CAUGHT IN THE WEB OF STARE DECISIS: WHY THE SUPREME COURT’S HOLDING IN KIMBLE V. MARVEL ENTERPRISES, INC., WAS WRONGLY DECIDED

Molly McCartney†

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† J.D. Candidate, May 2017, Wake Forest University School of Law. Manuscripts Editor, 2016-17, Wake Forest Journal of Business and Intellectual Property Law. The author would like to thank the board and staff members for preparing this article for publication.
I. INTRODUCTION

In *Kimble v. Marvel Entertainment LLC*, the Supreme Court handed down an opinion upholding a widely criticized 50-year-old rule that was established in *Brulotte v. Thys Co.* Kimble re-examined post-expiration royalty payments—royalty payments that continue after a patent’s term has expired. The *Kimble* Court upheld the bright-line rule in *Brulotte* that post-expiration royalty payments are unlawful per se.

The *Kimble* Court should not have upheld a per se prohibition on post-expiration royalties. The Court incorrectly and imprudently relied on stare decisis. This decision has been met with criticism from lower courts, economists, legal scholars, and government agencies. The *Kimble* Court should have, instead, modified the rule established in *Brulotte*. Instead of a per se rule, post-expiration royalties should be enforceable because they do not extend a patent’s rights or have an anti-competitive effect. Post-expiration royalty agreements can be an economically efficient means of allocating the risk of invention and can promote innovation. Instead of a bright line prohibition, post-expiration royalties should be addressed on a case-by-case basis under the rule of reason.

This article first begins with an overview of patent law, and then depicts a brief history of the judicial decisions leading up to *Kimble*, followed by an explanation of the *Kimble* decision. Then the article analyzes the rationale behind the *Brulotte* per se rule and explains why *Kimble* should have overruled *Brulotte*. The article suggests that instead of the per se rule established in *Brulotte*, post-expiration royalties should be governed by the rule of reason. Finally, the article concludes with a look at the possible future implications of the *Kimble* decision.

II. BACKGROUND

A. Current Patent Law

The Constitution gives Congress the power to grant “for limited Times to Authors and Inventors the exclusive Right to their respective

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2 See Kimble, 135 S. Ct. at 2406.
3 Id.
4 Id.
5 See id.
6 See Brulotte, 379 U.S. at 33.
7 See Kimble, 135 S. Ct. at 2412.
Writings and Discoveries.” 8 Under 35 U.S.C. § 154(a)(1), a patent creates “a short title of the invention and a grant to the patentee . . . of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention.” 9

A patent lasts for 20 years from the date the application was filed. 10 A patent holder may choose to license their patent to another. 11 The licensor patent holder benefits from receiving royalty payments for their invention, and the licensee benefits from the right to use, make, or sell the exclusive right to the patented invention. 12 When the patent expires, the patentee’s exclusive rights also expire, and their right to use, make, sell, or license is free and open to the public. 13

B. Prior Judicial Decisions Leading Up To Kimble

Courts have been reluctant to enforce laws and contracts that restrict the public’s access to previously patented inventions. 14 It is the policy of Congress to grant patents for only a limited time in order to promote invention; but after the patent expires, the right to make or use the article passes to the public to preserve free competition. 15 In 1964, in Brulotte v. Thys Co., the Supreme Court held that post-expiration royalties are per se unenforceable—constituting patent misuse. 16 Therefore, a patent holder cannot receive royalties for the use of the patent after its patent term has expired. 17 The Court stated that while a patent “empowers the owner to exact royalties as high as he can negotiate with the leverage of that monopoly,” the patentee cannot “use that leverage to project those royalty payments beyond the life of the patent.” 18 The Court reasoned that continuing the payments beyond the expiration of the patent would be an improper “assertion of monopoly power” after the patent has moved into the public domain. 19

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8 U.S. CONST. art. I, § 8, cl. 8.
12 Id.
14 Id.
15 Id. at 230–31.
17 See id.
18 Id. at 33.
19 Id.
The Court believed that while the use of this leverage is proper during the patent’s term, using the leverage to extend royalty payments beyond the patent’s term would “enlarge the monopoly of the patent.”\(^{20}\) This extension of monopoly power would be in conflict with patent law’s policy of creating a post-expiration public domain.\(^{21}\)

Following \textit{Brulotte}, the per se rule continued to be upheld. In \textit{Zenith Radio Corp. v. Hazeltine Research}, the Court held that post-expiration royalty payments were not unlawful and did not violate the \textit{Brulotte} rule if the payments were specifically based on pre-expiration use.\(^{22}\) In \textit{Aronson v. Quick Point Pencil Co.}, the Supreme Court clarified that \textit{Brulotte} does not prohibit indefinite royalty payments when a patent is not issued.\(^{23}\) In \textit{Aronson}, the parties had negotiated a license agreement while the patent application was pending.\(^{24}\) The agreement provided that if a patent application was not allowed within five years, the licensee would pay a reduced royalty fee.\(^{25}\) No end date was set for the royalty payments.\(^{26}\) When the patent was rejected, the licensee argued that the contract for royalty payments was unenforceable.\(^{27}\) Because the patent was not approved, the Court held that the indefinite licensing agreement was enforceable.\(^{28}\) The Court reasoned because the patent had not been issued, the challenged reduced royalty was negotiated without the leverage of a patent monopoly.\(^{29}\) Courts have held that \textit{Brulotte} applies in situations where parties agreed to a royalty payment structure before a patent was issued and the royalty agreement extended beyond the patent’s term when the patent was finally issued.\(^{30}\) In \textit{Hull v. Brunswick Corp.}, the Tenth Circuit found that bundling license patents with a single royalty rate is acceptable even though the various patents may have different expiration dates and the rate does not diminish as each patent expires.\(^{31}\)

Although widely criticized, the Court’s holding in \textit{Brulotte} was not overturned.\(^{32}\) The question of whether the \textit{Brulotte} rule should be

\(^{20}\) \textit{Id.}\n\(^{21}\) \textit{Id.}\n\(^{22}\) \textit{Zenith Radio Corp. v. Hazeltine Research}, 395 U.S. 100, 136, 140 (1969).\n\(^{23}\) \textit{See Aronson v. Quick Point Pencil Co.}, 440 U.S. 257, 264–65 (1979).\n\(^{24}\) \textit{Id.} at 265.\n\(^{25}\) \textit{Id.}\n\(^{26}\) \textit{Id.} at 259.\n\(^{27}\) \textit{Id.} at 260.\n\(^{28}\) \textit{Id.} at 265.\n\(^{29}\) \textit{Id.}\n\(^{30}\) \textit{See Meehan v. PPG Indus.}, 802 F.2d 881, 883–84 (7th Cir. 1986).\n\(^{31}\) \textit{Hull v. Brunswick Corp.}, 704 F.2d 1195, 1202 (10th Cir. 1983).\n\(^{32}\) \textit{Id.}\n
overturned was raised again in *Kimble.*

#### C. Kimble

Petitioner, Kimble, obtained a patent for a toy that allowed a user to shoot foam string from the palm of their hand by using a glove and a canister of foam, similar to Spider-Man shooting his web. Wanting to sell or license his invention, Kimble met with Respondent, Marvel Entertainment, LLC ("Marvel"). Marvel sells comic-book character products, including products featuring Spider-Man. Marvel did not purchase the patent or a license for Kimble’s invention. But shortly after meeting with Kimble, Marvel began selling the “Web Blaster,” a Spider-Man toy resembling Kimble’s patented invention. In response, Kimble sued Marvel for patent infringement. The parties settled the litigation and pursuant to the settlement, Marvel agreed to purchase Kimble’s patent for a lump sum payment and pay a 3% royalty on future sales of the “Web Blaster.” No expiration date or time limit was set for the royalty payments. At the time of the settlement agreement, neither party was aware of *Brulotte* nor its post-expiration royalties.

As Kimble’s patent neared the end of its statutory twenty-year term, Marvel discovered the *Brulotte* rule that a patentee cannot receive post-expiration royalties. Marvel then sought a declaratory judgment that the company was not obligated to continue royalty payments when Kimble’s patent term ended in 2010. The district court granted the relief. The Court of Appeals for the Ninth Circuit reluctantly affirmed. The Ninth Circuit acknowledged that the rationale in *Brulotte* was unconvincing, and the court noted that Marvel was excused from a financial obligation because of “a technical detail that both parties regarded as insignificant at the time of

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34 *Id.* at 2405.
35 *Id.* at 2406.
36 *Id.*
37 *Id.*
38 *Id.*
39 *Id.*
40 *Id.*
41 *Id.*
42 *Id.*
43 *Id.*
44 *Id.*
45 *Id.*
the agreement.” However, the Ninth Circuit was bound to follow the authority of the Supreme Court. Kimble petitioned for certiorari, seeking to overturn the per se rule established in Brulotte.

The question presented to the Supreme Court was “whether [the] court should overrule Brulotte v. Thys Co.” The Supreme Court declined to overrule Brulotte “[f]or reasons of stare decisis . . . .” The Court upheld the per se rule that a contract for payment of royalties beyond the patent’s expiration date is unenforceable. Because Brulotte was controlling, Kimble could not recover royalties from Marvel beyond the expiration date of his invention.

III. ANALYSIS

Post-expiration royalties do not constitute patent misuse and should be enforceable. Numerous courts, scholars, and government agencies have called for the overruling of Brulotte. The Ninth Circuit reluctantly affirmed Kimble, only because Brulotte was controlling. Therefore, the Court was “bound to follow Brulotte,” but the court noted that Brulotte is “frequently-criticized.”

The Supreme Court refused to overturn Brulotte. However, the rationale underlying Brulotte is flawed. Because Brulotte (1) incorrectly reasoned that post-expiration royalties extend a patent-holder’s rights, (2) was ignorant of the economic advantages of post-expiration royalties, and (3) relied on outdated antitrust assumptions, Brulotte should no longer be good law. The Kimble Court’s reliance on stare decisis was untenable. Thus the bright-line prohibition from Brulotte should be overturned and the rule of reason implemented instead.

47 Id. at 866.
48 Id. at 867.
50 Id.
52 Id.
53 Id.
54 E.g., Eric E. Benson, Patent Law Perspectives § 18.5 (Matthew Bender rev. ed., 2015) (“Brulotte has been subjected to substantial criticism.”).
55 See Kimble v. Marvel Enters. Inc., 727 F.3d 856, 857 (9th Cir. 2013).
56 Id. at 857, 867.
57 Kimble, 135 S. Ct. at 2415.
58 See BENSEN, supra note 54.
A. Why Brulotte Should Be Overturned

1. Post-Expiration Royalties Do Not Extend Patent Rights

There is an incorrect assumption that post-expiration royalties extend the patent right itself. Post-expiration royalties have been considered patent misuse “because, the theory goes, it extends the temporal scope of the patent beyond that which was granted by the government.”59

In Brulotte, the Court held that the use of post-expiration royalties was a “telltale sign that the licensor was using the licenses to project its monopoly beyond the patent period.”60 The Court reasoned that an agreement to pay royalties after the patent term ended had the effect of extending the patent beyond the term provided in the patent statute.61 But even if Brulotte’s per se rule prohibiting post-expiration royalties was to be overturned, a patentee still could not extend its monopoly power through post-expiration royalties.62

A promise to continue paying royalties after the patent’s expiration does not extend the patent.63 A patent grants to the patentee “the right to exclude others from making, using, offering for sale, or selling the invention.”64 But this exclusive right is for a limited term.65 This monopoly created by the patent ceases to exist when the patent expires.66 The flaw in the Brulotte Court’s reasoning, that post-expiration patents extend a patentee’s rights,67 is explained in Scheiber v. Dolby Laboratories.68 In Scheiber, the Seventh Circuit reasoned that royalty payments beyond the patent term in no way prevent another party from using the invention because “when the patent term ends, the exclusive right to make, use or sell the licensed invention also ends. Because the invention is available to the world, the license in fact ceases to have value.”69

Even when post-expiration royalties are enforceable, once the

59 Bensen, supra note 54.
61 Id.
62 BENSEN, supra note 54.
63 Scheiber v. Dolby Labs., Inc., 293 F.3d 1014, 1017 (7th Cir. 2002).
66 Id.
67 Scheiber, 293 F.3d at 1017.
68 Id.
69 Id.
patent expires no one “can be excluded from making, using or selling the patented objects.” 70 After the patent’s expiration, anyone can use or “make the patented process or product without being guilty of patent infringement.” 71 The licensor and licensee are unable to prevent others from freely using the previously patented invention. 72 And if the licensee stopped paying the post-expiration royalties, a patentee would claim breach of the license agreement, not patent infringement. 73 Because the patent does not exclude others from use, “expiration has accomplished what it was supposed to accomplish.” 74

Post-expiration royalties do not expand a patentee’s rights, but instead, are merely a part of the payment for the anticipated value of the pre-expiration license. 75 Brulotte ignores the fact that “licensees may pay today for what they received yesterday.” 76 It is argued that post-expiration royalties are patent misuse because they were a result of “the patentee abusing the leverage it had while the patent was in force to extract the post-expiration royalty obligation.” 77 However, the post-expiration royalty is instead “merely part of the price that the licensee— which needs no protection from an expired patent and, thus, receives no additional benefit during the post-expiration period— paid for use of the patent while the patent is in force.” 78 The patent misuse doctrine does not restrict the price a patentee may obtain for its patent. 79 If a licensing agreement provides for post-expiration royalty payments, “the parties base those payments on the licensees’ assessment of the value of the license during the patent period,” thus the value is not increasing or changing after the expiration and are not an extension of the duration of the patent monopoly. 80

The duration of the patent limits the patentee’s ability to negotiate and obtain royalties. 81 The licensor and licensee have the ability to determine whether royalties will be paid “at a higher rate over a shorter period of time or at a lower rate over a longer period of

71 Scheier, 293 F.3d at 1017.
72 Roger Milgrim & Eric Benson, Milgrim on Licensing, § 18.05 (Matthew Bender, rev. ed. 2015).
73 Benson, supra note 54.
75 See & Caprio, supra note 70, at 814.
76 Id. at 851.
77 Benson, supra note 54.
78 Id.
79 Id.
80 Scheiber v. Dolby Labs., Inc., 293 F.3d 1014, 1017 (7th Cir. 2002).
81 Posner, supra note 74, at 331.
Post-expiration royalties simply change the timing of the royalty payments. For example, if the day before the patent expired “a patent-licensing agreement obligat[ed] the licensee to pay royalties for the next one-hundred years,” then the royalty “would be minuscule because of the imminence of the patent’s expiration.” Creating a royalty arrangement that extends beyond the patent term can be advantageous to licensees in “securing a marketing foothold and developing on-line know-how” and best serve the interests of both the licensor and licensee.

Additionally, post-expiration royalties do not hamper competition “because new competitors are free to enter the market without paying royalties after the expiration of the new patent, even if prior market participants continue to pay royalties.” Critics of post-expiration royalties claim that the payments permits patentees to continue exploiting their monopoly power “beyond the life of the patent harming consumers of new products and technologies.” Therefore, competition could not be impeded because the restrictions placed on the licensee did not prevent others from using the once-patented idea after the patent expired.

2. Negative Economic Effect of Brulotte’s Per Se Rule

The Brulotte Rule is considered by many to be “illogical from the standpoint of any economic analysis.” Royalty plans that extend payments over time may be preferred over lump-sum payments. Justice Kagan acknowledged this preference when, writing the majority opinion in Kimble, she noted that “for some parties, the longer the arrangement lasts, the better– not just up to but beyond a patent term’s end.”

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82 Id.
83 Id.
84 Id.
85 MILGRIM & BENSEN, supra note 72, at §18.05.
88 Posner, supra note 74.
89 MILGRIM & BENSEN, supra note 72, at §18.05.
Upholding a per se ban on post-expiration royalties prevents parties from entering into or maintaining the deals they anticipated and contracted for and prevents parties from allocating risks most efficiently. Post-expiration royalties would allow for economically efficient arrangements for the licensor and licensees that better allocates risks and encourages innovation.

Prohibiting post-expiration royalties could deny parties the benefit of the bargain they negotiated for and anticipated. Brulotte could make sections of an otherwise valid contract unenforceable. For example, if a patentee suggested:

“[a] license for a royalty of 10% of sales per year for the remaining 10 years of the patent. In response, the party, out of a concern for cash flow, offers 5% for 20 years, which the patentee accepts. Under Brulotte’s per se rule, the Court would deem the patentee to have leveraged its patent in a manner that expanded patent’s scope when, as an economic matter, it was the licensee that leveraged its willingness to pay royalties to obtain more favorable financial terms.”

In this example, the patentee would be penalized for accepting the more beneficial terms for the license to its patent. Holding the post-expiration royalties unenforceable “would both impose an undue hardship on the patentee and discourage innovation generally by increasing uncertainties about potential economic returns on inventive activity.” The parties’ licensing agreement reflects both their desired payment structure and their assessment of the fair value for the licensing right.

Post-expiration royalties also allow parties to better allocate and shift the risk inherent in development and invention. Post-expiration royalty payments provide a system to spread out payments over time and to allocate risks associated with financing and commercializing inventions. A license can provide a licensor with the financial

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92 See id.
93 Kimble v. Marvel Enters., Inc., 727 F.3d 856, 867 (9th Cir. 2013).
94 Zila, Inc. v. Tinnell, 502 F.3d 1014, 1019 (9th Cir. 2007).
96 Id.
97 Id.
98 Brief for Memorial Sloan Kettering Cancer Center, supra note 90, at 16.
resources it may need to commercialize a product and shift the licensee’s risk of investment.\textsuperscript{100} Royalty payments, extending over a period of time, based on the sale of the product, protect licensees who may be uncertain of a product actually reaching the market or may be unsure if the product will be successful in the market.\textsuperscript{101} If the product is a success, both parties will share the reward, and if it fails, the licensee’s loss is limited.\textsuperscript{102}

Both the licensor and licensee may benefit from a low royalty rate over an extended term.\textsuperscript{103} When payment for a license is an up-front lump payment, the licensee “bears the risk of product failure.”\textsuperscript{104} In contrast, royalty payments “allow[] the licensor and licensee to share this risk.”\textsuperscript{105} In the \textit{Brulotte} dissent, Justice Harlan recognized the possibility that parties may also prefer a lower royalty rate over a longer period of time, instead of a higher royalty rate over a shorter time period.\textsuperscript{106} A lower royalty rate over a longer period of time further minimizes the risk to the licensee.\textsuperscript{107}

This risk-reward split also encourages innovation. For example, licenses are often obtained for technology development.\textsuperscript{108} A license can relieve the licensor of some of the costs and risks associated with development.\textsuperscript{109} The development process poses many risks, including: an unknown value of the product until it is marketed, uncertainty about consumer demand, and an inability to predict the market size.\textsuperscript{110} The licensee also bears the risk that “no viable product or process will be developed during the patent term.”\textsuperscript{111} Post-expiration royalties shift the risk and reduce the effect of the uncertainties of development for both licensors and licensees.\textsuperscript{112} Studies have also shown that collecting royalties over a longer period


\textsuperscript{101} Id.

\textsuperscript{102} See id.

\textsuperscript{103} MILGRIM \& BENSEN, supra note 72.

\textsuperscript{104} Brief of Memorial Sloan-Kettering Cancer Center, supra note 90, at 17.

\textsuperscript{105} Id.


\textsuperscript{107} Brief of Memorial Sloan-Kettering Cancer Center, supra note 90, at 17.

\textsuperscript{108} Id. at 8-9.

\textsuperscript{109} \textit{An Economic Analysis of Royalty Terms in Patent Licenses}, 67 MINN. L. REV. 1198, 1231 (1983).

\textsuperscript{110} Id. at 1230.

\textsuperscript{111} Brief of Memorial Sloan-Kettering Cancer Center, supra note 90, at 18.

\textsuperscript{112} \textit{An Economic Analysis of Royalty Terms in Patent Licenses}, supra note 109, at 1232.
of time can “allow the patent holder to recover the full value of the patent, thereby preserving innovation incentives.”\textsuperscript{113}

A low royalty rate may “help the licensee in the early investment phase” and thus “encourage it to take the risks to launch new, and thus inherently risk-prone, technology.”\textsuperscript{114}

Licenses are also important in the pharmaceutical field. The risk to licensees is particularly high in pharmaceuticals where “development costs and failure rates are very high and many years of development, clinical trials, and regulatory review are required before the product ever reaches the commercial market.”\textsuperscript{115} Therefore it is more beneficial to the licensee to defer royalty payments or pay a lower rate over a longer period of time.\textsuperscript{116} Lastly, whereas large companies have the resources for development and therefore are less likely to license, small firms do not have the same resources. Therefore, small entrepreneurs benefit from risk reducing license agreements and this in turn promotes competition in the marketplace.\textsuperscript{117}

The goal of patent law and policy is best “served by allowing the parties to negotiate freely the terms of their license terms.”\textsuperscript{118} It is more efficient to allow the parties themselves to choose how to allocate the risks of invention. Additionally, it promotes and encourages innovation and development.\textsuperscript{119} For these reasons, a licensor and licensee should not be bound by the \textit{Brulotte} rule. Instead the parties should have flexibility to create the agreements they desire including agreeing to royalty payments extending beyond a patent’s expiration.

3. \textit{Stare Decisis}

The majority in \textit{Kimble} upheld the precedent in \textit{Brulotte} on the principle of stare decisis.\textsuperscript{120} The majority stated that the petitioner, Kimble, was unable to overcome the high bar of stare decisis.\textsuperscript{121} The

\begin{itemize}
\item \textsuperscript{114} MILGRIM \& BENSEN, \textit{supra} note 72, at § 18.05.
\item \textsuperscript{115} Brief of Memorial Sloan-Kettering Cancer Center, \textit{supra} note 90, at 12–13.
\item \textsuperscript{116} \textit{Id.} at 13.
\item \textsuperscript{117} An Economic Analysis of Royalty Terms in Patent Licenses, \textit{supra} note 109, at 1233.
\item \textsuperscript{118} Brief of Memorial Sloan-Kettering Cancer Center, \textit{supra} note 90, at 13.
\item \textsuperscript{119} \textit{Id.} at 12.
\item \textsuperscript{120} Kimble v. Marvel Entm’t LLC, 135 S. Ct. 2401, 2405 (2015).
\item \textsuperscript{121} \textit{Id.} at 2413.
\end{itemize}
majority acknowledged that abiding by stare decisis can mean “sticking to some wrong decisions.” The majority incorrectly relied on stare decisis. Stare decisis does not require the Court to uphold the Brulotte rule. The Court has often ignored stare decisis.

The majority in Kimble held that stare decisis is more important when interpreting a statute. However, Brulotte did not interpret any statutory or constitutional provision. In Sheiber, the court noted that Brulotte is a “free-floating product” and not an “interpretation of the patent clause of the Constitution, or of the patent statute or any other statute.” Brulotte is instead a judge made rule and not an interpretation of the patent statute.

The majority in Kimble held that petitioner Kimble did not provide the “special justification” needed to overturn Brulotte. However, Justice Alito in his dissent from Kimble noted that economic and antitrust theories underlying Brulotte have been “debunked.” Compelling reasons now exist to overturn Brulotte and not follow precedent. A new “understanding of the harmful real-world economic consequences of the Brulotte’s per se rule has emerged” since Brulotte. The Brulotte rule discourages innovation and competition, which harms the economy. Additionally, post-expiration royalties do not extend a patent holder’s rights or extend the patent’s monopoly.

The Court characterized the case as a patent case and explained that precedent—stare decisis—has more force in patent law cases than it does in antitrust cases. However, the Court has reversed precedent in other patent law cases. Stare decisis is not a fixed, unchangeable doctrine; instead, “it is a principle of policy and not a mechanical formula of adherence to the latest decision.”

122 Id. at 2409.
124 Kimble, 135 S. Ct. at 2409.
126 Scheiber v. Dolby Labs., Inc., 293 F.3d 1014, 1018 (7th Cir. 2002).
127 See id.
128 Kimble, 135 S. Ct. at 2409.
129 Id. at 2415.
131 Id. at 29.
132 Id. at 39
133 Kimble, 135 S. Ct. at 2412.
Supreme Court has overruled earlier decisions in similar circumstances of strong precedent. In *Lear, Inc. v. Adkins*, the Supreme Court rejected the doctrine of patent licensee estoppel, expressly overruling its prior decision in a previous case. In *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, the Court overruled a prior decision that had accepted the principle of mutuality of estoppel in patent litigation. In *Motion Picture Patents Co. v. Universal Film Manufacturing Co.*, the Court overruled a patent misuse rule.

The precedent in *Brulotte* should not be upheld on the basis of stare decisis but instead should be overruled. There is substantial justification to reconsider *Brulotte* instead of upholding it on the basis of stare decisis. Stare decisis has more weight when a court has interpreted a statute, but in *Brulotte*, the court did not interpret a statute but instead created a judge made rule. Additionally, in the aftermath of the *Brulotte* decision, new economic and antitrust principles have developed that undermine the rationale for the *Brulotte* per se prohibition of post-expiration royalties. Lastly, stare decisis does not absolutely control; the court has overlooked stare decisis and reversed precedent in many other patent cases.

4. Outdated Antitrust Assumptions

The underlying presumptions in *Brulotte* are not consistent with modern antitrust jurisprudence. Current antitrust principles should be applied to analyses of post-expiration royalty use. The modern trend has been to analyze patents under intellectual property and antitrust policies.

In his dissent, Justice Harlan claimed that *Brulotte* was not rooted in antitrust principles but instead is strictly a patent case. However, *Brulotte* invoked antitrust policy. The Court reasoned the free market would be improperly subjected to monopoly influences if it

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136 See *Lear, Inc.*, 395 U.S. at 656.
137 See *Blonder-Tongue Labs., Inc.*, 402 U.S. at 334.
138 See *Motion Picture Patents Co.*, 243 U.S. at 518.
139 See *Kimble v. Marvel Enters., Inc.*, 135 S. Ct. 2401, 2410 (Alito, J., dissenting) (rejecting the conception that *Brulotte* involved statutory interpretation and instead created a judge made rule).
141 See *supra* note 134.
144 *Id.*
permitted post-expiration patent royalties. However, changes in antitrust laws have undermined the antitrust presumptions underlying the decision in Brulotte: that a patent automatically confers market power and thereby allowed a licensor to improperly leverage that power over licensees to extend the patent’s monopoly.

The Brulotte Court analogized post-expiration royalties to antitrust tying arrangements. The court in Brulotte applied the same rationale of previous patent tying cases, which held that tie-ins constituted patent misuse. The Brulotte majority “expressly characterized post-expiration royalties as anti-competitive tying arrangements.” A traditional patent tie-in is when “the patent owner conditions the use of his patented process or product on the licensee’s buying another unpatented product from him.”

In the context of post-expiration royalties, a tie-in occurs when “the patent holder leverages its monopoly power during the patent term to require payments after the term ends.” The antitrust concern was that through the use of the tying arrangement, the licensor was attempting to leverage his monopoly power in the market for that separate unpatented product. Therefore, when Brulotte was decided, because it was presumed that patents conferred market power, tying arrangements were per se unlawful considered antitrust violations and patent misuse. Similarly, the court in Brulotte reasoned that agreeing to pay post-expiration royalties improperly leveraged the power conferred by the patent and resultanty extended the patent’s monopoly beyond the patent’s term.

However, after Brulotte, patent tie-ins constituting patent misuse have been limited “to those cases in which the patentee has real market power, not merely the technical monopoly (the right to exclude) that every patent confers.” In 1988, Congress amended the Patent Code abolishing the presumption that patents automatically confer market power in the patent misuse context.

145 Id. at 32.
146 Id. at 33.
150 Posner, supra note 74, at 330.
151 Kimble, 135 S. Ct. at 2416 (Alito, J., dissenting).
152 Id.
153 See Lim, supra note 147, at 352.
155 Posner, supra note 74, at 332.
156 See Posner, supra note 74, at 329.
Independent Ink, the Court addressed whether the presumption of market power in a patent should survive in the antitrust context.\textsuperscript{157} The Illinois Tool Works Court held that in antitrust context, tying arrangements involving patented products “must be supported by proof of power in the relevant market.”\textsuperscript{158} The modern practice in antitrust tying law implores a rule of reason to determine if a patent has market power.\textsuperscript{159} If a patent has market power, tying constitutes patent misuse.\textsuperscript{160}

Therefore, because “the rationale of *Brulotte* is the same as that of the discredited tying cases,” *Brulotte* should be overruled and reflect the current thinking on market power and leverage.\textsuperscript{161} Antitrust law has moved away from reliance on per se rules and instead analyzes agreements under the rule of reason.\textsuperscript{162} Resultantly, post-expiration royalties should be evaluated under the rule of reason.

**B. The Rule of Reason Should Control Instead of a Rigid Per Se Rule**

Post-expiration royalties should not be subject to a per se rule. Instead, the rule of reason test should be the framework used to evaluate post-expiration patent royalties. The Supreme Court has acknowledged that per se rules “always or almost always tend to restrict competition and decrease output.”\textsuperscript{163} A flexible case-by-case analysis would allow parties to contract for post-expiration royalties while preventing an anticompetitive effect. Courts would be able to engage in a “case-specific market inquiry” to determine if competition is affected by the post-expiration royalties.\textsuperscript{164} The Department of Justice and Federal Trade Commission support the use of the rule of reason.\textsuperscript{165} Additionally, lower courts have relied on the rule of reason when reviewing patent misuse cases.\textsuperscript{166}

Like the petitioners in *Kimble* suggest, under the rule of reason

\textsuperscript{157} 547 U.S. 28, 31 (2006).
\textsuperscript{158} *Id.* at 43.
\textsuperscript{161} Posner, *supra* note 74, at 332.
\textsuperscript{164} Brief for Petitioner, *supra* note 130, at 57.
\textsuperscript{165} U.S. DEP’T OF JUSTICE AND FED. TRADE COMM’N, *supra* note 113.
\textsuperscript{166} Brief for Petitioner, *supra* note 130, at 57.
analysis the licensee would have the burden of demonstrating the patentee’s market power to the court.\textsuperscript{167} If this burden is met, the court must next determine “whether the questioned practice imposes an unreasonable restraint on competition, taking into account a variety of factors, including specific information about the relevant business, its condition before and after the restraint was imposed, and the restraint’s history, nature, and effect.”\textsuperscript{168} The rule of reason approach means performing and analyzing any potential anticompetitive effects of a patent license and whether there are precompetitive effects that outweigh the anticompetitive effects.\textsuperscript{169}

C. Implications

The majority in \textit{Kimble} upheld \textit{Brulotte} because of stare decisis.\textsuperscript{170} One of the reasons for upholding precedent was public reliance on its rule.\textsuperscript{171} The Court reasoned that “the decision’s close relation to a whole web of precedents means that reversing it could threaten others.”\textsuperscript{172} However, despite upholding the per se rule from \textit{Brulotte}, the majority explained that there are ways to draft licensing and royalty agreements around the \textit{Brulotte} rule.\textsuperscript{173} The ruling in \textit{Kimble} could have important implications in future patent disputes.

Although the \textit{Kimble} Court refused to overrule \textit{Brulotte}, the Court described other practices in which parties can effectuate a similar result as post-expiration royalties without running afoul of the \textit{Brulotte} rule.\textsuperscript{174} For example, these arrangements include allowing “a licensee to defer payments for pre-expiration use of a patent into the post-expiration period.”\textsuperscript{175} When multiple patents cover a product or process, royalty payments can extend until the last running patent expires.\textsuperscript{176} Additionally, a hybrid license—which is a packaged license containing patent rights and non-patent rights, such as trade secrets—can extend beyond the patent’s expiration.\textsuperscript{177} The Court also noted that the \textit{Brulotte} rule does not impose a “bar to business

\textsuperscript{167} See Cnty. Materials Corp. v. Allan Block Corp., 502 F.3d 730, 736 (7th Cir. 2007).
\textsuperscript{168} Id. at 735.
\textsuperscript{169} U.S. DEP’T OF JUSTICE AND FED. TRADE COMM’N, \textit{supra} note 113.
\textsuperscript{170} Kimble v. Marvel Entm’t LLC, 135 S. Ct. 2401, 2406 (2015).
\textsuperscript{171} Id. at 2411.
\textsuperscript{172} Id.
\textsuperscript{173} Id. at 2408.
\textsuperscript{174} Id.
\textsuperscript{175} Id.
\textsuperscript{176} Id.
\textsuperscript{177} Id.
arrangements other than royalties,” for example, joint ventures. Kimble establishes that any royalty agreements that continue beyond a patent’s expiration must be drafted with specificity and care explaining why the royalty continues beyond the end of the patent term.

The ability to draft around Brulotte creates the question of why Brulotte is needed at all. The alternative practices described in Kimble create confusion and is “a trap for the unwary.”

Additionally, the ways around Brulotte do not necessarily provide the same economic benefits to the parties. Parties unaware of the Brulotte rule will end up with an agreement different from what they bargained for while the savvy are able to contract around the rule. Unsophisticated parties, such as Kimble, are most at risk of losing the benefit of their bargain. Resultantly, Kimble’s holding is less deleterious for sophisticated parties who would be aware of the workarounds as the Brulotte rule described in the majority’s holding. These sophisticated parties can opportunistically take advantage of the less sophisticated. Those aware of the Brulotte rule could enter into an agreement with a party unaware of the Brulotte rule. The aware party could then obtain lower royalty payments extending past the patents expiration knowing that the post-expiration royalty would be declared unenforceable. But these sophisticated parties may still suffer under Kimble because “other workarounds may still not be most economically efficient.”

Although the Kimble Court provided guidance on other practices that would not fall under the Brulotte rule, some of these workarounds remain inadequate to address the needs of patent holders. For example, in the pharmaceutical and biologic industries, licensees “prefer to defer royalties until a commercialized, approved drug comes to market.” The best method to accomplish this is to extend royalty payments past a patent’s expiration date because other contracting

178 Id.
179 See id.
180 Brief for Petitioner, supra note 130, at 41.
181 Doyle, supra note 86.
182 Id.
183 Id.
185 Id.
186 Id.
187 Doyle, supra note 86.
188 See Rantanen, supra note 184.
189 Doyle, supra note 86.
practices do not offer the same advantage.  

In the aftermath of the ruling in *Kimble*, contracting parties should be aware of patent law governing licensing agreements. Parties will have to use other means such as trade secrets or joint ventures in an attempt to reach a beneficial, economically efficient agreement.

**IV. Conclusion**

If *Brulotte* were to be overturned and the rule of reason applied instead, parties would be able to negotiate for the royalty payment plan they desired. Post-expiration royalties could promote innovation and competition. However, the rule of reason could increase litigation and litigation costs because parties may be uncertain that their post-expiration royalties would withstand the rule of reason test.  

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190 Id.