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Illinois Tool Works:
Allocating the Burden of Proving Market Power in Patent Tying Cases

By Dennis J. Abdelnour*

I. INTRODUCTION

§1 Intellectual property law and modern antitrust law have always been uneasy neighbors. Patents and copyrights have traditionally been thought of as conferring on their owner a legal monopoly granted in order to promote innovation.1 These “legal monopolies,” it was assumed, were at odds with the goal of antitrust law: to promote competition.2 More recently, however, commentators have recognized that patent and antitrust doctrines are not inherently in conflict, but rather “are actually complementary, as both are aimed at encouraging innovation, industry, and competition.”3

§2 The misunderstood economic relationship between intellectual property and antitrust is particularly profound in the law of tying.4 Recently, however, the Supreme Court stepped in to clarify the law regarding patent tying arrangements in Illinois Tool Works v. Independent Ink.5 The Court held that in a patent tying suit, a plaintiff must prove that the defendant has market power in the tying product, and that the plaintiff can no longer rely on a presumption that a patent confers market power over the tying product.6

§3 The demise of the presumption came as no surprise.7 Scholars have long recognized that the vast majority of patents confer little to no market power on their

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1 See Kenneth W. Dam, The Economic Underpinnings of Patent Law, 23 J. LEGAL STUD. 247, 247-48 (1994) (arguing that the tendency to refer to patents not as property rights, but rather as monopolies, has led to unsound decisions by the Supreme Court).
2 Id. at 270.
4 See Dam, supra note 1, at 268-69; see also Charles F. Rule, Patent-Antitrust Policy: Looking Back and Ahead, 59 ANTITRUST L.J. 729 (1991) (“grudging tolerance of patent . . . protection in general has been replaced by an unabashed admiration for the property rights principles embodied in intellectual property . . . and an enthusiastic embrace . . . that the patent laws and antitrust laws both serve the same end”).
6 Id. at 1293.
owners. The decision is rightly applauded as a victory for intellectual property owners, though its magnitude is yet uncertain. As I will show, *Illinois Tool* merely shifted the burden of proving market power from the defendant to the plaintiff in a patent tying case. And plaintiffs challenging the legality of a patent tying arrangement will still have at their disposal a number of the arguments set forth in *Illinois Tool* urging the court to consider that in a small number of cases, patents do confer market power.

Part II of this note discusses the lower court decisions and the basis of disagreement between the Federal Circuit and the District Court. Part III analyzes the Supreme Court’s *Illinois Tool* opinion. Part IV presents an argument that, even though the Court has dismissed the presumption, the existence of a patent covering a product used in a tying arrangement is a significant evidentiary fact that may be extremely useful in setting out an affirmative showing of market power. This note concludes with a summary of the arguments presented in Part V.

II. LOWER COURT DISAGREEMENT: ILLINOIS TOOL WORKS, INC. v. INDEPENDENT INK, INC.

A. The Facts

Trident, Inc., a wholly owned subsidiary of Illinois Tool Works, Inc., manufactures and distributes patented ink jet printheads to original equipment manufacturers (OEMs). The OEMs manufacture printers, incorporating Trident’s printhead technology, that print bar codes on corrugated materials and kraft paper. The patented printhead technology allows a user to print bar codes or logos “directly onto corrugated shipping containers and cases, usually on-line, at the time of packaging.” Trident owns a patent on both the piezoelectric impulse ink jet printhead and on an ink container used in combination with the printhead. In addition, Trident manufactures and sells unpatented ink for use with its patented printheads.

Trident licenses its patented printhead technology to the OEMs. The standard form licensing agreement requires “OEMs to purchase their ink for Trident-based systems exclusively from Trident” in order to use Trident’s patented printhead technology. The license agreement, by its very terms, is concededly an explicit tying arrangement. The question of whether the conditioning of the sale of the patented printhead technology (the tying product) on the sale of the unpatented ink (the tied product) is an explicit tying

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8 *Ill. Tool*, 126 S. Ct. at 1292 (“[T]he vast majority of academic literature recognizes that a patent does not necessarily confer market power.”).


11 Id.


14 Indep. Ink, 396 F.3d at 1344.

15 Id. at 1345 (emphasis added).

16 Id. *See also* Indep. Ink, 210 F. Supp. 2d at 1158 (“Defendants concede that: 1) OEMs must purchase their ink from Trident; and 2) OEMs and end users may not re-fill Trident ink containers with any ink, as they are intended as single use containers.”).
arrangement was never in dispute. Rather, the case turned entirely on whether the patented technology conferred market power on Trident based solely on the fact that the tying product is patented. Independent’s case rested solely on the rebuttable presumption of market power conferred on Trident by its patent. Indeed, Independent never presented a “Rule of Reason” analysis of Trident’s market power – including relevant geographic market, relevant product market, and substitutability of the product.

Independent Ink manufactures and supplies ink in direct competition with Trident. Independent’s ink has the same chemical composition as that sold by Trident, and is readily usable in Trident’s printheads. Independent claims that the tying arrangements are a restraint on competition under the antitrust laws.

B. The District Court Opinion

Independent Ink commenced litigation when it brought a declaratory judgment action on August 14, 1998 seeking a ruling that it was not infringing two of Trident’s patents. Trident counterclaimed with a patent infringement action against Independent Ink. Independent then amended its complaint to include the patent tying claim at issue under Section 1 of the Sherman Act, as well as a monopolization and an attempted monopolization claim under Section 2 of the Sherman Act. Both parties moved for summary judgment on the Section 1 claim, and Trident moved for summary judgment on the Section 2 claim. For purposes of this note, the focus is solely on the patent tying Section 1 claim.

18 Id.
19 Ill. Tool, 126 S. Ct. at 1285; Indep. Ink, 396 F.3d at 1345.
20 Indep. Ink, 210 F. Supp. 2d at 1159.
21 Id.
22 Id.
23 Id.
26 Id.
27 The District Court dismissed Independent’s Section 2 monopolization and attempted monopolization claims based on its failure to establish market power, and its failure to establish a “dangerous probability of success” of monopolizing the market. Id. at 1177. This is not inconsistent with the treatment of the Section 1 claim, since there is no analogous per se treatment in Section 2 jurisprudence. See United States v. Grinnell Corp., 384 U.S. 563, 570-71 (1966) (“The offense of monopoly under § 2 of the Sherman Act has two elements: (1) the possession of monopoly power in the relevant market and (2) the willful acquisition or maintenance of that power as distinguished from growth or development as a consequence of a superior product, business acumen, or historic accident.”). The Federal Circuit affirmed the Section 2 dismissal. Indep. Ink, 396 F.3d at 1353. See also Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 177-78 (1965) (holding that a relevant market analysis was necessary under § 2 even though defendant possessed a patent on the product at issue).
The issue before the District Court regarding the Section 1 Sherman Act claim was whether a patent confers market power in the tying product market as a matter of law.28 Indeed, Independent appeared to stake its claim upon a per se theory of liability, since they “did not perform an antitrust analysis at all.”29 Independent presented no proof of relevant product market, geographic market or product substitutes. It did not challenge the agreement as one whose anti-competitive reach is broader than its pro-competitive effect, although it is clear that tying arrangements can be held illegal under either a per se or Rule of Reason standard.30 This strategy was likely based on the expense and difficulty of bringing a full-blown Rule of Reason case, including costly expert witnesses and market analysis. It does not come, however, without risk.31

The Court began with the widely accepted definition of a tying arrangement as one that “exists when a seller refuses to sell one product, ‘the tying product,’ unless the buyer also purchases a second product, the ‘tied product.’”32 In order to establish a per se violation under Section 1 of the Sherman Act, the plaintiff must show:

1) two distinct products or services; 2) a sale or agreement to sell the tying product conditioned upon the purchase of the tied product; 3) market power in the relevant market for the tying product; and 4) the tied product involves a “not insubstantial” amount of interstate commerce.33

Although Trident argued that Independent did not adequately address each element, the District Court narrowed its focus to market power, since both parties agreed that the market power element would be dispositive.34 Element 2 is satisfied by Trident’s standard form licensing agreement, which requires OEMs and their customers to purchase all their ink for the Trident printhead systems exclusively from Trident.35 Element 4 is nearly always satisfied, since “a not insubstantial amount of interstate commerce” is measured in terms of absolute dollar amounts and need merely be more than de minimis.36 Element 1, the two distinct products requirement, was never substantially argued, though it is likely here that, given the independent demand for the

28 Indep. Ink, 210 F. Supp. 2d at 1160.
29 Id.
30 See id. at n.7. Tying is unique in this aspect such that if a claim does not pass muster under a per se standard, the court could still condemn the tie under a Rule of Reason theory. See Jefferson Parish Hosp. Dist. No. 2 v. Hyde, 466 U.S. 2 (1984); Town Sound & Custom Tops, Inc. v. Chrysler Motors Corp., 959 F.2d 468 (3d Cir. 1992).
31 See, e.g., Polk Bros., Inc. v. Forest City Enters., Inc., 776 F.2d 185 (7th Cir. 1985). In Polk Bros., Judge Easterbrook held that a per se standard was inapplicable, and since the plaintiff, Forest City, offered no evidence of market power, their claim could not stand. Id. at 191. Quoting the language of the Court: “Forest City has litigated the antitrust issue as one in which it prevails under the per se rule or not at all. ‘Not at all’ it must be.” Id.
32 Indep. Ink, 210 F. Supp. 2d at 1162 (quoting Christopher R. Leslie, Unilaterally Imposed Tying Arrangements and Antitrust’s Concerted Action Requirement, 60 OHIO ST. L.J. 1773, 1773 (1993)).
33 Indep. Ink, 210 F. Supp. 2d at 1162. Thus, tying law is unique under Section 1 jurisprudence, in that the per se standard doesn’t merely require proof of a “contract, combination . . . or conspiracy.” Rather, the per se standard resembles more of a modified Rule of Reason inquiry.
34 Id. at 1163 n.7.
35 Id. at 1160.
36 Id. at 1163 n.7.
ink used in the printheads, the ink would be considered a product separate and distinct from the printheads.\textsuperscript{37}

\textit{¶12} The District Court held that a patent alone is insufficient to confer market power for purposes of antitrust tying.\textsuperscript{38} Therefore, the court, given Independent’s failure to show market power or evidence from which market power could be inferred, dismissed Independent’s Section 1 claim.\textsuperscript{39} The court rested its conclusion on the contrary “weight of authority”:\textsuperscript{40} lower court authorities that cite the general proposition that a patent alone does not confer market power,\textsuperscript{41} the U.S. Department of Justice and Federal Trade Commission Antitrust Guidelines,\textsuperscript{42} and Justice O’Connor’s concurring opinion in \textit{Jefferson Parish}.\textsuperscript{43} The District Court faulted Independent for failing to identify “a single tying case in which the court has granted [a] plaintiff summary judgment solely” because the defendant held a patent on the tying product.\textsuperscript{44} In a footnote, the Court dismissed the Supreme Court authority relied upon by Independent as “vintage.”\textsuperscript{45}

\textit{¶13} The artful crafting of the District Court’s opinion is characterized by footnote 9. There, the Court dismissed the language of the \textit{Jefferson Parish} majority, which states that “[i]f the Government has granted the seller a patent or similar monopoly over a product, it is fair to presume that the inability to buy the product elsewhere gives the seller market power,” in favor of the language of Justice O’Connor’s \textit{Jefferson Parish} concurrence: “[a] common misconception has been that a patent . . . suffice[s] to demonstrate market power . . . [because] a patent holder has no market power in any relevant sense if there are close substitutes for the patented product.”\textsuperscript{46} Because Justice O’Connor was joined by four Justices in that concurring opinion, and a year later, two additional Justices called for proof of market power in an order denying certiorari to a patent tying case,\textsuperscript{47} the District Court concluded that a majority of the Supreme Court justices would “reject the notion” that a patent confers market power for patent tying purposes.\textsuperscript{48}

\textit{¶14} After dispelling any doubt that the controlling Supreme Court authority, including the seminal tying cases \textit{International Salt}, \textit{Loew’s}, and \textit{Jefferson Parish}, stood for the proposition that market power could be presumed when the tying product was patented, the court held that even if it drew the inference of market power based on Trident’s patent, the facts of the case effectively rebut the presumption.\textsuperscript{49} Various other systems for placing bar codes on consumer products are readily available as substitutes to

\textsuperscript{37} Id.
\textsuperscript{38} Id. at 1163.
\textsuperscript{39} Id. at 1173.
\textsuperscript{40} Id. at 1163.
\textsuperscript{41} Id. at 1163-64.
\textsuperscript{44} Indep. Ink, 210 F. Supp. 2d at 1165.
\textsuperscript{45} Id. at n.10.
\textsuperscript{46} Id. at n.9.
\textsuperscript{48} Indep. Ink, 210 F. Supp. 2d at 1165 n.9.
\textsuperscript{49} Id. at 1166-67.
Trident’s system. Moreover, two competitors, Markem and Xaar, had developed printheads for printing bar codes on kraft paper, indicating that barriers to entry in the market were low.

Thus, the court concluded that the patent tying arrangement did not violate Section 1 of the Sherman Act, regardless of whether or not the court applied the “formalistic” legal presumption that a patent confers market power. Ironically, the formalistic presumption that was too rigid to reflect market realities could still have been applied by the very court that dismissed it to reach the outcome that the court believed to actually reflect market reality. In other words, the District Court made the rebuttable presumption of market power rule work to obtain the desired result. This is no small point, because it reflects the distinction between the rebuttable presumption applied to patented ties, and per se rules applied in other contexts. In other words, the crux of the issue was simply who had the burden of proving (or rebutting) market power: the plaintiff or the defendant.

C. The Federal Circuit Opinion

In an opinion by Judge Dyk, the Court of Appeals for the Federal Circuit reversed the District Court’s grant of summary judgment on the Sherman Act § 1 claim. In doing so, the Court held that a “rebuttable presumption of market power arises from the possession of a patent over a tying product.” The opinion itself is noteworthy in its diametric approach to applying the relevant precedent compared to the District Court opinion. The Federal Circuit relied almost entirely on the Supreme Court precedent that the District Court dismissed as “vintage.” Moreover, the opinion rebuked the District Court’s approach for simply ignoring relevant Supreme Court precedent and instead relying on a concurring opinion, a dissent from a denial of certiorari, and academic criticisms to conclude that there is no presumption that patents confer market power.

The court found both the defendant’s arguments and the District Court’s opinion to be fundamentally flawed in that “they ignore the fact that it is the duty of a court of appeals to follow the precedents of the Supreme Court until the Court itself chooses to expressly overrule them.”

The only issues on appeal before the Federal Circuit were the Sherman Act section 1 and section 2 claims. All other claims were settled and dismissed with prejudice. The primary issue facing the Federal Circuit was whether patent tying is illegal per se under section 1 of the Sherman Act, or whether the plaintiff must affirmatively prove market power for the tying product. In other words, the question

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50 Id. at 1167.
51 Id.
53 Indep. Ink, 396 F.3d at 1344.
54 Id.
55 Id. at 1345.
56 Id.
57 Id. at 1351.
58 Id. at 1346.
59 Id. at 1345-46.
60 Id. at 1346. Independent does not challenge Trident’s actions under Section 3 of the Clayton Act, 15
was whether in a Section 1 tying case, market power can be presumed solely from the existence of a patent covering the tying product.61

¶18

The opinion relied heavily on the “long history” of Supreme Court tying cases.62 First, the court discussed the seminal tying case International Salt Co. v. United States.63 In International Salt, the defendant leased its patented machines with the express requirement that the lessees purchase all salt consumed in the machines exclusively from the defendant.64 The Court recognized that International Salt’s patents conferred “a limited monopoly of the invention ... [from which International Salt] derives a right to restrain others from making, vending or using the patented machines.”65 Thus, summary judgment against International Salt was appropriate since the tying arrangement constituted a “restraint of trade for which [International Salt’s] patents afford no immunity from the antitrust laws.”66 No market power analysis was necessary, since the “tendency of the arrangement to accomplishment of monopoly seems obvious.”67

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Next, the opinion turned to United States v. Loew’s, Inc.,68 where the principal that market power may be presumed when the tying product is patented or copyrighted was made explicit.69 Loew’s had refused to license feature films to televisions stations unless the stations accepted one or many other less desirable films. Thus, the Loew’s court was faced with an explicit copyright tying arrangement.70 The Loew’s court established that it had no need to inquire into whether the distributors had market power, but rather that “[t]he requisite economic power is presumed when the tying product is patented or copyrighted.”71 The legal and economic distinctiveness of the copyrighted product precluded the court from engaging in a market power inquiry.72

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Finally the court turned to Jefferson Parish, the Supreme Court’s most recent pronouncement on the law of tying.73 In Jefferson Parish, Justice Stevens, writing for the majority, made clear that only when anticompetitive “forcing” is present in a tying arrangement is there an “unacceptable risk of stifling competition” and therefore a violation of the antitrust laws.74 When a tying arrangement forces a buyer to purchase a tied product that he would have rather bought elsewhere or not at all, “competition on the merits in the market for the tied item is [impermissibly] restrained.”75 And even though the tying arrangement in Jefferson Parish involved hospital patient’s use of a designated


61 Id.
62 Id.
64 Id. at 394.
65 Id. at 395.
66 Id. at 396.
67 Id.
70 Id., 371 U.S. at 40.
71 Indep. Ink, 396 F.3d at 1348 (quoting Loew’s 371 U.S. at 45).
72 Loew’s, 371 U.S. at 49.
73 Indep. Ink, 396 F.3d at 1347.
75 Id.
anesthesiology firm and not a patented product, the court noted that in cases where a product is patented, “it is fair to presume that the inability to buy the product elsewhere gives the seller market power.”76 In other words, an explicit patent tie presumably forces a buyer into buying a product from the patent holder that he would rather have bought elsewhere or not at all. This impermissible forcing establishes a violation of the antitrust laws.

¶21 These cases, the Federal Circuit concluded, “squarely establish” that patent ties “do not require an affirmative demonstration of market power.”77 The Court then dismissed Illinois Tool’s contentions that International Salt and Loew’s do not control as they are no longer good law.78 Illinois Tool made three arguments against the application of International Salt and Loew’s: (1) the Supreme Court’s subsequent opinion in Walker Process79 effectively overruled the patent tying line of cases;80 (2) Justice O’Connor’s concurring opinion in Jefferson Parish and Justice White’s dissent from a denial of certiorari81 (joined by Justice Blackmun) the following year imply that International Salt and Loew’s are no longer good law;82 and (3) the voluminous academic criticism of the presumption that patents confer market power have led some lower court’s to refuse to apply it, and should persuade the Federal Court not to apply it.83

¶22 The Federal Circuit rejected these arguments.84 Illinois Tool’s contentions, taken individually or in concert with each other, were insufficient simply because the Supreme Court has never expressly overruled either International Salt or Loew’s.85 Thus, according to the Federal Circuit, International Salt and Loew’s establish that the presumption of market power arises when a tying product is patented, and that doctrine is still good law. Judge Dyk concluded that the Federal Circuit is obliged to follow the directly controlling precedent, and that it is the Supreme Court’s “prerogative alone to overrule one of its precedents.”86 Whether the doctrine should be abandoned rests upon the judgment of Congress or the Supreme Court.87

¶23 Finally, although no authority explicitly prescribes that the presumption of market power conferred by a patent is rebuttable, the Federal Circuit concluded in agreement with the District Court that the presumption is rebuttable.88 Based on the evidence presented by Illinois Tool to rebut the presumption, the Federal Circuit found that it was insufficient to rebut the presumption or to create a genuine issue of fact.89 The Federal Circuit reversed the grant of summary judgment and remanded the case to the District

76 Id. at 16.
77 Indep. Ink, 396 F.3d at 1348.
78 Id. at 1349.
80 Indep. Ink, 396 F.3d at 1349.
82 Indep. Ink, 396 F.3d at 1350.
83 Id.
84 Id. at 1351.
85 Id.
86 Id. (quoting State Oil Co. v. Khan, 522 U.S. 3, 20 (1997)).
87 Id.
88 Id. at 1352.
89 Id.
Court to give Illinois Tool an opportunity to supplement the record with evidence to rebut the presumption.\textsuperscript{90}

\textit{D. Artfully Distinguishing Antitrust Precedent: Lower Court Approaches}

\textsuperscript{¶24} Antitrust law doctrine is based in large part on economic principles. As economic theory evolves and economic principles underlying doctrines either lose vitality or are shown to be patently wrong, lower courts struggle to apply precedent that they understand to make no economic sense. Professor McChesney identifies two instances where appellate courts dealt with the application of relevant doctrine the courts fully recognized were based on economically absurd principles.\textsuperscript{91} In \textit{Khan v. State Oil Co.},\textsuperscript{92} Judge Posner formalistically applied the principle that vertical maximum-price fixes were \textit{per se} illegal, while criticizing the doctrine as “unsound.”\textsuperscript{93} Contrast Posner’s style to Judge Easterbrook’s opinion in \textit{Polk Brothers, Inc. v. Forest City Enterprises, Inc.},\textsuperscript{94} where the court simply refused to recognize the \textit{per se} rule against horizontal territorial allocations. Judge Easterbrook never even cited the controlling Supreme Court precedent \textit{United States v. Topco Associates, Inc.}\textsuperscript{95}

\textsuperscript{¶25} Professor McChesney notes that lower courts work around Supreme Court precedents “by artfully distinguishing them.”\textsuperscript{96} One of these “ploys” is done by finding controlling Supreme Court precedent to be “effectively overruled” and then treating the case in front of it “as if” it had been overruled.\textsuperscript{97} The appellate courts usually recognize that the binding precedent comes from older cases that today the Supreme Court would no longer follow.\textsuperscript{98} This application is exemplified by Judge Bork’s opinion in \textit{Rothery Storage & Van Co. v. Atlas Van Lines},\textsuperscript{99} which instead of applying the \textit{Topco} \textit{per se} rule to the horizontal territorial allocation, concluded that more recent Supreme Court decisions had “effectively overruled” \textit{Topco}. Judge Bork instead found the disputed contracts legal under a Rule of Reason analysis.\textsuperscript{100}

\textsuperscript{¶26} The difficulty lower courts face when applying legal doctrines based on unsound economic theory highlights the Federal Circuit’s fundamental disagreement with the District Court. The District Court applied an “effectively overruled” analysis to \textit{International Salt} and \textit{Loew’s}. It dismissed those cases in a footnote as “vintage,” presumably meaning that they were old. Then, the District Court unabashedly relied on a conglomeration of academic criticisms, a concurring opinion, and a dissent from a denial of certiorari to find that the Supreme Court today would not apply the presumption of market power announced in \textit{Loew’s}.

\textsuperscript{90} \textit{Id.} at 1352-53.
\textsuperscript{91} See Fred S. McChesney, \textit{Talking ’Bout My Antitrust Generation: Competition For and In The Field of Competition}, 52 EMORY L. J. 1401, 1408-10 (2003).
\textsuperscript{92} 93 F.3d 1358 (7th Cir. 1996).
\textsuperscript{93} McChesney, \textit{supra} note 91, at 1409.
\textsuperscript{94} 776 F.2d 185 (7th Cir. 1985).
\textsuperscript{95} 405 U.S. 596 (1972).
\textsuperscript{96} McChesney, \textit{supra} note 91, at 1410.
\textsuperscript{97} \textit{Id.} at 1410-11.
\textsuperscript{98} \textit{Id.} at 1410.
\textsuperscript{99} 792 F.2d 210, 226 (D.C. Cir. 1986).
\textsuperscript{100} \textit{Id.} at 216.
¶27 The Federal Circuit, much like Judge Posner in Khan, concluded that Supreme Court precedent unambiguously established a presumption of market power in patent tying cases, and that it was the court’s duty to apply that presumption. Though the opinion stopped short of criticizing the presumption, it reserved its skepticism: “the time may have come to abandon the doctrine, but it is up to the Congress or the Supreme Court to make this judgment.”101 The Federal Circuit refused to engage in an academic inquiry into the economic foundation underlying the presumption. It refused to question the wisdom of the Supreme Court precedents that established the presumption. It simply applied binding precedent as it is the duty of an appellate court to do so.102

III. THE SUPREME COURT OPINION

¶28 The Supreme Court in Illinois Tool unanimously held that a patent does not confer market power upon its owner, and that in all cases brought alleging illegal tying, the plaintiff must prove as part of its affirmative case that the defendant has market power in the tying product.103 Justice Stevens, writing for an 8-0 Court,104 vacated the Federal Circuit’s opinion and remanded the case to the District Court in order to give Independent Ink an opportunity to offer evidence defining a relevant product market and showing that Illinois Tool possesses market power within that market.105

¶29 The opinion confirms that the Federal Circuit’s deference to existing Supreme Court authority was appropriate. Not only did it explicitly concede that International Salt and Loew’s stood for the proposition that a patent did indeed give rise to a presumption of market power, but it also noted that Independent Ink “reasonably relied” on those opinions in moving for summary judgment absent any evidence defining a relevant market or showing that Illinois Tool possessed power within that market.106

¶30 The Court’s recognition of a presumption of market power in its patent tying jurisprudence was noteworthy in rejecting the Federal Circuit’s conclusion that the presumption was rebuttable: “. . . nothing in our opinion suggested a rebuttable presumption of market power . . . .”107 That conclusion, which required a parsed reading of Jefferson Parish in light of International Salt and Loew’s, was just as likely as the Federal Circuit’s opposite conclusion that the presumption was rebuttable. The difference in application of the presumption was enormous: an irrebuttable presumption of market power created a per se rule against patent ties; a rebuttable presumption of market power merely shifted the burden of proof to the defendant. After concluding that the presumption was not rebuttable, the Court clearly could not affirm a per se rule. An irrebuttable presumption was susceptible to sharp attack given the obvious and well-recognized fact that most patents confer little or no market power on their owners.108

102 Id.
104 Justice Alito did not participate. Id.
105 Id.
106 Id.
107 Id. at 1288.
108 See id. at 1291 (“the vast majority of academic literature recognizes that a patent does not necessarily confer market power”).
¶31 The Court’s opinion next took an unusual turn. In order to reach the conclusion it sought, the Court needed to overrule those decisions that it interpreted as standing for the presumption that patents confer market power: *International Salt* and *Loew’s*. It also had to address the unambiguous language in *Jefferson Parish Hospital v. Hyde* that appeared to reaffirm the presumption. Yet the Court appeared uncomfortable directly overruling its prior opinions because they were based on erroneous and disproven economic theory. The opinion peculiarly relies neither on empirical evidence nor on economic theory, though the extensive scholarly authority on the issue admittedly informed the Court’s decision. Nor was the fact that the antitrust enforcement agencies had changed their position regarding patent tying arrangements dispositive. Instead, the Court turned to an analogous doctrine in patent law: the patent misuse doctrine.

The Court built up a strawman to tear down: because the presumption that a patent confers market power was imported into antitrust law from the patent misuse doctrine, and given that Congress has since removed the presumption from the patent misuse laws, removal is similarly warranted in patent tying antitrust law. The importation of the patent misuse doctrine into antitrust tying jurisprudence occurred rather mysteriously in *International Salt*. The mystery lies in the fact that “the Court’s opinion [in *International Salt*] does not discuss market power or the patent misuse doctrine.” Rather, this importation of the patent misuse doctrine “can be traced to the Government’s brief in *International Salt*. ” There, the Government urged the Court to consider the analogy between the facts of *International Salt* and an earlier patent misuse case, *Morton Salt*. The Government’s brief asked the Court to include patent tying arrangements in the category of *per se* violations of the Sherman Act, and the Court’s *International Salt* opinion clearly accepted the “Government’s invitation to import the presumption of market power in a patented product into [the Court’s] antitrust jurisprudence.”

¶32 These two preliminary findings by the Court – that the presumption was not rebuttable, and that the presumption was imported into tying law from the patent misuse doctrine – made the Court’s task of striking down the presumption both straightforward and inevitable. The Court simply needed to examine the doctrine of patent misuse to undermine the presumption’s continuing validity. There, the Court was able to document the history of the shift away from a presumption that a patent confers market power. That history culminated in Congress’s most recent amendment to the Patent Code, which, when read fairly, eliminated completely the presumption in the patent misuse context.

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109 See 466 U.S. 2, 16 (“If the Government has granted the seller a patent or similar monopoly over a product, it is fair to presume that the inability to buy the product elsewhere gives the seller market power.”).
110 Indep. Ink, 126 S. Ct. at 1285 (“Our review is informed by extensive scholarly comment and a change in position by the administrative agencies charged with enforcement of the antitrust laws.”).
111 Id. at 1288-91.
112 Id. at 1289.
113 Id. at 1289.
114 Id.
115 Id.
116 Id.
117 Id.
118 Id. at 1290-91.
119 Id. at 1290 (“Four years after our decision in *Jefferson Parish* . . . Congress amended the Patent Code to
To preserve the presumption in the antitrust context, therefore, when Congress clearly intended to destroy it in the patent misuse context would be anomalous. Absent its foundation, the presumption’s demise was complete.

¶34 The Court next dismissed Independent’s arguments that 1) the Court should adopt a rebuttable presumption that patents confer market power for purposes of antitrust tying, and 2) the Court should recognize a narrower category of tying arrangements, so-called “requirements ties,” and apply a presumption of market power in those instances.\(^\text{120}\) The former argument recognizes that a large number of patents have little commercial significance, but those used to impose tying arrangements likely do exert significant market power. The Court, however, had already gone out of its way to declare that the patent presumption was both valid and irrebuttable, creating a \textit{per se} offense of patent tying. Having already rejected that its precedents created a rebuttable presumption, the Court would be hard pressed to \textit{create} a rebuttable presumption.

¶35 Nor did the Court find any support for distinguishing requirements ties – tying the purchase of unpatented goods \textit{over a period of time} (e.g. ink) to the purchase of a patented tying product (e.g. printheads) – from other tying arrangements.\(^\text{121}\) The problem with the argument, the Court found, was that although a requirements tie enabled a seller to engage in price discrimination – itself a proxy for significant market power – price discrimination was also consistent with a fully competitive market.\(^\text{122}\) Moreover, the Court found that no such distinction could be gleaned from precedent, since neither \textit{International Salt}, \textit{Loew’s}, or \textit{Jefferson Parish} involved a requirements tie.\(^\text{123}\)

IV. PATENTS & MARKET POWER: PROVIDING AN EVIDENTIARY LINK

¶36 \textit{Illinois Tool} shifted the burden of proving market power back to the plaintiff in patent tying cases, thereby bringing into alignment patent tying litigation with all other tying litigation. That’s all it did. Now, instead of requiring the defendant to disprove market power, the plaintiff is required to show market power as part of its affirmative case.\(^\text{124}\)

¶37 Antitrust plaintiffs attacking a patent tying arrangement now must prove market power, including defining a relevant product and geographic market, and a showing that the plaintiff has market power within that market. But the existence of a patent covering a tying product is not irrelevant. Indeed, if a tying product is patented, the existence of a patent can still be used as evidence to bolster a showing of market power. At oral argument, Chief Justice Roberts noted that the market power element of the \textit{per se} tying offense “as a practical matter, this screen [market power] is really doing the heavy

\(^{120}\) Id. at 1291-92.

\(^{121}\) Id. at 1292.

\(^{122}\) Id.

\(^{123}\) Id.

\(^{124}\) The Court’s conclusion that in patent tying cases, the law previously had created an irrebuttable presumption of market power was never seriously considered by any of the lower courts or the parties themselves. The Federal Circuit concluded and Independent Ink argued to the Supreme Court that a patent created a rebuttable presumption of market power. Had the Supreme Court not granted certiorari, that is very likely what the state of the law would have been.
lifting.” It is the element that requires “all the economic studies . . . discovery, the experts. This is what costs a lot of money and shifts a lot of the litigation burden.”

Market power is a key element in antitrust litigation. A party required to prove that an adversary has market power faces an expensive, uphill battle. But the contours of that terrain are well known. The party must establish a relevant market, including the product market and geographic market. The party must show that substitutes for the defendant’s product are not readily available within an established geographic market area. Plaintiffs in patent tying cases are now charged with this burden. But for the reasons I will set out below, the fact that a patent covers the tying product is not wholly irrelevant after Illinois Tool. Indeed, a plaintiff will be well served by determining the value of the patent in terms of its power to exclude. A broad patent may help the plaintiff establish a narrow product market.

In the proceeding sections I will attempt to show the following: First, that Illinois Tool was essentially about who bears the burden of proof, and not about the irrational application of a per se rule. Second, patents involved in antitrust litigation and the subject of tying arrangements are especially likely to be among the small subset of inherently valuable patents – an important consideration relevant to showing market power. And third, a patent tying arrangement that fosters price discrimination through the type of “metering” seen in Illinois Tool would not be entered into but for the possession of market power. In other words, price discrimination itself is a proxy for market power.

A. Illinois Tool was about who bears the burden of proof and not about irrational per se application

The Federal Circuit interpreted the patent tying jurisprudence as requiring that a patent creates not an irrebuttable presumption of market power, but rather that once a plaintiff establishes a patent tying agreement, the burden to rebut the presumption shifts to the defendant. Thus, under that rule, the per se offense of patent tying hardly resembled a per se test at all. Instead, it resembled a full blown rule of reason inquiry, with the caveat that the defendant was required to rebut market power. Such a rule gave defendants significant opportunity to defeat meritless claims, gave courts significant opportunity to dismiss baseless per se allegations, and minimized the risk of fostering Type I judicial errors. The Supreme Court, therefore, in abandoning the presumption and vacating the Federal Circuit’s decision, effectively shifted the burden of proof from the defendant and patent owner to the plaintiff.

The rebuttable presumption did not suffer from the faults of traditional per se rules. Courts have been increasingly cognizant of the harm that misguided application of antitrust jurisprudence can inflict. The error cost associated with a “wrong” decision will be greater when pro-competitive activity is outlawed than when anti-competitive

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128 McChesney, supra note 91, at 1411.
activity is not outlawed. These two types of errors are termed Type I error and Type II error respectively. The theory is that a Type II error is self-correcting, since the market will eventually defeat the anti-competitive activity, but a Type I error is not. Thus, an antitrust law that outlaws a pro-competitive activity, for example a mistaken case of predatory pricing, can only be corrected when the law is changed.

¶42

Per se rules have been much maligned for creating unnecessary Type I judicial error. But unlike other per se rules, the patent under a rebuttable presumption would have had the opportunity to rebut market power. Moreover, it is the defendant who is in the best position to rebut a presumption of market power because it is the defendant who owns the patent at issue and possesses the best knowledge of the market conditions. The patent owner, in other words is the efficient provider of information regarding market power. The defendant, therefore, is the least cost provider of the information that the court deems relevant. In many cases, it would be prohibitively costly for a plaintiff to bear the burden of proof in a market analysis.

¶43

The Supreme Court rejected the argument that the defendant should bear the burden of proof in patent tying cases. There was no reason to distinguish why the defendant should bear the burden in patent tying cases as compared with non-patent tying cases, since the defendant is arguably the least cost provider of information in both instances.

B. Patents involved in litigation and licensing agreements: distinguishing patents in general from valuable patents

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It is clear that the great majority of patents do not confer market power on their owners. However, this section will show that the mere fact that most patents do not confer market power is only circumferentially related to the question of whether the specific patents involved in antitrust litigation confer market power. It is this more narrow inquiry that should be of paramount concern. This argument, that the subset of patents involved in costly antitrust litigation is more likely than not to confer market power given their relative value, was rejected by the Supreme Court, but can still be

129 Id. at 1411-1412.
130 Id. at 1412-1413. Predatory pricing is the practice of lowering prices below cost in an effort to destroy competition. Once competitors are removed, a firm can reap a monopoly profit. A theory of predatory pricing has been questioned as irrational and highly improbable. See Matsushita Elec. Co. v. Zenith Radio Corp., 475 U.S. 574 (1986). A court commits a Type I error outlawing conduct on the ground of predatory pricing when a firm is lowering prices merely to be competitive. The Court’s mistake leads to higher prices which harm consumers.
132 Indeed, a court’s ruling that a case is to be decided under the Rule of Reason rather than on a per se basis is usually dispositive. The plaintiff will either drop the claim or settle, since at that point he is charged with proving market power in a relevant product and geographic market. It is well understood that such a showing can be prohibitively expensive. Moreover, a ruling that a case is to be decided on a Rule of Reason basis also tends to show that a judge is sympathetic to the defendant’s pro-competitive justification for the allegedly illegal activity.
134 Ill. Tool Works, Inc. v. Indep. Ink, Inc., 126 S. Ct. 1281, 1291 (2006) (“Respondent recognizes that a large number of valid patents have little, if any, commercial significance, but submits that those that are used to impose tying arrangements on unwilling purchasers likely do exert significant market power.”).
instructive to the antitrust plaintiff who must now prove market power over a patented tying product. Indeed, the following discussion may be useful to aid antitrust plaintiffs in identifying those relatively few patents that are so groundbreaking and valuable that their very existence may signal and serve as evidence that the seller of the patented product enjoys market power.

¶45 Patent monopoly is no longer equated with the monopoly that is the focus of the antitrust laws. Today, scholars and courts unequivocally acknowledge the distinction between a patent monopoly and a monopoly or market power in the antitrust sense. A patent should properly be understood as a property right. Indeed, a patent is not even an affirmative grant of rights, but rather a patent grants the owner the right to exclude others from making, using or selling the patented invention. And yet the earliest jurisprudence involving antitrust and intellectual property was flawed given this confusion between a patent monopoly as the term is conventionally used, and patent as a property right. This critical distinction informs the discussion of whether any patents can have significant value and reach to confer on their owners market power.

¶46 A brief look at different patent strategies illustrates how many patents provide their owners little to nothing in terms of market power. Patents, unlike copyrights or trademarks, must go through a costly and lengthy examination process before the U.S. Patent & Trademark office. A patent will issue only if it meets the statutory requirements of usefulness, novelty, and non-obviousness. Thus, patents that issue in well-developed technologies will inevitably contain very narrow claims defining the limited scope of the patent owner’s property.

¶47 Many other patents are obtained by firms pursuant to a “defensive patenting” strategy. The object is for the firm to claim an area of technology by preventing other firms from filing suit against them. And in industries where the major players have large patent portfolios, each firm is more concerned with number of patents than with the quality of patents. Firms in these industries commonly arrange royalty-free cross-licensing deals among themselves. Here, patent acquisition serves as a bargaining chip, and increased patent volume serves to help leverage a firm’s industry position. It is apparent that patents obtained with these ends in mind can hardly be said to confer on their owner a type of monopoly in the sense that antitrust should be concerned with.

¶48 Other firms, particularly start-ups and new entrants, obtain patents as a type of financing tool in order to signal to potential creditors that the firm is dedicated to

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135 See, e.g., Dam, supra note 1, at 247-48.
136 See Dam, supra note 1.
138 See Dam, supra note 1; WILLIAM M. LANDES & RICHARD A. POSNER, THE ECONOMIC STRUCTURE OF INTELLECTUAL PROPERTY LAW 374 (2003).
141 Kitch, supra note 133, at 1729.
143 Id.
144 Id.
145 Id.
146 Id.
operating at the cutting edge. Or patents may simply be used to bolster a firm’s asset sheet. Finally, some patents are issued to applicants who simply “want[] a patent.”

The preceding examples merely illustrate what has long been recognized by economists and patent owners: that most patents do not confer market power. But it is not the patents having narrow claims and a limited scope, patents obtained pursuant to a defensive strategy, or patents used merely as a bargaining chip or financing tool that will likely be the focus of a tying arrangement and involved in costly antitrust litigation. Moreover, the conclusion that most patents do not confer market power presupposes that some patents do confer market power.

Edmund Kitch identifies as an “elementary but persistently repeated error[]” that intellectual property rights are assumed to confer an economic monopoly on their owner. Kitch explains why “patents that confer monopoly market power are rare.” But even here, Kitch makes explicit that “to argue that the monopoly case is not the appropriate one to use…generally is not to argue that no intellectual property rights confer an economic monopoly.” Indeed, a small number of basic or “pioneer patents” embody truly novel innovations that either supersede a given field or create an entirely new field. These “pioneer patents” are recognized to confer on their owners market power.

Kenneth Dam argues that “it is quite plausible…that in the great bulk of instances [patents confer] no significant market power.” And rather than conceiving of patents as granting a monopoly, it is more useful to understand patents that achieve commercial success as permitting the owner to enjoy an economic rent. The patent owner can reduce its production costs below that of its competitors. Certain firms, therefore, are able to achieve a “dominant firm” position, which allows the dominant firm to set prices at a monopoly level position with respect to the output that the fringe firms cannot produce. Thus, Dam recognizes the utility of restricting the concept of monopoly “to circumstances…where patent licenses are used, as in certain classic antitrust cases, as a device for implementing anticompetitive agreements.”

The question, therefore, is not whether any, all, most, or some patents confer market power. The question is which patents confer market power. And, more particularly, the question becomes whether the patents that tend to be the subject of tying arrangements and are involved in antitrust litigation fall within this narrow category of patents that do confer market power. As an aid to answering this question, I turn to empirical studies of patents.

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147 Id. at 1505.
148 Id.
149 Id. at 1506. See, e.g., Method of Swinging on a Swing, U.S. Patent No. 6,368,227 (filed Nov. 17, 2000).
150 Kitch, supra note 133, at 1729.
151 Id. at 1730.
152 Id. at 1731 (emphasis added).
153 Id.
154 Dam, supra note 1, at 250.
155 Id.
156 See LANDES & POSNER, supra note 138, at 297-300.
157 Dam, supra note 1, at 251.
Mark Lemley estimates that 95% of all patents are never licensed or litigated.\textsuperscript{158} Only an estimated 1.5% of all patents are ever the subject of litigation, and after settlements, less than 0.2% of all patents actually go to court.\textsuperscript{159} These figures suggest what the previous examples of patent strategies show: that the great majority of patents do not confer market power. More striking are the figures representing patents that are allowed to lapse at the time that relatively modest maintenance fees are due. Lemley’s study indicates that after 5 years, nearly 18% of patent owners allow their patents to lapse; after 9 years, 43% lapse, and after 13 years, 63% lapse.\textsuperscript{160}

The reason so many patents are simply never used is that only a small subset of patents are “intrinsically more valuable” than the rest.\textsuperscript{161} Professor Allison and his coauthors attempted to distinguish characteristics of valuable patents by comparing litigated patents to non-litigated patents. Valuable patents are defined as those “that produce substantial economic benefit to their owners.”\textsuperscript{162} The authors defend the assumption that litigated patents are valuable patents by pointing to the enormous costs of patent litigation.\textsuperscript{163} The authors find the relationship between litigation and value in patents to be “quite strong and bidirectional.”\textsuperscript{164} Thus, while not every valuable patent is litigated, it is a fair presumption that a litigated patent is valuable, and therefore that litigation is a good proxy for valuable patents.\textsuperscript{165}

Thus, the scholarly criticism of the presumption of market power in patent tying cases may have been overstated. Even after \textit{Illinois Tool}, the fact that a potentially valuable patent covers a tying product can be used as evidence to show market power. Patents generally do not confer market power; but litigated patents generally are extremely valuable, and that value is obtained from the owner’s ability to charge supra-competitive prices. Thus, a plaintiff’s first step in determining whether a defendant has market power in a patented tying product should be to go to the patent itself. A thorough investigation would include determining the scope of the claims – how broad are the claims, how many claims are included; the state of the analogous art; whether the patent has been the subject of litigation. If, for example, the patent includes a large number of claims, many of which are broad in scope, and has been the subject of multiple patent infringement suits, then it is a good bet that the patent covering the product confers market power on its owner.

\section*{C. Patents involved in tying arrangements that foster price discrimination or “metering”: price discrimination as a proxy for market power}

Nearly 100 years ago, in \textit{Henry v. A.B. Dick Co.}, the Supreme Court was faced with a tying arrangement that required the purchaser of a mimeograph machine to

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\item\textsuperscript{158} Lemley, \textit{supra} note 142, at 1507.
\item\textsuperscript{159} \textit{Id.} at 1501.
\item\textsuperscript{160} \textit{Id.} at 1504.
\item\textsuperscript{161} John R. Allison et al., \textit{Valuable Patents}, 92 GEO. L.J. 435, 437 (2004).
\item\textsuperscript{162} \textit{Id.} at 440.
\item\textsuperscript{163} \textit{Id.} at 441.
\item\textsuperscript{164} \textit{Id.} at 439.
\item\textsuperscript{165} \textit{Id.} at 440. The authors recognize the criticism that litigated patents are likely merely a subset of valuable patents. \textit{Id.} at 443. That criticism, however, is irrelevant here, because even if litigated patents are merely a subset of valuable patents, the critical point is that litigated patents are valuable.
\end{enumerate}
\end{footnotesize}
purchase all future ink from the producer.\textsuperscript{166} The economic ramifications and the competitive effects of that tie continue to divide economists and lawyers today, even after \textit{Illinois Tool} – the Supreme Court’s latest word on a printer/ink tying arrangement. There are, however, some arguments against the type of tying arrangement employed by Trident that, while rejected by the Supreme Court in favor of eliminating the presumption that patents confer market power, may still be employed in future antitrust cases to bolster a showing that the defendant has market power in the tying product.

Courts continue to struggle to identify the competitive effects of tying arrangements; scholars continue to disagree on the underlying economic rationales. What does seem clear is that there really is no “one size fits all” economic explanation for tying arrangements.\textsuperscript{167} The two primary economic rationales behind tying theory are the leverage theory and the price discrimination theory.\textsuperscript{168} The leverage theory posits that a firm can leverage its monopoly from one product market to another, therefore achieving a second monopoly.\textsuperscript{169} The “Chicago School” discredits this theory in nearly all circumstances as impractical and improbable.\textsuperscript{170} The idea is that there can be only one monopoly profit, and that any attempt to extend or “leverage” that monopoly into another market will be futile.\textsuperscript{171} Though this is a hotly debated topic, it appears that neither explanation is universal, and that as improbable the leverage explanation may be, there are certain circumstances where it could be effective and therefore anticompetitive.\textsuperscript{172} Thus, a more dynamic view of the tying and tied markets will focus on whether the tie creates barriers to entry or tends to force out competition.

The Chicago School discredits the anti-competitive leverage theory and advances the competitive-neutral or pro-competitive price discrimination theory. A firm uses a tying arrangement to gauge or “meter” a customer’s usage of the tying product through sales of the tied product. The firm can then charge a supra-competitive price on the tied product, and offer the tying product at a discount. This method allows a firm to reap not only the one monopoly profit associated with the tying product, but also the consumer surplus associated with that product. Thus, a customer who prints more bar codes uses and buys more ink than a customer who prints fewer bar codes. Moreover, price discrimination is not illegal and it may have some efficiency qualities. Therefore, according to the Chicago School, tying is almost never anti-competitive, and can in many cases be pro-competitive. While the price discrimination theory is attractive in many tying cases, it cannot explain every tying arrangement. For example, the arrangement in \textit{Loew’s}, where blockbuster films were offered only with less popular films, was not a price discriminating arrangement.\textsuperscript{173}

\textsuperscript{166} 224 U.S. 1 (1912).
\textsuperscript{168} \textit{Id.} at 727. Leslie not only has an interesting discussion of the different tying theories, but also posits a much simpler “volume” tying theory. \textit{Id.} Other theories include a “quality control” theory, where tying is preferred over standards setting, since there are no policing costs associated with a tying requirement. \textit{See, e.g.}, \textit{Mozart Co. v. Mercedes Benz of North America, Inc.}, 833 F.2d 1342 (9th Cir. 1987).
\textsuperscript{169} Leslie, \textit{supra} note 167, at 732.
\textsuperscript{170} \textit{Id.}.
\textsuperscript{172} Leslie, \textit{supra} note 167, at 736.
Professors Nalebuff, Ayres, and Sullivan, in an amicus brief in support of Independent Ink, argue that 1) price discrimination can lead to anti-competitive distortions and social waste, and that 2) a firm’s ability to price discriminate is evidence of market power.174 Surely the first contention offers strong evidence that tying arrangements that foster price discrimination should be viewed with caution.175 But it is the professors’ second contention that goes directly to the question presented in Illinois Tool. The idea is that it is impossible to price discriminate in a perfectly competitive market because consumers know when they are being subjected to price discrimination and presumably don’t want to be.176 Thus, consumers will go to a competitor who is willing to offer the same product but won’t price discriminate.177 Thus, only when a firm has market power defined as an influence over prices and quantity, can a firm subject its customers to price discrimination.178 Price discrimination is therefore a proxy for market power.179 Trident’s requirement that its customers who lease their patented printhead technology also buy all ink from Trident is a clear example of price discrimination.180 Trident also charged a premium price for its ink, giving more weight to the conclusion that Trident was price discriminating.

These so called “requirements ties” – ties that foster price discrimination by tying future purchases of the complementary tied product to the purchase of the primary tying product - should be viewed with caution.181 Where a patent is involved in a requirements tie, there is a strong possibility that the seller engaging in the price discrimination possesses market power, and that the patent covering the tying product is so valuable as to confer market power on the seller. Thus, although the Supreme Court rejected this argument in Illinois Tool, it did not reject the underlying premise that price discrimination can be used as a proxy for market power. Thus, the plaintiff in an antitrust tying suit who is charged to show market power may be able to utilize this argument in its effort to show that the seller has market power.

V. CONCLUSION

Illinois Tool rejected the presumption that patents confer market power and thereby shifted the burden of proving market power to the antitrust plaintiff. But the existence of a patent covering a tying product in a tying arrangement may still be highly

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174 Brief of Professors Nalebuff et al., supra note 126.
175 In addition, because direct price discrimination is possible, for example by charging a per copy price for printers, indirect price discrimination through tying arrangements should be heavily scrutinized.
176 Id.
177 Id.
178 Id.
179 Id.
180 Price discrimination is defined as charging different prices to consumers based on their willingness to pay. Trident’s arrangement allowed them to engage in price discrimination. Trident was able to charge customers willing to pay more for their technology an inflated price: the cost of the printhead technology plus the cost of ink per use. Firms using more ink paid more for the technology than firms using less ink. The fact that Trident charged a premium for the ink they sold bolsters the conclusion that Trident was extracting payment for their patented technology through their ink sales.
181 See Brief of Professors Nalebuff et al., supra note 126, at 5-6 (“There are two salient features of a requirements tie. First, the two products are essential complements in that the original product is of no value without the tied product . . . Second, the value of the original product is related to its intensity of use.”).
relevant to plaintiff’s proof of market power. First, challengers to a tying arrangement should determine whether the tying product is covered by a patent, and if so, whether the patent is one of a small subset of inherently valuable patents. Next, the challenger should identify whether a tying arrangement is the sort of requirements tie that allows the seller to engage in price discrimination. This price discrimination may itself be a proxy for market power. Illinois Tool, therefore, may have destroyed the presumption that patents confer market power, but it did not deny completely the fact that patents are an important consideration in determining whether a seller possesses market power.