No. 18-1367

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

INTELLECTUAL VENTURES I LLC,
INTELLECTUAL VENTURES II LLC,

Plaintiffs – Appellees

INVENTION INVESTMENT FUND II, LLC,
INTELLECTUAL VENTURES MANAGEMENT, LLC,
INVENTION INVESTMENT FUND I, L.P.

Third Party Defendants – Appellees

v.

CAPITAL ONE FINANCIAL CORPORATION, CAPITAL ONE BANK (USA), NATIONAL ASSOCIATION, CAPITAL ONE, NATIONAL ASSOCIATION

Defendants/Third Party Plaintiffs – Appellants

Appeal from the United States District Court
District of Maryland, No. 8:14-cv-111-PWG, Judge Paul W. Grimm

---

APPELLEES' BRIEF

ROBERT E. FREITAS
DANIEL J. WEINBERG
JESSICA N. LEAL
FREITAS & WEINBERG LLP
350 Marine Parkway, Suite 200
Redwood Shores, California 94065

Telephone: (650) 593-6300
Facsimile: (650) 593-6301

Attorneys for
Intellectual Ventures I LLC
Intellectual Ventures II LLC
Invention Investment Fund II, LLC,
Intellectual Ventures Management, LLC,
Invention Investment Fund I, L.P.

CERTIFICATE OF INTEREST

Counsel for Appellees certifies the following:

1. Full Name of Party represented by me:
Intellectual Ventures I LLC
Intellectual Ventures II LLC
Intellectual Ventures Management, LLC
Invention Investment Fund I, L.P.
Invention Investment Fund II, LLC

2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:
Intellectual Ventures I LLC
Intellectual Ventures II LLC
Intellectual Ventures Management, LLC
Invention Investment Fund I, L.P.
Invention Investment Fund II, LLC

3. Parent corporations and publicly held companies that own 10 percent or more of stock in the party:
None.

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case) are:

FREITAS ANGELL & WEINBERG LLP

Robert E. Freitas
Daniel J. Weinberg
Jessica N. Leal
Rachel B. Kinney
350 Marine Parkway, Suite 200
Redwood Shores, CA 94065
Telephone: (650) 593-6301
Facsimile: (650) 593-6301

FUNK & BOLTON, P.A.

Bryan D. Bolton
100 Light Street,
Suite 1400
Baltimore, MD 21202
Telephone: (410) 659-7700
Facsimile: (410) 659-7773

FEINBERG DAY ALBERTI &
THOMPSON LLP

Ian N. Feinberg
Margaret Elizabeth Day
David L. Alberti
Clayton Thompson
Marc Belloli
Yakov Zolotorev
Sal Lim
Jeremiah A. Armstrong
Nickolas Bohl
Vinay Malik
1600 El Camino Real, Suite 280
Menlo Park, California 94025
Telephone: (650) 618-4360
Facsimile: (650) 618-4368

Terminated

Michael Edward McCabe, Jr.
McCabe Law LLC
9233 Fall River Lane
Potomac, MD 20854
Telephone: (301) 968-0546
Facsimile: (888) 522-6855

Terminated

David Taylor Rudolph
Eric B. Fastiff
Patricia Ann Dyck
LIEFF CABRASER HEIMANN
AND BERNSTEIN LLP
275 Battery St, 29th Floor
San Francisco, CA 94111
Telephone: (415) 956-1000
Facsimile: (415) 956-1008

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. *See* Fed. Cir. R. 47.4(a)(5) and 47.5(b).

   None.

Date: August 28, 2018

<u>/s/Robert E. Freitas</u>
Robert E. Freitas

TABLE OF CONTENTS

Page

TABLE OF CONTENTS
(continued)

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

TABLE OF AUTHORITIES

Page(s)

Federal Cases

State Cases

Federal Statutes

Rules

Other Authorities

Capital One Financial Corporation and its affiliates ("Capital One") asserted antitrust counterclaims identical to counterclaims dismissed in a prior case. The counterclaims depend on issues resolved against Capital One after a full and fair opportunity to be heard in the prior proceeding. Issue preclusion bars relitigation by Capital One.

The *Noerr-Pennington* doctrine bars Capital One's attempt to transform the filing of well-founded lawsuits into an implausible "scheme" subject to antitrust scrutiny. The infringement claims in issue were not alleged to be "objectively baseless," and they are therefore not subject to the "sham exception" to *Noerr-Pennington*. Capital One's surprising argument that it presented a case not dependent on protected petitioning has no substance.

COUNTERSTATEMENT OF THE CASE

Intellectual Ventures Background

Beginning in 2003, capital for Intellectual Ventures "Invention Investment Funds," was raised from outside institutional investors. Appx107125; Appx106080. The Funds acquired patents from sellers of various types and sizes. *See* Appx107123 at 18:21-19:5. Investors were given the opportunity to license patents acquired by the Funds, and potentially obtain a financial return upon monetization of fund assets. Appx107125 at 26:13-28:17.

For many years, no lawsuits were filed. Appx103415. But some companies are not willing to pay for their use of technology owned by others. Recognizing that licensing efforts would be impaired if potential licensees knew there were no consequences to unlicensed use, Plaintiffs Intellectual Ventures I and Intellectual Ventures II filed their first lawsuits in December 2010. *See* Appx103429; Appx107141 at 89:19-22.

Patent Acquisition

Investors in the IIF Funds are not required to participate in every asset acquisition. Appx103416. They benefit from, and share expenses associated with, the acquisitions they select. *Id.* To facilitate efficient tracking and accounting, each acquisition was made through a separate limited liability company. Appx103415-103416. Appellees produced detailed, transaction-by-transaction information about the acquisitions, and the subsequent accounting, in discovery. *See, e.g.*, Appx112059-112061. Capital One attempts to denigrate the acquisition entities by labelling them “shell companies,” Capital One Br. 10, but Capital One did not challenge the business and accounting explanations for their use. Many so-called "shells" made multi-million dollar acquisitions with capital provided by the Funds. *See, e.g.,* Appx112059.

Capital One alleged that a series of "targeted" acquisitions aimed at suing banks were made. Capital One Br. 4. It never identified any patents acquired this way. Capital One's brief claims targeted "gap filling," Capital One Br. 5, but it proved none. Instead, Capital One cited group patent acquisitions that included patents given a "financial services" label. *Id.* By December 2010, before the "retail banking program" was even conceived, all but two of the patents subsequently asserted against Capital One had been acquired. Appx103415; Appx103531.

Many of the acquisitions made by the Funds involved predictions about technologies not currently in use, or not widely used. Appx103418. In the fashion of investors in other fields, the Funds used skill and judgment to try to predict the future direction of technology.

The "Retail Banking Program"

Some of the licensing activities at Intellectual Ventures were eventually organized around industry-focused "programs." A "retail banking program" was commenced in 2011. Appx103428.

The foundational activity for the retail banking program was a "mining" exercise intended to identify relevant, previously-acquired patents that banks might wish to license. Appx103586. The engineering staff used class codes, Derwent codes, and word searching. This "three lens" process was not scientifically precise, or intended to generate a list of patents infringed by any particular bank. *See* Appx103430. Approximately 7,600 patents, not all identifiable as "banking" or "financial services" patents, matched the mining criteria. *Id.* In discovery, Appellees produced a list of 7,600 patents retrieved through a 2016 replication of the initial mining exercise. *See, e.g.,* Appx111835-111836; Appx108359-108367.

During an August 2013 settlement meeting, an estimate of 3,500 patents "relevant" to retail banking was proffered. Appx107953 at 42:5-10. Capital One used that estimate to create the concept of "IV's financial services portfolio," an unspecified group of 3,500 patents of unknown scope.

The patents acquired by the Funds are a tiny percentage of the U.S. patents in their class codes. Intellectual Ventures companies owned only 12 of the 3,920 patents in class code 715/234, and no more than 7.1 percent of the patents in any subclass. Appx103586; Appx105563-105565. Only 13 patents were asserted against any banks. Capital One's assertion that "IV's own position in licensing negotiations is that banks must buy a license to its portfolio to continue their businesses," Capital One Br. 33, is fantasy.

The value offered to banks was not based entirely on current use of patented technology. Access to new technologies that might later be valuable, a license to future-acquired patents, and the opportunity to partner in co-invention and other projects, are among the other asserted benefits presented. *See* Appx103418; Appx103431.

Licensing Efforts

In March 2013, retail banking licensing efforts began. Appx103428. Approximately 150 of the more than 13,000 U.S. banks were contacted. Appx103429. Some, like Capital One, are among the largest in the United States, or the world. No banks of any size agreed to a license. Appx103431.

Some banks showed interest in further discussions. *See, e.g., id*. Information about possible infringement of exemplary patents was made available in an electronic "data room," conditioned on the execution of a non-disclosure agreement. Appx103429-103430. An opening financial proposal could also be made. Appx103428.

The financial proposals were based on a model, recorded in a spreadsheet, *e.g.,* Appx111529-111535, that attempted to calculate the benefits or cost savings associated with the use of technology in the areas in which patent coverage was perceived. Financial analysis was based on publicly available information, and was not presented as a "demand." Appx113323-113325. (The opening proposal to Capital One was more than twice the dollar amount that would have been accepted. *Id.*) In a typical interaction, a spreadsheet containing the analysis was delivered, and feedback from the bank was solicited. Appx103428.

In litigation, Capital One expressed concern that the draft non-disclosure agreement had a clause restricting the use of information provided during licensing negotiations. *See* Appx102934 at 195:1-21. Fourteen other banks executed the agreement, Appx103429, and two removed the clause alleged to be of concern. *See, e.g.* Appx103465-103468.

The Appellees produced records of all of the bank interactions, but Capital One sought discovery only from Wells Fargo. Michael Gallagher of Wells Fargo testified that Wells Fargo was not presented with a "take it or leave it" demand. *See* Appx103044 at 78:11-22. He described an interaction extending over a period of years, and including receipt of a complete list of patents. Appx103051 at 105:7-106:15. Claim charts were presented and discussed, and a licensing proposal was made and modified. Appx103044-103045 at 77:23-82:11. The lengthy discussions did not lead to a license, or to litigation. Appx103040 at 61:12-62:4.

The interaction with Capital One was less extensive. In March 2013, Mark Young sent an email inquiring about Capital One's interest in a licensing discussion. Appx103428-103429, 103439-103443. He was directed to Dennis Browne, Capital One's chief technology lawyer, but was told Mr. Browne had "too much going on," and would not have time to discuss a license. Appx103440. There was no further pre-suit interaction. *See* Appx108292 at 289:1-18.

The Virginia Lawsuit

In June 2013, Intellectual Ventures I and Intellectual Ventures II filed a patent infringement lawsuit in the Eastern District of Virginia, assigned to Judge Anthony Trenga. Appx108435-108436. Five patents were asserted. In April 2014, four patents were held not to claim patentable subject matter. This Court affirmed the district court's section 101 rulings and the claim construction order that led to the stipulation of non-infringement of one patent. *See* Appx100332-100334.

Capital One filed a motion for attorneys' fees under 35 U.S.C. section 285, arguing that the Plaintiffs' infringement claims were "objectively unreasonable," and presenting the fanciful story of an extortive "scheme" it presents in this Court. Judge Trenga denied the section 285 motion. Appx100332-100333. Capital One did not appeal.

Capital One's Virginia Counterclaims

In August 2013, Capital One filed counterclaims alleging violations of Section 2 of the Sherman Act and Section 7 of the Clayton Act. *See* Appx100099-100110 (Amended). Capital One asserted a purported relevant market consisting exclusively of patents owned by Intellectual Ventures companies. *See* Appx100520. During the hearing on the motion to dismiss the counterclaims, Capital One's lawyer agreed with Judge Trenga's conclusion that the claimed market consisted of a group of 3,500 patents. Appx100147-100148.

Capital One has never alleged, or tried to prove, that the patents comprising its purported market are substitutes for each other, or that patents or products that are substitutes for those patents are not owned by others. *See* Appx200758; Appx102551 at 337:2-5; Appx200871-200876. Capital One nonetheless continues to assert that the acquisition of patents by the Intellectual Ventures companies "reduced Capital One's access to other patents or unpatented alternatives that could serve its needs." Capital One Br. 34. All of the patents were alleged to be invalid, not infringed, and "weak." Appx100083-100084; Appx100102. Capital One oddly alleged the possession of monopoly power in a market consisting of the "invalid" and "not infringed" patents.

Capital One pleaded that patents had been unlawfully acquired, but the counterclaim did not identify any specific acquisitions. *See generally* Appx100099-100110.

"Not A Relevant Market Under Any Recognized Antitrust Jurisprudence"

Judge Trenga held the market alleged by Capital One "not a relevant market under any recognized antitrust jurisprudence." *Intellectual Ventures I, LLC v. Capital One Financial Corp.*, 2013 U.S. Dist. LEXIS 177836, at *17-18 (E.D. Va. Dec. 18, 2013). The Section 2 counterclaims were dismissed on multiple grounds. *Id.* at *27. The

Section 7 counterclaim was dismissed because Capital One did not allege facts sufficient to make it plausible that "the effect of" the unidentified acquisitions "may be substantially to lessen competition, or to tend to create a monopoly." *See* 15 U.S.C. § 18. Judge Trenga also concluded that the counterclaims were barred by the *Noerr-Pennington* doctrine. *See* 2013 U.S. Dist. LEXIS 177836, at *24-25. Capital One requested that the dismissal of its counterclaims be "without prejudice." Appx100160-100161. The request was denied. *See* Appx100168-100169.

Maryland Counterclaims

A second lawsuit asserting five different patents was filed by the Plaintiffs in the District of Maryland, and assigned to Judge Paul Grimm. Appx108480-108481. Capital One filed a motion for leave to assert Section 2 and Section 7 counterclaims. Appx200005-200006. Over claim and issue preclusion objections, among others, Judge Grimm granted leave to amend. Appx103371-103372. Capital One also filed what was designated a Third Party Complaint against non-plaintiffs Intellectual Ventures Management LLC, IIFI, and IIFII. Those parties filed a motion to dismiss, but it, too, was denied. Appx108749-108752.

Capital One Abandons Its Appeal

When leave to amend was granted in Maryland, Capital One requested dismissal of its appeal of the Virginia judgment. Appx100349-100355. The Appellees opposed, and pointed out that dismissal of the appeal would result in claim and issue preclusion bars. Appx200886-200896. The Court granted Capital One's motion to dismiss its appeal. Appx100439-100440.

SUMMARY OF THE ARGUMENT

This appeal requires no more than the straightforward application of issue preclusion and *Noerr-Pennington* basics to antitrust counterclaims wrongly based on an attempt to make well-founded allegations of patent infringement the fulfillment of an unproven and implausible "scheme."

Capital One elected to defend against a patent infringement case filed in the Eastern District of Virginia by making counterclaims under Section 2 of the Sherman Act and Section 7 of the Clayton Act. The foundation of the claims was the untenable idea that a group of patents claiming technologies not claimed to be substitutes for each other comprised a relevant antitrust market.

"The requirement that a relevant market must be limited to *substitutes* is so clear that few courts fail to see it." Philip E. Areeda & Herbert Hovenkamp, *Antitrust Law* ¶565a (2017). Justice Breyer has recently pointed out that the grouping of non-substitutes in a single market is "economic nonsense." *Ohio v. Am. Express Co.*, 138 S. Ct. 2274, 2295-96 (2018) (Breyer, J., dissenting). The Virginia court dismissed the counterclaims, in part because the claimed market "is not a 'relevant market' under any recognized antitrust jurisprudence." *Intellectual Ventures I*, 2013 U.S. Dist. LEXIS 177836, at *17-18.

Capital One filed an appeal, but abandoned the appeal, to present the same counterclaims in the District of Maryland. That court held that issue preclusion barred the attempt to relitigate issues finally resolved in Virginia.

On appeal, Capital One tries to avoid issue preclusion on two bases. First, it insists the market alleged is not the "identical" market asserted in Virginia. But Capital One's lawyer acknowledged that the market asserted in Virginia was the same collection of 3,500 patents later placed in issue here. Appx100147-100148. Capital One presented the issue for decision on appeal as whether the Intellectual Ventures companies violated the antitrust laws by amassing those patents. Appx100185. The market alleged in both cases is "the same."

Capital One also argues that, because "alternative determinations" were cited in Virginia, it may relitigate with impunity. Fourth Circuit law applies defensive issue preclusion to "alternative determinations," however, and Capital One cannot use its failure on multiple issues as a basis for relitigating identical claims dependent on identical issues.

Capital One relies on *In re Microsoft Corp. Antitrust Litig.*, 355 F.3d 322, 326 (4th Cir. 2004). *Microsoft* is an offensive issue preclusion case, and it does not apply to defensive issue preclusion. In *Ritter v. Mount St. Mary's College*, 814 F.2d 986, 994 (4th Cir. 1987), the Fourth Circuit endorsed the application of defensive issue preclusion in alternative determination cases, and in this case and *Zeno v. United States*, No. DKC 09-0544, 2009 WL 4910050, at *8 (D. Md. Dec. 11, 2009), the only cases on point, the conclusion was that *Ritter* controls when defensive issue preclusion is sought.

Capital One claims the district court "invented" a distinction between defensive and offensive preclusion. But the distinction is so well known and legally significant that the Supreme Court established a separate analytical framework for offensive cases in *Parklane Hosiery Co. v. Shore*, 439 U.S. 322 (1979). *Parklane Hosiery* guided the Fourth Circuit's application of offensive issue preclusion in *Microsoft*.

Capital One's issue preclusion arguments do not save its Section 7 counterclaim. No additional patents were acquired after Capital One's original counterclaim was filed. Appx103415. The question of whether the effect of the patent acquisitions in issue was "substantially to lessen competition, or to tend to create a monopoly" in a properly defined relevant market is therefore identical to the issue presented in Virginia. The Virginia court dismissed Capital One's Section 7 counterclaim because no such effect was plausible. The Section 7 aspect of the judgment should be affirmed because the competitive effect issue is "identical," and no "alternative determinations" were made.

In the district court, Capital One made constitutionally-protected petitioning activity an integral part of its claim. (After all, what could a putative monopolist hope to gain by acquiring patents, "concealing" them, and never asserting, or threatening to assert, them? *See Virtue v. Creamery Package Mfg., Co.,* 227 U.S. 8, 37-38 (1913)). Capital One was therefore required to prove that the Plaintiffs engaged in conduct falling within the "sham litigation" exception to the *Noerr-Pennington* doctrine. It could not.

In *Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49 (1993) ("*PRE*"), the Supreme Court adopted a two-part sham litigation test. The challenged petitioning activity must first be "objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits." "[I]f a suit is not objectively baseless, an antitrust defendant's subjective motivation is immaterial." *Nobelpharma AB v. Implant Innovations, Inc.*, 141 F.3d 1059, 1072 (Fed. Cir. 1998).

In the Virginia proceeding, Capital One filed a motion for attorneys' fees under 35 U.S.C. section 285. Capital One unsuccessfully argued that the Virginia infringement claims were "objectively unreasonable." Capital One did not try to relitigate the rejection of this argument in Maryland, and it did not argue that the infringement claims made in Maryland were objectively baseless. The district court therefore correctly held that Capital One could not satisfy *PRE*, and granted summary judgment on the basis of the *Noerr-Pennington* doctrine.

Unable to satisfy *PRE*, Capital One tries to remake its case on appeal. The "principal monopolizing conduct" in issue has become the acquisition (and "concealment") of patents not proved to be substitutes, and Capital One's signature point is now that *Noerr-Pennington* does not apply to non-petitioning conduct. But it is "economic nonsense" to suggest that the acquisition of non-substitutes could be illegal, and "concealment" of one's ownership of publicly available, non-substitute patents has no conceivable impact on competition. Issue preclusion also prevents any argument to the contrary.

Capital One contends there is an exception to *PRE* that applies when a "whole series" of petitions is made. Despite decades of contrary Supreme Court pronouncements on the subject, the "exception to the exception" supposedly does not include an objective component.

Ever since *Eastern R.R. Presidents' Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961), it has been settled that the defendant's subjective intent does not render the exercise of petitioning rights illegal. The *PRE* Court "wrote nothing to suggest that its ruling would have been different had the defendant filed a series of objectively reasonable suits." *Puerto Rico Tel. Co. v. San Juan Cable LLC*, 874 F.3d 767, 771 (1st Cir. 2017), *cert. denied*, 138 S. Ct. 1597 (2018).

The exception to the exception is not available to Capital One under Federal Circuit law. In *ERBE Elektromedizin GmbH v. Canady Technology LLC*, 629 F.3d 1278, 1291 (Fed. Cir. 2010), without deciding whether *PRE* could be limited, this Court determined that three lawsuits is not a "whole series." The two lawsuits in issue here are not sufficient.

An *amici* brief submitted by the United States and the Federal Trade Commission requests advisory comment, based on a "suggestion" the district court did not make. The ambiguous single sentence the government cites, and rewrites, does not contain the suggestion the government fears.

The antitrust laws are designed for the protection of the competitive process. No harm to competition can be shown by the unsuccessful licensing activities of the Intellectual Ventures companies. Rhetoric and factual distortions cannot take the place of actual evidence and the antitrust analysis required by law. "Even an act of pure malice by one business competitor against another does not, without more, state a claim under the federal antitrust laws; those laws do not create a federal law of unfair competition or 'purport to afford remedies for all torts committed by or against persons engaged in interstate commerce.'" *Brooke Group Ltd. v. Brown & Williamson Tobacco Corp.*, 509 U.S. 209, 225 (1993) (quoting *Hunt v. Crumboch*, 325 U.S. 821, 826 (1945)). There is no basis for the distortion of antitrust law advocated by Capital One.

ARGUMENT

STANDARD OF REVIEW

The Fourth Circuit, like this Court, reviews a grant of summary judgment *de novo*, applying "'the same legal standards as the district court' while 'viewing all facts and reasonable inferences therefrom in the light most favorable to the nonmoving party.'" *Lawson v. Gault*, 828 F.3d 239, 247 (4th Cir. 2016). "[R]eview is not limited to the grounds the district court relied upon, and [the Court] may affirm 'on any basis fairly supported by the record.'" *Id.* at 247.

I. CAPITAL ONE'S COUNTERCLAIMS ARE BARRED BY ISSUE PRECLUSION.

Capital One asserted counterclaims in the Eastern District of Virginia, suffered an adverse adjudication on the merits, appealed to this Court, abandoned its appeal, and then claimed an unlimited right to reassert identical counterclaims in a second forum. This is not permitted.

The "determination of a question directly involved in one action is conclusive as to that question in a second suit." *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1302 (2015) (quoting *Cromwell v. County of Sac*, 94 U.S. 351, 354 (1877)), *see generally Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 107-08 (1991). Issue preclusion, sometimes called collateral estoppel, "bars 'successive litigation of an issue of fact or law actually litigated and resolved in a valid court determination essential to the prior judgment,' even if the issue recurs in the context of a different claim." *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008) (quoting *New Hampshire v. Maine*, 532 U.S. 742, 748-49 (2001)); *Weinberger v. Tucker*, 510 F.3d 486, 491 (4th Cir. 2007). The repose resulting from issue preclusion "is justified on the sound and obvious principle of judicial policy that a losing litigant deserves no rematch after a defeat fairly suffered, in adversarial proceedings, on an issue identical in substance to the one he subsequently seeks to raise." *Astoria*, 501 U.S. at 107-08.

Under Fourth Circuit law, a party invoking issue preclusion must demonstrate that (1) the issue is identical to the one previously litigated; (2) the issue was actually resolved in the prior proceeding; (3) the issue was critical and necessary to the judgment in the prior proceeding; (4) the judgment in the prior proceeding is final and valid; and (5) the party to be foreclosed by the prior resolution of the issue had a full and fair opportunity to litigate the issue in the prior proceeding. *Microsoft*, 355 F.3d at 326.

The market issue on which the district court relied in granting summary judgment was "actually resolved" in the Eastern District of Virginia, and so were various other issues whose prior resolution is fatal to Capital One. *See* Section I.B, *infra*. There was a "valid" and "final" judgment, and Capital One briefly appealed the judgment. *See* Appx100170; Appx100185. Capital One does not deny that it had a "full and fair opportunity to litigate." Capital One questions only whether the district court properly concluded that the market rejected in Virginia is "identical" to the market reasserted in this case, and whether the rejection of its purported market was "critical and necessary."

A. Issue Preclusion On Competitive Effect Dooms The Section 7 Counterclaim.

Although "[p]atent acquisitions are not immune from the antitrust laws," *SCM Corp. v. Xerox Corp.*, 645 F.2d 1195, 1205 (2d Cir. 1981), patent acquisition is not unlawful under Section 7 of the Clayton Act unless "the effect of such acquisition may be substantially to lessen competition, or to tend to create a monopoly" in a properly defined relevant market. *See* 15 U.S.C. § 18; *see United States v. E. I. du Pont de Nemours & Co.*, 353 U.S. 586, 593 (1957).

Judge Trenga dismissed the Section 7 counterclaim because Capital One could not satisfy the competitive effect requirement. 2013 U.S. Dist. LEXIS 177836, at *30. No new patents were acquired after the dismissed counterclaim was filed, *see* Appx103415, and the competitive effect issue presented here is therefore "identical."

Judge Grimm properly granted summary judgment on the Section 7 counterclaim on a market-based issue preclusion rationale, but this Court may affirm on any basis supported by the record. *See Lawson*, 828 F.3d at 247. Issue preclusion additionally requires affirmance on the basis of the competitive effect issue, without regard to "alternative determinations" considerations. *See* Section 1.D, *infra*.

B. Capital One's Claims Are Based On "The Same" Market.

Judge Trenga's determination that Capital One's purported market "is not a 'relevant market' under any recognized antitrust jurisprudence" prevents relitigation of Capital One's counterclaims. Issue preclusion also applies to the question of whether the Intellectual Ventures companies have monopoly power, the element of willful acquisition or maintenance of monopoly power, and the applicability of the *Noerr-Pennington* doctrine, each independently sufficient to defeat Capital One's Section 2 counterclaims, and each a bar to Capital One's attempt to remake its case to avoid *Noerr-Pennington*. 293 U.S. Dist. LEXIS 177836, at *18-28.

Proper definition of a relevant market is essential to Capital One's counterclaims. *See Spectrum Sports, Inc. v. McQuillan*, 506 U.S. 447, 449 (1993) (attempt to monopolize); *United States v. Grinnell Corp.*, 384 U.S. 563, 570-71 (1966) (monopolization); *Du Pont*, 353 U.S. at 593 (Section 7); *It's My Party, Inc. v. Live Nation, Inc.*, 811 F.3d 676, 681 (4th Cir. 2016). "Without a definition of [the] market there is no way to measure [the defendant's] ability to lessen or destroy competition." *Ohio* *v. American Express Co.*, 138 S. Ct. 2274, 2285 (2018).[1] Capital One appeared at times to request an exemption from the requirement that a proper market be defined, ironically relying on the difficulty of establishing the implausible market it claimed. Market definition requirements might "not [be] easy to establish, but they are not artificial obstacles to recovery; rather, they are essential components of real market injury." *See Brooke Group*, 509 U.S. at 226.

Judge Trenga concluded "Capital One's proposed technology market equates to IV's 'portfolio of 3,500 or more patents that [IV] alleges cover widely used financial and retail banking services' in the United States because IV's patent portfolio presents an 'inescapable threat' to providers of financial services." 2013 U.S. Dist. LEXIS

---

[1] In *American Express*, the Supreme Court observed that proof of anticompetitive effect may be made "directly or indirectly" under the rule of reason, 138 S. Ct. at 2284, but commented that "courts usually cannot properly apply the rule of reason without an accurate definition of the relevant market." *Id.* at 2285. The Court cited *Walker Process Equipment, Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965), a Section 2 case, for the idea that market definition is essential "to measure [the defendant's] ability to lessen or destroy competition." *Id.* The *American Express* court also distinguished "direct evidence" cases involving restraints among competitors. *Id.* n.7

There is no "direct evidence" of anticompetitive effect in this case. There have been no retail banking license transactions, Appx103431, and there was no evidence of output restricted by anticompetitive conduct.

177836, at *15. Capital One's lawyer agreed. Appx100147-100148. On appeal, Capital One did not challenge the idea that its claimed market consisted of the "3,500 or more" patents. Instead, Capital One relied on the 3,500 patent market in its statement of the issues presented on appeal. Appx100185.

Capital One based its Maryland counterclaims on the same purported market. *See, e.g.*, Appx108814 ("As previously alleged, the relevant market is the licensing market for the patents in IV's financial-services patent portfolio."); Appx108796-108797; Appx108811; Appx108813. From the beginning, the district court recognized that the market is "the same." *See* Appx100514.

C. "New Evidence" Does Not Create Non-Identical Issues.

The motions to dismiss the Maryland counterclaims were erroneously denied because "the facts pled pertaining to the relevant market" were not the same in the two cases. *See* Appx100516. This was error. The issue adjudicated in Virginia was whether the claimed market is a relevant antitrust market. Alleging different facts, but the same market, in Maryland did not change the issue. The error was corrected in the summary judgment process.

A judgment based on a failure to state a claim has preclusive effect identical to other final dispositions. *See* Restatement (Second) of Judgments § 27 cmt. *d* (1982). Changing, or adding to, pleaded facts does not avoid issue preclusion. "[I]f the party against whom preclusion is sought did in fact litigate an issue of ultimate fact and suffered an adverse determination, new evidentiary facts may not be brought forward to obtain a different determination of that ultimate fact." *Id.*, § 27. As then Circuit Judge Breyer said, "[i]t is just this type of argument" that issue preclusion bars. *Pignons S.A. de Mecanique v. Polaroid Corp.*, 701 F.2d 1, 2 (1st Cir. 1983). *See also James Talcott, Inc. v. Allahabad Bank, Ltd.*, 444 F.2d 451, 463 (5th Cir. 1971).

The additional facts necessary to support "cluster market" analysis are not exempt, and the articulation of a distinct "cluster market" theory would also be insufficient. *See Uintah Ute Indians of Utah v. United States*, 28 Fed. Cl. 768, 781 (1993). Whether "IV's financial services portfolio" is a relevant market was resolved, and the resolution is not affected by new support provided in a second proceeding.

Additionally, immaterial changes, or trivial variations in terminology, do not defeat "identity." *See B&B Hardware*, 135 S. Ct. at 1308. A trademark owner could not, for example, "escape the preclusive effect of an adverse judgment simply by adding an immaterial feature to its mark." *Id*. at 1308. *See United States v. Stauffer Chemical Co.*, 464 U.S. 165, 172 (1984). Nor could Capital One escape preclusion by changing the number of patents, or using different words or ideas to describe the same purported market.

As summary judgment drew near, Capital One's technology market became a "portfolio market" or a "cluster market." Capital One now uses the phrase "portfolio-based market," and claims its past and current nomenclature reflect "conceptually different issues." That is like calling a college lacrosse team a group of "Hoyas" today, and "student-athletes" tomorrow. The same individuals, and here, the same patents, are described.

Capital One asserts there are multiple markets with different "contours." In truth, Capital One points to different or additional facts supposedly explaining why the same market is a proper market. The allegation of a different "business necessity" does not change the alleged market. Capital One did not allege a new "definition" or new market "contours." It simply made different arguments intended to make the same contours appear meaningful, or to disguise them. A market consisting of the same group of patents is not a different market.

D. The Rejection Of The Purported Market Was "Critical And Necessary."

1. Defensive Issue Preclusion Applies To "Alternative Determinations."

Under Fourth Circuit law, defensive issue preclusion is available on any of two or more issues that independently supported the result and were resolved against the losing party. *See Ritter*, 814 F.2d at 994; *Zeno v. United States*, No. DKC 09-0544, 2009 WL 4910050, at *8. In *Ritter*, the Fourth Circuit stated that withholding issue preclusion in a case involving "the same parties, the same issues, the same facts," and, there, the same court, "would constitute an abandonment of serious judicial reasoning and decision-making in exchange for the wooden application of judge-made rules designed to protect litigants in circumstances where they need protection." *Ritter*, 814 F.2d at 994. Despite mention of issue preclusion, *Ritter* technically involved law of the case, but Capital One does not cite any cases rejecting *Ritter* where defensive issue preclusion is involved. Citing only *Microsoft*, Capital

One relies on the approach to "alternative determinations" adopted in the Restatement (Second) of Judgments. *Microsoft* provides no support for Capital One.

2. *Microsoft* Is An Offensive Issue Preclusion Case.

Capital One asserts that Judge Grimm "invented" the distinction between offensive and defensive issue preclusion, *see* Capital One Br. 23, but the difference is well known. The Supreme Court adopted a separate legal framework for analyzing offensive issue preclusion in *Parklane Hosiery*, 439 U.S. 322, 331.

The modern development of issue preclusion law began with *Bernhard v. Bank of America*, 19 Cal. 2d 807 (1942). Previously, issue preclusion was available only if the estoppel would be "mutual," *i.e.*, if both parties were bound by the decision in the first case. *See id*. at 811. The *Bernhard* court rejected the "mutuality" requirement, *id*. at 811-13, and others followed.

Blonder-Tongue Labs., Inc. v. Univ. of Ill. Foundation, 402 U.S. 313 (1971), approved the abandonment of the mutuality requirement under federal law. A determination that a patent was invalid was binding in a later case against a different accused infringer, despite the absence of mutuality.

In *Parklane Hosiery*, the Supreme Court confronted the distinct question of whether offensive, non-mutual issue preclusion is appropriate. *See Parklane Hosiery*, 439 U.S. at 326. The Court adopted an intermediate approach in which "fairness," in addition to ordinary issue preclusion requirements, must be considered. *See id*. at 331-32.

Microsoft involved an attempted offensive use preventing "Microsoft from relitigating 356 factual findings." *Microsoft*, 355 F.3d at 325. "The district court made its decision about each finding by determining that the finding was 'supportive of'" the prior judgment. *See id*.

The Fourth Circuit concluded that "[t]he caution that is required in application of offensive collateral estoppel counsels that the criteria for foreclosing a defendant from relitigating an issue or fact be applied strictly." *Id*. at 327. The "supportive of" standard used by the district court was "too broad to assure fairness in the application of the doctrine." *Id*. "'[S]upportive of' sweeps so broadly that it might lead to inclusion of all facts that may have been 'relevant' to the prior judgment. Such a broad application of offensive collateral estoppel risks the very unfairness about which the Supreme Court was concerned in *Parklane*, 439 U.S. at 330-31, and we conclude therefore that it is inappropriate." *Id. See also id.* at 331 (Gregory, J., concurring and dissenting) ("The majority concludes that such a rigid construction is required due to the potential unfairness that can result from the application of offensive collateral estoppel.").

The court did not address defensive issue preclusion, and its opinion did not provide any analysis that would prevent issue preclusion in a defensive case. A case is not precedent for an issue it does not address. *See, e.g.*, *Webster v. Fall*, 266 U.S. 507, 511 (1925); *Sacco v. United States*, 452 F.3d 1305, 1308 (Fed. Cir. 2006). As *Microsoft* applies only to offensive issue preclusion, it is not relevant precedent.

3. The Fourth Circuit Would Not Adopt The Restatement (Second) Approach.

The Restatement of Judgments allowed the use of defensive issue preclusion in cases involving "alternative determinations." *See* Restatement of Judgments § 68 (1942). *See id.* cmt. *n*. This is the superior rule. *See United Access Techs., LLC v. CenturyTel Broadband*

Servs. LLC, 778 F.3d 1327, 1332-33 (Fed. Cir. 2015); *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 250-51 (3d Cir. 2006). *See* Restatement of Judgments § 68 cmt. *n* ("It seems obvious that it should not be held that neither is material, and hence both should be held to be material.").

The only basis cited for the departure from the original Restatement was a bankruptcy case, *Halpern v. Schwartz*, 426 F.2d 102 (2d Cir. 1970), that "was 'not intended to have . . . broad impact outside the specific context' in which *Halpern* arose, namely, bankruptcy proceedings." *Winters v. Lavine*, 574 F.2d 46, 67 (2d Cir. 1978). Even in the Second Circuit, "the view of the First Restatement still controls 'in circumstances divergent from those in *Halpern*.'" *Id*. *See Purdy v. Zeldes*, 337 F.3d 253, 258 n.6 (2d Cir. 2003).

The Restatement (Second) rule is unsound. *See* Jo Desha Lucas, *The Direct and Collateral Estoppel Effects of Alternative Holdings*, 50 U. Chi. L. Rev. 701, 717 (1983). Capital One failed on the market issue, but its Section 2 counterclaims were equally defeated by its failure on each "alternative determination." Reversal would not have been possible absent success on all. "There appears to be no reason why" a failure on multiple grounds "deprives the plaintiff of [its] full day in court or should confer on [it] a reprieve from issue preclusion." *Id*. at 718.

Ritter and the dubiousness of the Restatement (Second) approach show that the Fourth Circuit would not afford unsuccessful litigants a second chance simply because they failed on multiple grounds. That was the conclusion of the district courts in this case and in *Zeno*, and it is the most reliable indication of the state of Fourth Circuit law.

4. Relitigation By Capital One Would Not Be Allowed Under The Restatement (Second).

Even the Restatement (Second) forbids the plenary relitigation sought by Capital One. In Illustration 15 to section 27, A sues B for interest on a promissory note before the principal is due. B defends (a) by claiming *fraudulent inducement*, and (b) that the *interest obligation* was *released* by A. B prevails on both grounds. After the note matures, A sues B for the principal. Under the Restatement (Second) rule, A is permitted to relitigate the fraud issue. *See* Restatement (Second) of Judgments § 27 cmt. *i*, illus. 15.

If A sues for another installment of interest, however, "[t]he determination that B is not liable for interest on the note is conclusive, even though there were alternative bases for that determination." *Id*., Illustration 16. What is different? "The distinction between Illustrations 15 and 16 is that the first action, even though decided on alternative grounds, necessarily adjudicated the issue as to liability for interest, but did not necessarily adjudicate the issue—fraud—relevant to recovery of the principal." *Id*.

This case is like Illustration 16. Each of the grounds on which Judge Trenga relied was sufficient to dispose of Capital One's counterclaims. The judgment, "even though decided on alternative grounds, necessarily adjudicated the issue as to liability for" monopolization and attempt to monopolize.

Wright and Miller suggest "that preclusion is available so long as each and any of the findings that were independently sufficient to dispose of the first action would also be independently sufficient to dispose of the second action." *See* 18 Wright & Miller, Federal Practice & Procedure § 4421 (3d ed. 2017). In Illustration 16, either of the grounds would be independently sufficient to dispose of A's claim to interest. Each issue on which Judge Trenga's Section 2 order was based would similarly be sufficient.

II. CAPITAL ONE'S CLAIMS ARE BARRED BY THE FIRST AMENDMENT AND THE NOERR-PENNINGTON DOCTRINE.

The First Amendment right "to petition the Government for a redress of grievances" is "one of 'the most precious of the liberties safeguarded by the Bill of Rights . . . .'" *BE&K Constr. Co. v. NLRB*, 536 U.S. 516, 524 (2002) (quoting *United Mine Workers v. Illinois State Bar Ass'n*, 389 U.S. 217, 222 (1967)). To overcome the constitutional right to petition, Capital One had to prove the Plaintiffs' claims "objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits." *See PRE*, 508 U.S. at 61; *Tyco Healthcare Grp. LP v. Mut. Pharm. Co.*, 762 F.3d 1338, 1346 (Fed. Cir. 2014). This was a task beyond Capital One's reach.

A. Federal Circuit Law Governs.

The question of "whether conduct in procuring or enforcing a patent is sufficient to strip a patentee of its immunity from the antitrust laws is to be decided as a question of Federal Circuit law." *Nobelpharma*, 141 F.3d at 1068. Regional circuit law governs other aspects of antitrust claims. *Id.*

B. The Noerr-Pennington Doctrine.

"The *Noerr-Pennington* doctrine derives from the First Amendment's guarantee of 'the right of the people . . . to petition the Government for a redress of grievances.'" *Sosa v. DIRECTV, Inc.*, 437 F.3d 923, 929 (9th Cir. 2006). "The *Noerr–Pennington* doctrine generally immunizes a party from antitrust liability based on its filing of a lawsuit unless the narrow 'sham litigation' exception applies." *ERBE Elektromedizin GmbH*, 629 F.3d at 1291. *See Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1757 (2014). The two-part *PRE* test provides a "broad immunity." *BE&K*, 536 U.S. at 528. The sham litigation exception, not the protection afforded by *Noerr-Pennington*, is "narrow."

In *Noerr*, a group of truck operators alleged that the "sole motivation" behind the railroad defendants' conduct was a desire "to injure the truckers and eventually to destroy them as competitors in the long-distance freight business . . . ." 365 U.S. at 129. The Supreme Court concluded that the district court's finding "that the railroads' sole purpose in seeking to influence the passage and enforcement of laws was to destroy the truckers as competitors for the long-distance freight business" was immaterial. *Id*. "[A]t least insofar as the railroads' campaign was directed toward obtaining governmental action, its legality was not at all affected by any anticompetitive purpose it may have had." *Id*. at 139-40.

The Court also addressed a possible "sham" exception: "There may be situations in which a publicity campaign, 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 and the application of the Sherman Act would be justified." *Id*. at 144. But not where "the railroads were making a genuine effort to influence legislation and law enforcement practices." *Id*.

In *Pennington*, the Court explained that *Noerr* held "[t]he Sherman Act . . . was not intended to bar concerted action . . . even though the resulting official action damaged other competitors at whom the campaign was aimed." 381 U.S. at 669. "Nothing could be clearer from the Court's opinion than that anticompetitive purpose did not illegalize the conduct there involved." *Id*. Indeed, "*Noerr* shields from the Sherman Act a concerted effort to influence public officials regardless of intent or purpose." *Id*. at 670. Thus, describing petitioning as "anticompetitively" motivated accomplishes nothing: "Joint efforts to influence public officials do not violate the antitrust laws even though intended to eliminate competition." *Id*. Attacking protected conduct with an allegation of a broader "scheme" is also unavailing. "Such conduct is not illegal, either standing alone or as part of a broader scheme itself violative of the Sherman Act." *Id*.

C. *PRE* Defines The Sham Litigation Exception.

In *PRE*, the Supreme Court established "a two-part definition of 'sham' litigation." The plaintiff invited the Court "to adopt an approach," as advocated by Capital One, "under which either 'indifference to . . . outcome,' or failure to prove that a petition for redress of grievances 'would . . . have been brought but for [a] predatory motive,' would expose a defendant to antitrust liability under the sham exception." *PRE*, 508 U.S. at 56 (citations omitted). The Court "decline[d] PRE's invitation." *Id*.

The two-part *PRE* test includes an initial, purely objective, screen that plays an essential role in protecting against the chilling of First Amendment rights. *See Octane Fitness*, 134 S. Ct. at 1757.

> First, the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits. If an objective litigant could conclude that the suit is reasonably calculated to elicit a favorable outcome, the suit is immunized under *Noerr*, and an antitrust claim premised on the sham exception must fail. Only if challenged litigation is objectively meritless may a court examine the litigant's subjective motivation. Under this second part of our definition of sham, the court should focus on whether the baseless lawsuit conceals "an attempt to interfere *directly* with the business relationships of a competitor through the "use [of] the governmental *process*—as opposed to the *outcome* of that process—as an anticompetitive weapon."

PRE, 508 U.S. at 60-61 (footnote omitted) (first emphasis added in *PRE*). "Accordingly, if a suit is not objectively baseless, an antitrust defendant's subjective motivation is immaterial." *Nobelpharma*, 141 F.3d at 1072. *See also BE&K*, 536 U.S. at 528.

PRE sets forth "the" sham litigation standard. *See PRE*, 508 U.S. at 51; *BE&K*, 536 U.S. at 526. There is no separate standard governing multiple instances of non-baseless petitioning. *See Puerto Rico Tel. Co.*, 874 F.3d at 771 ("Although presented with a record involving the filing of only one lawsuit, the court in *PREI* wrote nothing to suggest that its ruling would have been different had the defendant filed a series of objectively reasonable suits.”).[2]

Capital One contends that *PRE* stands down in the face of multiple petitioning. Rather than consider the number of lawsuits, however, “the [*PRE*] Court addressed the more categorical question ‘whether litigation may be a sham merely because a subjective expectation of success does not motivate the litigant,’ and ruled that ‘an objectively reasonable effort to litigate cannot be a sham regardless of subjective intent.’” *Id.* (quoting *PRE*, 508 U.S. at 57). “Similarly, in describing *California Motor Transport*,” the Court “trained its attention not on the difference between a single suit and a series of suits, but rather on the difference between ‘objectively reasonable claims’ and ‘a pattern of baseless, repetitive claims.’” *Id.* (quoting *PRE*, 508 U.S. at 58 and discussing *California Motor Transport v. Trucking Unlimited*, 404 U.S. 508, 510 (1972)).

[2] Capital One suggests that *Puerto Rico Telephone* can be distinguished as a case in which none of the petitions was objectively baseless. The same is true here. Capital One did not argue that any of the claims against it was objectively baseless, and it has waived the opportunity to do so. *See SmithKline Beecham Corp. v. Apotex Corp.,* 439 F.3d 1312, 1319 (Fed. Cir. 2006).

Under *PRE*, unsuccessful litigation must not be equated with objectively baseless litigation.

> [W]hen the antitrust defendant has lost the underlying litigation, a court must "resist the understandable temptation to engage in post hoc reasoning by concluding" that an ultimately unsuccessful "action must have been unreasonable or without foundation."

PRE, 508 U.S. at 60 n.5 (citations omitted). *See also BE&K*, 536 U.S. at 532 (petitioning is protected "whenever it is genuine, not simply when it triumphs"). "[T]he text of the First Amendment" does not "speak in terms of successful petitioning – it speaks simply of 'the right of the people . . . to petition the Government for a redress of grievances.'" *Id.*

In *PRE*, the antitrust defendant brought an unsuccessful copyright claim, *see* 508 U.S at 52-53, and the two lawsuits in issue here were similarly not successful. The values served by protecting petitioning do not disappear simply because a lawsuit is unsuccessful.

In *Bill Johnson's Restaurants v. NLRB*, 461 U.S. 731 (1983), the Supreme Court "observed that 'the first amendment interests involved in private litigation' include 'compensation for violated rights and interests, the psychological benefits of vindication, [and] public airing of disputed facts.'" *See Sosa*, 437 F.3d at 936. In *BE&K*, the Court again emphasized that "even unsuccessful but reasonably based suits advance some First Amendment interests." 536 U.S. at 532. In addition to the "public airing of disputed facts," *id.*, they "raise matters of public concern." *Id.* Unsuccessful, but well-founded, lawsuits also "promote the evolution of the law by supporting the development of legal theories that may not gain acceptance the first time around." *Id.* And "the ability to lawfully prosecute even unsuccessful suits adds legitimacy to the court system as a designated alternative to force." *Id.* (citing Andrews, *A Right of Access to Court Under the Petition Clause of the First Amendment: Defining the Right*, 60 Ohio St. L.J. 557, 656 (1999)). In the *Alice* era, attempts to define subject matter eligibility clearly serve important First Amendment interests. *See Interval Lic. LLC v. AOL, Inc.*, 896 F.3d 1335, 1348-56 (Fed. Cir. 2018) (Plager, J., concurring and dissenting).

D. The Plaintiffs' Claims Were Not Objectively Baseless.

1. Issue Preclusion Bars Relitigation Of The Objective Reasonableness Of The Virginia Claims.

To satisfy *PRE*, Capital One had to prove the claims in issue "objectively baseless." *PRE*, 508 U.S. at 60-61. When it tried to meet the less demanding "exceptional case" standard, Capital One argued that the Plaintiffs' Virginia claims were "objectively unreasonable," but that position was rejected, Appx100331, and Capital One did not appeal. Issue preclusion prevents Capital One from satisfying *PRE* with respect to the Virginia claims.

2. Capital One Did Not Argue Objective Baselessness.

Capital One had the burden to prove objective baselessness, and it was required to present evidence that would support a finding in its favor to avoid summary judgment. *Celotex Corp. v. Catrett*, 477 U.S. 317, 322 (1986). *See PRE*, 508 U.S. at 61; *Tyco*, 762 F.3d at 1346. Capital One did not present any fact or expert evidence on this issue in opposition to summary judgment.

Judge Grimm pointed to factors demonstrating the absence of a basis for concluding that the infringement claims were objectively baseless. Appx77-80. This was, in a sense, unnecessary. Capital One did not argue objective baselessness, *see* Appx200860, and has waived the point by not arguing it in its opening brief. *See SmithKline Beecham Corp.*, 439 F.3d at 1319.

E. "Threats" Are Protected Under *PRE*.

"Patents would be of little value if infringers of them could not be notified of the consequences of infringement or proceeded against in the courts." *Virtue*, 227 U.S. at 37-38. "Threats" of patent assertion are subject to the *PRE* objective baselessness standard. *See Globetrotter Software, Inc. v. Elan Computer Grp., Inc.*, 362 F.3d 1367, 1374-77 (Fed. Cir. 2004); *In re Innovatio IP Ventures, LLC Patent Litig.*, 921 F. Supp. 2d 903, 911-13 (N.D. Ill. 2013).[3] Capital One has waived any claim of an objectively baseless threat. *See SmithKline Beecham*, 439 F.3d at 1319.

F. Capital One Cannot Satisfy The Subjective Aspect Of *PRE*.

A party alleging sham litigation must also prove that "the baseless lawsuit conceals 'an attempt to interfere *directly* with the business relationships of a competitor' through the 'use [of] the governmental *process*—as opposed to the *outcome* of that process—as an anticompetitive weapon.'" *PRE*, 508 U.S. at 60-61 (first emphasis added in *PRE*) (citing *Noerr*, 365 U.S. at 144, and *Omni*, 499 U.S. at 380). *See In re Indep. Serv. Orgs. Antitrust Litig.*, 203 F.3d 1322, 1328 (Fed. Cir.

[3] The government agrees that conduct "incidental" to litigation is protected by the *Noerr-Pennington* doctrine. *See* Gov't Br. 10, 12. "Threats" of litigation are an example of activity that is "incidental" to litigation.

2000). To satisfy the subjective aspect of *PRE*, Capital One was required to provide clear and convincing proof. *FTC v. AbbVie Inc.*, No. 14-1551, 2018 U.S. Dist. LEXIS 109628, at *41 (E.D. Pa. June 29, 2018).

1. Genuine Attempts To Recover Damages Are Not A "Sham."

"A 'sham' situation involves a defendant whose activities are 'not genuinely aimed at procuring favorable government action' at all." *City of Columbia v. Omni Outdoor Advertising, Inc.*, 499 U.S. 365, 380 (1991) (quoting *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492, 500 n.4 (1988)). *See Noerr*, 365 U.S. at 144. "[T]he genuineness of a grievance does not turn on whether it succeeds." *BE&K*, 536 U.S. at 532.

The Plaintiffs genuinely sought to recover damages. Capital One claims the Plaintiffs sued with the intention to induce the execution of a license to a large group of patents at a "supracompetitive" price. But anticompetitive intentions are not meaningful under *Noerr* and its progeny, and there is no reason why a secondary or ulterior motivation for genuine petitioning could be transformative. *See Omni*, 499 U.S. at 381. *See also Universal Analytics, Inc. v. MacNeal-Schwendler Corp.*, 914 F.2d 1256, 1257-59 (9th Cir. 1990). Capital One provided no basis for concluding that the recovery available upon success was not substantial, or was insufficient to justify the likely cost. The implausible, twice failed "extortion" theory is not sufficient to "illegalize" genuine and objectively well-founded claims. Neither is the tired story of abusive practices that were not proved, or Capital One's ongoing claim that meaningless documents say things they don't.

The recent *AbbVie* decision provides an informative contrast. In *AbbVie*, the lawsuits in question were determined to be objectively baseless. Further, "[t]he only reason for the filing of these lawsuits was to impose expense and delay on Teva and Perrigo . . . ." *AbbVie*, 2018 U.S. Dist. LEXIS 109628, at *3. The decision makers "had no expectation of prevailing in the lawsuits." *Id*. (citing *Omni*, 499 U.S. at 380). In contrast, Capital One did not prove objective baselessness, and it offered no evidence suggesting a meaningful benefit could not be achieved on the merits. Even with a lengthy and costly antitrust discovery period, Capital One could not go beyond hollow sloganeering.

Capital One has attempted to make something of the fact that "litigation" was identified as a "strategic" option. The First Amendment allows the strategic use of non-baseless litigation. It is well known, for example, that some "companies out there refuse to talk to anyone unless they are sued." Appx103429. Must patent owners be afraid to confront this reality? A "genuine" lawsuit accompanied by "strategic" objectives, such as a desire to initiate a dialogue with an intransigent accused infringer, or a hope that pursuing legitimate rights will lead to productive business outcomes, does not create a "sham." It "is not the role of the Sherman Act" to define boundaries for the pursuit of any such objectives when "genuine" petitioning is involved. *See Omni*, 499 U.S. at 380.

2. Capital One Is Not A "Competitor."

The requirement of interference with a "competitor" appears in the original suggestion of a sham exception in *Noerr*. 365 U.S. at 144. *See Realco Servs., Inc. v. Holt*, 479 F. Supp. 880, 884-85 (E.D. Pa. 1979). This is not a question of standing, as suggested by Capital One, *see* Capital One Br. 50-51, but, rather the scope of the sham litigation exception. Judge Grimm determined that Capital One did not "allege that Capital One and IV compete with each other in the relevant market." 2013 U.S. Dist. LEXIS 177836, at *22; *see also id.*, at *24. *See* Appx76. That is one of the additional reasons why Capital One's claims must be rejected. *See Octane Fitness*, 134 S. Ct. at 1757; *Balt. Scrap Corp. v. David J. Joseph Co.*, 237 F.3d 394, 399 (4th Cir. 2004).

The government asserts that the requirement of injury to a "competitor" can be ignored. Brief for the United States and Federal Trade Commission as *Amici Curiae* in Support of Neither Party ("Gov't Br.") at 11 n.4. In *Takeda Pharm. Co. v. Zydus Pharms (USA) Inc.*, No. 18-1994 (FLW) (TJB) (D.N.J. June 6, 2018), however, the FTC recently explained that *Noerr-Pennington* "does not protect petitioning that is a 'mere sham to cover what is actually nothing more than an attempt to interfere directly with the business relationships of a competitor.'" Appx200902.

ERBE summarized the subjective aspect of *PRE* as considering whether the defendant had "a desire to impose anticompetitive harm from the judicial process rather than obtain judicial relief." The government appears to find it significant that the Court did not use the word "competitor." Gov't Br. 11 n.4 (quoting *ERBE*, 629 F.3d at 1291). But the *ERBE* language is hardly different from a passage in *Octane Fitness* explicitly mentioning the "competitor" requirement. *See Octane Fitness*, 134 S. Ct. at 1757.

In *ERBE*, the parties were "competitors." 629 F.3d at 1280. This Court's paraphrase in *ERBE* was not a repudiation of *Noerr*, *PRE*, *Omni*, and the Federal Circuit cases that fully quote the Supreme Court. *See, e.g., Tyco*, 762 F.3d at 1343; *Globetrotter*, 362 F.3d at 1375; *Nobelpharma*, 141 F.3d at 1068.

III. THIS CASE PRESENTS NO ISSUE REGARDING SUBSEQUENT PETITIONING "IMMUNIZING" PRIOR UNLAWFUL CONDUCT.

A. Capital One's Conduct-Based Claim Made Protected Petitioning Essential.

Summary judgment was granted on *Noerr-Pennington* grounds because Capital One's claim inextricably included protected petitioning activity. Appx62-63; Appx102553-102554 at 347:21-351:8. Capital One now tries to confuse things by claiming that Judge Grimm applied *Noerr-Pennington* to non-petitioning. Judge Grimm applied *Noerr-Pennington* to the petitioning-dependent claim presented by Capital One. *Id.* There was no reason to apply *Noerr-Pennington* to conduct that did not involve petitioning because the only non-petitioning activity was unquestionably not illegal.

"It should be clear that a relevant market consists only of goods that are reasonably close *substitutes* for one another. Economists have understood markets this way for more than a century." Areeda & Hovenkamp ¶ 565a. Only "substitutes," *i.e.*, "goods that can replace one another and thus 'compete' for the user's purchase," *id.*, ¶ 565a, can be a part of the same market. "The requirement that a relevant market must be limited to substitutes is so clear that few courts fail to see it." *Id.*

"Whether a product . . . commands a distinct market depends on whether it is 'reasonably interchangeable' with other products or the 'extent to which consumers will change their consumption of one product in response to a price change in another, *i.e.*, the cross-elasticity of demand.'" *It's My Party, Inc.*, 811 F.3d at 682 (citations omitted). *See United States v. Brown Shoe Co.*, 370 U.S. 294, 325 (1962). *Brown Shoe* "cemented reasonable interchangeability of use at the heart of product market definition." ABA Section of Antitrust Law, *Antitrust Law Developments* 584 (8th ed. 2017).

The federal enforcement agencies "apply the same general antitrust principles to conduct involving intellectual property that they apply to conduct involving any other form of property." *See* Department of Justice & Federal Trade Commission, *Antitrust Guidelines for the Licensing of Intellectual Property* (*"IP Licensing Guidelines"*) § 2.1

(2017). The agencies recognize that "standard antitrust analysis applies to intellectual property." *Id. See generally* Joshua D. Wright & Douglas H. Ginsburg, *Patent Assertion Entities and Antitrust: A Competition Cure for a Litigation Disease?*, 79 Antitrust L.J. 501, 505-06 (2014). Markets consisting of technologies claimed by patents are defined according to the "standard" framework followed "for more than a century." "Technology markets consist of the intellectual property that is licensed . . . and its close substitutes—that is, the technologies or goods that are close enough substitutes to constrain significantly the exercise of market power with respect to the intellectual property that is licensed." *See IP Licensing Guidelines*, § 3.2.2. Capital One admittedly presented no evidence that any of the patents comprising "IV's financial services portfolio" is a substitute for another. *See* Appx200758; Appx102551 at 337:2-5; Appx200871-200876.[4]

The mere identification of some substitutes is not sufficient. "[T]he relevant market must include all products 'reasonably interchangeable

[4] No patent was claimed by anyone, or proved by Capital One, to be "unavoidable." Capital One nonetheless suggests that the patents in question might somehow be "unavoidable," and even falsely attributes a claim to that effect to the Appellees, albeit without a supporting citation.

by consumers for the same purposes.'" *United States v. Microsoft Corp.*, 253 F.3d 34, 51-52 (D.C. Cir. 2001) (*en banc*). Thus, if there are ten alternatives that can meet customer demand, the market includes all of them. One simple way to show that "IV's financial services portfolio" is not a market was to identify a few substitutes owned by others, as Mr. Schutze did without challenge. *See* Appx103569-103579.[5]

Capital One's appellate argument that it presented evidence of unlawful patent acquisitions cannot be true. Capital One's expert did not consider whether any of the patents alleged to comprise a market is a substitute for another. Appx102551 at 337:2-5. To borrow an idea, she didn't consider how many bridges cross the Mississippi, where they are located, or who owns them. She asserted only that the Appellees own a "lot" of bridges, and Capital One asserted the bridges were structurally unsound (invalid) or otherwise not suitable (not infringed). Rather than

[5] The easy identification of substitutes refuted the idea that the required antitrust analysis presented an overwhelming task. No one forced Capital One to select a 3,500-patent market that is not supported by "any recognized antitrust jurisprudence," and Rule 11 required Capital One to develop a proper basis for its market case before it sued. Any genuine attempt to test the claimed market would have ended quickly, as Mr. Schutze showed.

perform the proper analysis, Capital One argued that a market somehow emerged from what it called "IV's anticompetitive conduct."

There were two problems with that approach. None of the alleged conduct is "anticompetitive." And an integral part of the "anticompetitive conduct" is protected by the *Noerr-Pennington* doctrine. It is therefore puzzling why Capital One seeks solace in *Continental Ore Co. v. Union Carbide & Carbon Corp.*, 370 U.S. 690 (1962). The conduct challenged by Capital One, "as a whole," integrally includes protected petitioning, as Judge Grimm concluded.

1. "Acquisition."

Capital One asserted that 3,500 unidentified patents not shown to be substitutes were acquired. The contention that acquiring these patents was "the principal monopolizing conduct" is the legal equivalent of an acknowledgement that there was no monopolizing conduct. The acquisition of non-substitutes is not illegal, not anticompetitive, and not worthy of antitrust notice.

Carl Shapiro, Capital One's expert's co-author, has said "assembling a portfolio of patents that are not substitutes for each other, kind of hard to see exactly what's the problem with that."

Appx101835. Indeed, "[c]ombining complementary patents within a pool is generally procompetitive." Appx101565; Appx101579. With no proof that any acquired patent is a substitute for another, the epithet "anticompetitive" is not warranted.

Justice Breyer recently observed that "[g]rouping complementary goods into the same market" is "economic nonsense," and would "undermin[e] the rationale for the policy against monopolization or collusion in the first place." *American Express*, 138 S. Ct. at 2295-96 (Breyer, J., dissenting) (quoting Areeda & Hovenkamp ¶ 565a).[6] Capital One now claims the "principal monopolizing conduct" was acquiring patents not proved to be even complements.

Capital One made no mention of the scope of any patents. There was no explanation of the effect of buying patent number 27, 421, or 3120. There was no comparison of patents acquired at any time with those previously owned. All that was said was that there were "patents," in a number approximating 3,500, "relevant" in some sense to financial services, and owned by Intellectual Ventures companies.

[6] Patents, or goods or services, may be substitutes, complements, or unrelated. Complements are "goods or services that are used together with the restrained product, but that cannot be substituted for that product." *American Express*, 138 S. Ct. at 2295 (Breyer, J., dissenting).

Capital One used words like “amass” and others intended to suggest patent acquisition on a large scale. But simple “bigness,” in patent acquisition, is no more “badness” than in any other antitrust field, *see United States v. U.S. Steel Corp.*, 251 U.S. 417, 451 (1920), and the relevant “portfolio” as actually quantified by Capital One is not so “big.” *See* Appx105629; Appx105563-105565. A large number of non-substitutes is no more a market, or a threat to competition, than a small collection.

There was no serious basis for an argument that the acquisition of non-substitute patents was unlawful, so there was no need for a ruling that *Noerr*-Pennington applies to patent acquisition, and no counter-suggestion by Appellees that the petitioning that eventually resulted in *Noerr-Pennington*-based summary judgment “immunized” prior unlawful acquisitions. Capital One claimed the opposite: *The protected petitioning, the last step in “IV’s anticompetitive conduct,” was integral to the creation of a market where none previously existed, and made prior acquisitions retroactively illegal. See* Appx102553-102554 at 347:21-351:8; Appx63.

In response to Capital One's argument, the Appellees simply argued that if protected conduct is a part of Capital One's liability case, it fails under *Noerr-Pennington*. The government does not take issue with that position, or Judge Grimm's endorsement of it. Gov't Br. 11 n.4.

2. "Concealment."

The second "anticompetitive" act was allegedly "concealing" ownership of patents. Capital One Br. 8. But patents do not change when acquired, and they remain available for public scrutiny. "Concealing" the identity of a new owner of non-substitute patents, or "concealing" the extent of one's ownership of non-substitutes, would not matter competitively.

Capital One insinuated unsupported "concealment" scenarios. In prior years, the Funds tried to maintain the confidentiality of their buying strategies. Their acquisition entities had names that did not include "Intellectual Ventures," and, unlike today, a patent list was not posted on the Intellectual Ventures website. Capital One tried to create the impression that potential licensees are not provided with patent lists,[7] but that is not true, *see* Appx103051 at 105:2-106:15 (patent list provided to Wells Fargo), Appx200918-200923 (patent list provided to BB&T), *see also* Appx103430, and no competitive impact could result from a refusal to disclose patents of no competitive significance.

A patent owner need not license its technology, even when it has market power. *Indep. Serv. Orgs.*, 203 F.3d at 1325-26. Courts will not inquire into a patent owner's reason for not licensing, *id.* at 1327-28, but there is nothing the patent owner can do to hide technology from public view. Professor Gilbert's unchallenged testimony established that ordinary business justifications support a company's confidentiality efforts. Appx103582-103583. The Walt Disney Company did not publicize its plans to buy swamp land in Florida, and the Funds were under no obligation to publicize their strategies.

Capital One asserts that "concealment" would prevent Capital One from knowing which patents to design around, but no one would use the identity of the owner, rather than technical merit or infringement analysis, as a design-around strategy. Today, a list of almost all of the owned patents is on the Intellectual Ventures website,

---

[7] *Compare* Capital One Br. at 8-9 *with* Appx108455 ("Anecdotally" and "to my knowledge" were removed by Capital One).

but there was no proof of massive designing around. Appx103417; Appx200760-200761; Appx200881-200882. Nothing that could be meant by the word "concealment" on this record has any impact on any competitive process.

3. Acquisition And Concealment "As A Whole."

Considered "as a whole," acquiring and "concealing" non-substitute patents has no competitive significance. Capital One's "principal monopolizing conduct" is not monopolizing conduct. Neither acquiring non-substitute patents nor maintaining the confidentiality of one's ownership is inconsistent with competition on the merits, or could harm competition.

Below, Capital One looked for something else. It turned to the conduct that is the essence of Capital One's gripe with the Intellectual Ventures companies, the pursuit of infringement litigation. Capital One made protected petitioning activity integral both to its attempt to create a market where none existed, and to its overall liability theory. That is why *Noerr-Pennington* required summary judgment.

B. The District Court's *Noerr-Pennington* Ruling.

Judge Grimm was right when he wrote "[c]learly, the allegation of sham litigation is an integral component of IV's alleged strategy underlying all of Capital One's claims." Appx63.[8] Capital One argued, in its pleadings and through its expert, that a market that did not otherwise exist, and a violation of the law, emerged from protected petitioning activity. Appx102553-102554 at 347:21-351:8; Appx62-63. Protected petitioning was the foundation for the Section 7 competitive effect element, *see* Appx63, and various others. Because Capital One could not prove the petitioning activity objectively baseless, Capital One's claims were barred by *Noerr-Pennington*.[9]

---

[8] Because protected petitioning was "integral" to Capital One's case, and "independent" harm was not present, the conditions for reliance on a district court opinion cited by Capital One, *Hynix Semiconductor, Inc. v. Rambus, Inc.*, 527 F. Supp. 2d 1084, 1096-97 (N.D. Cal. 2007), were not present. *See* Herbert Hovenkamp et al., *IP & Antitrust* § 11.04[F] at 11-81–11-83, Appx113100-113104.

[9] In an article cited by Capital One and the government, Herbert Hovenkamp makes a series of stunning misstatements about this case. *See* Herbert J. Hovenkamp, *Prophylactic Merger Policy*, Univ. of Penn. Inst. for Law & Econ. Research Paper No. 18-3 (last revised August 13, 2018), https://ssrn.com/abstract=3090650, Appx200924. Professor Hovenkamp thanks Capital One's expert for comments on a draft. *Id.*

For example, Professor Hovenkamp says the Intellectual Ventures companies acquired "substantially all of the patents covering certain types of transactions in financial services industries." Appx200951. Even Capital One never suggested any such thing. The owned patents are a small fraction of the patents in their class codes. *See* Appx103586. There is no basis for Professor Hovenkamp's comment or anything else he says about this case and Judge Grimm's order.

C. The Sentence That Prompted The Government Brief.

The government brief attempts to establish, and then to attack, a "suggestion" Judge Grimm did not make.

Here is what Judge Grimm said:

> Moreover, even if the sham litigation allegations could be excised from its pleadings, Capital One does not cite any controlling authority in support of its position that *Noerr-Pennington* immunity does not apply because sham litigation is only one component of a larger scheme, and I am not persuaded by the authority it cites from other circuits.

Appx64.

This is the government's revision:

> "even if the . . . litigation allegations could be excised from [the antitrust claimant's] pleadings" *Noerr-Pennington* would protect the patent holder from liability—including for its patent acquisitions—because litigation was "one component of [the] larger scheme" of allegedly anticompetitive conduct.

Gov't Br. 2. The government claims "[t]hat language" "incorrectly suggests that the presence of protected litigation activity shields non-petitioning conduct (*e.g.*, asset acquisitions) from antitrust liability," and it requests advisory condemnation of that idea. *Id.*

The government's assertion of a "suggestion" by Judge Grimm is mistaken. He simply rejected Capital One's "broader monopolistic scheme" argument for two reasons, neither of which involved the idea that prior unlawful conduct is "immunized" by subsequent petitioning.

Immediately before the sentence cited by the government, Judge Grimm noted that Capital One did not allege an independent, "broader monopolistic scheme." The only "scheme" in issue was one for which protected petitioning activity was an "integral" part. Appx63-64. *Noerr-Pennington* bars the building of a liability case on protected petitioning. The district court correctly so held, and there is nothing in the government brief to the contrary.

Judge Grimm then stated that, even if Capital One's claim was not dependent on petitioning, there is no "broader monopolistic scheme" exception to *Noerr-Pennington*.[10] When *Noerr-Pennington* applies, it cannot be displaced by pointing to a "broader monopolistic scheme."

---

[10] Judge Grimm referred to the sham litigation allegations being "excised." If the sham litigation allegations were "excised," how could they be a "component of a larger scheme?" The reference to "excised" allegations is an awkward preface to the rejection of the idea that a "broader monopolistic scheme" eliminates otherwise viable *Noerr-Pennington* protection.

There was no "suggestion" that subsequent petitioning "shields" prior unlawful acquisitions.[11]

IV. *CALIFORNIA MOTOR TRANSPORT* DOES NOT TRUMP *PRE*.

California Motor Transport is claimed by some to support an exception to *PRE*. The supposed "exception to the exception" would allow liability for a "whole series" of objectively reasonable petitions. The "exception to the exception" is unjustified, and it is not available to Capital One because the two lawsuits in issue are not a "whole series."

A. The Mistaken *USS-POSCO* "Whole Series" Concept.

In *USS-POSCO Indus. v. Contra Costa Cnty. Bldg. & Const. Trades Council*, 31 F.3d 800 (9th Cir. 1994), the Ninth Circuit decided that *California Motor Transport* had recognized a special rule, applicable to "a pattern of baseless, repetitive" assertions, and lacking an objective component, that somehow survived *PRE*. *USS-POSCO*

---

[11] Addressing another issue not presented by this appeal, and citing *Amphastar Pharm. Inc. v. Momenta Pharm., Inc.*, 850 F.3d 52, 57-58 (1st Cir. 2017), the government states that "once the antitrust violation is established on other grounds, the costs of defending against litigation can be incorporated in an award of damages." Gov't Br. 13. Defense costs are not inevitably recoverable when "the antitrust violation is established on other grounds" because they are not inevitably "antitrust injury." *See generally Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc.*, 429 U.S. 477 (1977).

asserted that *PRE* did not overrule *California Motor Transport* with respect to a "whole series" of petitioning activity because *PRE* involved only a single petition. This "troubling" argument, *see, e.g.,* Herbert Hovenkamp *et al.*, *IP & Antitrust* § 11.03[B][5][b] at 11-52-54 (3d ed. 2017), Appx102461-102465, is unsound. There is no "pragmatic reason to presume that *PREI's* protections for nonfrivolous petitioning activity disappear merely because the defendant exercises its right to engage in such activity on multiple occasions." *Puerto Rico Telephone*, 874 F.3d at 772.

There is no indication the Supreme Court would agree that multiple, objectively reasonable petitioning justifies a departure from *PRE*. "Justice Stevens' [*PRE*] concurrence explicitly made that case and the seven-justice majority did not buy into it." *Rubloff Dev. Grp., Inc. v. SuperValu, Inc.*, 863 F. Supp. 2d 732, 742–43 (N.D. Ill. 2012). In *Bill Johnson's*, the Court stated that *California Motor Transport* "construed the antitrust laws as not prohibiting the filing of a lawsuit, regardless of the plaintiff's anticompetitive intent or purpose in doing so, unless the suit was a 'mere sham' filed for harassment purposes." 461 U.S. at 741. In *PRE*, the Court explained that "[s]ince *California Motor*

Transport," the Court had "consistently assumed that the sham exception contains an indispensable objective component." 508 U.S. at 58. In *Noerr*, the "original formulation of antitrust petitioning immunity required that unprotected activity lack objective reasonableness." *Id*. at 57. The immunity recognized in *Noerr* applies "regardless of intent or purpose." *Id*. at 58 (quoting *Pennington*, 381 U.S. at 670). "Nothing in *California Motor Transport* retreated from these principles." *Id*.

No court of appeals took a careful look at *USS-POSCO* until late last year. In *Puerto Rico Telephone*, the First Circuit pointed out that the *PRE* Court "wrote nothing to suggest that its ruling would have been different had the defendant filed a series of objectively reasonable suits." 874 F.3d at 771. "Rather, the Court addressed the more categorical question 'whether litigation may be a sham merely because a subjective expectation of success does not motivate the litigant,' and ruled that 'an objectively reasonable effort to litigate cannot be a sham regardless of subjective intent.'" *Id*. (quoting *PRE*, 508 U.S. at 57). Even when "describing *California Motor Transport*," the First Circuit noted, "*PREI* trained its attention not on the difference between a single suit and a series of suits, but rather on the difference between 'objectively reasonable claims' and 'a pattern of baseless, repetitive claims.'" *Id.* (citing *PRE*, 508 U.S. at 58). *See id.* ("We see little logic in concluding that an exercise of the right to file an objectively reasonable petition loses its protection merely because it is accompanied by other exercises of that right.").

The First Circuit also importantly noted that, while other courts have expressed allegiance to *USS-POSCO*, "none of those circuits have ever sustained a finding of liability while simultaneously determining that no frivolous petitions were filed." *Id.*

B. *ERBE* And The Federal Circuit Approach.

1. Two Lawsuits Is Not A "Whole Series."

The "whole series" idea could not be applied here because this Court has held that even three lawsuits is not a "whole series." *ERBE*, 629 F.3d at 1292. *See also Amarel v. Connell*, 102 F.3d 1494, 1519 (9th Cir. 1997). All courts bound to follow the *USS-POSCO* rule agree that "two lawsuits" is not a "whole series." *Int'l Longshore & Warehouse Union v. ICTSI Or., Inc.*, 863 F. 3d 1178, 1187 (9th Cir. 2017); *Kottle v. Nw. Kidney Ctrs.*, 146 F.3d 1056, 1063 (9th Cir. 1998); *Surface Supplied, Inc. v. Kirby Morgan Dive Sys., Inc.*, No. C-13-0575 MMC, 2013 WL 5496961, at *5 (N.D. Cal. Oct. 3, 2013).

In *ERBE*, the Court found it unnecessary to "determine whether to adopt the test of our sister courts because there is no 'series' of legal proceedings." 629 F.3d at 1291. The proceedings against the counterclaimant's owner did not "count." *Id*. The "three relevant lawsuits" against the counterclaimant were "not 'simultaneous and voluminous' and do not implicate a test for 'a whole series of legal proceedings.'" *Id*. at 1292. Three, and therefore, two, lawsuits is not a "whole series." Capital One's argument for a "flexible" or "holistic" approach defies *ERBE*. Two is not a "whole series."

2. Lawsuits Against Others Do Not "Count."

The *ERBE* Court's refusal to consider the lawsuit against the counterclaimant's principal is significant. Other courts look only to proceedings against the claimant. *See Rubloff*, 2013 WL 441152, at *3; *Luxpro Corp. v. Apple Inc.*, No. C 10-03058 JSW, 2011 WL 1086027, at *5 (N.D. Cal. Mar. 24, 2011). This is the only sensible approach. One does not interfere with the "business relationships of a competitor" by suing someone else. *See Noerr*, 365 U.S. at 144.

In *PRE*, it was alleged that the defendant "filed or threatened to file similar copyright suits to intimidate other hotels and resorts from adopting similar video rental programs." *Columbia Pictures Industries, Inc. v. Professional Real Estate Investors, Inc.*, 944 F.2d 1525, 1528 (9th Cir. 1991), *aff'd*, 508 U.S. 49 (1993). If *PRE* is to be distinguished as a case involving only a single assertion, claims against others cannot be considered.

3. "Lawsuit" Is The Unit Of Measure.

In *ERBE*, one of the "relevant cases" was a proceeding in which two patents and a trademark were alleged to be infringed. Appx100872-100881. An International Trade Commission proceeding involved one patent and one trademark. *In the Matter of Certain Endoscopic Probes for Use in Argon Plasma Coagulation Sys.*, USITC Inv. No. 337-TA-569, 2008 WL9405212 (Mar. 17, 2008). The *PRE* complaint included 74 unsuccessful claims of copyright infringement. Appx113072-113099. The *ERBE* Court considered whether the "three relevant lawsuits" comprised a "whole series." *ERBE*, 629 F.3d at 1292. The *USS-POSCO* inquiry is focused on the number of "lawsuits," not the number of patents or causes of action.

V. *KOBE* IS INCONSISTENT WITH *NOERR* AND ITS PROGENY.

Capital One tries to avoid *Noerr-Pennington* by arguing that the petitioning of which it complained was part of a "broader monopolistic scheme," a contention foreclosed by *Pennington*, 389 U.S. at 670, rejected by Judge Grimm, and repudiated by the government. *See* Gov't Br. 12 (quoting *Pennington*), 13.

The "broader scheme" idea originated in *Kobe, Inc. v. Dempsey Pump Co.*, 198 F.2d 416 (10th Cir. 1952), nine years before *Noerr*. "*Kobe* is contrary to more recent pronouncements by the Supreme Court concerning *Noerr* immunity." *See Abbott Labs. v. Teva Pharms. USA, Inc.*, 432 F. Supp. 2d 408, 429 (D. Del. 2006). *Kobe* must, therefore, "yield to the Supreme Court's interpretation of *Noerr* immunity." *Id.* at 430.[12]

VI. CLAIM PRECLUSION BARS CAPITAL ONE'S SECTION 7 CLAIM.

This Court may affirm a judgment on any basis supported by the record. *Lawson*, 828 F.3d at 247. Claim preclusion requires affirmance of the judgment on Capital One's Section 7 claim.

---

[12] The *dicta* in *Atari Games Corp. v. Nintendo of Am., Inc.*, 897 F.2d 1572, 1576-77 (Fed. Cir. 1990), does not supersede *Pennington*. *See Abbott Labs.*, 432 F. Supp. 2d at 429.

"A valid and final personal judgment rendered in favor of the defendant bars another action by the plaintiff on the same claim." Restatement (Second) of Judgments § 19. *See Federated Dep't Stores v. Moitie*, 452 U.S. 394, 401 (1981); *Cromwell v. County of Sac*, 94 U.S. 351, 352 (1876). A "dismissal for failure to state a claim under Federal Rule of Civil Procedure 12(b)(6) is a 'judgment on the merits'" for claim preclusion purposes. *Moitie*, 452 U.S. at 399 n.3. *See also* Restatement (Second) of Judgments § 19 cmt. *d*.

No patents were acquired by any Appellee after Capital One's original counterclaims were filed. Appx103415. Capital One's Section 7 claim is "the same," and it is barred.

VII. CAPITAL ONE APPLIES A MISTAKEN CONCEPT OF "POWER."

The claim that a patent owner unable to find a single bank willing to license a group of "financial services" patents has "power" in a "market" consisting of those patents is baffling. "Market power is the ability to raise price profitably by restricting output." *American Express*, 138 S. Ct. at 2288 (quoting Philip Areeda & Herbert Hovenkamp, *Fundamentals of Antitrust Law* § 5.01 (4th ed. 2017)). *See also du Pont*, 351 U.S. at 391 (monopoly power is "the power to control prices or exclude competition”). When no customers are willing to buy one’s product, “restricting output” to “raise price” is not possible.

Capital One has confused the power to “coerce” with the competitive power relevant to antitrust law. If all an actor has is the ability to threaten customers, it has no ability to control the process of competition with its rivals.

“It is a fact of our system of justice that parties are often compelled to engage counsel and defend lawsuits that ultimately prove to have little merit.” *Sosa*, 437 F.3d at 935. Filing lawsuits does not make the claimant a monopolist, and neither does the ability to threaten litigation. Antitrust claims have a well-recognized ability to produce settlements not justified by their merits. *See Reiter v. Sonotone Corp.*, 442 U.S. 330, 345 (1979); *In re S.E. Milk Antitrust Litig.*, 555 F. Supp. 2d 934, 941 (E.D. Tenn. 2008). That is undoubtedly a prime motivation for Capital One’s serial counterclaims. Class actions can present similar harm, as the Advisory Committee noted in the comments on the 1998 amendment of Rule 23. *See also Coopers & Lybrand v. Livesay*, 437 U.S. 463, 476 (1978). These effects are real, but the “power” resulting from the cost of litigation is not market power.

VIII. CAPITAL ONE'S BELATED "CLUSTER MARKET" THEORY IS UNAVAILING.

A. There Is No Occasion For "Cluster Market" Analysis.

The law recognizes only two situations in which "cluster market" analysis is appropriate, (a) when there is proof of distinct demand for a "cluster," as opposed to its individual components, *e.g., Green Country Food Mkt., Inc. v. Bottling Grp., LLC*, 371 F.3d 1275, 1284 (10th Cir. 2004),[13] and (b) when the competitive conditions surrounding a group of products are identical. *See ProMedica Health Sys., Inc. v. FTC*, 749 F.3d 559, 565-66 (6th Cir. 2014); *FTC v. Staples, Inc.*, 190 F. Supp. 3d 100, 117 (D.D.C. 2016). *See* Jonathan B. Baker, *Market Definition: An Analytical Overview*, 74 Antitrust L. J. 129, 157-59 (2007), Appx102157, Appx102186-102188. When competitive conditions are identical, "administrative" or "analytical" convenience justifies analysis of fewer than all of the affected markets. *See ProMedica*, 749 F.3d at 565. Non-substitutes do not become a market, but separate product markets can be analyzed together when the conditions in each are similar. *Id*. The

[13] "Cluster market" analysis does not establish that a "cluster" owned by one company is a relevant market. *See, e.g., Westman Comm. Co. v. Hobart Int'l, Inc.*, 796 F.2d 1216, 1220-21 (10th Cir. 1986). When demand for a cluster is present, the relevant market consists of the clusters sold by all competitors.

question is "whether the competitive conditions for two markets are similar enough to analyze them together," not whether they can be grouped using the techniques used to "define[] an individual market in the first place." *Id*. at 567. *See Market Definition*, 74 Antitrust L.J. at 157-58, Appx102186-102188. *See also* ABA Section of Antitrust Law, *Market Power Handbook: Competition Law and Economic Foundations* (2012), Appx102374-102379.

Capital One was in no position to claim demand for a "cluster" consisting of "IV's financial services portfolio." *See* Appx200874-200875. Capital One asserts that the patents are neither "needed" nor "wanted" by banks. *See, e.g.,* Capital One Br. 2. That position is, as Judge Grimm understated, "problematic" for a cluster market theory. Appx56.

There was no basis for use of the analytical convenience technique. Capital One claimed that every one of the patents belongs in a single market. As the *ProMedica* court explained, the analytical convenience technique can be useful when multiple markets are evaluated, not in defining a single market. 749 F.3d at 567.

B. The Cluster Market *Dicta* Could Not Require A Trial.

Judge Grimm suggested that, issue preclusion and *Noerr-Pennington* aside, a trial on market definition would have been in order. He did not identify an additional legal basis for the use of "cluster market" analysis, or place a factual dispute within a relevant "cluster market" (or other) legal framework. He suggested that the case law did not clearly confine cluster market analysis, and on this basis, said he could not say "as a matter of law" a cluster market could not be proved. *See* Appx57. But a factual dispute could become "genuine" for Rule 56 purposes only if there were another legal framework that made disputed facts material to an outcome that could favor Capital One. There is no such alternative framework.

IX. CONCLUSION.

"The urge to treat antitrust as a legal Swiss Army knife capable of correcting all manner of social and economic ills is apparently difficult for some to resist." Geoffrey Manne, *The illiberal vision of neo-Brandeisian antitrust*, Truth On The Market (Apr. 16, 2018), available at https://truthonthemarket.com/2018/04/16/the-illiberal-vision-of-neo-brandeisian-antitrust/. Anti-patent rhetoric is not enough to overcome the reasoned application of the settled law, the elemental exercise of issue preclusion, or the objectively reasonable assertion of First Amendment petitioning rights. The judgment rejecting the second assertion of Capital One's counterclaims should be affirmed.

Date: August 28, 2018

FREITAS & WEINBERG LLP

/s/Robert E. Freitas
Robert E. Freitas
Daniel J. Weinberg
Jessica N. Leal

Attorneys for Appellees
Intellectual Ventures I LLC
Intellectual Ventures II LLC
Intellectual Ventures Management, LLC
Invention Investment Fund I, L.P.
Invention Investment Fund II, LLC

CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATION, TYPEFACE REQUIREMENTS, AND TYPE STYLE REQUIREMENTS

1. This brief complies with the type-volume limitation of Federal Rule of Federal Circuit Rule 32(a). This brief contains 13,863 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f).

2. This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed. R. App. P. 32(a)(6). This brief has been prepared in a proportionally spaced typeface using Microsoft Word in 14 point Century Schoolbook.

Date: August 28, 2018

/s/Robert E. Freitas
Robert E. Freitas
Attorneys for Appellees

Intellectual Ventures I LLC
Intellectual Ventures II LLC
Intellectual Ventures Management, LLC
Invention Investment Fund I, L.P.
Invention Investment Fund II, LLC

CERTIFICATE OF SERVICE

I hereby certify that on August 28, 2018, Appellee's Brief was electronically filed with the United States Court of Appeals for the Federal Circuit through the Court's CM/ECF system. All parties and registered CM/ECF users and will be served by the CM/ECF system.

Date: August 28, 2018

<u>/s/Robert E. Freitas</u>
Robert E. Freitas