

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA

SOUTHERN SNOW MANUFACTURING CO., INC. CIVIL ACTION

VERSUS

NO. 06-9170
09-3394
10-0791
11-1499

SNOWIZARD HOLDINGS, INC., et. al.

SECTION: "G" (1)

ORDER AND REASONS

Considering the disputed issues of law presented to the Court by the parties in the pretrial order,¹ accompanying memoranda of law,² and the supplemental memorandum of law,³ and having previously decided the other contested issues of law in a prior order,⁴ the Court makes the following conclusion as to the remaining contested issue of law which was presented as follows:

Issue: "Can the fraudulent application for a patent or trademark registration obtained by fraud be an antitrust violation?"⁵

1. Plaintiffs' Arguments

Plaintiffs argue that SnoWizard's conduct of "flooding the [United States Patent and Trademark Office ("USPTO)] with a series of fraudulent applications," constitutes anti-competitive behavior that violates the antitrust laws. Plaintiffs rely upon the Supreme Court's

¹ Rec. Doc. 636.

² Rec. Docs. 617, 619.

³ Rec. Doc. 647.

⁴ Order and Reasons, Rec. Doc. 649.

⁵ Pretrial Order, Rec. Doc. 636 at p. 18.

holding in *California Motor Transport Co. v. Trucking Unlimited*⁶ to support Plaintiffs' contention that fraudulent applications for patents and trademarks may be antitrust violations. According to Plaintiffs, *California Motor Transport* "made very clear that antitrust claims based on 'unethical conduct in the setting of the adjudicatory process,' including proceedings before federal agencies like the USPTO, are actionable"⁷:

Opponents before agencies or courts often think poorly of the other's tactics, motions, or defenses and may readily call them baseless. One claim, which a court or agency may think baseless, may go unnoticed; but a pattern of baseless, repetitive claims may emerge which leads the factfinder to conclude that the administrative and judicial processes have been abused. That may be a difficult line to discern and draw. But once it is drawn, the case is established that abuse of those processes produced an illegal result, viz., effectively barring respondents from access to the agencies and courts."⁸

Plaintiffs reason that willful false statements in an application to the USPTO for a trademark registration is an abuse of the administrative process and the abuse produces an illegal result, which constitutes an actionable antitrust violation under *California Motor Transport*.⁹ In support of this position, Plaintiffs rely on the Ninth Circuit's discussion of *California Motor Transport*:

Litigation is invariably costly, distracting and time-consuming; having to defend a whole series of such proceedings can inflict a crushing burden on a business. *California Motor Transport* thus recognized that the filing of a whole series of lawsuits and other legal actions without regard to the merits has far more serious implications than filing a single action, and can serve as a very effective restraint on trade. When dealing with a series of lawsuits, the question is not whether any one of them has merit—some may turn out to, just as a matter of chance—but whether they are brought pursuant to a policy of starting legal proceedings without regard to the merits and for the purpose of injuring a market rival. The

⁶ 404 U.S. 508, 513 (1972).

⁷ Rec. Doc. 619 at p. 3.

⁸ *Id.* (citing 404 U.S. 573).

⁹ *Id.*

inquiry in such cases is prospective: Were the legal filings made, not out of a genuine interest in redressing grievances, but as part of a pattern or practice of successive filings undertaken essentially for purposes of harassment?¹⁰

Thus, Plaintiffs argue that by flooding the USPTO with a series of fraudulent applications, SnoWizard has turned the USPTO application process, the TTAB appeal process, and the opposition and cancellation process into an anti-competitive weapon to damage its competitors.¹¹

2. SnoWizard's Arguments

SnoWizard explains that Plaintiffs are attempting to rely on *California Motor Transport* to argue that the “sham” litigation exception to the *Noerr-Pennington* doctrine¹² “should apply to purportedly fraudulent ‘filings’ of patent and trademark applications.” SnoWizard argues that *California Motor Transport* “did not remotely extend the ‘sham litigation’ exception” to proceedings before the USPTO. SnoWizard also emphasizes that the “sham” litigation exception does not apply to ex parte proceedings before the USPTO,¹³ and all precedent relied upon by Plaintiffs involve inter partes proceedings.¹⁴ Additionally, SnoWizard explains that because competitors are not even involved in the mere filing of a patent or trademark

¹⁰ *Kaiser Foundation Health Plan v. Abbott Labs.*, 552 F.3d 1033, 1046 (9th Cir. 2009).

¹¹ Rec. Doc. 619 at p. 4.

¹² See *Eastern R.R. Presidents Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961); *United Mine Workers v. Pennington*, 381 U.S. 657, 669-671 (1965).

¹³ Rec. Doc. 647 at p. 2.

¹⁴ *Id.* at p. 3.

application, a competitor's right cannot be impacted in any way and their access to an agency or court cannot be impaired.¹⁵

Moreover, SnoWizard contends that even if the filing of patent and trademark applications could be interpreted as "litigation," such filings would have to be "objectively baseless" and the baseless litigation must have been used to "conceal an attempt to interfere directly with a business relationship through the use of the governmental process, as opposed to the outcome of that process, as an anti-competitive weapon."¹⁶ SnoWizard argues that the filing of trademark applications cannot possibly be "objectively baseless," because the determination of whether a mark is generic, descriptive, or fanciful is highly subjective.¹⁷ SnoWizard further reasons that SnoWizard's use of the process for filing patent and trademark applications cannot possibly interfere with Plaintiffs' business relationships because they are not involved in any way in the process.¹⁸

Based on the premise that the "sham" litigation exception to the *Noerr-Pennington* doctrine should not apply to this case, SnoWizard also notes that it "could find no case law that addressed the issue of whether the mere filing of a fraudulent application could violate antitrust laws."¹⁹ However, SnoWizard claims that such a claim is baseless on its face, because "an antitrust plaintiff must show that a defendant's actions had a dangerous probability of

¹⁵ *Id.* at p. 3.

¹⁶ *Id.* at pp. 5-7 (citing *Professional Real Estates v. Investors, Inc. v. Columbia Pictures, Inc.*, 508 U.S. 49 (1993)).

¹⁷ Rec. Doc. 647 at p. 5.

¹⁸ *Id.* at pp. 7-8.

¹⁹ Rec. Doc. 617 at p. 5.

monopolizing the relevant market.”²⁰ Yet, “simply filing a patent or trademark application provides no monopoly whatsoever,” because the application must be approved by the USPTO in order for any rights be conferred to the applicant.²¹

3. Analysis

The issue before the Court, regarding whether the filing of applications for patents and trademarks may constitute antitrust violations, has not been addressed in any controlling legal authority this Court can find or that the parties have presented.

SnoWizard’s argument that the application for a patent or trademark cannot possibly be an antitrust violation, is persuasive, because no rights are conferred until the patent or trademark registration is actually granted, and therefore there can be no danger of monopolizing a market during the application process. However, Plaintiffs attempt to convince this Court that the fraudulent applications for patents and trademarks they allege are presented in this case, could constitute antitrust violations under the “sham” litigation exception to the *Noerr-Pennington* doctrine. Because the “sham” litigation exception has not previously been applied to the filing of patent and trademark applications, Plaintiffs are asking this Court to expand the law beyond what the current precedent allows. This Court does not find it appropriate here to expand the scope of the antitrust laws beyond the rule of law articulated by the Supreme Court and the Fifth Circuit.

The First Amendment guarantees the right to petition, and the Supreme Court has recognized that these First-Amendment rights can immunize parties from antitrust claims in

²⁰ *Id.*

²¹ *Id.*

certain circumstances. In *Noerr*, the Supreme Court recognized that antitrust violations cannot “be predicated upon mere attempts to influence the passage or enforcement of laws.”²² In *Pennington*, the Supreme Court held that “[j]oint efforts to influence public officials do not violate the antitrust laws even though intended to eliminate competition.”²³ In *California Motor Transport*, the Court extended the right to petition protected by the *Noerr-Pennington* doctrine, which had applied to petitioning the legislative and executive arms of government, to “all departments of the Government,” because:

[I]t would be destructive of rights of association and of petition to hold that groups . . . may not without violating the antitrust laws, use the channels and procedures of state and federal agencies and courts to advocate their causes and points of view. . . vis-à-vis their competitors.²⁴

However, there are exceptions to the *Noerr-Pennington* doctrine, and one such exception is “sham” petitioning, which involves petitioning that, although “ostensibly directed toward influencing governmental action, is a mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor.”²⁵ Therefore, the “sham” litigation exception involves a party instituting litigation, not to seek judicial relief but to harm a business competitor.²⁶ The Supreme Court has articulated a two-part definition of “sham” litigation: (1) the lawsuit must be “objectively baseless” in that “no reasonable litigant could conclude that the suit is reasonably calculated to elicit a favorable outcome;” and (2) the baseless lawsuit must involve an attempt to “interfere directly with the

²² 365 U.S. at 135.

²³ 381 U.S. at 670.

²⁴ 404 U.S. at 510-11.

²⁵ *Noerr Motor Freight, Inc.*, 365 U.S. at 144.

²⁶ See *Professional Real Estate Investors*, 508 U.S. at 60-61.

business relationships of a competitor” through the “use of the governmental process as an anti-competitive weapon.”²⁷ The Fifth Circuit has held that a “litigant should enjoy immunity from the antitrust laws so long as a genuine desire for judicial relief is a significant motivating factor underlying the suit.”²⁸ Although the Fifth Circuit has refused to lay down a categorical rule that successful petitions can never be a sham, success on the merits is forceful evidence that the petitioner did in fact wish to influence the governmental decision and obtain the relief for which prayed.²⁹

Here, Plaintiffs wish to argue to the jury that SnoWizard has flooded the USPTO with fraudulent applications for patents and trademarks, resulting in an abuse of the adjudicatory process in an attempt to injure its competitors. The Court is not persuaded that the allegedly fraudulent applications for patents and trademarks are antitrust violations or constitute “sham” litigation. Both the Plaintiffs here and SnoWizard have a right of access to the USPTO. However, the nature of the application process before the USPTO, does not involve any hindrance to a business competitor, as it is an *ex parte* proceeding. It is the case, that once rights are *granted* in a patent or trademark, the enforcement of those rights may interfere with a business competitor, although not necessarily in violation of any law. However, the mere application for a patent or trademark does not involve business competitors in any way, nor does it preclude business competitors from making their own applications to the USPTO. If anything, under Plaintiffs’ interpretation of the law, SnoWizard’s right to apply for patents and applications before the USPTO is indeed protected by the Supreme Court’s holding in

²⁷ *Id.* (internal citations omitted).

²⁸ *Coastal States Marketing, Inc. v. Hunt*, 694 F.2d 1358 (5th Cir. 1983).

²⁹ *In re Burlington Northern, Inc.*, 822 F.2d 518 (5th Cir. 1987).

California Motor Transport that the right to petition includes the right to “use the channels and procedures of state and federal agencies and courts to advocate their causes.”³⁰ Because there is no interference with business competitors and the application process is *ex parte*, it is not even clear that the Court needs to address the “sham” litigation exception to the *Noerr-Pennington* doctrine, as SnoWizard’s patent and trademark applications are not “litigation” in any sense.

Nonetheless, the “sham” exception requires that the patent and trademark applications be objectively baseless and be an attempt to conceal efforts to interfere directly with a business relationship through the use of the governmental process. Even if such applications were deemed litigation, the applications at issue here are in no way objectively baseless. Indeed, SnoWizard is correct that the determination about the level of distinctiveness that a mark possesses is “highly-subjective.”³¹ Moreover, the Fifth Circuit has recognized that “success on the merits is forceful evidence”³² that such applications were not objectively baseless, and SnoWizard has been successful in many of its applications.

For the foregoing reasons,

IT IS HEREBY ORDERED that the allegedly fraudulent applications for patents and trademarks do not constitute antitrust violations pursuant to the “sham” litigation exception to the *Noerr-Pennington* doctrine as the claims are presented here, and may not serve as evidence of anti-competitive conduct for Plaintiffs’ antitrust claims under Clayton Act § 4 and §16, 15 U.S.C. § 15 and §26, and the Sherman Antitrust Act § 2, 15 U.S.C. § 2, Louisiana Revised

³⁰ 404 U.S. at 510-11.

³¹ Rec. Doc. 647 at pp. 5-6.

³² *In re Burlington Northern, Inc.*, 822 F.2d at 528.

Statue § 51:123, 129, and 137, and under Texas Business and Commercial Code §15.05 and §15.21.

NEW ORLEANS, LOUISIANA, this 25th day of February, 2013.


NANNETTE JOLIVETTE BROWN
UNITED STATES DISTRICT JUDGE