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Client Reminder and Alert--Patent/IP/Antitrust

In 9th and 2nd Circuits "Repetitive Sham Litigation" Liability May Hinge on Subjective Standard of "Brought Pursuant to a Policy of Starting Proceedings Without Regard to Merit" FTC Likely to Assert Aggressive Standard

Intellectual property owners asserting patent infringement cases against competitors are generally aware of the risks of allegations that the defendant may assert, as a counter-claim, anti-competitive patent abuse in violation of antitrust laws. Generally, the *Noerr-Pennington* doctrine provides broad antitrust protection for those who petition the government for a redress of grievances.⁽¹⁾ This protection includes petitioning of courts.⁽²⁾

.....Immunity under the *Noerr-Pennington* doctrine is lost only if a plaintiff engages in "sham" petitioning. To establish application of the "sham litigation" exception for a single lawsuit, one must show that the litigation was: (i) "objectively baseless," and (ii) "an attempt to interfere directly with the business relationships of a competitor through the use of the governmental process—as opposed to the outcome of that process—as an anticompetitive weapon."⁽³⁾ However, the Ninth and Second Circuits, as well as certain district courts, have applied a different legal standard to "serial litigation" or "repetitive petitioning." In cases in which "the defendant is accused of bringing a whole series of [sham] legal proceedings," the Ninth and Second Circuit test is: "Were the legal filings made, not out of a genuine interest in redressing grievances, but as part of a pattern or practice of successive filings undertaken essentially for purposes of harassment?"⁽⁴⁾ In this context, the relevant issue is whether the legal challenges "are brought pursuant to a policy of starting legal proceedings without regard to the merits and for the purpose of injuring a market rival." Even if some actions have merit, the question is whether the series of proceedings were brought without merit or "willy nilly."⁽⁵⁾ Significantly, that some of the actions in the series of actions have merit will not necessarily save the defendant from being held liable if subjective bad intent can be shown in the form of making "successive filings" for "purposes of harassment."

.....In a 2006 Federal Trade Commission staff report, the FTC staff has advocated this standard as well.⁽⁶⁾ The staff recommended that the Commission take "appropriate opportunities to clarify that the case law supports the denial of *Noerr* protection to repetitive petitioning, . . . undertaken without regard to merit, that employs government processes, rather than the outcome of these processes, to harm a competitor" even in instances where certain filings within the pattern do not meet [the] strict definition of "objectively baseless."⁽⁷⁾ In light of these standards, TLP recommends that all clients asserting patent, copyright or trademark claims do at least the following:

1. Always obtain written opinion of counsel, prior to filing suit, stating that your IP claim is based on reasonable factual and legal grounds.
2. If asserting the same IP rights against a series of defendants, or different IP rights against the same defendant, alert counsel to the existence of the repetitive petitioning case law and developments, and have counsel conduct an analysis to ensure that you are protected from potential allegations of engaging in sham litigation.
3. Be aware that assertions of IP rights against direct competitors may draw more scrutiny, particularly by plaintiffs with greater market power, extensive IP portfolios or both.

TLP is available to assist in addressing any questions you may have regarding these issues. Please contact Kenneth G. Parker at 949-442-7101.

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The enclosed materials have been prepared for general informational purposes only and are not intended as legal advice.

Endnotes

1. *City of Columbia v. Omni Outdoor Advertising, Inc.*, 499 U.S. 365, 378, 111 S.Ct. 1344, 1353, 113 L.Ed.2d 382 (1991) (quoting First Amendment).
2. *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 144, 81 S.Ct. 523, 533, 5 L.Ed.2d 464 (1961); *United Mine Workers v. Pennington*, 381 U.S. 657, 85 S.Ct. 1585, 14 L.Ed.2d 626 (1965). *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 510, 92 S.Ct. 609, 611, 30 L.Ed.2d 642 (1972).
3. *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus.*, 508 U.S. 49, 60, 113 S.Ct. 1920, 123 L.Ed.2d 611 (1993) (citations, internal quotation marks, and alterations omitted).
4. *USS-POSCO Indus. v. Contra Costa County Bldg. & Constr. Trades Council, AFL-CIO*, 31 F.3d 800, 811 (9th Cir.1994) (interpreting *Professional Real Estate*); *Primetime 24 Joint Venture v. Nat. Broad. Co., Inc.*, 219 F.3d 92 (2d Cir. 2000); *Livingston Downs Racing Ass'n, Inc. v. Jefferson Downs Corp.*, 192 f. Supp. 2d 519 (M.D. La. 2001).
5. *Contra Costa*, 31 F.2d at 811.
6. FTC Staff Report, *Enforcement Perspectives on the Noerr-Pennington Doctrine*, at 28-36, 38 (<http://www.ftc.gov/reports/P013518enfperspectNoerr-Penningtondoctrine.pdf>).
7. *Id.* at 38.