No.

IN THE
Supreme Court of the United States

ATRIUM MEDICAL CORPORATION,
Petitioner,
v.
C.R. BARD, INC.,
Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In *Brulotte* v. *Thys Co.*, 379 U.S. 29, 32 (1964), this Court held that "a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*." In *Kimble* v. *Marvel Entertainment, LLC*, 576 U.S. 446 (2015), the Court reaffirmed that rule and explained that it should be "simplicity itself to apply": "A court need only ask whether a licensing agreement provides royalties *for* post-expiration use of a patent." *Id.* at 459 (emphasis added). Courts of appeals, however, have fractured over how to administer that simple rule.

The patent license agreement here required the licensee to pay quarterly "Minimum Royalties." Considering all the relevant evidence, the district court found the Minimum Royalty was "for" use of the licensor's U.S. patent: The agreement expressly tied the Minimum Royalty obligation to U.S. sales and regulatory approvals, and witnesses confirmed the Minimum Royalty was designed to compensate for U.S. sales. The court thus held that, because the Minimum Royalty was "for" use of the U.S. patent, it was unenforceable once that patent expired.

The Ninth Circuit reversed. Departing from other circuits, it held *Brulotte* and *Kimble* forbid courts from considering evidence beyond the license agreement itself. And when considering the agreement, it did not ask what the royalties were "for" under the best understanding of the agreement. Instead, it asked whether it was *possible* to identify *anything else* those royalties *could* have been for. Because no language expressly "dictate[d] whether the minimum royalties are royalties on U.S. sales," it held there was no problem under *Brulotte* and *Kimble*.

The question presented is: Whether the Ninth Circuit's approach fails to properly determine what royalties are "for," as *Brulotte* and *Kimble* require.

PARTIES TO THE PROCEEDINGS BELOW

Petitioner Atrium Medical Corporation was the appellee in the court of appeals.

Respondent C.R. Bard, Inc. was the appellant in the court of appeals.

CORPORATE DISLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, petitioner Atrium Medical Corporation states that it is a wholly owned subsidiary of Datascope Corp., that Datascope Corp. is a wholly owned subsidiary of Getinge Holdings USA, Inc., and that Getinge Holdings USA, Inc. is a wholly owned subsidiary of Getinge AB. Getinge AB is a publicly held entity and has no parent corporation. No publicly held company owns 10% or more of Getinge AB's stock.

RELATED PROCEEDINGS

The following proceedings are directly related to this case within the meaning of Rule 14.1(b)(iii):

United States Court of Appeals (9th Cir.):

- *C.R. Bard, Inc.* v. *Atrium Med. Corp.*, No. 23-16020 (judgment entered Aug. 23, 2024)

United States District Court (D. Ariz.):

- *C.R. Bard, Inc.* v. *Atrium Med. Corp.*, No. 21-cv-00284 (judgment entered June 30, 2023)

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On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

PETITION FOR A WRIT OF CERTIORARI

Atrium Medical Corporation respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Ninth Circuit.

OPINIONS BELOW

The court of appeals' opinion addressing the patent-misuse issue in this case (App., *infra*, 1a-18a) is reported at 112 F.4th 1182. The court of appeals' memorandum opinion addressing other issues (App., *infra*, 19a-21a) is unreported but available at 2024 WL 3916211. The court of appeals' denial of Atrium's rehearing petition (App., *infra*, 47a) is unreported. The district court's decision (App., *infra*, 22a-46a) is unreported but available at 2023 WL 4297647.

STATEMENT OF JURISDICTION

The Ninth Circuit entered judgment August 23, 2024, App., *infra*, 1a-18a, and denied rehearing December 6, 2024, *id.* at 47a. On February 28, 2025, Justice Kagan extended the time to file the petition to May 5, 2025. No. 24A829. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY AND CONSTITUTIONAL PROVISIONS INVOLVED

Article I, Section 8 of the U.S. Constitution provides in relevant part:

> The Congress shall have Power * * * [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

U.S. Const. art. I, § 8, cl. 8.

On that authority, Congress enacted 35 U.S.C. § 154, which provides in relevant part:

> **§ 154—Contents and term of patent; provisional rights.**
>
> **(a) In General.—**
>
> **(1) Contents.—**
>
> Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States, and, if the invention is a process, of the right to exclude others from using, offering for sale or selling throughout the United States, or importing into the United States,

products made by that process, referring to the specification for the particulars thereof.

(2) Term.—

Subject to the payment of fees under this title, such grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States or, if the application contains a specific reference to an earlier filed application or applications under section 120, 121, 365(c), or 386(c), from the date on which the earliest such application was filed.

STATEMENT

This case concerns the longstanding rule, repeatedly reaffirmed by this Court, that "a patent holder cannot charge royalties for the use of his invention after its patent term has expired." *Kimble* v. *Marvel Entertainment, LLC*, 576 U.S. 446, 449 (2015). License agreements that require payment "for" the use of patented technology after the patent expires are "unlawful" and "not enforceable." *Brulotte* v. *Thys Co.*, 379 U.S. 29, 32-33 (1964).

Here, the district court found—based on the parties' license agreement and trial evidence, including the licensor's own witnesses—that a $15 million/year Minimum Royalty was "for" use of a U.S. patent, and thus unenforceable after the patent expired. Purporting to "clarify" the proper approach to *Kimble* and *Brulotte*, the Ninth Circuit reversed. Rather than ask what the payment was "for" under the best understanding of the parties' agreement, the court of appeals held the royalty must be upheld unless the terms of the license agreement "dictat[e]" that it was payment for an expired patent. The Ninth Circuit held that, after the U.S. patent expired, the Minimum

Royalty should be deemed payment solely for use of a Canadian patent the license agreement never mentions. The Ninth Circuit did so even though the $15 million/year Minimum Royalty was *four to twenty times* the licensee's Canadian *revenues*.

I. LEGAL BACKGROUND

A. The Constitutional and Statutory Requirement that Patent Rights Be Only "For Limited Times"

"To promote the Progress of Science and useful Arts," the Constitution authorizes Congress to grant inventors "exclusive Right[s] to their * * * Discoveries," but only "for limited Times." U.S. Const. art. I, § 8, cl. 8. This Court has studiously enforced that "limited Times" requirement. After a patent's term expires, it has explained, "[t]he full benefit of the discovery * * * is preserved" for the "public." *Grant* v. *Raymond*, 31 U.S. 218, 242 (1832).

Consequently, this Court has held, "*any* attempted reservation or continuation * * * of the patent monopoly, after the patent expires, *whatever the legal device employed*, runs counter to the policy and purpose of the patent laws." *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U.S. 249, 256 (1945) (emphasis added). The "patent laws preclude" such "recaptur[e of] any part of the former patent monopoly; for those laws dedicate to all the public the ideas and inventions embodied in an expired patent." *Ibid.*

B. This Court's Decisions Invalidating Agreements that Require Royalties for Post-Expiration Use of Patents

This Court applied those principles to patent license agreements in *Brulotte*, 379 U.S. 29, and *Kimble*, 576 U.S. 446. In each case, the Court held "a royalty agreement that projects beyond the expiration date of the patent is unlawful" and unenforceable. *Brulotte*, 379 U.S. at 32.

1. *Brulotte* involved license agreements for the use of patented hop-picking machines. 379 U.S. at 29. The agreements required a "minimum royalty of $500 for each hop-picking season" or "$3.33 1/3 per 200 pounds of dried hops harvested," "whichever is greater." *Ibid.* The licenses "listed 12 patents related to hop-picking machines." *Id.* at 30. But the evidence showed that "only seven were incorporated into the machines sold to and licensed for use by petitioners." *Ibid.* "Of those seven all expired on or before 1957." *Ibid.* Nonetheless, "the licenses"—and their royalty payments—"continued for terms beyond that date." *Ibid.* This Court held that such a "projection of the patent monopoly after the patent expires is not enforceable," but instead "unlawful *per se*." *Id.* at 32.

The Court rejected the argument that the post-expiration royalties were merely "'a reasonable amount of time over which to spread the payments for [pre-expiration] use of the patent.'" *Brulotte*, 379 U.S. at 31. The Court emphasized that "the agreements were not designed with that limited view." *Ibid.* "The royalty payments due for the post-expiration period are by their terms for use during that period," the Court explained, and "the royalties exacted were the same for the post-expiration period as they were for the period of the patent." *Ibid.* Because the "licenses dr[e]w no line between the term of the patent and the post-expiration period," they were an impermissible "attempt to exact the same terms * * * for the period after the patents have expired as they do for the monopoly period." *Id.* at 32.

2. In *Kimble*, this Court reaffirmed the rule of *Brulotte*, rejecting suggestions that it "should overrule *Brulotte*." 576 U.S. at 451. The Court again held that "a patent holder cannot charge royalties for the use of his invention after its patent term has expired." *Id.* at 449.

"In crafting the patent laws," the Court explained, "Congress struck a balance between fostering innovation and ensuring public access to discoveries." *Kimble*, 576 U.S. at 451. Congress provided that a patent expires after 20 years and, "when the patent expires," "the right to make or use the article, free from all restriction, passes to the public." *Ibid.* (citing 35 U.S.C. § 154(a)(2)). "This Court has carefully guarded that cut-off date," construing it "to preclude measures that restrict free access to formerly patented * * * inventions." *Id.* at 451-452 (collecting cases).

The Court acknowledged that parties can "find ways around *Brulotte*" to manage cash flows or allocate risks. *Kimble*, 576 U.S. at 453. For example, "*Brulotte* allows a licensee to defer payments for pre-expiration use of a patent into the post-expiration period." *Ibid.* Where a license covers multiple U.S. patents, "royalties may run until the latest-running patent covered in the parties' agreement expires." *Id.* at 454. And "post-expiration royalties are allowable so long as tied to a non-patent right," *e.g.*, "a license involving both a patent and a trade secret can set a 5% royalty during the patent period (as compensation for the two combined) and a 4% royalty afterward (as payment for the trade secret alone)." *Ibid.* But parties cannot "do everything [they] might want to" when negotiating their patent licenses. *Ibid. Brulotte* still imposes a *per se* rule that "bars * * * royalties *for* using an invention after it has moved into the public domain." *Id.* at 453-454 (emphasis added).

Given that, the Court predicted, *Brulotte* should be "simplicity itself to apply." *Kimble*, 576 U.S. at 459. "A court need only ask" what royalty payments are "*for*"—that is, "whether a licensing agreement provides royalties *for* post-expiration use of a patent." *Ibid.* (emphasis added). "If not, no problem; if so, no dice." *Ibid.*

II. FACTUAL BACKGROUND

A. The Parties Agree to a Patent License with a Minimum Royalty Tied to U.S. Sales of Atrium's iCast Product

Petitioner Atrium designs, develops, and manufactures medical devices. In 2010, respondent C.R. Bard, Inc. sued Atrium for infringement of its U.S. Patent No. 6,435,135 ("the U.S. patent"), which covered specific types of vascular grafts. App., *infra*, 22a-23a. Atrium and Bard settled the lawsuit in 2011 with a patent license agreement. *Ibid.*

1. The license agreement gave Atrium the right to practice the U.S. patent in its U.S. products—the subject of the lawsuit. App., *infra*, 23a. It is not disputed that the agreement also licensed Atrium to practice a related Canadian patent ("the Canadian patent") in Canada. *Ibid.*

The license agreement, however, nowhere specifically mentions the Canadian patent. Atrium was not aware of the Canadian patent until after the parties agreed to the deal's essential terms (including the Minimum Royalty discussed below). App., *infra*, 38a-39a. Rather, the agreement simply includes "standard," boilerplate language defining "Licensed Patents" to encompass any foreign patents that claim priority to the U.S. patent; other evidence showed that the Canadian patent falls within that definition. App., *infra*, 24a-25a, 38a-39a, 41a; C.A. ER 134 (§ 1.15). Both when the license was negotiated and now, Atrium's Canadian sales were a "small" fraction of its total sales—just $700,000, "less than one percent," in 2010. App., *infra*, 23a-24a; C.A. ER 310.

The license negotiations centered on Atrium's "iCast" product, which was sold only in the United States. App., *infra*, 26a-28a, 39a-40a. iCast constituted the vast majority of Atrium's sales—"nearly 90%" of Atrium's $55 million in U.S. sales in 2010. *Id.* at 26a. "Bard insisted" that any agreement "'compensat[e it] for sales of Atrium's * * * iCAST product.'" *Id.* at 27a, 39a-40a (quoting Bard trial brief). As Bard's chief negotiator admitted, it was "'always the iCast. Everything is iCast that we're focused on.'" *Id.* at 28a.

2. The parties had disputed whether iCast infringed the U.S. patent. (It could not infringe the Canadian patent because iCast was not sold in Canada.) The patent is directed to "vascular" grafts, but the U.S. Food and Drug Administration had approved iCast only for "tracheobronchial" use, not vascular use. App., *infra*, 26a. At the same time, iCast "frequently was used off-label by doctors for vascular purposes," and "about 99% of Atrium's iCast sales" were in fact used that way. *Ibid.* Atrium maintained that it did not infringe because it sold iCast only for "approved tracheobronchial uses" and off-label vascular uses did not constitute infringement by Atrium. *Id.* at 34a.

Nonetheless, "Atrium was seeking FDA approval for vascular uses of iCast," and told Bard it anticipated that approval "within a year or two" (*i.e.*, by 2012 or 2013). App., *infra*, 28a, 31a. Atrium was willing to compensate Bard for iCast sales to resolve the infringement dispute. But it was unwilling to pay a per-use royalty for iCast (*e.g.*, a percentage of sales) before receiving FDA approval for vascular uses, as that might erroneously suggest it was selling iCast for unapproved purposes. *Id.* at 35a.

3. The parties reached a compromise. For "Vascular" products, Atrium would pay 15% royalties on its U.S. sales until the U.S. patent expired in 2019; by operation of the definition of Licensed Patents, the same 15% royalty applied to Canadian sales until the Canadian patent expired

in 2024. App., *infra*, 4a, 29a-30a; C.A. ER 136 (§3.1). iCast, however, was defined as a "Non-Vascular" product and exempted from the 15% royalty. App., *infra*, 26a-27a; C.A. ER 149 (Ex. B). Rather than pay a percentage royalty on iCast sales, Atrium would pay "Minimum Royalties" of $3.75 million per quarter ($15 million/year). App., *infra*, 30a-31a; C.A. ER 137 (§3.2). As Bard's lead negotiator testified, the Minimum Royalty was "'the closest thing we could come to as a proxy for some type of rough valuation'" for what Bard believed were infringing U.S. uses of "'iCAST.'" App., *infra*, 37a, 40a.

The Minimum Royalty was subject to two contingencies, both tied to U.S. iCast sales. First, the Minimum Royalty would terminate upon FDA approval of iCast for vascular uses. App., *infra*, 30a-31a; C.A. ER 137 (§3.2(a)).[1] That approval was expected within a year or two, and "would result in significantly higher iCast sales in the future." App., *infra*, 28a, 31a. Following that approval, iCast sales would be subject to the same 15% royalty as Atrium's other U.S. vascular products. *Id.* at 31a.

Second, the Minimum Royalty would terminate in the (unlikely) event "the FDA rescinded its approval of iCast for *all* purposes." App., *infra*, 31a (emphasis added); see C.A. ER 137 (§3.2(b)). "Because the minimum royalty provision was intended to compensate Bard for sales of iCast products," that ensured Atrium would not continue to pay the Minimum Royalty "if it was forced to terminate those sales." App., *infra*, 31a.

Because iCast constituted the overwhelming majority of Atrium's sales, the Minimum Royalty functioned as a

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[1] The Minimum Royalty provision refers to FDA approval of "Non-Vascular Products," C.A. ER 137 (§3.2(a)-(b)), which are defined to encompass only "iCast," *id.* at 135, 149 (§1.22 & Ex. B).

minimum for the entire license agreement. It applied unless the 15% royalties on vascular products "exceeded the quarterly minimum," and in fact those "per-unit royalties never exceeded the quarterly minimum royalty payments." App., *infra*, 5a.

B. Bard's U.S. Patent Expires and Atrium Stops Making Minimum Royalty Payments

Atrium anticipated the FDA would approve iCast for vascular uses within a year or two of the license agreement, *i.e.*, around 2012 or 2013. App., *infra*, 31a. Unexpectedly, however, the FDA did not approve iCast for vascular use until 2023—long after the U.S. patent expired in 2019. *Ibid.*

Once the U.S. patent expired, iCast sales—the basis for the Minimum Royalty—were no longer even arguably covered by a live patent. Atrium thus paid the Minimum Royalty every quarter until the U.S. patent expired in August 2019. App., *infra*, 5a. Bard's Canadian patent expired later, in 2024. Atrium continued to pay the 15% royalty on sales of vascular products in Canada until the current dispute arose. *Ibid.* The Canadian sales did not include iCast, which is sold only in the United States. *Id.* at 26a.

Atrium's Canadian sales were minuscule compared to U.S. sales. As noted, Atrium learned of the Canadian patent only after the parties had agreed to the $15 million/year Minimum Royalty (which the parties linked to iCast sales in the U.S.). App., *infra*, 38a-39a. And the Minimum Royalty dwarfed Atrium's Canadian sales. When the license was negotiated in 2010, the $15 million/year Minimum Royalty was *over twenty times* Atrium's Canadian *revenues,* which were just $700,000/year. C.A. ER 310. Even in later years, the Minimum Royalty was *over four times* Atrium's Canadian *revenues* of less than $4 million/year. C.A. ER 47.

III. PROCEEDINGS BELOW

A. District Court Proceedings

In 2021, Bard sued Atrium in the District of Arizona, alleging that Atrium breached the license agreement by not continuing to pay the Minimum Royalty even after the U.S. patent expired in 2019.[2]

Bard asserted that the agreement did not terminate until the last licensed patent expired—*i.e.*, until the Canadian patent expired in 2024. App., *infra*, 31a. And while the agreement provided that the Minimum Royalty would cease upon FDA approval of iCast for vascular uses, that did not occur until 2023. *Id.* at 31a. Bard maintained that Atrium owed Minimum Royalties from 2019 through 2023. *Id.* at 24a.

Atrium asserted a patent-misuse defense under *Brulotte* and *Kimble*. App., *infra*, 32a; D. Ct. Dkt. 163 at 17-19. The Minimum Royalty, Atrium explained, was compensation for its iCast sales. The license agreement expressly tethered the Minimum Royalty to iCast sales, and both parties understood it was a proxy for the value of those sales. But iCast sales undisputedly occurred only in the United States. Thus, insofar as the license agreement required payment of the Minimum Royalty after Bard's U.S. patent expired, it was an impermissible attempt to extend Bard's U.S. patent rights past their cut-off date.

1. The district court recognized that the patent-misuse issue required it to determine what the post-

[2] The district court exercised diversity jurisdiction under 28 U.S.C. § 1332. App., *infra*, 6a. Bard is a New Jersey citizen; Atrium is a Delaware and New Hampshire citizen; and the amount-in-controversy exceeded $75,000. *Id.* at 22a; D. Ct. Dkt. 53 at 1.

expiration Minimum Royalty was "for." App., *infra*, 32a. If it was "for" U.S. sales after Bard's U.S. patent expired, it was invalid; if it was "for" something else, it was permissible. *Id.* at 32a-33a. Following a two-day bench trial, the district court agreed with Atrium. The court found that the "clear and primary purpose of the minimum royalty provision was to compensate Bard for iCast sales." *Id.* at 43a. "The License's Agreement's requirement of minimum royalties for this purpose after the [U.S.] Patent expired," the court held, "is patent misuse and is unenforceable." *Ibid.*

That conclusion followed from both the agreement's terms and the evidence at trial. The parties' agreement expressly tied Atrium's Minimum Royalty obligation to iCast sales: The obligation would cease if the *U.S.* FDA either approved iCast's sale for vascular uses (which "would result in significantly higher iCast sales in the future," all subject to a 15% royalty) or rescinded approval of iCast's sale for all purposes (which would have "forced [Atrium] to terminate [iCast] sales"). App., *infra*, 28a, 30a-31a; C.A. ER 137 (§3.2(a)-(b)). Bard's own witnesses agreed "'the Minimum Royalty was the proxy'" for "'iCAST'" sales. App., *infra*, at 40a. They testified:

- The Minimum Royalty was "'the closest thing [Bard] could come to as a proxy for some type of rough valuation'" for iCast products sold in the U.S. App., *infra*, 37a.
- "'The entire value of the deal to us was the future of the [U.S. iCast sales].'" App., *infra*, 35a.
- "'It's always the iCast. Everything is iCast that we're focused on.'" App., *infra*, 28a.

As Bard told the district court:

> "[T]he Minimum Royalty was important to make sure Bard was compensated for sales of Atrium's * * * iCAST product. * * * [Bard was] steadfast that regardless of the label, the iCAST infringed the [U.S.] Patent and needed to be accounted for in the License Agreement."

App., *infra*, 39a-40a (quoting Bard trial brief).

Given that evidence (and more), the district court had no trouble concluding—by "clear and convincing evidence"—that "the purpose of the minimum royalty payment after the [U.S.] Patent expired was the same as the purpose before it expired: to compensate Bard for iCast sales." App., *infra*, 41a, 42a-43a. "Charging Atrium a minimum royalty for U.S. sales of iCast products after the [U.S.] Patent expired," the court ruled, was "patent misuse" and "unenforceable." *Id.* at 41a-43a.

2. The district court rejected Bard's contrary arguments. Bard primarily argued that, *post*-expiration, Minimum Royalty payments were merely "deferred" compensation for *pre*-expiration iCast sales, and thus permissible under *Brulotte* and *Kimble*. D. Ct. Dkt. 160 at 12; see App., *infra*, 32a. The district court found nothing in the parties' agreement or negotiations suggesting that "the minimum royalties reflected only iCast sales between 2011 and 2019, or that payments of the minimum after 2019 would somehow represent only iCast sales before 2019." App., *infra*, 40a-41a.

In a single paragraph, Bard suggested that, "to the extent there are any 'ongoing sales' captured by the minimum royalty after the US patent expired, they are Canadian sales, not US sales." D. Ct. Dkt. 160 at 13. But that theory could not overcome the overwhelming evidence tying the Minimum Royalty to U.S. sales of iCast. Indeed, "Atrium did not know" of the Canadian patent until *after* the parties had agreed to the "$15 million[/year] minimum royalty." App., *infra*, 36a, 39a.

B. The Ninth Circuit's Decision

The Ninth Circuit reversed. It did not mention—much less accept—Bard's theory that post-expiration Minimum Royalties were deferred payments for pre-expiration U.S. sales of iCast. Nor did the court of appeals disagree with the district court's findings that the Minimum Royalty was in fact designed to compensate Bard for Atrium's U.S. sales of iCast even after the U.S. patent expired.

Instead, the Ninth Circuit professed to "clarify the proper application of *Brulotte*." App., *infra*, 3a. It declared there was no *Brulotte* problem because, "[a]fter the expiration of the U.S. patent" in 2019, it was possible to deem the Minimum Royalty to be payment "only on Canadian sales" covered by the later-expiring Canadian patent. *Id.* at 15a. According to the Ninth Circuit, "the proper application of *Brulotte*" requires "a formal inquiry" that depends solely on "the terms of the contract at issue." App., *infra*, 3a-4a, 12a. It declared courts may not consider "the parties' motivations, the course of their negotiations, or the consideration received by either party in exchange for the inclusion of a particular contractual term"; what the parties understood the payments to be "for" was irrelevant. *Id.* at 12a.

The Ninth Circuit thus disregarded the district court's "factual findings about why the parties included the minimum royalty provision in their licensing agreement." App., *infra*, 11a-12a. And it refused to consider whether treating the $15 million/year Minimum Royalty as a royalty for Atrium's Canadian sales—whose *revenues* totaled just $700,000/year when the agreement was signed, and less than $4 million/year when the U.S. patent expired—was economically plausible. *Id.* at 17a; pp. 10-11, *supra*.

Turning to the terms of the license agreement itself, the Ninth Circuit did not attempt to ascertain whether the Minimum Royalty payments were *actually "for"* use of Bard's U.S. patent, and thus unenforceable once that patent expired. Instead, the court searched the agreement to see if it was *possible* to find *anything else* the Minimum Royalty *could* have been for post-expiration.

The Ninth Circuit thus dismissed the agreement's provisions tying the Minimum Royalty to Atrium's U.S. sales and U.S. regulatory approval. The court conceded the Minimum Royalty was expressly subject to "U.S.-focused conditions"—namely, that it would end if the FDA, "a U.S. regulator," "grants approval for vascular use of the iCast stent" or "rescinds all previously approved iCast uses." App., *infra*, 16a-17a. The court admitted "those provisions certainly concern the U.S. market." *Id.* at 16a. But it declared "they do not affect the character of the royalties provided for in the agreement." *Ibid.* Because "[n]either of those provisions *dictates* whether the minimum royalties are royalties on U.S. sales," the Ninth Circuit deemed them immaterial to determining what those royalties are for. *Id.* at 17a (emphasis added).

The court of appeals instead focused on the fact that Bard's Canadian patent did not expire until 2024, a year after the FDA approved iCast for vascular uses and terminated the Minimum Royalty obligation. The court declared that, "[b]eginning in August 2019, when the U.S. patent expired, the minimum royalties applied only to use of the Canadian patent in Canada." App., *infra*, 16a. Reimagined that way, the court reasoned, the "parties' agreement provides for U.S. royalties only through the expiration of the U.S. patent, so it does not constitute patent misuse under *Brulotte*." *Id.* at 18a.

The court did not identify anything in the agreement that actually says (much less "dictates") that the Minimum Royalty was for use of the Canadian patent, either before or after the U.S. patent's expiration. As the district court observed, the agreement never mentions the Canadian patent or its expiration date. App., *infra*, 38a-39a. It covers the Canadian patent only by dint of generic, boilerplate language defining "Licensed Patents" to include any foreign patents that rely on the U.S. patent for priority and stating that the agreement is effective until the last Licensed Patent expires. *Ibid.*; C.A. ER 134, 142 (§§ 1.15, 7.1). That the licensed patents include the Canadian patent, and that the Canadian patent would expire in 2024, are facts discernible only from evidence outside the agreement itself. See App., *infra*, 25a. The Ninth Circuit nonetheless declared that the Minimum Royalty payments were, "by their terms, royalties for something other than use of the expired U.S. patent." *Id.* at 16a.

The Ninth Circuit deemed it irrelevant that "the amount of the minimum royalties is not discounted upon expiration of the U.S. patent." App., *infra*, 17a. The court stated that, "[i]f such post-expiration royalties reflect a discount compared to the pre-expiration royalties, that discount indicates that the portion of the royalty attributable to the patent right has properly ended upon the patent's expiration." *Id.* at 18a. The court did not explain why the reverse is not also true—that, if post-expiration royalties do *not* reflect a discount compared to pre-expiration royalties, that *lack* of a discount indicates that the portion of the royalty attributable to the patent right has *not* properly ended upon the patent's expiration. The court instead deemed any need for a discount upon the U.S. patent's expiration "not applicable" because "the royalties at issue are not royalties on sales reflecting 'inseparable patent and nonpatent rights.'" *Ibid.*

The Ninth Circuit denied rehearing. App., *infra*, 47a.

REASONS FOR GRANTING THE PETITION

This Court's patent-misuse precedents establish a straightforward rule: If a license agreement seeks to "charge royalties *for* the use of [an] invention after its patent term has expired," the agreement is "unlawful *per se*" and "not enforceable." *Kimble* v. *Marvel Entertainment, LLC*, 576 U.S. 446, 449 (2015) (emphasis added); *Brulotte* v. *Thys Co.*, 379 U.S. 29, 32-33 (1964). By its terms, that rule calls on courts to answer a simple question: What are the royalties at issue "for"? If they are "for" use of a patented invention after the patent expires, they are impermissible.

Despite that rule's intended "simplicity," *Kimble*, 576 U.S. at 459, the circuits have fractured over it. Some circuits recognize that the rule properly turns on the agreement's *substance*, and thus seek to determine what royalties are actually *for*: Are they compensation for some permissible purpose, or an impermissible attempt to exact payment for post-expiration use of a U.S. patent? In making that determination, those courts consult all probative evidence, including the parties' admissions and economic realities as well as the license agreement itself.

The Ninth Circuit has adopted the polar opposite approach. It *refuses* to consider "parties' motivations, the course of their negotiations, or the consideration received by either party in exchange for the inclusion of a particular contractual term." App., *infra*, 4a. That alone creates a conflict with the circuits that *do* consider such facts.

But the Ninth Circuit goes further. As the decision below illustrates, it does not merely require courts to blinker themselves to extrinsic evidence showing what royalty payments are "for." Even when considering the license agreement itself, the Ninth Circuit does not attempt to ascertain whether, under the best understanding of the parties' agreement, royalties are for post-expiration use of a patent. Instead, it tilts the scale by asking whether it is *possible* to identify *anything else* that those royalties *could* have been for.

The Ninth Circuit thus declared that the $15 million/year "Minimum Royalties" Bard demanded after expiration of its U.S. patent should be deemed royalties for Bard's Canadian patent alone. The court did so even though the license expressly tethered the Minimum Royalty to *U.S.* products and *U.S.* regulatory actions, and even though the Minimum Royalty was *twenty times* Atrium's *entire Canadian revenues*. Unless the agreement "dictates" a contrary result, the Ninth Circuit holds that payments are "for" something other than expired patent rights—no matter how implausible that conclusion.

Patent rights, including the right to demand royalties, are supposed to be uniform "throughout the United States." 35 U.S.C. § 154(a)(1). But the circuit conflict here makes the reach of those rights turn on geographic happenstance. Worse, the Ninth Circuit—by far the largest regional circuit—has adopted an extreme outlier approach that makes it virtually impossible to establish patent misuse, even where both the license agreement and the surrounding circumstances leave no doubt that royalties are really for post-expiration use of a U.S. patent. Only this Court can resolve that conflict and correct the Ninth Circuit's wayward approach.

I. THE CIRCUITS ARE DIVIDED POST-*KIMBLE*

The Constitution allows Congress to vest inventors with "exclusive Right[s] to their * * * Discoveries," but only "for limited Times." U.S. Const. art. I, § 8, cl. 8. That directive, and Congress's laws implementing it, strike "a balance between fostering innovation and ensuring public access to discoveries." *Kimble*, 576 U.S. at 451. While a patent is in force, the patentee has "exclusive rights" in the patented invention—"rights he may sell or license for royalty payments." *Ibid.* (citing 35 U.S.C. § 154(a)(1)). But once the patent "expires, the patentee's prerogatives expire too, and the right to make or use the article, free from all restriction, passes to the public." *Ibid.*

"This Court has carefully guarded that cut-off date," prohibiting patent owners from projecting their exclusive rights beyond the "limited time" Congress and the Constitution allow. *Kimble*, 576 U.S. at 451-452. Thus, in *Scott Paper*, the Court held the patent laws "preclude" all attempts to "recaptur[e] any part" of an expired patent monopoly, "*whatever the legal device employed*." *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U.S. 249, 256 (1945) (emphasis added).

The Court has made clear that those forbidden "legal device[s]" include patent licenses that require royalties for use of an invention after the patent expires. In *Brulotte*, the Court held a "royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*." 379 U.S. at 32. It thus invalidated "royalty payments due for the post-expiration period" that were paid "*for* use during that period." *Id.* at 31 (emphasis added). This Court reaffirmed that rule in *Kimble*, explaining that "a patent holder cannot charge royalties *for* the use of his invention after its patent term has expired." *Kimble*, 576 U.S. at 449 (emphasis added).

In reaffirming *Brulotte*, the Court emphasized that *Brulotte*'s rule is supposed to be "simplicity itself." *Kimble,* 576 U.S. at 459. Courts simply ask what royalties are "*for*"—that is, "whether a licensing agreement provides royalties *for* post-expiration use of a patent." *Ibid.* (emphasis added). Since *Kimble*, however, the courts of appeals have fractured over how to answer that question. That conflict warrants this Court's review.

A. The Third, Seventh, and Tenth Circuits read *Kimble* and *Brulotte* as calling for a practical, fact-specific approach. Those courts ask what royalty payments are actually "for" as a matter of substance, considering all relevant evidence.

For example, *Ares Trading S.A.* v. *Dyax Corp.*, 114 F.4th 123 (3d Cir. 2024), involved a license agreement in which Dyax granted Ares a sublicense to patents known as the "CAT" patents. *Id.* at 129-131. Ares argued that the agreement was unenforceable under *Brulotte* because it required payment of royalties after the CAT patents expired. *Id.* at 131.

The Third Circuit disagreed. It framed the issue as whether, as a practical matter, the royalties were " 'provided for' post-expiration use" of the CAT patents. *Ares*, 114 F.4th at 140-141. To answer that question, the court considered not only the agreement itself, but also extrinsic evidence about the parties' understandings and conduct, including "testimony" of "witnesses at trial," a "deposition," an "admission" by Ares, and the "fact that Dyax's 'use [of] the CAT patents' under the [parties' agreement] occurred 'entirely before expiration.' " *Id.* at 143. Based on that evidence, the court concluded that—unlike the "$500 minimum [royalty]" in *Brulotte*—"Ares' royalty obligation [was] not calculated based on activity requiring * * * post-expiration use," and thus *Brulotte* was "not implicated." *Id.* at 141-143. The Third Circuit acknowledged that its fact-intensive approach may sometimes "necessitate a 'trial-within-a-trial' " and could be "difficult to apply in practice." *Id.* at 146. Even so, it concluded, "that difficulty will be what *Brulotte* requires." *Id.* at 147.

The Seventh Circuit also takes a practical, substance-based approach. In *Zimmer Biomet Holdings, Inc.* v. *Insall*, 108 F.4th 512 (7th Cir.), cert. denied, 145 S. Ct. 773 (2024), it affirmed a district-court decision confirming an arbitrator's rejection of a *Brulotte* challenge. The Seventh Circuit framed the question as "whether the [contractual] royalties" were "based on the patents themselves" or on other "related" rights. *Id.* at 518. Citing both the agreement and "statements by Zimmer's own witnesses" and "counsel" in related litigation, the arbitral panel had determined the royalty was intended to pay for "'marketing and branding,'" not patent rights. *Id.* at 518-519. The Seventh Circuit affirmed, upholding the finding that "the royalty payments in question were *not* grounded in any patent rights and, thus, did not offend *Brulotte* and *Kimble*." *Id.* at 520.

That practical approach accords with the Seventh Circuit's pre-*Kimble* precedent. In *Meehan* v. *PPG Industries, Inc.*, 802 F.2d 881 (7th Cir. 1986), a licensor asserted breach of a license agreement where "the contract required defendant to make royalty payments to plaintiff until the expiration of all patents," but "defendant refused to pay royalties for sales in the United States after the expiration of the only United States patent." *Id.* at 882. The Seventh Circuit held the agreement unenforceable under *Brulotte*, rejecting the licensor's theory that the royalty compensated him for a trade secret, not patent rights. Although some payments under the agreement could be viewed as reflecting "the value of the trade secret," the court explained, the agreement keyed royalty obligations to patent milestones, and the payment structure would be economic nonsense if meant to pay for a trade secret in installments. *Id.* at 885-886. Because the best understanding of the agreement was that it attempted to have "royalty payments extend unchanged beyond the life of [the] patent," the agreement was "unlawful *per se*." *Id.* at 886.

The Tenth Circuit likewise determines what royalties are "for" in light of all relevant evidence. In *Grant* v. *Pharmacia & Upjohn Co.*, 314 F.3d 488 (10th Cir. 2002), it invoked not only the "plain terms of the [agreement]" but also "persuasive * * * evidence of the parties' conduct prior to litigation, including statements or conduct by the Plaintiffs tending to show that they knew royalties would cease" when the patent expired. *Id.* at 492-493.

B. The Sixth Circuit has adopted a different approach. In *Lavery* v. *Pursuant Health, Inc.*, 126 F.4th 1170 (6th Cir. 2025), an agreement gave Pursuant Health rights to Lavery's "'Intellectual Property,'" including "'proprietary information, trade secrets, and other intellectual property rights,'" in exchange for a "'perpetual royalty'" of 1% or 3% of product sales. *Id.* at 1176. The Sixth Circuit held the agreement "improperly sought post-expiration [patent] royalties" and thus was unlawful under *Brulotte* and *Kimble*. *Id.* at 1176-1177.

Like the Ninth Circuit here—but unlike the Third, Seventh, and Tenth Circuits—the Sixth Circuit declined to consider extrinsic evidence of the parties' understanding, ruling that only "the objective meaning of the contract" matters. *Lavery*, 126 F.4th at 1178. But unlike the Ninth Circuit, the Sixth Circuit examined the agreement in detail to determine what the royalties at issue were *actually for*. *Id.* at 1176-1177. For example, although the agreement facially covered "trade secrets" as well as patent rights, the Court held the post-expiration royalties were best understood as being "for use of Lavery's patent." *Ibid.* Among other things, the "royalty's * * * structure" supported that reading because it was tied to products that "incorporated the patent"; its "royalty rates * * * turn[ed] on patented rights"; and it did not provide for "a lower rate after the patent expires." *Ibid.*

C. The Ninth Circuit takes a dramatically different approach from all of those circuits.

1. The Ninth Circuit does not attempt to determine what royalties are actually *"for"* under the best reading of the agreement in light of all relevant circumstances. Under its putatively "formal" approach, courts are forbidden from considering extrinsic evidence of "the parties' motivations, the course of their negotiations, or the consideration received by either party in exchange for the inclusion of a particular contractual term." App., *infra*, 4a. The Ninth Circuit thus dismissed the district court's extensive factual findings that the "'clear and primary purpose of the minimum royalty provision was to compensate Bard for iCast sales'" in the United States in view of the U.S. patent. *Id.* at 6a.

The Ninth Circuit's wooden approach stands in direct conflict with the practical inquiry endorsed by the Third, Seventh, and Tenth Circuits. Those circuits *do* consider witness testimony and other evidence that sheds light on what royalties are "for." See pp. 20-22, *supra*. Those circuits thus would not have brushed aside the district court's factual findings—grounded in the agreement's text, the economic reality in which it was negotiated, and repeated admissions by Bard's own witnesses—that the Minimum Royalty was payment "for" the use of Bard's U.S. patent. There can be little question this case would have come out the other way in those circuits.

2. Exacerbating the conflict, the Ninth Circuit takes an outlier approach when analyzing the license agreement

itself. Unlike the Third, Sixth, Seventh, and Tenth Circuits, the Ninth Circuit did not meaningfully try to ascertain whether the Minimum Royalty was "for" use of Bard's U.S. patent under the *best* understanding of the parties' agreement. Instead, it viewed its task as asking whether it was *possible* to find *anything else* the Minimum Royalty *could* have been for.

That is apparent from the court's analysis of the Minimum Royalty provision itself. Under that provision, the Minimum Royalty is expressly tied to *U.S.* sales and approvals by a *U.S.* regulator. It terminated only if the FDA approved iCast for vascular uses in the *U.S.* (meaning iCast sales in the *U.S.* would go up and switch over to the license's standard 15% royalty), or the FDA rescinded all approval for iCast in the *U.S.* (meaning iCast sales in the *U.S.* would end and generate no royalty at all). By far the best understanding of that royalty structure is that the Minimum Royalty was "for" *U.S.* sales that putatively used Bard's *U.S.* patent.

But the Ninth Circuit rejected that understanding because the Minimum Royalty provision did not *expressly* "*dictat[e]* whether the minimum royalties are royalties on U.S. sales." App., *infra*, 17a (emphasis added). It declared the Minimum Royalty instead should be treated, once the U.S patent expired, as though it was only for Canadian sales—even though the parties' agreement never even mentions the Canadian patent. See p. 7, *supra*. Likewise, the Ninth Circuit deemed it immaterial that tying the Minimum Royalty to Canadian sales makes no economic sense—that royalty was *twenty times* Atrium's Canadian *revenues*. App., *infra*, 17a; pp. 10-11, *supra*. In effect, the Ninth Circuit created a supercharged presumption against finding *Brulotte* violations: If the agreement is subject to *any* reading under which royalties *might* compensate for something other than expired U.S. patent rights—no matter how strained or economically implausible—it stands.

That approach is miles from "simpl[y]" asking what royalties are actually "for." *Kimble*, 576 U.S. at 459. And it sharply conflicts with the Sixth and Seventh Circuits' decisions in *Lavery* and *Meehan*. See pp. 21-23, *supra*. Like the license agreements in those cases, the agreement here covers both U.S patent and other intellectual-property rights. But, as in those cases, the structure of the royalty here makes clear the royalty is "for" use of the U.S. patent. The Minimum Royalty is expressly tied to a product (iCast) sold only in the U.S. and that could practice only Bard's U.S., not Canadian, patent. The Minimum Royalty is expressly contingent on actions by a U.S. regulator (FDA approval for an additional use, or FDA rescission of existing approval) that would affect only U.S. sales. And the Minimum Royalty does not provide for a lower rate after the U.S. patent expires. In the Sixth and Seventh Circuits, that would suffice to show the Minimum Royalty is for post-expiration use of the U.S. patent under "the objective meaning of the contract"—even apart from the other overwhelming evidence pointing the same way. *Lavery*, 126 F.4th at 1178; see *Meehan*, 802 F.2d at 885-886.

Yet the Ninth Circuit reached the opposite conclusion. It reasoned that, because no language expressly "dictates" that "the minimum royalties are royalties on U.S. sales," it was free to reimagine the Minimum Royalty as compensation solely for Bard's Canadian patent and uphold the royalty on that basis—even though the agreement never actually mentions the Canadian patent. App., *infra*, 17a. The Sixth and Seventh Circuits have rejected strained efforts to recast royalties as payment for rights only vaguely alluded to in the license agreement. *Lavery*, 126 F.4th at 1178; see *Meehan*, 802 F.2d at 885-886. The Ninth Circuit embraced that effort.

The Sixth Circuit recognized, moreover, that a desire to avoid invalidating a royalty agreement cannot justify disregarding what the royalty is *actually for*. *Kimble* "does not permit courts to re-write a contract to create a form of compensation not identified in it." *Lavery*, 126 F.4th at 1177. By deeming the $15 million/year Minimum Royalty to be a "royalty" for Canadian sales totaling just $700,000 to $4 million/year—in the absence of *any* intrinsic or extrinsic evidence showing the parties actually agreed to such a bizarre deal—the Ninth Circuit committed precisely that error here.

II. THE ISSUE IS IMPORTANT AND RECURRING

Preventing patent owners from extracting "royalties for using an invention after it has moved into the public domain" reflects an important "'policy and purpose of the patent laws.'" *Kimble*, 576 U.S. at 453-454. That policy is so important the Framers enshrined it in the Constitution, declaring that patent exclusivity may last only "for limited Times." U.S. Const., art. I, § 8, cl. 8. "In case after case," "[t]his Court has carefully guarded" the "cut-off date" for patent rights. *Kimble*, 576 U.S. at 451-452 (citing, *e.g.*, *Sears, Roebuck & Co.* v. *Stiffel Co.*, 376 U.S. 225, 230-233 (1964); *Bonito Boats, Inc.* v. *Thunder Craft Boats, Inc.*, 489 U.S. 141, 152 (1989)). This case was "brewed in the same barrel." *Id.* at 452.

The Ninth Circuit's decision does not merely implicate that important federal policy; it turns the policy on its head. The decision abandons any meaningful inquiry into what post-expiration royalties are *actually for*. It ruled out-of-bounds any consideration of highly probative evidence, including from Bard's own witnesses, showing the parties specifically designed the Minimum Royalty to pay for Atrium's putative use of the U.S. patent in U.S. sales of iCast. The decision also brushed aside license terms that expressly tethered the Minimum Royalty to U.S. sales and U.S. regulatory approvals, on the ground that they did not "dictat[e]" that the royalty was for U.S. sales. App., *infra*, 17a. Instead, it cast about for something else—*anything* else—to which it could ascribe the $15 million/year Minimum Royalty, before alighting on a Canadian patent that the license agreement never actually mentions. In the end, the Ninth Circuit's avoid-*Brulotte*-at-all-costs approach led the court to pronounce that the $15 million/year Minimum Royalty somehow constituted "royalties" for Canadian sales whose *revenues* were *one twentieth* that amount when the agreement was signed, and *one quarter* that amount when the U.S. patent expired. C.A. ER 47, 310.

Brulotte is supposed to be "simplicity itself," *Kimble*, 576 U.S. at 459, not the contortionist exercise the Ninth Circuit performed here. And that court's refusal to ask the straightforward question *Brulotte* and *Kimble* require—what are the royalties really "for"?—will have serious consequences. As the district court explained, and the Ninth Circuit never disputed, it is "standard" practice for U.S. patent licenses to include boilerplate language granting rights to related foreign patents, and providing that the agreement runs until the last covered patent expires. App., *infra*, 38a-39a. As here, parties may agree to such terms without identifying specific foreign patents in the agreement, and even without knowing beforehand what the foreign patents or their expiration dates are—precisely because those patents are not the point of the license agreement or the royalties paid under it. See *ibid.*

The Ninth Circuit's decision transforms such standard-issue clauses into get-out-of-*Brulotte*-free cards. Any minimum or flat-rate ongoing royalty in a license agreement focused on a U.S. patent risks being reimagined, after the U.S. patent expires, as awarding indefinite royalties for some heretofore-unknown intellectual property in some country where the licensee may have little or no sales. Nor is that prospect farfetched: Here, the Ninth Circuit recast the Minimum Royalty as imposing a 400% to 2000% "royalty" on Atrium's modest Canadian sales.[3]

That the Ninth Circuit—home to Silicon Valley and one-fifth of all Americans—has adopted such an alarming rule is reason enough for this Court's intervention. And the issue arises frequently in courts across the country. In the last three years alone, it has been addressed by the Third, Sixth, Seventh, and Ninth Circuits, with vastly divergent outcomes. See pp. 20-26, *supra*. Numerous district courts have likewise confronted the question since *Kimble*, devising an equally diverse range of tests.[4]

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[3] Licensors can of course collect royalties on patents not specifically named in a license agreement; no one here disputes Atrium owed the standard 15% royalty on covered Canadian sales. But that is no reason to pretend Atrium agreed to pay a *400%+* royalty on those sales just because Bard's U.S. patent expired.

[4] See, *e.g.*, *Children's Med. Ctr. Corp.* v. *Celgene Corp.*, No. 13-cv-11573, 2016 WL 5746358, at *6 (D. Mass. Sept. 30, 2016) (considering "parties' negotiations and prior dealings"); *Novartis Pharma AG* v. *Incyte Corp.*, No. 1:20-cv-400, 2025 WL 1030018, at *8 (S.D.N.Y. Apr. 6, 2025) (considering negotiation history and "broader agreement"); *Honeywell Int'l Inc.* v. *Opto Elecs. Co.*, No. 3:21-cv-506, 2023 WL 3029264, at *11 (W.D.N.C. Apr. 20, 2023) (denying summary judgment because patent misuse requires "unfair patent leverage," which raises "question of fact"); *Goughnour* v. *Hayward Baker, Inc.*, No. 5:16-cv-191, 2018 WL 265588, at *5 (N.D. W. Va. Jan. 2, 2018) (finding *Brulotte* violation based on agreement's terms and inference against drafter);

A regional patchwork of law is especially untenable here. "One of the fundamental purposes behind the Patent and Copyright Clauses of the Constitution was to promote national uniformity in the realm of intellectual property." *Bonito Boats,* 489 U.S. at 162. To ensure that uniformity, Congress has specified that patent rights apply equally "throughout the United States," 35 U.S.C. § 154(a)(1), and directed most cases concerning patents to a single appellate forum, see 28 U.S.C. § 1295(a). But patent misuse often arises as a defense in contract cases or as an antitrust charge, and thus often falls outside the Federal Circuit's exclusive jurisdiction. See *Lavery*, 126 F.4th at 1174-1175; App., *infra*, 6a n.3. Only this Court can resolve the conflict.

III. This Case Is An Excellent Vehicle

This case is an ideal vehicle. The issue is squarely and cleanly presented. The Ninth Circuit specifically undertook to "clarify the proper application of *Brulotte*," and in doing so rejected consideration of circumstances beyond the agreement's terms. App., *infra*, 3a-4a, 11a-12a. Nor is there any doubt the difference in legal tests produced a difference in outcomes. The district court, considering all relevant evidence after a two-day bench trial, found clear-and-convincing evidence that the Minimum Royalty was for use of Bard's expired U.S. patent. The Ninth Circuit, looking only at the agreement itself, held the opposite.

There is likewise no doubt the Ninth Circuit's thumb-on-the-scale treatment of the agreement affected the outcome. By far the most natural understanding of the Minimum Royalty—which the parties' agreement express-

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Nautilus, Inc. v. *ICON Health & Fitness, Inc.*, 304 F. Supp. 3d 552, 567 (W.D. Tex. 2018) (relying on contract to reject *Brulotte* challenge), aff'd on other grounds, 754 F. App'x 292 (5th Cir. 2019).

ly tethered to iCast's *U.S.* sales and *U.S.* regulatory approvals—is that the royalty is "for" use of Bard's *U.S.* patent. The Sixth and Seventh Circuits have held similarly structured royalty provisions were "for" expired patents, not other rights hidden in the agreement. See pp. 21-23, *supra*. The Ninth Circuit held otherwise only by asking a very different question: Does any language "*dictat[e]*" that the Minimum Royalty was for the expired U.S. patent, or is it *possible* to find *anything* else the royalty *could* have been for—no matter how economically implausible? App., *infra*, 17a (emphasis added).

The license agreement here, moreover, is straightforward. It concerns just two patents (one U.S. and one Canadian) and a product (iCast) sold solely in the United States and expressly referenced in the royalty provision. This case does not present the complications that more complex license agreements, with many U.S. patents and varying expiration dates, might pose.

Indeed, both the license agreement and the district court's factual findings throw the question presented into exceptionally stark relief. Despite *every indication*—in the contract and outside it—that the Minimum Royalty was "for" use of the expired U.S. patent, the Ninth Circuit held as a matter of law that it was not. No other circuit would have approved that result.

IV. THE DECISION BELOW IS WRONG

The Ninth Circuit's decision defies the letter and spirit of *Brulotte* and *Kimble*. Those cases recognize that "'*any* attempted reservation or continuation * * * of the patent monopoly, after the patent expires, *whatever the legal device employed*, runs counter to the policy and purpose of the patent laws'" and is thus unenforceable. *Brulotte*, 379 U.S. at 31 (emphasis added); see *U.S. Gypsum Co.* v. *National Gypsum Co.*, 352 U.S. 457, 465 (1957) (patent "misuse" is an "equitable doctrine"). Those cases also provide a "simpl[e]" test for applying that rule: "A court need only ask whether a licensing agreement provides royalties *for* post-expiration use of a patent." *Kimble*, 576 U.S. at 459 (emphasis added). If it does, "no dice." *Ibid.*

A. Those broad, equitable principles are incompatible with the rigid approach the Ninth Circuit adopted. To ensure patentees do not extend patent monopolies past their expiration dates, *Brulotte* and *Kimble* require courts to consider the *substance* of a transaction, *regardless* of the particular "'legal device employed.'" *Brulotte*, 379 U.S. at 31; *Kimble*, 576 U.S. at 453. That practical inquiry—what is the royalty really "for"?—can sensibly be conducted only by considering the circumstances surrounding the license agreement.

Those circumstances can be highly probative, if not dispositive. For example, if the licensor's chief negotiator admits the royalty is compensation for U.S. sales of a product identified in the royalty provision, that is a good sign the royalty is "for" the U.S. patent rights associated with those U.S. sales. See pp. 9, 12-13, *supra*. If the royalty is twenty times the licensee's *revenues* in a given country, that is a good sign the royalty is *not* "for" sales in that country. See pp. 10-11, *supra*. Nothing in *Brulotte* or *Kimble*—or the equitable foundations on which they stand—requires courts to shut their eyes to such evidence.

To the contrary, *Brulotte* itself relied on evidence outside the license agreement. The license there covered twelve patents, one of them unexpired. 379 U.S. at 30 & n.2. The Court nonetheless looked beyond the written contract to consider the reality of the bargain—which patents were actually "incorporated into the machines," and thus what the royalties were actually "for." *Ibid.* That fact was critical to the Court's holding that the agreement was unenforceable "insofar as it allows royalties to be collected which accrued after the last of the patents *incorporated into the machines* had expired." *Id.* at 30 (emphasis added). Yet under the Ninth Circuit's approach, this Court never should have considered it.

The Ninth Circuit protested that looking to surrounding circumstances "would run afoul of the Supreme Court's statement that parties may 'find ways around *Brulotte*.'" App., *infra*, 14a (quoting *Kimble*, 576 U.S. at 453). But this Court was referring to arrangements under which post-expiration payments are really "for" something other than post-expiration use of the patent. See *Kimble*, 576 U.S. at 453. For example, such payments might be "defer[red] payments for *pre*-expiration use." *Ibid.* (emphasis added). Or they might be for rights that outlive the patent, as reflected by a reduced royalty rate after the patent expires. *Id.* at 454. Here, however, no court bought Bard's deferred-payment theory. And the Minimum Royalty was *not* discounted after the U.S. patent expired. More fundamentally, that *parties* may "find ways around *Brulotte*" while still complying with its strictures does not relieve *courts* of their duty to answer *Brulotte*'s fundamental question: What are the royalties actually "for"?

B. Even if the inquiry were restricted to the license agreement itself, the Ninth Circuit still got the law wrong. *Brulotte* requires courts to "ask whether a licensing agreement provides royalties for post-expiration use of a patent." *Kimble*, 576 U.S. at 459. That test plainly calls for a determination of what royalties are "for" *under the best understanding of the agreement*.

The Ninth Circuit made no meaningful attempt to ascertain whether the Minimum Royalty is best understood as payment for U.S. sales of iCast. Plainly it is: The

Minimum Royalty is expressly tied to iCast's sales and regulatory approval in the United States, the only country where iCast is sold. The Ninth Circuit, however, fixated on whether it was *possible* to find *anything* else the Minimum Royalty *could* have been for. It thus dismissed the Minimum Royalty's express references to U.S. iCast sales because they did not expressly "dictat[e]" that the Minimum Royalty was for those sales. App., *infra*, 17a. Instead, the court latched onto the later-expiring Canadian patent. Because it would have been *permissible* to charge royalties for that patent after the U.S. patent expired, the court declared that, post-expiration, the Minimum Royalty *should be deemed* to be "only" for use of the Canadian patent. *Id.* at 16a. It did so even though the license agreement never actually mentions the Canadian patent—and even though the Minimum Royalty dwarfed Atrium's total Canadian *revenues*.

Nothing in *Brulotte* or *Kimble* warrants such tunnel vision. Those precedents ask courts to decide whether royalties are "for" use of an expired patent—not to hunt for any fig leaf to obscure the obvious. The Ninth Circuit was evidently resistant to holding the parties' agreement partly unenforceable. But courts cannot save infirm license agreements by distorting them. As Chief Judge Sutton has explained, *Brulotte* and *Kimble* do "not permit courts to re-write a contract to create a form of compensation not identified in it." *Lavery*, 126 F.4th at 1177. The Ninth Circuit's attempt to "clarify" *Brulotte*, App., *infra*, 3a, led it to do precisely that.

And the error runs deeper. By replacing *Brulotte* and *Kimble*'s flexible inquiry into what royalties are "for," with a wooden test based on the stingiest possible reading of the agreement's literal terms, the Ninth Circuit's approach betrays patent misuse's inherently "equitable" nature.

U.S. Gypsum, 352 U.S. at 465. It allows patentees to avoid the consequences of leveraging their monopolies past the "limited Times" Congress and the Constitution allow, so long as they don't admit in their licenses that they have done so. That is not equity—or the principle of *Brulotte* and *Kimble*—but its opposite.

CONCLUSION

The petition should be granted.

Respectfully submitted.

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MAY 2025