which held that while a "patent operates to create and grant to the patentee an exclusive right to make, use and vend the particular device described and claimed in the patent," it "affords no immunity for a monopoly not within the grant, and the use of it to suppress competition in the sale of an unpatented article may deprive the patentee of the aid of a court of equity to restrain an alleged infringement by one who is a competitor."⁷⁰ Thus, more than fifty years after *Morton Salt*, it seems that one may use a dubious infringement claim to achieve "a monopoly not within the grant" of a *valid* patent after all.

B. Interactions with Abuse of Process Doctrines

Another failing of *Professional Real Estate* is that the decision will not end the lower courts' debate on the proper mix of subjective and objective criteria in determining a plaintiff's subjective intent, for the subjective intent may still be determinative where a plaintiff seeks to impose a collateral harm on the defendant. After all, when a plaintiff litigates in bad faith, as in the *Handgards* cases, sanctions may be imposed under various abuse of process doctrines, such as Rule 11 of the Federal Rules of Civil Procedure, the common law tort of abuse of process, or the federal courts' inherent authority to protect the integrity of the judicial process.⁷¹ Under these abuse of process doctrines, a plaintiff's subjective intent is determinative, so the net impact of *Professional Real Estate* may

68. *Id.*

69. See Stack, *supra* note 62, at 344-45.

70. *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 491 (1942) (citations omitted).

71. See *infra* notes 74-83 and accompanying text.

be only the removal of motive-determination from the context of antitrust counterclaims to that of various "abuse of process" doctrines.⁷²

Abuse of process doctrines limit abuses of the judicial system; similarly, the sham exception to *Noerr-Pennington*, as pointed out by Justice Stevens, is designed to prevent use of the judicial process as an anticompetitive weapon.⁷³ Both bodies of doctrines thus protect the integrity of the judicial process, and it is only natural that these two bodies of law overlap significantly. After *Professional Real Estate*, however, Rule 11 will undoubtedly assume greater importance when a plaintiff litigates colorable but bad faith infringement claims. After all, Rule 11 states:

[t]he signature of an attorney or party constitutes a certificate by the signer that . . . to the best of the signer's knowledge, information, and belief formed after reasonable inquiry [the pleading, motion, or other paper filed] is . . . not interposed for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation.⁷⁴

Thus, while one's subjective intent in prosecuting an infringement claim may no longer be relevant for antitrust analysis under *Professional Real Estate*, it may still be determinative under the "improper purpose" prong of Rule 11. *Professional Real Estate* would, thus, not completely eliminate the need for the courts to ascertain the subjective purposes of the plaintiff in prosecuting an infringement suit. Indeed, commentators have observed that "[a]lthough courts and commentators have stressed that [R]ule 11 introduces an objective standard to measure a lawyer's conduct, it is more accurate to say that the rule adds an objective layer to the subjective core of traditionally sanctionable bad faith conduct."⁷⁵ While Rule 11's reach may be somewhat limited,⁷⁶ a federal court always

72. *Id.*

73. 113 S.Ct. at 1932 (Stevens, J., concurring).

74. FED. R. CIV. P. 11.

75. 5A CHARLES A. WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 1335 (2d ed. 1990) (quoting Mellisa L. Nelken, *Sanctions Under Amended Federal Rule 11 - Some "Chilling" Problems in the Struggle Between Compensation and Punishment*, 74 GEO L.J. 1313, 1320 (1986)).

76. For instance, a court may not be able to sanction a well-grounded complaint under Rule 11. See Wright & Miller, *supra* note 75, § 1335. See also *Eastway Constr. Corp. v. City of New York*, 762 F.2d 243, 254 (2d Cir. 1985). In this respect, the jurisprudence

has the inherent authority to assess attorney's fees when a party has "acted in bad faith, vexatiously, wantonly, or for oppressive reasons" ⁷⁷ Similarly, the tort of abuse of process does not require the infringer to prove that the infringement lawsuit was brought without probable cause. ⁷⁸ Thus, even after *Professional Real Estate*, one may still be sanctioned when one pursues colorable claims for the sole purpose of imposing process related costs on competitors.

Thus, *Professional Real Estate* will not eliminate the need for federal courts to determine the plaintiff's motive, even when the underlying claim is colorable. As commentators have pointed out, Rule 11 jurisprudence, which is similar to the pre-*Professional Real Estate* sham jurisprudence, involves disputes on the proper mix of subjective and objective criteria in determining one's subjective intent. ⁷⁹ The net impact of *Professional Real Estate*, thus, may be only the removal of this debate from the context of antitrust counterclaims to that of various abuse of process claims. Future courts will still have to determine the proper mix of subjective and objective criteria in determining one's subjective intent.

This prospect highlights a doctrinal gap in Justice Thomas' analysis in *Professional Real Estate*. The *Noerr-Pennington* immunity to antitrust laws was, after all, a doctrine mandated by the First Amendment. ⁸⁰ However, as Judge Posner pointed out in *Grip-Pak*, "[i]f all nonmalicious litigation were immunized from government regulation by the First

concerning the scope of the "improper purpose" prong of Rule 11 somewhat mirrors that of the "sham" exception of *Noerr-Pennington*. The proposition in *Professional Real Estate* that litigation with "probable cause" would be immunized under *Noerr-Pennington* is strikingly similar to the Ninth Circuit's proposition in *Zaldivar v. City of Los Angeles* that a well grounded initial complaint cannot, of itself, violate the purpose element of Rule 11. Compare 113 S.Ct. at 1929 with *Zaldivar v. City of Los Angeles*, 780 F.2d 823 (9th Cir. 1986). The Ninth Circuit nevertheless ruled that "if a court finds that a motion or paper, other than a complaint, is filed in the context of a persistent pattern of clearly abusive litigation activity, it will be deemed to have been filed for an improper purpose and sanctionable' even if it is not frivolous." *Aetna Life Ins. Co. v. Alla Medical Servs.*, 855 F.2d 1470, 1476 (9th Cir. 1988).

77. *Alyeska Pipeline Serv. Co. v. Wilderness Soc'y*, 421 U.S. 240, 258-59 (1975) (citation omitted). See also *Chambers v. NASCO*, 111 S.Ct. 2123 (1991); *Hall v. Cole*, 412 U.S. 1, 5 (1973). Such inherent powers must be exercised with restraint and discretion. See *Roadway Express, Inc. v. Piper*, 447 U.S. 752, 764 (1980).

78. See *Grip-Pak, Inc. v. Illinois Tool Works*, 694 F.2d 466, 471 (7th Cir. 1982) (citations omitted). See also WILLIAM PROSSER, *HANDBOOK OF THE LAW OF TORTS* 856 (4th ed. 1971)).

79. Although the "improper purpose clause" of Rule 11 is applied by most courts through an objective standard, some courts still rely on subjective criteria. See *Wright & Miller*, *supra* note 75, § 1335 (citations omitted).

80. See *supra* notes 8-18 and accompanying text.

Amendment, the tort of abuse of process would be unconstitutional—something that, so far as we know, no one believes.”⁸¹ After all, as Judge Posner pointed out, unlike the common law tort of malicious prosecution, the common law tort of abuse of process “does not require proving that the lawsuit was brought without probable cause.”⁸² Thus, “[i]f abuse of process is not constitutionally protected, no more should litigation that has an improper anticompetitive purpose be protected, even though the plaintiff has a colorable claim.”⁸³ Accordingly, until the Supreme Court rules that all nonfrivolous claims will be protected under the First Amendment, *Professional Real Estate* seems to create the anomaly that the First Amendment protects colorable claims in antitrust contexts but not in abuse of process contexts.

CONCLUSION

Under *Professional Real Estate*, thus, a would-be monopolist may use nonfrivolous claims to impose collateral harms on its competitors without fear of antitrust liability. Nevertheless, plaintiffs' subjective intent apparently will still be relevant in the contexts of Rule 11 of the Federal Rules of Civil Procedure, the common law tort of abuse of process, and the federal courts' inherent authority to protect the integrity of their proceedings and processes. Until the Supreme Court further clarifies the scope of the First Amendment, the debate over what is the proper mix of subjective and objective criteria in determining one's subjective intent will continue. *Professional Real Estate*, thus, may be better remembered as a missed opportunity to settle this debate.

81. *Grip-Pak, Inc. v. Illinois Tool Works*, 694 F.2d 466, 471 (7th Cir. 1982).

82. *Id.* (citations omitted).

83. *Id.*