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KIMBLE V. MARVEL ENTERTAINMENT, LLC: ECONOMIC ARGUMENT DEFEATED; SUPERPOWERED STARE DECISIS PREVAILS

In *Kimble v. Marvel Entertainment, LLC*¹, the issue presented to the Supreme Court was whether it should overrule its decision in *Brulotte v. Thys Co.*,² which held that a patentee cannot receive royalty payments after the term of the patent has expired.³ The Court held that under *stare decisis* it must uphold the *Brulotte* ruling.⁴ The Court ruled correctly by upholding a ruling on statutory interpretation that Congress had left unchanged for over half a century.⁵ The dissent's inaccurate argument that the *Brulotte* ruling was actually bad policymaking is not enough to overcome the powerful force of *stare decisis*.⁶

I. THE CASE

In 1990, Stephen Kimble invented a Spider-Man toy that allowed its user to spray foam string by pulling a trigger, thus imitating Spider-Man's ability to shoot a spider's web.⁷ Kimble patented the toy idea under U.S. Patent No. 5,072,856, which expired on May 25, 2010.⁸ Kimble met with a Marvel representative in 1990 to discuss his ideas regarding the patent.⁹ He contends that during this meeting, the representative told him that Marvel would compensate him if it used any of his

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1. 135 S. Ct. 2401 (2015).

2. 379 U.S. 29 (1964).

3. *Kimble v. Marvel Entm't, LLC*, 135 S.Ct. 2401, 2405 (2015); *Brulotte v. Thys Co.*, 379 U.S. 29, 32 (1964).

4. *Kimble*, 135 S.Ct. at 2405.

5. See *infra Part IV.A.*

6. *Id.*

7. *Kimble v. Marvel Enterprises Inc.*, 727 F.3d 856, 857 (9th Cir. 2013), *aff'd sub nom. Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401 (2015).

8. *Id.* at 858

9. *Id.*

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ideas.¹⁰ Later, Marvel began manufacturing a similar Spider Man toy called the “Web Blaster,” which would also allow its users to spray foam string by pulling a trigger.¹¹

In 1997, Kimble brought suit against Marvel for patent infringement and breach of contract, alleging that Marvel broke its verbal agreement with him by not compensating him for using the ideas he disclosed at the 1990 meeting.¹² The district court granted Marvel’s motion for summary judgment on the patent infringement claim, and a jury found in favor of Kimble on the contract claim.¹³ The court awarded Kimble 3.5% of past, present, and future Web Blaster net product sales in the contract case.¹⁴

Kimble and Marvel agreed to settle these cases while the appeals were still pending in 2001.¹⁵ The terms of the Agreement included that the parties would withdraw their appeals, and that Marvel would purchase Kimble’s patent.¹⁶ The Purchase Agreement stated that:

The purchase price for the Patent shall be payable to the Patent Holders as follows:

- a. \$516,214.62 upon execution and delivery of this Agreement; and*
- b. 3% of “net product sales” (as such term is used in the Judgment) excluding refill royalties made after December 31, 2000. For purposes of this paragraph 3.b, “net product sales” shall be deemed to include product sales that would infringe the Patent but for the purchase and sale thereof pursuant to this Agreement as well as sales of the Web Blaster product that was the subject of the Action and to which the Judgment refers.¹⁷*

There was no expiration date to the Agreement, and there was no limitation to Marvel’s obligation to pay the 3% of net product sales.¹⁸

In 2006, after Marvel entered a licensing agreement with Hasbro regarding the production of Marvel toys, including the Web Blaster, several disputes arose between Kimble and Marvel concerning the royalty payments.¹⁹ Marvel counterclaimed and

10. *Id.*

11. *Id.*

12. *Id.*

13. *Id.*

14. *Id.*

15. *Id.*

16. *Id.*

17. *Id.* at 858-59.

18. *Id.* at 859

19. *Id.* (“A number of disagreements subsequently arose between Marvel and Kimble concerning the royalty payments. These disputes revolved around the calculation of royalties for subsequent iterations of the Web Blaster that included additional functions (in addition to shooting foam string) or Web Blasters that were packaged with other role play items (such as Spider-Man masks).”)

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sought a declaration that it was no longer obligated to pay Kimble the royalty payments under the Settlement Agreement because the Web Blaster never infringed on Kimble's patent.²⁰ The parties filed for summary judgment, and the United States District Court for the District of Arizona referred to the Magistrate Judge for a recommendation.²¹ The Magistrate Judge found that under *Brulotte v. Thys Co.*,²² the royalty provision of the Settlement Agreement was unenforceable reasoning that "the Settlement Agreement transferred patent rights, and that it was less clear that it transferred any non-patent rights."²³ The district court adopted the Magistrate Judge's Report and ruled that Marvel was not required to pay royalties under the Agreement after the patent expired on May 25th, 2010.²⁴

The Court of Appeals for the Ninth Circuit affirmed the decision, although it admitted to reluctantly applying the *Brulotte* ruling, which it called "counterintuitive" and "unconvincing."²⁵ Regardless, the Court conceded that *Brulotte* is controlling and thus the Court was bound to follow it.²⁶ The United States Supreme Court granted certiorari to decide whether it should overrule *Brulotte*.²⁷

II. LEGAL BACKGROUND

*Kimble v. Marvel Entertainment, LLC*²⁸ is a patent law case in which the Court's opinion relies heavily on the principle of *stare decisis* to decide whether it should overrule another patent law case, *Brulotte v. Thys Co.* This section will provide background on patent law,²⁹ *stare decisis*,³⁰ and the Court's ruling in *Brulotte*.³¹

A. Patent Law

Under 35 U.S.C. § 154(a)(1), a patent holder is given exclusive rights to his or her invention.³² The relevant parts of the Patent Act are as follows:

(a) *In general.*--

20. *Id.*

21. *Id.*

22. 379 U.S. 29 (1964).

23. *Kimble*, 727 F.3d at 859-60.

24. *Kimble v. Marvel Enterprises, Inc.*, 692 F. Supp. 2d 1156, 1162 (D. Ariz. 2010), *aff'd*, 727 F.3d 856 (9th Cir. 2013), *aff'd sub nom. Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401 (2015).

25. *Kimble*, 727 F.3d at 857.

26. *Id.* at 867.

27. *Kimble v. Marvel Entm't, LLC*, 135 S.Ct. 2401, 2405 (2015).

28. 135 S. Ct. 2401 (2015).

29. See *infra* part II.A.

30. See *infra* Part II.B.

31. See *infra* Part II.C.

32. 35 U.S.C. § 154(a)(1) (2015).

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(1) *Contents.*--Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States . . .

(2) *Term.*--Subject to the payment of fees under this title, such grant shall be for a term beginning on the date on which the patent issues and ending 20 years from the date on which the application for the patent was filed in the United States.³³

The Act allows a patentee to sell the patent or license it for royalty payments.³⁴ However, this right is subject to a twenty-year term which begins when the patentee files the application to obtain the patent.³⁵ Once this patent term expires, the patentee no longer has the exclusive right to make and use the article free from restriction.³⁶ The Supreme Court ruled in *Sears, Roebuck & Co. v. Stiffel Co.*³⁷ that “an article on which the patent has expired,” like an unpatentable article, “is in the public domain and may be made and sold by whoever chooses to do so.”³⁸ Additionally, the Court has deemed unenforceable contract provisions that restrict the free use of unpatentable articles and articles for which the patent has expired.³⁹ The Court reasoned in *Scott Paper Co. v. Marcalus Mfg. Co.*⁴⁰ that “any attempted reservation or continuation in the patentee . . . after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws” and “would deprive . . . the consuming public of the advantage to be derived” from the free use of the article.⁴¹

B. Stare Decisis

Stare decisis, the principle that the court will stand by its previous decisions, has been described by the Supreme Court as “a foundation stone of the rule of law, necessary to ensure that legal rules develop ‘in a principled and intelligible fashion.’”⁴² “*Stare*

33. 35 U.S.C. § 154(a)(1)-(2) (2015).

34. *Id.*

35. 35 U.S.C. § 154(a)(2) (2015).

36. See *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 (1964).

37. *Id.*

38. *Id.*

39. *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 256 (1945) (ruling that a manufacturer could not agree to refrain from challenging a patent’s validity).

40. *Id.*

41. *Id.* at 256; see also, e.g., *Edward Katzinger Co. v. Chicago Metallic Mfg. Co.*, 329 U.S. 394, 400–01 (1947) (ruling that *Scott Paper* applies to licensees); *Lear, Inc. v. Adkins*, 395 U.S. 653, 668–75 (1969) (refusing to enforce a contract requiring a licensee to pay royalties while contesting a patent’s validity).

42. *Michigan v. Bay Mills Indian Community*, 134 S.Ct. 2024, 2036 (2014) (quoting *Vasquez v. Hillery*, 474 U.S. 254 (1986)).

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decisis is the preferred course because it promotes the evenhanded, predictable, and consistent development of legal principles, fosters reliance on judicial decisions, and contributes to the actual and perceived integrity of the judicial process.”⁴³ However, *stare decisis* is not an “inexorable command” or a “mechanical formula,” but rather a policy principle.⁴⁴ The Court has reasoned that it is more important that the law be settled than for it to be settled right.⁴⁵ An argument that the Court ruled incorrectly is not sufficient to overcome *stare decisis*, there must be some additional, special justification that the precedent was wrongly decided.⁴⁶

When the Court interprets a statute, *stare decisis* carries a greater force because any disagreements with the interpretation can be settled by Congress, which has the authority to create a new statute.⁴⁷ In other words, if the Court has interpreted a statute and Congress has not taken subsequent action to change the statute, the Court assumes Congress agrees with the interpretation, which bolsters the idea that the judicial interpretation was correct. Additionally, “considerations in favor of *stare decisis* are at their acme in cases involving property and contract rights,” because rulings in such cases are relied upon by parties.⁴⁸ Parties that create contracts in reliance on court rulings may have their expectations upended when a court overturns those rulings. Conversely, in the area of antitrust law, “the general presumption that legislative changes should be left to Congress has less force with respect to the Sherman Act in light of the accepted view that Congress ‘expected the courts to give shape to the statute’s broad mandate by drawing on common-law tradition.’”⁴⁹

For the Court to overrule a precedent, and thus override *stare decisis*, it needs a special justification. One such justification is an argument that the precedent’s statutory and doctrinal underpinnings have eroded.⁵⁰ When a statutory precedent is overruled, the primary reason for the Court’s ruling is often the “intervening development of the law, through either the growth of judicial doctrine or further action taken by Congress,”⁵¹ or because “the later law has rendered the decision irreconcilable with competing legal doctrines or policies.”⁵² Another justification for

43. Payne v. Tennessee, 501 U.S. 808, 827 (1991).

44. *Id.* at 828 (citing Helvering v. Hallock, 309 U.S. 106, 119 (1940)).

45. Burnet v. Coronado Oil & Gas Co., 285 U.S. 393, 406 (1932) (Brandeis, J. dissenting).

46. Halliburton Co. v. Erica P. John Fund, Inc., 134 S.Ct. 2398, 2407 (2014).

47. See, e.g., Patterson v. McLean Credit Union, 491 U.S. 164, 172–73 (1989).

48. Payne v. Tennessee, 501 U.S. 808, 828 (1991).

49. State Oil Co. v. Khan, 522 U.S. 3, 20–21 (1997) (citing National Soc. of Professional Engineers v. United States, 435 U.S. 679, 688 (1978)).

50. Patterson v. McLean Credit Union, 491 U.S. 164, 173 (1989).

51. *Id.* (citing Rodriguez de Quijas v. Shearson/American Express, Inc., 490 U.S. 477, 480–81 (1989); see also Andrews v. Louisville & Nashville R. Co., 406 U.S. 320, 321–22 (1972)).

52. Patterson v. McLean Credit Union, 491 U.S. 164, 173 (1989) (citing Braden v. 30th Judicial Circuit Ct. of Ky., 410 U.S. 484, 497–499 (1973); Construction Laborers v. Curry, 371 U.S. 542, 552 (1963)).

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overriding *stare decisis* is that “a precedent may be a positive detriment to coherence and consistency in the law . . . because of inherent confusion created by an unworkable decision.”⁵³

Despite these general principles of *stare decisis* serving as a basic framework, the legal doctrine is “essentially indeterminate.”⁵⁴ The Supreme Court’s characterization of *stare decisis* as a flexible “principle of policy,”⁵⁵ as well as the numerous considerations that constitute the lengthy inquiry, have both served to confound this doctrine and inspire “unusually scathing dissents” from Supreme Court Justices.⁵⁶ One particular conflict within this doctrine is illustrated by the differences in the Court’s description of *stare decisis* in two particular cases: *Halliburton Co. v. Erica P. John Fund, Inc.*⁵⁷ and *Payne v. Tennessee*.⁵⁸ In *Halliburton*, the Court stated that it requires “special justification, not just an argument that the precedent was wrongly decided.”⁵⁹ However, the *Payne* Court stated that “when governing decisions are unworkable or are badly reasoned, this Court has never felt constrained to follow precedent.”⁶⁰

The confusion lies in whether “bad reasoning” is a “special justification.” It would certainly seem that it is not so, because “if the precedent were correct on the merits,” meaning the precedent was well reasoned, “the Court would reaffirm it without regard to *stare decisis*.”⁶¹ This conflict is caused by the way courts treat *stare decisis* in cases of statutory interpretation differently than other cases. *Halliburton* was a case involving statutory interpretation, thus a “special justification” was necessary.⁶²

C. The Supreme Court’s Ruling in Brulotte

In *Brulotte v. Thys Co.*,⁶³ the Court considered whether a hop-picking machine patent owner could continue to license his machines for royalty payments after the patents on the machine had expired.⁶⁴ Thys Company, an owner of various hop-picking patents, sold machines to several others for a flat sum and issued a license for their

53. *Id.* (citing *Continental T.V., Inc. v. GTE Sylvania, Inc.*, 433 U.S. 36, 47–48 (1977); *Swift & Co. v. Wickham*, 382 U.S. 111, 124–25 (1965)).

54. Randy J. Kozel, *Stare Decisis As Judicial Doctrine*, 67 WASH. & LEE L. REV. 411, 414 (2010).

55. *Helvering v. Hallock*, 309 U.S. 106, 119 (1940).

56. Randy J. Kozel, *Stare Decisis As Judicial Doctrine*, 67 WASH. & LEE L. REV. 411, 413–14 (2010).

57. *Halliburton Co. v. Erica P. John Fund, Inc.*, 134 S. Ct. 2398 (2014).

58. *Payne v. Tennessee*, 501 U.S. 808 (1991).

59. *Halliburton Co. v. Erica P. John Fund, Inc.*, 134 S. Ct. 2398, 2407 (2014) (quotations omitted).

60. *Payne v. Tennessee*, 501 U.S. 808, 827 (1991) (quotations omitted). *See also* *Citizens United v. Fed. Election Comm’n*, 558 U.S. 310, 315 (2010) (overruling a precedential case because it was not “well reasoned”).

61. Randy J. Kozel, *Stare Decisis As Judicial Doctrine*, 67 WASH. & LEE L. REV. 411, 417 (2010).

62. *Halliburton*, 134 S.Ct. at 2407.

63. 379 U.S. 29 (1964).

64. *Id.* at 29–30.

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use, under which there was “payable a minimum royalty of \$500 for each hop-picking season or \$3.33 1/3 per 200 pounds of dried hops harvested by the machine, whichever is greater.”⁶⁵ Seven patents listed in the license were incorporated into the machines, and all expired on or before 1957.⁶⁶ However, the licenses issued continued for terms beyond 1957.⁶⁷ Thys Company brought suit when the licensees refused to make further royalty payments.⁶⁸

The Supreme Court ruled that a patent gives exclusive rights to the patentee to make, sell, and use the article, but these rights become public property once the term has ended.⁶⁹ The Court relied on the *Scott Paper* reasoning that allowing a patentee to continue his monopoly after the patent term expires runs counter to the purpose of patent law and public policy.⁷⁰ The Court concluded that “a patentee’s use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*.”⁷¹

III. THE COURT’S REASONING

In *Kimble v. Marvel Entertainment, LLC* the United States Supreme Court affirmed the judgment of the Court of Appeals for the Ninth Circuit, declining to overrule *Brulotte*.⁷² The Court reasoned that the *Brulotte* ruling had a “superpowered form of *stare decisis*” because it was a statutory interpretation involving property and contract rights, and the Court was presented with no special justification for departing from this rule.⁷³

The Court began by describing how it has decided cases involving the limiting of the free use of patented inventions.⁷⁴ A patent typically expires twenty years from the day its application was filed for, and the Court “has carefully guarded that cut-off date” by ruling that once an article’s patent expires, it is in the public domain and may be freely made and sold.⁷⁵ The Court explained the *Brulotte* rule as a continuation of this trend; a contract that requires a party to pay royalties after the patent has expired extends the patentee’s monopoly on the article beyond the patent period and restricts the public domain’s free use of the article.⁷⁶ The Court stated that the *Brulotte*

65. *Id.*

66. *Id.* at 30.

67. *Id.*

68. *Id.*

69. *Id.* at 31 (citing *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896); *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 118 (1938)).

70. *Id.* (citing *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 256 (1945)).

71. *Id.* at 32.

72. *Kimble v. Marvel Entm’t, LLC*, 135 S.Ct. 2401, 2415 (2015).

73. *Id.* at 2410.

74. *Id.* at 2407.

75. *Id.*

76. *Id.* at 2407-08.

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ruling may prevent some parties from forming the exact deals they desire, but it only bars royalties, so parties can find other ways to achieve the same ends.⁷⁷

The Court next discussed the role of *stare decisis* in this case.⁷⁸ The Court characterized the principle as “a foundation stone of the rule of law.”⁷⁹ The Court stated that an argument that the Court made an incorrect decision is not enough to persuade it to overturn a settled precedent; there must be a “special justification” over and above the belief that the precedent was wrongly decided.⁸⁰ Additionally, the Court continued, *stare decisis* holds an even greater force in a case like *Brulotte* when the Court interprets a statute, because such a ruling can be corrected by Congress.⁸¹ The Court determined that *Brulotte*’s precedential force is further strengthened by the fact that Congress has spurned multiple opportunities to reverse it for over half a century.⁸² Lastly, the Court stated that *Brulotte* is a contracts and property case, which are two areas of law in which “considerations favoring *stare decisis* are ‘at their acme’” because parties are likely to rely on rulings in these areas of law.⁸³ The parties disagreed whether *Brulotte* created any reliance (as there was no evidence presented of any such licenses existing), but the Court ruled that “even uncertainty on this score cuts in Marvel’s direction,” since there was “a reasonable possibility that parties have structured their business transactions in light of *Brulotte*.”⁸⁴

Once this high standard of *stare decisis* is established, the Court states that there does not exist a “superspecial justification” to warrant overruling *Brulotte*.⁸⁵ First, the statutory and doctrinal underpinnings of *Brulotte* have not eroded over time.⁸⁶ *Scott Paper*, the case on which *Brulotte* relied, is still good law.⁸⁷ Reversing *Brulotte* may threaten other decisions, because of the decision’s “close relation to a whole web of precedents,” and the Court would not like to “unsettle stable law.”⁸⁸ Next, the Court claims that *Brulotte* has not proved to be an unworkable case.⁸⁹ The current rule is easy to apply; the Court must only ask whether a licensing agreement provides royalties after the patent has expired.⁹⁰ This stands in contrast to the alternative rule

77. *Id.* at 2408.

78. *Id.* at 2409.

79. *Id.* (quoting *Michigan v. Bay Mills Indian Community*, 134 S.Ct. 2024, 2036 (2014)).

80. *Id.* (citing *Halliburton Co. v. Erica P. John Fund, Inc.*, 134 S.Ct. 2398, 2047 (2014)).

81. *Id.*

82. *Id.* at 2409-10.

83. *Id.* at 2410 (quoting *State Oil Co. v. Khan*, 522 U.S. 3, 10 (1997)).

84. *Id.*

85. *Id.*

86. *Id.*

87. *Id.* at 2411.

88. *Id.*

89. *Id.* (citing *Patterson v. McLean Credit Union*, 491 U.S. 164, 172-173, (1989) (identifying unworkability as another “traditional justification” for overruling precedent)).

90. *Id.*

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that Kimble proposes in order to invalidate agreements that have anti-competitive consequences: antitrust law's rule of reason.⁹¹ This rule of reason is an "elaborate inquiry" that "produces notoriously high litigation costs and unpredictable results."⁹² Thus, Kimble's proposed alternative would make the rule less workable, not more.⁹³

The Court also addresses two more of Kimble's justifications for overruling *Brulotte*.⁹⁴ Kimble first claims that *Brulotte* assumed that post-patent royalty agreements are invariably anticompetitive, a mistaken view of the effects of such arrangements.⁹⁵ Kimble notes that these agreements more often increase competition rather than inhibit it, and the Court does not see an error in this analysis.⁹⁶ However, the Court has two inquiries on this claim: was *Brulotte* actually founded on this analysis of competitive effects, and if so is this economic mistake suffice to overcome *Brulotte*?⁹⁷ The Court said that instead of on a competitive effects analysis, *Brulotte* was actually founded on a bright-line rule that all patents and their benefits must end when the patent expires.⁹⁸ Regardless, the Court stated that even if *Brulotte* were based on that economic mistake, that reason would not be enough to overcome *stare decisis* in this case because Congress is the correct entity to fix that misjudgment, and Kimble has not brought forth any changes in economic theory or new empirical studies that have changed since the *Brulotte* rule.⁹⁹

Kimble's second claim is that the *Brulotte* rule damages the American economy by discouraging technological innovation.¹⁰⁰ Kimble argued that if parties are not free to contract as they please, they may not reach an agreement at all, which may discourage invention in the first place.¹⁰¹ The Court rejected this claim because Kimble offers no empirical evidence that the *Brulotte* ruling has led to decreased innovation, and because claims that a statutory precedent stifles innovation are more appropriate for Congress.¹⁰²

In Justice Alito's dissent, with whom the Chief Justice and Justice Thomas joined, he contended that *Brulotte* was based on a debunked economic theory, and that "[s]*tare decisis* does not require [the Court] to retain this baseless and damaging precedent."¹⁰³ The dissent claims that *Brulotte* was not actually about statutory

91. *Id.*

92. *Id.* (quoting *Arizona v. Maricopa County Medical Soc.*, 457 U.S. 332 (1982)).

93. *Id.*

94. *Id.* at 2412

95. *Id.*

96. *Id.*

97. *Id.*

98. *Id.* at 2413.

99. *Id.*

100. *Id.* at 2414.

101. *Id.*

102. *Id.*

103. *Id.* at 2415 (Alito, J. dissenting).

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interpretation at all because the Patent Act says nothing about post-expiration royalties.¹⁰⁴ Justice Alito asserts that “nothing in the text of the Act even arguably forbids licensing agreements that provide for post-expiration royalties.”¹⁰⁵ The *Brulotte* ruling was based on policymaking, and bad policymaking at that, according to Justice Alito.¹⁰⁶ He states that the economic reasoning of *Brulotte* has been “soundly refuted”; it incorrectly assumes that post-expiration royalties extend the monopoly of the patent, but once the patent ends the ability to exclude is gone.¹⁰⁷ The majority claims that parties can find ways around *Brulotte*, but Alito claims the need to do this is an economic inefficiency.¹⁰⁸ Additionally, the majority claims that *Brulotte* creates problems by upsetting parties’ expectations, because often both parties are unaware of the rule.¹⁰⁹ Marvel’s claim that the *Brulotte* ruling has generated reliance is not supported, but the Court admits there is an uncertainty and gives Marvel the benefit of the doubt.¹¹⁰ The dissent asserts that there is no uncertainty, and that what is known for sure is that the *Brulotte* rule has often disrupted parties’ agreements.¹¹¹

After breaking down the *Brulotte* ruling, and even stating that its “only virtue is that [the Court] decided it,” the dissent claims that *stare decisis* does not prevent the case from being overruled.¹¹² Justice Alito points to *Pearson v. Callahan*,¹¹³ which states that “[r]evisiting precedent is particularly appropriate where ... a departure would not upset expectations, the precedent consists of a judge-made rule ..., and experience has pointed up the precedent’s shortcomings.”¹¹⁴ The dissent contends that *stare decisis* does not require the Court to uphold *Brulotte* because its holding “had no basis in the law,” “[i]ts reasoning has been thoroughly disproved,” “[i]t poses economic barriers that stifle innovation,” and “it unsettles contractual expectations.”¹¹⁵ The dissent believes that the Court may be more reluctant to overturn decisions interpreting statutes, but the *Brulotte* ruling did not actually interpret a statute.¹¹⁶ Lastly, the dissent claims the Court places too much weight in the fact that Congress did not act to fix the *Brulotte* rule, citing the reasoning of *Girouard v. United States*¹¹⁷

104. *Id.*

105. *Id.*

106. *Id.*

107. *Id.* at 2416.

108. *Id.*

109. *Id.* at 2417.

110. *Id.*

111. *Id.*

112. *Id.*

113. *Pearson v. Callahan*, 555 U.S. 223 (2009).

114. *Kimble*, 135 S.Ct. at 2417 (Alito, J. dissenting) (citing *Pearson*, *supra*, note 113, at 233).

115. *Id.*

116. *Id.* at 2418.

117. 328 U.S. 61 (1946).

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that “[i]t is at best treacherous to find in congressional silence alone the adoption of a controlling rule of law.”¹¹⁸

IV. ANALYSIS

In *Kimble v. Marvel Entertainment, LLC*, the United States Supreme Court declined to overrule *Brulotte v. Thys Co.*¹¹⁹ The Court decided correctly by leaving the *Brulotte* rule for Congress to fix, since it was a case of statutory interpretation, not policymaking, and a case of patent law, not antitrust law.¹²⁰ This ruling is not likely to create a significant economic impact, but it may lead to Congressional action to amend the Patent Act.¹²¹

A. The Court Decided Kimble Correctly by Giving Stare Decisis Proper Deference

Kimble was decided correctly, and the dissenting arguments lack merit. The crux of the argument in Justice Alito’s dissent is that the *Brulotte* rule “was not based on anything that can plausibly be regarded as an interpretation of the terms of the Patent Act,” but rather was based on a now debunked economic theory.¹²² The dissent even continues to say that “nothing in the text of the Act even arguably forbids licensing agreements that provide for post-expiration royalties.”¹²³ Based on the text of both the *Brulotte* opinion and the Patent Act, both of these claims are false.

The Patent Act gives a patentee the right to exclude others from making, using, or selling the patented article, and these rights are only granted during the twenty year term.¹²⁴ The Act does not explicitly forbid licensing agreements with post-expiration royalties, but this consequence can be reasonably inferred. Such an agreement is a way for a patentee to sell his exclusive rights to make, use or sell the article. When the term ends, the patentee no longer has these exclusive rights because they pass to the public. Thus, it can reasonably be concluded that a patentee should not be able to sell rights that are no longer exclusive to him.

The dissent incorrectly believes that the *Brulotte* ruling was not an interpretation of the Patent Act, but rather based on an economic theory.¹²⁵ Justice Alito characterizes *Brulotte* as “an antitrust decision masquerading as a patent case.”¹²⁶ He argues that the decision was “principally concerned with patentees improperly

118. *Kimble*, 135 S.Ct. at 2418 (Alito, J. dissenting) (citing *Girouard v. United States*, 328 U.S. 61, 69–70 (1946)).

119. *Kimble*, 135 S.Ct. at 2405.

120. *See infra* Part IV.A.

121. *See infra* Part IV.B.

122. *Kimble*, 135 S.Ct. at 2415 (Alito, J. dissenting).

123. *Id.*

124. *See supra* Part II.A.

125. *Kimble*, 135 S.Ct. at 2415 (Alito, J. dissenting).

126. *Id.* at 2418.

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leveraging their monopoly power,” and that it “expressly characterized post-expiration royalties as anti-competitive tying arrangements.”¹²⁷ While the *Brulotte* ruling does indeed state these economic arguments, they are merely used in support of the statutory interpretation reasoning.

Brulotte was in fact a ruling of statutory interpretation based on its discussion of the text of the Patent Act and its reliance on the *Scott Paper* decision.¹²⁸ After examining the text of the Patent Act, the *Brulotte* Court stated that the patent rights “become public property” once the term is over by relying on the text from the *Scott Paper* decision which stated “any attempted reservation or continuation in the patentee ... after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent laws.”¹²⁹ This quote from *Scott Paper* is a clear statutory interpretation because it relies on the “policy and purpose” of the Patent Act. Furthermore, since the *Brulotte* ruling relied on *Scott Paper*, it is clear that *Brulotte* was also a statutory interpretation. As the majority opinion in *Kimble* puts it, “*Brulotte* did not undertake to assess that practice’s likely competitive effects. Instead, it applied a categorical principle that all patents, and all benefits from them, must end when their terms expire.”¹³⁰ To say that *Brulotte* was merely “masquerading as a patent case” is an incredibly unfair characterization based on these arguments.¹³¹

Perhaps the most damning evidence to the dissent’s argument is found in a footnote to Justice Harlan’s *Brulotte* dissent: “it should not be overlooked that we are dealing here with a patent, not an antitrust case.”¹³² Even the dissent in *Brulotte* was firmly aware that the case was certainly a patent one. It is important to note that the majority opinion is aware of how pivotal this characterization is; Justice Kagan writes that “[i]f *Brulotte* were an antitrust rather than a patent case,” the Court might rule in *Kimble*’s favor.¹³³

The dissent’s subsequent arguments are rendered moot by the fact that *Brulotte* was ruled on statutory interpretation. After making his assertion that *Brulotte* is based on policymaking, Justice Alito goes on in his dissent to explain why such a policy is a bad one and thus should be overturned.¹³⁴ This argument is of no significance because as Justice Kagan stated in the majority opinion, “the choice of what patent policy should be lies first and foremost with Congress.”¹³⁵ The dissent continues to state that “we do not give super-duper protection to decisions that do not actually interpret a

127. *Id.*

128. *Brulotte v. Thys Co.*, 379 U.S. 29, 30-32 (1964).

129. *Id.* at 31 (quoting *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 256 (1945)).

130. *Kimble*, 135 S.Ct. at 2413.

131. *Id.* at 2418 (Alito, J. dissenting).

132. *Brulotte v. Thys Co.*, 379 U.S. 29, 38 n.3 (1964) (Harlan, J. dissenting).

133. *Kimble*, 135 S.Ct. at 2412.

134. *Kimble*, 135 S.Ct. at 2415-16 (Alito, J. dissenting).

135. *Kimble*, 135 S.Ct. at 2414.

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statute.”¹³⁶ This argument is clearly moot in light of the fact that *Brulotte* was a statutory interpretation, thus the “enhanced force” of *stare decisis* argued by the majority still stands.¹³⁷

B. The Kimble Ruling Will Not Have a Significant Economic Impact

The ruling here is not likely to have any significant economic impact; however, it may eventually have an impact on patent law. The first effect is clear: a patentee may not enforce a royalty provision in a licensing agreement once his patent has expired. This ruling may prevent some parties from entering into the exact deals they require, but as the majority opinion states, “parties can often find ways around *Brulotte*.”¹³⁸ For example, an agreement where a licensee defers payments for the use of a patent during the patent period into the post-expiration period of the patent are still allowed.¹³⁹ Additionally, a post-expiration royalty is still allowed if it is tied to a non-patent right.¹⁴⁰ This means two parties can enter an agreement where a royalty for a patent is paid during the patent period, and during the post patent period a royalty is paid for a trade secret.¹⁴¹ The decision is also unlikely to upset any expectations of parties who entered into post-patent royalty agreements, because Marvel was unable to present any such examples and Kimble claimed no “meaningful number of [such] license agreements ... actually exist.”¹⁴² While the Court did admit ignorance as to whether such agreements exist, it seems unlikely that if neither side was able to find any examples that this decision would create significant problems for existing agreements.¹⁴³

However, as Kimble contends and the Court does not refute, “a broad scholarly consensus supports Kimble’s view of the [positive] competitive effects of post-expiration royalties.”¹⁴⁴ While Kimble’s economic argument may not have had any effect on the Court, it is plausible that this case will bring the attention of Congress to this issue. After all, the Court explicitly stated that “[c]ritics of the *Brulotte* rule must seek relief not from this Court but from Congress.”¹⁴⁵

136. *Kimble*, 135 S.Ct. at 2418 (Alito, J. dissenting).

137. *Kimble*, 135 S.Ct. at 2409.

138. *Id.* at 2408.

139. *Id.*

140. *Id.*

141. *Id.*

142. *Id.* at 2410 (citation omitted).

143. *Id.*

144. *Id.* at 2412 (“[Post-patent royalty agreements] more often increase than inhibit competition, both before and after the patent expires.” *Id.* “[A] longer payment period will typically go hand-in-hand with a lower royalty rate. During the patent term, those reduced rates may lead to lower consumer prices, making the patented technology more competitive with alternatives; too, the lesser rates may enable more companies to afford a license, fostering competition among the patent’s own users.” *Id.* (citation omitted).)

145. *Id.* at 2405.

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V. CONCLUSION

In *Kimble v. Marvel Entertainment, LLC*¹⁴⁶, the issue presented to the Court was whether it should overrule its decision in *Brulotte v. Thys Co.*¹⁴⁷, which held that a patentee cannot receive royalty payments after the term of the patent has expired.¹⁴⁸ The court held that under *stare decisis* it must uphold the *Brulotte* ruling.¹⁴⁹ The Court ruled correctly by upholding a ruling on statutory interpretation that had been unchanged by Congress for over half a century. The dissent's inaccurate argument that the *Brulotte* ruling was actually bad policymaking is not enough to overcome *stare decisis*.

146. 135 S. Ct. 2401 (2015).

147. 379 U.S. 29 (1964).

148. See *supra* Part I.

149. *Kimble*, 135 S.Ct. at 2405.