

The Untwining of Patent Law and Antitrust: No Presumption of Market Power in Patent Tying Cases According to the Supreme Court in *Illinois Tool Works v. Independent Ink*

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I. INTRODUCTION

Congress has made patent law pursuant to the constitutional power to promote the progress of science by securing, for a limited time to inventors, the exclusive right to their discoveries.² Antitrust laws, however, ensure that a free economy best promotes the public wealth, and competition should rule the markets of trade.³ Occasionally, these two principles intersect; this article will examine one intersection: the issue of tying the sale of two products, specifically when the first product is patented.

Tying occurs when the seller conditions the sale of the tying product on the purchase of the second tied product.⁴ According to the Court in 1949, “tying arrangements serve hardly any purpose beyond the suppression of competition.”⁵ To date, tying has been challenged under four areas of the law: improper extension of a patent under the patent misuse theory; unfair competition under section five of the Federal Trade Commission Act; contracts which tend to create a monopoly under section one of the Sherman Act; and contracts which tend to create a monopoly under section three of the Clayton Act.⁶ This article will focus on the first challengeable area, patent tying.

In tying cases, the Supreme Court has, in general, moved away from an assumption that the defendant’s position of power in the tying product’s market was being used to restrain trade.⁷ Instead, the Court requires the plaintiff to

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2. U.S. CONST. art. I, § 8, cl. 8. Article I, section eight, clause eight states in pertinent part that “the Congress shall have the 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.” *Id.*

3. *Times-Picayune Publ’g Co. v. United States*, 345 U.S. 594, 605 (1953). *See infra* note 50 and accompanying text.

4. *Ill. Tool Works, Inc. v. Indep. Ink, Inc.*, 126 S. Ct. 1281, 1284 (2006).

5. *Standard Oil Co. of Ca. v. United States*, 337 U.S. 293, 305 (1949).

6. 15 U.S.C. § 45 (2000) (preventing unfair competition from affecting commerce); 15 U.S.C. § 1 (2000) (stating contracts created in trust or conspiracy illegal); 15 U.S.C. § 13(a) (2000) (prohibiting creation of restraints on trade); *Ill. Tool Works Inc.*, 126 S.Ct. at 1286 (explaining challenges to tying in patent cases).

7. *See United States v. Loew’s, Inc.*, 371 U.S. 38 (1962) (concluding tying of films illegal and contrary to Sherman Act); *see also infra* notes 52-54 and accompanying text (detailing Court’s holding in *Loew’s*).

show that the defendant's position of power in the tying product's market was being used in the tied product's market.⁸ Thus, the Court has moved from a per se rule to a requirement of showing market power.⁹

In 1947, the Supreme Court, in *International Salt Co. v. United States*,¹⁰ accepted the presumption of power in a patented product's market, and this case led to the presumption of per se illegality of a tying arrangement involving a patented product.¹¹ Nearly sixty years later in *Illinois Tool Works*,¹² the Supreme Court again considered this presumption's continuing validity.¹³ On March 1, 2006, the Court unanimously held that a patent does not necessarily confer market power on the patentee.¹⁴ Thus, the per se rule is not to be used in a patent tying case, and the plaintiff must prove that the defendant has market power in the tying product.¹⁵

This article will briefly and selectively examine the history of patent tying Supreme Court jurisprudence, will analyze *Illinois Tool Works*, and will conclude with the ramifications of this landmark case.

II. HISTORY OF PATENT TYING

Federal courts, in *Heaton-Peninsular Button-Fastening Co. v. Eureka Specialty Co.*, first addressed patent tying with the patent misuse doctrine¹⁶ In this case, the novel and interesting issue arose of tying the use of fasteners for use in a patented button-fastener machine to the sale of the machine.¹⁷ Considering objections raised as to what the court called at the time "rather novel restrictions in the licenses for the machines," the appeals court in 1896 recognized freedom in contracting, albeit creative contracting, granted to the patent holder.¹⁸

The Supreme Court first addressed patent tying in 1912 in *Henry v. A.B. Dick Co.*¹⁹ In *Henry*, as in *Illinois Tool Works*, unpatented ink was tied by contract to a patented product, in the *Henry* case, a rotary mimeograph

8. See *U.S. Steel Corp. v. Fortner Enters., Inc.*, 429 U.S. 610, 620 (1977) (holding small share in market fails to create monopoly); see also *infra* notes 57-58 and accompanying text (summarizing courts rationale in *United States Steel Corp.*).

9. See *Int'l Salt Co. v. United States*, 332 U.S. 392, 395-96 (1947) (determining tying per se illegal). *But see Ill. Tool Works Inc.*, 126 S. Ct. at 1288 (concluding determination of market power necessary for tying cases).

10. 332 U.S. 392 (1947).

11. *Id.* at 395-96.

12. 126 S. Ct. 1281 (2006).

13. *Id.* at 1284.

14. *Ill. Tool Works Inc. v. Indep. Ink*, 126 S. Ct. 1281 (2006). Justice Alito took no part in the consideration or decision in this case.

15. *Id.* at 1284.

16. 77 F. 288 (6th Cir. 1896).

17. *Id.* at 290.

18. *Id.* at 292-94.

19. 224 U.S. 1 (1912).

machine.²⁰ A.B. Dick tied by license unpatented stencil paper, ink, and other supplies to its patented machines, and Henry sold ink for such a machine knowing of this restriction.²¹ Turning to patent law to ascertain whether a patent may impose such restrictions, the Court stated that the property right to a patented machine may pass to the purchaser with no, or a restricted, right of use.²² The Court concluded Henry committed contributory infringement of A.B. Dick's patent.²³

In 1916, after *Henry*, Congress enacted the Clayton Act.²⁴ Section three of this Act makes it illegal to lease, contract, or sell goods or other commodities in commerce, whether patented or not, on the condition that the purchaser or lessee won't use or deal in the goods or commodities of a competitor, if this would substantially lessen competition or tend to create a monopoly.²⁵

In 1917, in *Motion Picture Patents Co. v. Universal Film Manufacturing Co.*,²⁶ the Court overruled *Henry* due to Congress's enactment of section three of the Clayton Act.²⁷ *Motion Picture Patents Co.* involved restrictions on motion picture exhibition machines which had a part of a mechanism covered by a patent.²⁸ The restrictions stated that the machine should only be used with motion pictures leased from a manufacturer licensed by the plaintiff.²⁹ Furthermore, the machines could not be used without compliance with other terms to be fixed by the licensor and complied with by the user while the machines were in use and the licensor owned the patent.³⁰ The Court held the first restriction invalid since the films were not part of the invention covered by the patent, the restriction attempted to continue the patent monopoly after the limited time had expired, and to enforce the first restriction would create a monopoly in films outside of the patent in question.³¹ The Court reasoned that allowing the second restriction "would give the plaintiff such a potential for evil over an industry which must be recognized as an important element in the amusement life of the nation."³² Thus, both restrictions were illegal ties of the

20. *Indep. Ink, Inc. v. Trident*, 210 F. Supp. 2d 1155, 1158 (2002) (setting forth facts regarding tying ink to printers); *Henry*, 224 U.S. at 17 (describing process A.B. Dick Co. used to tie products).

21. *Henry*, 224 U.S. at 11.

22. *Id.* at 24.

23. *Id.* at 49.

24. 15 U.S.C. § 14 (2000).

25. *Id.*

26. 243 U.S. 502 (1917).

27. *Id.* at 518 (concluding Congress's enactment of Clayton Act necessitates overruling *Henry*); 15 U.S.C. § 14 (2000) (prohibiting tying products involving patents).

28. *Motion Picture Patents Co.*, 243 U.S. at 506.

29. *Id.*

30. *Id.* The Court stated that it was presented with the increasingly frequent question of tying products to a patented good. *Id.* at 509.

31. *Id.* at 518.

32. *Motion Pictures Patent Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 519 (1917).

patented invention.³³ The Court twined in its analysis that the Patent Act, which was in effect at the time, gave no support for patent tying with the newly enacted Clayton Act.³⁴

In 1942, in *Morton Salt Co. v. G. S. Suppiger Co.*,³⁵ the plaintiff sued the defendant for infringing on the plaintiff's patent for a machine depositing salt tablets in cans.³⁶ The plaintiff licensed canners to use its patented machine, but on condition that the canners only bought the salt from the canner's subsidiary.³⁷ The Court held that the suit against the alleged infringer was properly dismissed, as the use of the patent monopoly to restrain competition in the tied product market of salt tablets violated public policy.³⁸ The Court did not need to address whether the plaintiff had violated the Clayton Act.³⁹

In 1944, in *Mercoid Co. v. Mid-Continent Investment Co.*,⁴⁰ the Court held that the owner of a patent may not use it to protect an unpatented device, even though the unpatented device is an integral part of the patented system.⁴¹ The patent in question was for a domestic heating system, but the royalty payments under the license were based only on the sales of a switch which was part of the system but was itself unpatented.⁴² The Court concluded that ever since it overruled *Henry in Motion Picture Co.*, it had consistently held that a patent may not be leveraged onto unpatented material.⁴³

In 1947, in another case involving patented salt machines and tying to the salt used in said machines, the Court, in *International Salt Co. v. United States*,⁴⁴ unanimously held that it is a per se violation of both section one of the Sherman Act and section three of the Clayton Act to require the use of a corporation's unpatented salt.⁴⁵ Citing *Morton Salt*, the Court held that patents afford no immunity from antitrust law.⁴⁶ While reasonable restrictions

33. *Id.*

34. *Id.* at 509 (citing Revised Statutes, §§ 4900-4901, which had not changed substantially since 1790); *id.* at 510; *see also* Act of Oct. 15, 1914, ch. 323, 38 Stat. 730 (disallowing tying of products).

35. 314 U.S. 488 (1942).

36. *Id.* at 489.

37. *Id.* at 490.

38. *Id.* at 493. The Court cited *Motion Pictures Patent Co.* to support its conclusion. *Id.*

39. *Morton Salt*, 314 U.S. at 494.

40. 320 U.S. 661 (1944).

41. *Id.* at 665.

42. *Id.* at 663.

43. *Id.* at 664. *Mercoid's* holding has been overruled by 35 U.S.C. § 271 (2000). *See infra* note 66 (highlighting patent Act); *see also supra* notes 20-23 and accompanying text (summarizing *Henry's* case history); *supra* notes 26-34 and accompanying text (describing *Motion Picture Co.'s* ruling).

44. 332 U.S. 392 (1947).

45. *Id.* at 394-96 (determining violation of Sherman and Clayton Acts to tie products); *see also* 15 U.S.C. § 21 (2000) (prohibiting contracts restraining trade and creating monopolies); 15 U.S.C. § 14 (2000) (banning contracts fixing prices in order to condition sale of other commodities).

46. *Int'l Salt*, 332 U.S. at 396 (concluding patents do not protect against antitrust laws); *Morton Salt Co. v. G.S. Suppiger Co.*, 314 U.S. 488, 493 (1942) (determining patents infringing competition violate public policy).

designed in good faith to minimize maintenance and to assure safety may be imposed, these restrictions may not be disguised restraints on trade.⁴⁷ Thus, patent law and antitrust became intertwined in *International Salt*.⁴⁸

Shortly after *International Salt*, Congress codified patent laws in the U.S. code for the first time.⁴⁹ The next year, in a case not involving a patent, the Court held that illegal tying involves the use of monopolistic leverage by exploiting a dominant position in one market to expand into another.⁵⁰ This 1953 case involved two newspapers in a single market, but not a patent.⁵¹

The Court addressed tying again in 1962 in *United States v. Loew's Inc.*,⁵² in a case involving copyright, not patent, tying. In *Loew's*, the distributor of copyrighted films conditioned the sale or lease of the films to television stations on the purchase of unwanted or inferior films.⁵³ The Court held that the tying was illegal and in violation of the Sherman Act.⁵⁴

In 1969, a majority of the Court in *Fortner Enterprises Inc. v. United States Steel Corp.*,⁵⁵ held that a contract requiring the purchaser to take a tied product, a prefabricated home, as a condition of securing credit with United States Steel's wholly-owned subsidiary, the United States Steel Homes Credit Corporation, was unreasonable per se.⁵⁶ When this non-patent case needed the Court again in 1977, a unanimous Court reversed the intervening ruling of the Court of Appeals that the tying arrangement in question was illegal per se.⁵⁷ The fact that a firm with a small market share has engaged in non-predatory

47. *Int'l Salt*, 332 U.S. at 397-98. *International Salt* is cited as the origination of the presumption of market power in patent tying cases, although the Court did not explicitly announce this presumption. *United States v. Loew's*, 371 U.S. 38, 46 (1962); see also *infra* notes 52-54 and accompanying text.

48. *Ill. Tool Works Inc. v. Indep. Ink*, 126 S. Ct. 1281, 1289-90 (2006).

49. 35 U.S.C. §§ 1-376 (2000).

50. *Times-Picayune Publ'g Co. v. United States*, 345 U.S. 594, 611 (1953). A publishing company owning the morning newspaper and one of two evening newspapers in a market gave advertisers a single rate for ads appearing in both papers; classified advertisers could not place ads in either paper alone. *Id.* at 596-97. The Court held that this did not involve tying as there was only a single market and the tying and tied products must be in two distinct markets. *Id.* at 614. *International Salt* can apply only if the seller enjoys a monopoly position in the market for the tying product and if a substantial volume of commerce is restrained in the tied product. *Id.* at 608; see also *supra* notes 26-34 (discussing *International Salt*).

51. *Times-Picayune Publ'g Co.*, 345 U.S. at 596.

52. 371 U.S. 38 (1962).

53. *Id.* at 40.

54. *Id.* at 44-48. The Court stated that if the government has granted a patent or similar monopoly, it is fair to presume market power. *Id.* at 45-47. The Court vacated the district court's injunction and amended and expanded the decree to require that films be priced individually and be offered on a picture-by-picture basis; and further, prohibited price differentials unless justified by relevant and legitimate cost considerations. *Id.* at 52-55.

55. 394 U.S. 495 (1969).

56. *Id.* at 499. These arrangements are illegal and no specific showing of unreasonable anticompetitive effect is required. *Id.* at 498. The agreement affected a substantial amount of commerce in the tied product, and the plaintiff was allowed an opportunity to prove that U.S. Steel and its subsidiary had appreciable economic power in the tying product's market. *Id.* at 500-01.

57. *U.S. Steel Corp. v. Fortner Enters., Inc.*, 429 U.S. 610, 622 (1977). Appreciable market power in the market for the tying product was not established. *Id.*

competitive conduct, the Court held, does not lead to an inference of intent to monopolize the market.⁵⁸

In 1984, in *Jefferson Parish Hospital District Number Two v. Hyde*,⁵⁹ also not a patent tying case, the Court held that a contract which required users of a hospital's operating rooms also to use the hospital's anesthesiology services did not violate the Sherman Act.⁶⁰ The majority held that the hospital lacked sufficient market power to apply the per se rule to the tying arrangement.⁶¹ Justice O'Connor concurred in the outcome that the Sherman Act was not violated, but wrote separately to explain that the exclusive dealing contract should be governed by the Rule of Reason.⁶² The Court has, "on occasion," applied a per se rule to tying products.⁶³ Such a per se rule, however, requires an "elaborate inquiry" into the economic effects of the tying, thereby incurring the costs of a Rule of Reason analysis without the benefits.⁶⁴ Justice O'Connor would thus abandon the per se test because market power in the tying product may be acquired legitimately, such as through a patent.⁶⁵

Four years after the Court decided *Jefferson Parish*, Congress amended the Patent Act to eliminate the presumption of a patent giving market power in the patent misuse context.⁶⁶ As a result, since 1988 no patent owner is guilty of

58. *Id.* at 612. The Court concluded that the contract involves nothing more than offering cheap financing in order to sell expensive houses. *Id.* at 622.

59. 466 U.S. 2 (1984).

60. *Id.* at 28-29; *see also* 15 U.S.C. § 1 (2000). *See generally* Steven Paul Miriani, *Jefferson Parish Hospital v. Hyde: Antitrust Tying Arrangements*, 59 TUL. L. REV. 1591 (1985).

61. *Jefferson Parish*, 466 U.S. at 32. The majority stated that "it is far too late in the history of our antitrust jurisprudence to question the proposition that certain tying arrangements pose an unacceptable risk of stifling competition and therefore are unreasonable 'per se.'" *Id.* at 9 (citing *International Salt Co. v. United States*, 332 U.S. 392, 396 (1947)). There was nothing inherently anticompetitive about tied sales unless the hospital used market power to force patients to purchase services they would otherwise not buy. *Id.* at 21-22. The plaintiff failed to establish an adverse effect on competition in this case. *Id.* at 31.

62. *Id.* at 33. There may be economic benefits due to the tying which should be considered under the Rule of Reason, instead of a per se illegality rule. Justice O'Connor states that the market power in the market for the tying product, a substantial threat of market power in the market for the tied product, and a coherent economic basis for treating the products as distinct are the only threshold requirements. Under the Rule of Reason analysis, tying may still be acceptable even when all three of these requirements are present. Economic benefits of the tying should also be considered under the Rule of Reason, and should be balanced against economic harms caused by the tying. *Id.* at 41.

63. *Id.* (citing *International Salt*, 352 U.S. at 392).

64. *Id.* at 34. By using the Rule of Reason to interpret tying issues, an economic analysis would still be conducted, but would also be applied to beneficial arrangements. *Id.*

65. *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 35 (1984). Justice O'Connor considered the three threshold requirements to determine the illegality of the tying: market power in the market for the tying product, a substantial threat of market power in the tied product, and the distinct products determination. *Id.* at 41. She then assessed the benefits of the arrangement under the Rule of Reason. *Id.* *See generally* Katherine C. Grady, *Jefferson Parish Hospital District No. 2 v. Hyde: Time to Apply the Rule of Reason to Tying Arrangements*, 70 IOWA L. REV. 565 (1985).

66. 35 U.S.C. § 271(d) (2000). The statute states in pertinent part:

No 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

misuse or illegal extension of the patent unless the patent owner has power in the relevant market for the patent or patented product.⁶⁷

The legal stage for *Illinois Tool Works* was set against this historical backdrop.⁶⁸ The courts and Congress had moved from a per se tying rule to an untwining of the presumption of market power due to the patent.

III. ILLINOIS TOOL WORKS INC. V. INDEPENDENT INK

Illinois Tool Works started out as a patent case, *Independent Ink, Inc. v. Trident, Inc.*⁶⁹ The plaintiff, Independent Ink, a distributor and supplier of printer ink and ink products, initially filed suit in 1998 seeking a declaratory judgment that it did not infringe on two of Trident's patents.⁷⁰ Trident, which became a wholly-owned subsidiary of Illinois Tool Works, is a manufacturer of print heads, and holds U.S. Patent No. 5,343,226, claiming an impulse ink jet system and an ink jet supply apparatus for use in that system.⁷¹ Trident uses this technology in barcode printers.⁷² Trident licenses its patented products to original equipment manufacturers (OEMs) as a package involving both the ink supply system and the unpatented ink.⁷³ OEMs must buy their ink from Trident and may not refill the Trident ink container with any other ink.⁷⁴

Independent Ink is a competing manufacturer of ink, and manufactured ink usable in Trident's products.⁷⁵ After Independent Ink filed suit, Trident filed a patent infringement suit against Independent Ink.⁷⁶ Independent Ink then amended its complaint to allege unlawful tying under the Sherman Act section one.⁷⁷ Because the mere possession of a patent does not confer market power

his having done one or more of the following: (1) derived revenue from acts which if performed by another without his consent would constitute contributory infringement of the patent . . . (4) refused to license or use any rights to the patent; or (5) conditioned the license of any rights to the patent or the sale of the patented product on the acquisition of a license to rights in another patent or purchase of a separate product, unless, in view of the circumstances, the patent owner has market power in the relevant market for the patent or patented product on which the license or sale is conditioned.

67. 35 U.S.C. § 271(d)(5).

68. See *supra* Part II (outlining case law leading up to *Illinois Tool Works*).

69. *Ill. Tool Works Inc. v. Indep. Ink*, 126 S. Ct. 1281 (2006); *Indep. Ink v. Trident*, 210 F. Supp. 2d 1155 (C.D. Cal. 2002).

70. *Indep. Ink*, 210 F. Supp. 2d at 1159.

71. Illinois Tool Works is a publicly traded company, ranked 173 on the Fortune 500. Hoovers Company Records-In Depth Records, Hoover ID: 10778 (Oct. 3, 2006). It is a worldwide manufacturer of highly engineered products and specialty systems, with about 700 operations in forty-eight countries. Disclosure SEC Database, DISCLOSURE COMPANY NUMBER: 1092000000 (Sept. 28, 2006). Illinois Tool Works holds U.S. Patent # 5,343,226.

72. *Indep. Ink*, 210 F. Supp. 2d at 1159.

73. *Id.* at 1158.

74. *Id.* at 1158.

75. *Indep. Ink v. Trident*, 210 F. Supp. 2d 1155, 1158 (C.D. Cal. 2002).

76. *Id.* at 1159. This suit was dismissed for lack of personal jurisdiction. *Ill. Tool Works Inc. v. Indep. Ink*, 126 S. Ct. 1281, 1285 (2006).

77. 15 U.S.C. § 1 (1998). Illinois Tool Works was added to the complaint when it acquired Trident in

for tying, the district court denied the plaintiff's motion for summary judgment on the Sherman Act claim.⁷⁸ It also added that for patent tying to violate antitrust laws, the plaintiff must prove market power.⁷⁹

The United States Court of Appeals for the Federal Circuit reversed on the issue of market power, holding that patent tying is illegal per se.⁸⁰ The appeals court stated that the Supreme Court's treatment of tying cases has been consistent and does not require an affirmative demonstration of market power.⁸¹ The appeals court reasoned that it was the duty of the lower courts to follow Supreme Court precedent until the Court expressly overrules that precedent.⁸²

The Supreme Court did indeed overrule that precedent in March 2006 in *Illinois Tool Works*.⁸³ Justice Stevens, joined by all other members of the Court except Justice Alito, who took no part in the case, held that in all tying cases, whether or not a patent is involved, the plaintiff must prove that the defendant has market power in the tying product.⁸⁴ The Court vacated and remanded the judgment of the U.S. Court of Appeals for the Federal Circuit.⁸⁵

The Court reviewed its history of the inter-twining and subsequent untwining of the patent misuse doctrine and antitrust law.⁸⁶ The presumption of market power from the possession of a patent occurred in *International Salt Company*, when patent law "migrated" to antitrust law.⁸⁷ *Jefferson Parish* repeated the presumption that patent law and antitrust law had merged.⁸⁸ Justice O'Connor in her concurrence, however, acknowledged that this presumption arose as part of the patent misuse doctrine, not in antitrust law.⁸⁹ In 1988, Congress amended the Patent Act to eliminate the belief of a patent giving market power in the patent misuse context.⁹⁰ Although this amendment

1999. Independent Ink also alleged that the California Business and Professional Code § 16700 was also violated. *Independent Ink*, 210 F. Supp. 2d at 1159.

78. *Id.* at 1163-67. Further, the defendant's motions for summary judgment on added alleged violations of the Sherman Act were granted. *Id.* at 1177.

79. *Id.* at 1162.

80. *Indep. Ink, Inc., v. Ill. Tool Works, Inc.*, 396 F.3d 1342 (Fed. Cir. 2005). The appeals court started their analysis by deciding that the matter was governed by Federal Circuit law. *Id.* at 1346.

81. *Id.* at 1348 (citing *International Salt Co. v. United States*, 332 U.S. 392, 394 (1947)); *United States v. Loew's*, 371 U.S. 38, 49 (1962)). See generally Alison K. Hayden, Article, *Patent Tying Agreements: Presumptively Illegal*, 5 J. MARSHALL REV. INTEL. PROP. L. 94 (2005).

82. *Ill. Tool Works*, 396 F. 3d at 1351. See generally Christopher Cotropia, *Observations on Recent patent Decisions: The Year in Review*, 88 J. PAT. & TRADEMARK OFF. SOC'Y 46, 70 (2006).

83. *Ill. Tool Works Inc. v. Indep. Ink*, 126 S. Ct. 1281, 1293 (2006).

84. *Id.* at 1288.

85. *Id.*

86. *Id.* at 1290.

87. *Ill. Tool Works*, 126 S. Ct. at 1289; see also *Int'l Salt Co. v. United States*, 332 U.S. 392, 396 (1947); *supra* notes 76-81 and accompanying text.

88. *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 16 (1984); see also *supra* notes 59-61 and accompanying text.

89. See *supra* notes 62-65 and accompanying text.

90. See *supra* note 66.

did not refer to antitrust law, it opened the door to reconsider the per se rule.⁹¹ *Illinois Tool Works* was the first case in nearly sixty years to reconsider the continuing validity of the presumption of illegality in patent tying cases.⁹² The Court in 2006 concluded that these cases should be evaluated as all other tying cases, by requiring proof of power in the market for the patented tying product, instead of a presumption.⁹³

IV. CONCLUSION

The Supreme Court, in the 2006 *Illinois Tool Works* case, moved away from a presumption of market power on the patentee in patent tying cases, to a requirement that the plaintiff must prove that the defendant has market power in the tying product.⁹⁴ The Court thus has shifted the burden from a per se violation to the plaintiff who must show market power, as in other tying cases not involving a patented product. Thus, the Court's decision reflects the market reality in 2006 that, except in a few industries and markets, a patent doesn't necessarily imply market power. Tying may make the package of goods or services more efficient.⁹⁵ A patent grants certain exclusive rights including the right to make, use, and sell the patented item,⁹⁶ but the economic reality is that it does not automatically confer market power. Thus, *Illinois Tool Works*, the Court untwined antitrust and patent law in.⁹⁷ This case has very important implications for parties on both sides of a patent tying case.

A company holding a patent may still be charged with illegal tying to an unpatented product, thus leveraging the legal monopoly into another market in an attempt to monopolize the second market, but the entity alleging the illegal tying must now prove market power in the market for the tying product. This common-sense decision by the Court now puts patent tying cases on the same legal basis as other tying cases.

The potential customer offered such a contract or license, where the

91. *Ill. Tool Works Inc. v. Indep. Ink*, 126 S. Ct. 1281, 1290-91 (2006).

92. *Id.* at 1290.

93. *Id.* at 1291. The Court noted that the vast majority of academic literature recognizes that a patent in and of itself does not confer market power. *Id.* at 1291 n.4. Further, Antitrust Guidelines for the Licensing of Intellectual Property, issued jointly by the Department of Justice and the F.T.C., state that they will not presume that a patent, copyright, or trade secret necessarily confers market power. U.S. DEPARTMENT OF JUSTICE AND FEDERAL TRADE COMMISSION, ANTITRUST GUIDELINES FOR THE LICENSING OF INTELLECTUAL PROPERTY 4 (1995), available at <http://www.usdoj.gov/atr/public/guidelines/0558.pdf>. Further, if "a patent or other form of intellectual property does confer market power, that market power does not by itself offend the antitrust laws." *Id.*

94. *Ill. Tool Works*, 126 S. Ct. at 1288.

95. *Jefferson Parish Hosp. Dist. No. 2 v. Hyde*, 466 U.S. 2, 42 (1984) (O'Connor, J., concurring); see also *supra* notes 60-64 and accompanying text.

96. 35 U.S.C. § 271(a) (2000). Section 271(a) states: "Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefore, infringes the patent." *Id.*

97. *Ill. Tool Works Inc. v. Indep. Ink*, 126 S. Ct. 1281, 1288 (2006).

purchase of the first patented product is tied exclusively to the purchase of a second tied product, must count the cost, including the cost of the tied product, over the life of the contract or license, and compare it, under a cost-benefit analysis, to other competing products, if any, in the tying product's market. The fewer competing products in the tying product's market, the larger the market share and thus the larger the market power in that market. The customer, depending on the relative bargaining power, may (or may not) be able to negotiate a contract or license without the tying clause. If the customer does not want to be locked into the tied product, it should either not purchase the patented tying product or negotiate an un-tying, while remembering that the burden is now on the customer, under the Rule of Reason, to prove market power in the tying product's market.

Illinois Tool Works is consistent with two prior antitrust cases in the Supreme Court in 2006. The Court held in February 2006 in *Texaco, Inc. v. Dagher*⁹⁸ that it is not per se illegal under section one of the Sherman Act for a lawful, economically integrated joint venture to set prices.⁹⁹ Justice Thomas, who was joined by all members of the Court except Justice Alito, who took no part in the case, stated that per se liability is reserved for plainly anticompetitive agreements.¹⁰⁰ This decision reflects the Rule of Reason analysis of *Illinois Tool Works*.

In *Volvo Trucks North America, Inc. v. Reeder-Simco GMC, Inc.*,¹⁰¹ the Court decided an issue involving the Robinson-Patman Act and price discrimination.¹⁰² Writing for the majority, Justice Ginsburg stated that antitrust law does not ban all price discrimination, but only if it injures competition.¹⁰³ These cases taken together show a newly recomposed Court requiring parties to prove anti-competitive activities under antitrust law.

98. 126 S. Ct. 1276 (2006).

99. *Id.* at 1278. Texaco and Shell had a joint venture from 1998-2002 to refine and sell gas in the western United States under their own brand names. *Id.* The joint venture, Equilon, set prices for both. *Id.* Service station owners of both brands sued, alleging a violation of section one of the Sherman Act. *Id.* at 1279; *see also* 15 U.S.C. § 1 (2000).

100. *Texaco*, 126 S. Ct. at 1279. While the pricing policy may be price fixing in a literal sense, it is not in an antitrust sense. *Id.* at 1279-80.

101. 126 S. Ct. 860 (2006).

102. *Id.* (determining issue of price discrimination under Congressional Act); 15 U.S.C. § 13 (2000) (declaring illegality of price discrimination between different purchasers).

103. *Volvo Trucks*, 126 S. Ct. at 870. Justices Stevens and Thomas dissented. Volvo Trucks supplied heavy duty trucks to franchised dealers. *Id.* at 866. The retail customers provided bids to the dealers and if a Volvo dealer's bid was successful, Volvo built the truck to specification. *Id.* Reeder was a dealer who received less favorable price concessions from Volvo. *Id.* Volvo instituted a program in 1997 which addressed some concerns, including the existence of too many dealers. *Id.* at 867. The majority noted that the Robinson-Patman Act does not bar a manufacturer from restructuring its distribution network to improve its operation. *Id.* at 870 n.4.