16-953

No. 16-___

IN THE

Supreme Court of the United States

RETRACTABLE TECHNOLOGIES, INC.
AND THOMAS J. SHAW,

Petitioners,

v.

BECTON, DICKINSON & CO.,

Respondent.

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

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Section 2 of the Sherman Act penalizes attempts to monopolize but does not specify what conduct is prohibited because the means of illicit exclusion are "myriad." The Courts of Appeals are in disarray about when, if ever, false commercial speech (e.g., false advertising, business disparagement, or product disparagement) may support a § 2 claim. The D.C., Third, and Eighth Circuits recognize that false commercial speech may be exclusionary conduct. The Second, Sixth, Ninth, Tenth and Eleventh Circuits presume false commercial speech cannot be exclusionary unless it satisfies a multi-factor test. In stark contrast, the Seventh Circuit and Fifth Circuit in this case declare that false commercial speech actually encourages competition. This Petition presents the following issues:

1. When does false commercial speech give rise to antitrust liability? If a party knowingly lies about its competitors' products, has a specific intent to become, and a reasonable probability of becoming, a monopolist and harms competition (all as found by the jury), can that party's false commercial speech support a claim of attempted monopolization under Sherman Act § 2?

2. The D.C. Circuit has recognized that firms with market power may attempt to obtain or retain monopoly power by purposefully distributing a poorly-performing product that taints the market against an innovative product. The Fifth Circuit rejected the concept as "illogical." Can tainting the market with the sale of malfunctioning products constitute exclusionary conduct?

RULE 29.6 STATEMENT

Petitioner Retractable Technologies, Inc. is a publicly-traded company. It has no parent corporation, and no publicly-held company owns 10 percent or more of Retractable Technologies' stock.

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The opinion of the court of appeals is reported at 842 F.3d 883. App. 1a-30a. The order of the district court denying Respondent Becton Dickinson's motion for judgment as a matter of law (App. 31a-48a) is unreported, but available at 2014 WL 12596788.

JURISDICTION

The judgment of the court of appeals was entered December 2, 2016. App. 1a. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY PROVISION INVOLVED

Section 2 of the Sherman Act, 15 U.S.C. § 2, provides:

> Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding $100,000,000 if a corporation, or, if any other person, $1,000,000, or by imprisonment not exceeding 10 years, or by both said punishments, in the discretion of the court.

(The Clayton Act provides a private civil action for persons injured by violations of the Sherman Act. 15 U.S.C. §§ 12, 15.)

INTRODUCTION

By reversing the jury verdict in this case, the Fifth Circuit deepened an existing circuit split and created a new one regarding types of conduct that are

actionable anticompetitive behavior under § 2 of the Sherman Act. In both instances, the Fifth Circuit employed a categorical rule to reject the verdict, whereas this Court and other circuits have followed a more flexible approach.

The circuits and commentators are divided on when, if ever, false commercial speech can constitute exclusionary conduct actionable under § 2 of the Sherman Act. The D.C., Third, and Eighth Circuits employ a traditional case-by-case analysis to determine whether false speech is exclusionary. *See, e.g., W. Penn Allegheny Health Sys., Inc. v. UPMC*, 627 F.3d 85, 108-09 & n.14 (3d Cir. 2010); *Caribbean Broad. Sys., Ltd. v. Cable & Wireless P.L.C.*, 148 F.3d 1080, 1087 (D.C. Cir. 1998); *Int'l Travel Arrangers, Inc. v. W. Airlines, Inc.*, 623 F.2d 1255, 1269-70 (8th Cir. 1980).

Other courts, including the Second, Sixth, Ninth, Tenth, and Eleventh Circuits, have adopted a presumption that false speech has a *de minimis* effect on competition and require the plaintiff to meet a multifactor test to prove otherwise. *Duty Free Ams., Inc. v. Estée Lauder Cos.*, 797 F.3d 1248, 1268-69 (11th Cir. 2015); *Lenox MacLaren Surgical Corp. v. Medtronic, Inc.*, 762 F.3d 1114, 1127–28 (10th Cir. 2014); *Am. Council of Certified Podiatric Physicians & Surgeons v. Am. Bd. of Podiatric Surgery, Inc.*, 323 F.3d 366, 370 (6th Cir. 2003); *Am. Prof'l Testing Serv., Inc. v. Harcourt Brace Jovanovich Legal & Prof'l Publ'ns, Inc.*, 108 F.3d 1147, 1152 (9th Cir. 1997); *Nat'l Ass'n of Pharm. Mfrs., Inc. v. Ayerst Labs.*, 850 F.2d 904, 916 (2d Cir. 1988).

The Fifth Circuit in this case joined the Seventh Circuit in erecting a near-impenetrable barrier to § 2

claims based on false commercial speech, characterizing false speech as competition on the merits. App. 13a-16a; *Mercatus Grp., LLC v. Lake Forest Hosp.*, 641 F.3d 834, 851-52 (7th Cir. 2011); *Sanderson v. Culligan Int'l Co.*, 415 F.3d 620, 624 (7th Cir. 2005).

This deeply-rooted split among the courts reflects differing views on the proper balance between (a) Congress's intent for § 2 to be a flexible tool to address anticompetitive conduct; and (b) the judiciary's effort to prevent run-of-the-mill business tort claims from being recast as treble damage antitrust claims. Noted commentators offer proposals to address these competing concerns, but none endorses what the Fifth Circuit did here. The Areeda and Hovenkamp treatise supports an approach that relies on the *de minimis* presumption and multi-factor test. 3B Phillip E. Areeda & Herbert Hovenkamp, *Antitrust Law*, ¶ 782b (3rd ed. 2016 update). Professor Stucke opposes the *de minimis* presumption. Maurice E. Stucke, *When a Monopolist Deceives*, 76 Antitrust L.J. 823, 829-30 (2010). Professor Tushnet views the rules imposed by the Fifth Circuit as "empirically dubious, and essentially random." Rebecca Tushnet, *Fifth Circuit Reverses Multimillion-dollar Antitrust Verdict Based on False Advertising, Remands*, Rebecca Tushnet's 43(B)log (Dec. 6, 2016). As a result of the split, the same conduct may lead to different outcomes depending solely on where the lawsuit is filed.

Respondent Becton Dickinson ("BD") did not argue below that the commercial speech at issue was truthful; it was admittedly false. Nor did BD argue it did not intend to monopolize the United States safety-syringe market. It did not challenge the jury's finding of specific intent. The question was whether false commercial speech can support the jury's finding of

anticompetitive conduct. Thus, this case presents an ideal vehicle to resolve the circuit split because the question here is whether, as the jury found, BD's false commercial speech can be anticompetitive conduct.

"[P]roduct disparagement that is false and inaccurate is an iniquity that strikes at the very heart of a competitive marketplace and cannot be tolerated." Kevin S. Marshall, *Product Disparagement Under the Sherman Act, Its Nurturing and Injurious Effects to Competition, and the Tension Between Jurisprudential Economics and Microeconomics*, 46 Santa Clara L. Rev. 231, 240 (2006). The dissemination of false speech becomes easier every day and reaches ever-widening audiences. Once false information is accepted, it can be virtually impossible to dislodge it. It is important to have clarity on the role that intentionally-false information can play in creating anticompetitive environments. This Court should grant this petition and resolve the disagreements among the courts of appeals.

STATEMENT OF THE CASE

1. In the 1990's, Thomas Shaw and Retractable Technologies ("RTI") invented and patented innovative syringe technology. The needle in RTI's syringes automatically retracts into the body of the syringe when an injection is complete, thereby substantially reducing accidental needlesticks with contaminated needles. RTI is a small company formed specifically to manufacture and sell its retractable syringe, marketed under the name "VanishPoint."

Transmission of blood-borne diseases by accidental needlesticks is a serious health problem. The AIDS epidemic, in particular, drove the development of safety syringes designed to prevent accidental needlesticks.

The Needlestick Safety and Prevention Act, (Pub. L. 106-430), § 3, 114 Stat. 1901 (2000), required hospitals to use medical devices designed to minimize needlesticks. *See also* 29 C.F.R. 1910.1030 (2012).

Founded in 1897, BD—a multi-national corporate conglomerate that manufactures medical equipment—is the trusted name in syringes. Throughout this litigation, BD has maintained a 50% or more share of the United States safety-syringe market. BD initially developed an assortment of so-called "safety syringes" that required manual manipulation of a cap near the tip of the dirty needle following an injection. But manually-operated safety syringes did not reduce needlestick rates. Recognizing the importance of automatically-retracting syringe technology, BD attempted to design its own version of RTI's retracting syringes while avoiding RTI's patents. Yet, BD's automatically-retracting syringes, nearly identical in appearance to RTI's syringes, frequently malfunctioned and did not sell well. And BD made a much larger profit from its manual syringes than it did from its costlier automatically-retracting syringes.

BD lacked an automatically-retracting product that could compete with RTI's syringes. So BD promoted its manually-operated safety syringes while suppressing the new automatically-retracting syringe technology. BD embarked on a multi-faceted campaign of deception to (1) maintain its market share and premium pricing in the face of the new technology; and (2) prevent the market from widely accepting automatically-retracting syringes.

Among other tactics, BD used a widespread, long-term campaign to misrepresent its and its competitors' syringes. BD falsely claimed its needles were the world's sharpest, which corresponds with patient

comfort, a top customer priority. BD also falsely said that after RTI's VanishPoint delivered a dose, it left a large volume of medicine in the syringe. This is known as "wastespace." This assertion, if true, would increase medicine costs and mean the VanishPoint syringe, by delivering an incomplete dose, did not meet industry standards. Further, BD purposefully kept its malfunctioning retractable syringes on the market, despite its engineers' protests that BD's product should be pulled from the market and redesigned.

Needle sharpness and wastespace are the critical attributes of any syringe. Both are objectively measurable, and BD claimed to have data on file to prove its claims. BD's tests actually showed its assertions were false. But for years, BD based advertising campaigns on those false assertions and made those false claims against all of its competitors. In private customer meetings, BD used false charts showing that VanishPoint syringes wasted so much medicine that customers would save money using BD's syringes even if RTI provided its syringes for free. BD executives confirmed that perceived medication savings were "the primary reason people use" BD's automatically-retracting syringes.

BD's campaign had its intended market effect. First, it suppressed innovation. After RTI introduced the automatically-retracting syringe, BD forecast that type of syringe would take half the market. But, as a result of BD's conduct, it did not. Retractable syringes comprise around 5% of the market. By contrast, automatic retraction did take half the separate, but analogous, market for safety-IV catheters used for intravenous administration of fluids and medications. In that market, there was no misinformation campaign.

Second, even though BD's syringes are essentially the same as its competitors', BD was able to sell its syringes at a premium, commanding prices 10-30% higher than the competition. Third, despite its premium pricing and lack of a functional automatically-retracting syringe, BD maintained its market share in the 50% range.

2. In 2007, RTI and Shaw filed antitrust, Lanham Act, and patent infringement claims against BD in the U.S. District Court for the Eastern District of Texas. The district court severed the patent claims and tried them first, resulting in a patent infringement judgment for RTI, which the Federal Circuit affirmed in part and reversed in part in the opinion reported at 653 F.3d 1296.

Later, RTI's antitrust and Lanham Act causes of action were tried to a jury, which found that BD attempted to monopolize the United States safety-syringe market in violation of Sherman Act § 2 through acts of deception, and that BD violated the Lanham Act. The jury assessed antitrust damages of $113 million. The district court overruled BD's motion for judgment as a matter of law and entered judgment for RTI for $352 million, comprised of treble damages plus attorney's fees. The district court concluded that RTI was entitled to disgorgement of BD's profits under the Lanham Act, but found the amount of the trebled antitrust judgment sufficient to account for that disgorgement. The district court also entered an injunction, which it partially stayed pending appeal.

3. The Fifth Circuit reversed and rendered the antitrust portion of the judgment and affirmed the judgment for liability under the Lanham Act. The circuit remanded for a determination of disgorgement

damages and to reconsider the injunctive relief in light of the antitrust reversal. App. 29a-30a.

The Fifth Circuit acknowledged that BD did not (1) appeal the finding that BD disseminated false information (App. 11a); or (2) challenge the jury's finding that BD specifically intended to monopolize (App. 7a). After explaining that exclusionary conduct impairs rivals' opportunities in a manner that "does not further competition on the merits" (App. 8a), the circuit expressed the view that BD's false advertising "was plainly [competition] 'on the merits'" (App. 13a).

The circuit relied on an earlier Fifth Circuit precedent and two Seventh Circuit decisions: *Stearns Airport Equip. Co. v. FMC Corp.*, 170 F.3d 518 (5th Cir. 1999); *Mercatus Group, LLC v. Lake Forest Hosp.*, 641 F.3d 834 (7th Cir. 2011); *Sanderson v. Culligan Int'l Co.*, 415 F.3d 620 (7th Cir. 2005). Drawing from Seventh Circuit precedent, the Fifth Circuit proclaimed that "false advertising simply 'set[s] the stage for competition in a different venue: the advertising market.'" App. 15a (citing *Sanderson*, 415 F.3d at 623). It continued: "Far from restricting competition, then, false or misleading advertising generally sets competition into motion." *Id.*

The Fifth Circuit noted that other circuits had taken different approaches to determine whether false advertising could support an antitrust claim. App. 16a-17a. It pointed to three courts that adopted a rebuttable presumption "that false advertising has only a *de minimis* effect on competition." App. 16a. Those courts rely on some or all of a multi-factor test to rebut the presumption. The Fifth Circuit observed that another three circuits had recognized that false speech can be exclusionary, but had not adopted a particular test. App. 16a-17a. The court held that

"RTI did not satisfy *Stearns* or any relevant test that circuit courts have devised to render false advertising claims cognizable under the antitrust laws." App. 18a.

REASONS FOR GRANTING THE PETITION

I. THIS COURT SHOULD RESOLVE THE DISAGREEMENT AMONG THE CIRCUITS ABOUT WHEN FALSE COMMERCIAL SPEECH IS EXCLUSIONARY CONDUCT ACTIONABLE UNDER § 2.

To prove attempted monopolization, a plaintiff must demonstrate (1) the defendant engaged in exclusionary conduct; (2) with the specific intent to achieve monopoly power in a defined market; (3) there was a dangerous probability the defendant would achieve monopoly power in that market; and (4) the plaintiff suffered an antitrust injury flowing from the harm to competition caused by the defendant's conduct. *Spectrum Sports, Inc. v. McQuillan*, 506 U.S. 447, 455 (1993); *Brunswick Corp. v. Pueblo Bowl-O-Mat, Inc.*, 429 U.S. 477, 489 (1977). The Sherman Act is deliberately general and adaptable. *Appalachian Coals, Inc. v. United States*, 288 U.S. 344, 360 (1933). "It does not go into detailed definitions" that might either injure legitimate enterprise or provide "loopholes for escape." *Id.* The "means of illicit exclusion, like the means of legitimate competition, are myriad." *Verizon Commc'ns, Inc. v. Law Offices of Curtis V. Trinko, LLP*, 540 U.S. 398, 414 (2004).

This Court has warned that business torts should not be subject to per se antitrust analysis. *Nynex Corp. v. Discon, Inc.*, 525 U.S. 128, 137 (1998). But it has never attempted to adopt a litmus test or presumption that any particular business tort categorically cannot constitute anticompetitive conduct. Legal

presumptions resting "on formalistic distinctions rather than actual market realities are generally disfavored in antitrust law." *Eastman Kodak Co. v. Image Technical Servs. Inc.*, 504 U.S. 451, 466-67 (1992); *see also FTC v. Actavis, Inc.*, 133 S. Ct. 2223, 2230, 2237 (2013) (refusing to adopt a presumption that reverse payment settlement agreements are presumptively lawful or unlawful). This Court resolves antitrust claims on the particular facts of each case. *Eastman Kodak*, 504 U.S. at 467.

A. The District of Columbia, Third, and Eighth Circuits follow this Court's teachings and avoid presumptions about whether false advertising can be exclusionary conduct.

The D.C., Third, and Eighth Circuits apply this Court's case-by-case analysis to determine whether false commercial speech is exclusionary conduct. *See W. Penn Allegheny Health Sys., Inc. v. UPMC*, 627 F.3d 85, 108-09 & n.14 (3d Cir. 2010); *Caribbean Broad. Sys., Ltd. v. Cable & Wireless P.L.C.*, 148 F.3d 1080, 1087 (D.C. Cir. 1998); *Int'l Travel Arrangers, Inc. v. W. Airlines, Inc.*, 623 F.2d 1255, 1269-70 (8th Cir. 1980). In determining whether conduct is anticompetitive, courts examine whether it is an attempt "to exclude rivals on some basis other than efficiency." *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585, 605 (1985); *see also* 3 Phillip E. Areeda & Herbert Hovenkamp, *Antitrust Law* ("Areeda & Hovenkamp"), ¶ 651(a) (3rd ed. 2016 update) (monopolistic conduct is conduct capable of creating, enlarging or prolonging monopoly power by impairing rivals' opportunities in ways that do not benefit consumers or produce harms disproportionate to resulting benefits).

The D.C. Circuit has held that deception by fraudulent statements and sham objections to a governmental licensing agency are "well within" what constitutes exclusionary conduct. *Caribbean Broad. Sys., Ltd. v. Cable & Wireless P.L.C.*, 148 F.3d 1080, 1087 (D.C. Cir. 1998). In deciding that the plaintiff adequately pleaded a Sherman Act § 2 claim, that court looked to the traditional elements of an attempted monopolization claim. *Id.* That same court took the same case-by-case approach to other § 2 cases involving false commercial speech. *Covad Comms. Co. v. Bell Atlantic Corp.*, 398 F.3d 666, 674–75 (D.C. Cir. 2005) (alleged false statements were insufficient to plead a § 2 case where there was no harm to competition); *United States v. Microsoft Corp.*, 253 F.3d 34, 76-77 (D.C. Cir. 2001) (defendant engaged in exclusionary conduct when it deceived developers of Java-based software about its compatibility with other operating systems).

In *International Travel*, the Eighth Circuit affirmed a judgment based on Sherman Act §§ 1 and 2. 623 F.2d at 1269-70. There, the exclusionary acts included false, deceptive, and misleading ads discouraging public patronage of travel group charters that competed with Western Airlines. *Id.* The Eighth Circuit did not create any presumptions or special burdens; it simply looked to standard § 2 monopolization criteria. *Id.* at 1270.

Recently, the Third Circuit addressed whether false statements about a rival can constitute exclusionary conduct and concluded that defamation can give rise to antitrust liability. *W. Penn Allegheny*, 627 F.3d at 109-10 & n.14. In combination with anticompetitive hiring practices and threats, the defendant in that case made false statements about the plaintiff's

financial health to increase the plaintiff's borrowing costs. *Id.* at 109-10. These acts supported the plaintiff's claims of anticompetitive conduct. That court made clear that "anticompetitive conduct can include . . . making false statements about a rival to potential investors and customers." *Id.* at 109.

These courts recognize that "'[a]nticompetitive conduct' can come in too many different forms, and is too dependent upon context, for any court or commentator ever to have enumerated all the varieties.'" *W. Penn Allegheny*, 627 F.3d at 109 (quoting *LePage's Inc. v. 3M*, 324 F.3d 141, 152 (3d Cir. 2003) (quoting *Caribbean Broadcasting*, 148 F.3d at 1087)). These courts analyze conduct in context and balance the conduct's exclusion or impairment of rivals against any proffered efficiencies in determining whether a party has engaged in § 2 monopolization or attempted monopolization.

B. The Second, Sixth, Ninth, Tenth and Eleventh Circuits have adopted a presumption that false commercial speech cannot be exclusionary conduct unless it meets a multi-factor test.

The Second, Sixth, Ninth, Tenth, and Eleventh Circuits have adopted variations of an approach advocated in the Areeda & Hovenkamp treatise. Areeda & Hovenkamp ¶782b. That treatise encourages adoption of a presumption that the exclusionary effect of false commercial speech is "*de minimis* for § 2 purposes." *Id.* The presumption can be overcome only by satisfying a multi-factor test:

> The presumption could be overcome by cumulative proof that the representations were (1) clearly false, (2) clearly material,

> (3) clearly likely to induce reasonable reliance, (4) made to buyers without knowledge of the subject matter, (5) continued for prolonged periods, and (6) not readily susceptible of neutralization or other offset by rivals.

Id.

Five Circuits have adopted that treatise's presumption along with some or all of the treatise's multi-factor test for overcoming the presumption:

- Second Circuit: *Nat'l Ass'n of Pharm. Mfrs. Inc. v. Ayerst Labs.*, 850 F.2d 904, 916 (2d Cir. 1988). Reversing dismissal of a § 2 claim based on false advertising, the Second Circuit adopted the presumption and multi-factor test for overcoming the presumption, but held the plaintiff must be allowed to conduct discovery to meet the factors.
- Sixth Circuit: *Am. Council of Certified Podiatric Physicians & Surgeons v. Am. Bd. of Podiatric Surgery, Inc.*, 323 F.3d 366, 370 (6th Cir. 2003). The Sixth Circuit adopted the presumption in affirming a summary judgment. But the Sixth Circuit declined to hold that all six factors must be satisfied to rebut the *de minimis* presumption. *Id.* at 371. Instead, it held that a plaintiff must show a genuine issue of material fact on two elements: "(1) the advertising was clearly false, and (2) it would be difficult or costly for the plaintiff to counter the false advertising." *Id.*
- Ninth Circuit: *Am. Prof'l Testing Serv., Inc. v. Harcourt Brace Jovanovich Legal & Prof'l Publ'ns, Inc.*, 108 F.3d 1147, 1152 (9th Cir. 1997). The Ninth Circuit adopted the treatise's

presumption and multi-factor test in affirming the granting of the defendant's motion for judgment as a matter of law following a jury verdict finding a § 2 violation. The Ninth Circuit held the plaintiff "must satisfy *all* six elements to overcome [the] de minimis presumption." *Id.* (emphasis in original).

- Tenth Circuit: *Lenox MacLaren Surgical Corp. v. Medtronic, Inc.*, 762 F.3d 1114, 1127–28 (10th Cir. 2014). The Tenth Circuit followed the treatise's presumption and factors in reversing a summary judgment for the defendant in a § 2 case. The court concluded the plaintiff had presented sufficient evidence on all six factors to preclude summary judgment. *Id.* The court stated it was not deciding whether a plaintiff had to satisfy all six factors to overcome the *de minimis* presumption. *Id.* at 1128 n.9.

- Eleventh Circuit: *Duty Free Am.'s, Inc. v. Estée Lauder Cos.*, 797 F.3d 1248, 1268-69 (11th Cir. 2015). In determining whether false statements could support a § 2 claim, the Eleventh Circuit decided the treatise's factors were "at least relevant" to determine whether the disparagement was anticompetitive. But the court did not decide whether a plaintiff must support each of the six factors because the plaintiff failed to establish the statements were clearly false. *Id.* at 1269.

Although these courts have adopted the treatise's presumption and some version of the multi-factor test to rebut the presumption, they are divided on how to apply the test. The Ninth Circuit held a plaintiff must satisfy all six factors. *Harcourt*, 108 F.3d at 1152. The Sixth Circuit specifically "decline[d] to consider each

element or hold that all elements must be satisfied...." *Am. Council*, 323 F.3d at 371. The remaining courts either stated they were withholding a decision on whether all six factors had to be satisfied or did not discuss the issue.

C. The Fifth and Seventh Circuits have amplified the circuit split by holding that false advertising increases competition.

The Fifth and Seventh Circuits say false commercial speech cannot be exclusionary conduct, thereby creating a rule of per se legality under the Sherman Act. These courts view false advertising as something that "sets competition into motion." App. 15a.

In 2005, the Seventh Circuit announced a rule: "Commercial speech is not actionable under the antitrust laws." *Sanderson v. Culligan Int'l Co.*, 415 F.3d 620, 624 (7th Cir. 2005). The only exception to this rule involved a case where a competitor made false statements to encourage an engineering society to write standards so that only its products were acceptable. *Id.* at 623 (discussing *Am. Soc'y of Mech. Eng'rs, Inc. v. Hydrolevel Corp.*, 456 U.S. 556 (1982)). Because governmental bodies relied on those engineering standards, the restriction could curtail available supply and enable a price increase. *Id.* The Seventh Circuit concluded this was a rare situation where the false speech had "an enforcement mechanism." *Id.*

Barring the presence of an "enforcement mechanism," the Seventh Circuit sees false advertising as enhancing competition. "False statements about a rival's goods . . . just set the stage for competition in a different venue: the advertising market." *Sanderson*, 415 F.3d at 623 (citing *Schachar v. Am. Acad. of*

Ophthalmology, Inc., 870 F.2d 397 (7th Cir. 1989)). The Seventh Circuit reaffirmed this view in 2011 when the court stressed that "absent an accompanying coercive enforcement mechanism of some kind, even demonstrably false '[c]ommercial speech is not actionable under the antitrust laws.'" *Mercatus Grp., LLC v. Lake Forest Hosp.*, 641 F.3d 834, 852 (7th Cir. 2011) (quoting *Sanderson*, 415 F.3d at 624).

Joining the Seventh, the Fifth Circuit decreed in this case that "[f]ar from restricting competition, then, false or misleading advertising generally sets competition into motion." App. 15a. The Fifth Circuit drew upon one of its prior decisions to bolster its view: *Stearns Airport Equip. Co. v. FMC Corp.*, 170 F.3d 518, 522 (5th Cir. 1999). In *Stearns*, the defendant influenced a municipal bidding process so that its products, but not its competitor's, would meet the specifications. *Id.* at 522-23. The competitor sued, but its claims were dismissed. Affirming the dismissal, the Fifth Circuit said that the "arguments made by [the defendant] to [the municipal purchasers] may have been wrong, misleading or debatable . . . "[b]ut they are all arguments on the merits, indicative of competition on the merits." *Id.* at 524.

The Fifth Circuit expanded on the *Stearns* concept in this case. The court saw no difference between "wrong, misleading, or debatable" *arguments* and "sustained lying about objectively measurable facts." App. 13a. It announced, "BD's false comparative advertising, sanctionable though it may be as a business tort, was plainly 'on the merits.'" *Id.*

So, the Fifth and Seventh Circuits see false commercial speech as a springboard for competition. App. 15a; *Sanderson*, 415 F.3d at 623. And the Fifth Circuit has gone further to announce that even sustained lying

about objectively measurable facts is competition on the merits. App. 13a. In these courts, with a single rarely-encountered exception, false commercial speech per se cannot be the basis for antitrust liability.

II. SCHOLARS DISAGREE ABOUT THE APPROPRIATE STANDARD.

Not only are the circuits split on this subject, scholars and commentators are as well.

A. Scholars disagree about the need for a *de minimis* presumption or multi-factor test.

The Areeda & Hovenkamp treatise admonishes to exercise caution before basing § 2 liability on false commercial speech. "Because the likelihood of significant creation of durable market power is so small in most observed instances—and because the prevalence of arguably improper misrepresentation is so great—the courts would be wise to regard misrepresentations as presumptively *de minimis* for § 2 purposes." Areeda & Hovenkamp ¶ 782b.

There is considerable controversy about the treatise's presumption. Professor Maurice Stucke has disputed whether the treatise's presumption and multi-factor test is needed or helpful. Maurice E. Stucke, *When a Monopolist Deceives*, 76 Antitrust L.J. 823 (2010); Maurice E. Stucke, *How Do (and Should) Competition Authorities Treat a Dominant Firm's Deception?*, 63 SMU L. Rev. 1069 (Summer 2010); *see also* Note, *Deception as an Antitrust Violation*, 125 Harv. L. Rev. 1235, 1236 (Mar. 2012) (calling the presumption "nearly insurmountable").

Professor Stucke lodged four objections to the perceived need for a presumption that false commercial speech has a *de minimis* effect on competition:

- First, identifying the Areeda & Hovenkamp treatise as the source of the multi-factor test, he points out the treatise "does not provide empirical support for its presumption that monopolies' deceptive practices generally have a *de minimis* impact on competition." *When a Monopolist Deceives*, 76 Antitrust L.J. at 829.
- Second, he asserts the presumption lacks economic sense because a rational monopolist would not incur the obvious costs of deceit (cost of a promotional campaign and potential loss of good will) if it were not obtaining benefits that exceeded those costs. *Id.*
- Third, the presumption "is inconsistent with the Sherman Act's legislative aim to proscribe unfair methods of competition." *Id.* at 830.
- Fourth, the Areeda & Hovenkamp approach establishes an inconsistency in the laws of the United States. *Id.* at 831-32. The Lanham Act presumes that literally false advertising actually deceives consumers; the treatise presumes that literally false advertising does not mislead consumers. *Id.* Although the two laws may serve different purposes, the same ads cannot have opposite effects on the same consuming public.

As for the six factors used to rebut the presumption, Professor Stucke asserts:

> [N]either the [t]reatise nor the courts adopting these six elements explain (1) how they

> arrived at these elements, (2) the empirical support for these elements, or (3) how these elements further the Sherman Act's legislative aim, make any economic sense, or can be reconciled with the common and statutory law on deception.

When a Monopolist Deceives, 76 Antitrust L.J. at 832-33.

Professor Stucke pointed out that a survey of executives revealed that "advertising was the most frequently employed tactic to deter entry of new products." *Id.* at 839 n. 76 (citing Robert Smiley, *Empirical Evidence on Strategic Entry Deterrence*, 6 Int'l J. Indus. Org. 167, 171-72 (1988)). There is no reason for courts to presume advertising is ineffective when companies employing that advertising consider it to be a powerful weapon.

B. Scholars disagree with the Fifth and Seventh Circuits' approach.

No scholar has endorsed the Fifth and Seventh Circuit's rule of near per se legality for false commercial speech. The Areeda & Hovenkamp treatise—unlike the Fifth and Seventh Circuits—recognizes that false commercial speech is harmful. Areeda & Hovenkamp ¶ 782b. That treatise advocates that "deception is undesirable because it can injure buyers and offend public morality" and that "[t]here is no redeeming virtue in deception." *Id.* It also accepts that false commercial speech can constitute exclusionary conduct. "A monopolist's misrepresentations encouraging the purchase of its product can fit our general test for an exclusionary practice when the impact on rivals is significant." *Id.* Describing the facts of this case, the treatise instructs:

> [M]isrepresentations and organized deception by a dominant firm may have § 2 implications when used against a nascent firm just as it is entering the market. Such a firm has no established customer base and typically lacks the resources to answer the dominant firm's deception effectively.

Id.

Furthermore, the Fifth Circuit's holding that lying is "competition on the merits" is wrong. This Court, addressing anticompetitive activity as found by the FTC, observed that "false or misleading advertising has an anticompetitive effect." *Cal. Dental Ass'n v. FTC*, 526 U.S. 756, 771 n.9 (1999); *see also W. Penn Allegheny*, 627 F.3d at 109 n.14 (false statements about a rival are "plainly . . . not competition on the merits"). Likewise, the Areeda & Hovenkamp treatise confirms that unethical practices, "such as false or misleading advertising" are "not competition on the merits . . . ." Areeda & Hovenkamp ¶ 806d3. Professor Stucke agrees. "Deception lacks any redeeming economic qualities or cognizable efficiency justifications." *When a Monopolist Deceives*, 76 Antitrust L.J. at 825.

False commercial speech is not procompetitive. Although truthful information, even if disparaging, is helpful to competition, "[f]alse information impairs rational action on both the demand side and the supply side of the market." *Product Disparagement Under the Sherman Act*, 46 Santa Clara L. Rev. at 240. False disparagement of a rival's goods "creates disequilibrium with respect to output and price" and "distorts the environment within which market participants are expected to effectuate rational choice." *Id.* at 240-41. "Intentional false disparagement of a rival's

product is an unacceptable form of economic warfare" and the Seventh Circuit's *Sanderson* decision "is amiss to suggest otherwise." *Id.* at 254.

Reacting to the decision in this case, Georgetown law professor Rebecca Tushnet wrote that the decision was another situation in which a court "imposed a number of empirically dubious, essentially random preconditions to treating false advertising as an antitrust violation." Rebecca Tushnet, *Fifth Circuit Reverses Multimillion-dollar Antitrust Verdict Based on False Advertising, Remands*, Rebecca Tushnet's 43(B)log (Dec. 6, 2016), available at http://tushnet.blogspot.com/2016/12/fifth-circuit-reverses-multimillion.html). "It is basically impossible for any plaintiff to show that all of the preconditions apply." *Id.*

III. THIS CASE PRESENTS AN IDEAL VEHICLE FOR REVIEW OF THE QUESTION PRESENTED.

The Fifth Circuit reversed and rendered the district court's antitrust judgment based on its conclusion that BD's false commercial speech could not constitute exclusionary conduct. Contrary to the court's conclusion that RTI did not satisfy any relevant test, RTI did in fact satisfy two of the three tests that courts have used to determine whether false commercial speech supports a § 2 claim. Accordingly, the test used to determine exclusionary conduct is dispositive.

A. The evidence satisfied the standard adopted by the D.C., Third, and Eighth Circuits.

BD disseminated false wastespace and sharpest needle claims through advertising, brochures, its website, in private meetings with potential customers, and

through a "wastespace calculator" it used to promote its products while denigrating RTI's and other competitors' syringes. There is no question the information was false; BD did not argue otherwise on appeal. App. 11a. Nor is there any question whether BD had a specific intent to achieve monopoly power. BD did not appeal from that finding either. App. 7a. The Fifth Circuit assumed for its decision that there was a dangerous probability that BD could succeed in achieving monopoly power. App. 7a.

The question, then, is whether there was sufficient evidence to allow the jury to find that BD's false commercial speech constituted exclusionary conduct.

The Fifth Circuit asserted that an antitrust action requires "a demonstration that a competitor's false advertisements had the potential to *eliminate*, or did in fact *eliminate*, competition. . . ." App. 14a (emphasis added). It also proclaimed there was no evidence BD's advertising harmed competition. App. 18a. Finally, the circuit asserted that RTI "remains a vigorous competitor." App. 15a.

First, the standard under the Sherman Act is not whether the anticompetitive conduct "eliminates" competition—as the Fifth Circuit said repeatedly in its decision. App. 14a & n.3. The standard is whether competition has been destroyed *or lessened*. *Spectrum Sports*, 506 U.S. at 456 (1993); *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172, 177 (1965); *Lorain Journal Co. v. United States*, 342 U.S. 143, 154 n.7 (1951) ("The anti-trust laws are as much violated by the prevention of competition as by its destruction."). "[I]t is not necessary that all competition be removed from the market." *United States v. Dentsply Int'l, Inc.*, 399 F.3d 181, 191 (3d Cir. 2005). "The test is not total foreclosure, but whether the

challenged practices bar a substantial number of rivals or severely restrict the market's ambit." *Id.*

Second, there was evidence that BD's campaign of false commercial speech created a market in which consumers paid elevated prices for diminished quality. This is antithetical to the purposes of the Sherman Act, which was based "on the premise that the unrestrained interaction of competitive forces will yield the best allocation of our economic resources, the lowest prices, the highest quality and the greatest material progress." *N. Pac. Ry. Co. v. United States*, 356 U.S. 1, 4 (1958); *accord NCAA v. Bd. of Regents of Univ. of Oklahoma*, 468 U.S. 85, 104 n.27 (1984). There was evidence of the following harms to competition:

- Increased prices. According to BD's own analysis, it was able to charge a 10-30% price premium over its competition for its products that were fundamentally the same. Its prices were 22-33% higher than its closest rival and 36% higher than RTI's price for a comparable automatically-retracting syringe. BD executives identified its sharpness and wastespace misrepresentations as "foundational, differentiating claims" and that "[l]osing them would potentially have a devastating effect on [BD's] ability to command premium pricing. . . ."[1] App. 36a.

[1] The Fifth Circuit said these BD documents were "boastful e-mail exchanges between BD sales representatives recounting what they believed were successful sales pitches." App. 18a. That was a decision for the jury to make, and the appellate judges' personal opinions about the documents were wrong. The quoted statement was not made by a sales representative; it was made by a top BD executive—BD's Senior Director of Marketing. The statement was not made as a boast; it was made in reaction to a

- Reduced quality and material progress. There was evidence that (1) automatically-retracting syringes like RTI's virtually eliminated sticks from contaminated needles; (2) use of manually-operated safety syringes like most of BD's syringes did not reduce needlesticks; (3) although BD had expected automatically-retracting syringes to take over half the market, automatic retraction only gained a toehold of around 5%; and (4) in the comparable safety-IV catheter market, where BD did not engage in a campaign of deception, the higher-quality retracting needles did take over half the market, despite being priced higher than non-retracting safety catheters. Here again, a top BD executive—the Director of Marketing—said that BD had to continue making its comparative assertions, which were false, because those assertions were "the primary reason people use [BD's] product."

Third, there was evidence the United States safety-syringe market is not a competitive market and RTI was not able to compete vigorously in that market. The most conservative assessments had BD's share of the safety-syringe market at around 50%; other assessments placed it at 60%. Together, the three largest companies shared 90% of the market. RTI had around 5%.[2] BD correctly accused RTI of being

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protest by BD's Senior Product Manager in charge of Safety/Hypodermic Marketing that BD should no longer make the false statements. Despite its Product Manager's protest, BD decided to continue making the same false assertions concerning sharpness and wastespace for years following the email exchange.

[2] Misunderstanding stipulated facts, the Fifth Circuit claimed that RTI "dominated the retractable syringe sub-market." App. 18a. This case involved *one* relevant market, which was the

"financially weak." The market has high barriers to entry because of the need to obtain patents, FDA clearance, access to group purchasing organizations, and economies of scale for manufacturing. There were no new entrants to the market after 2004, and no firm with less than a 1% market share was able to grow to greater than 1% during that time.

This evidence satisfies the criteria set out by the D.C., Third, and Eighth Circuits. The evidence supported the jury's verdict that BD's false commercial speech allowed BD to charge premium prices while selling inferior products and suppressing the new retractable technology that would have had the effect of nearly eliminating needlesticks from contaminated needles.

B. The evidence also satisfied the multi-factor test.

The Fifth Circuit also concluded RTI's antitrust judgment could not be upheld if the court applied the multi-factor test. App. 17a-18a. But the evidence in this case does satisfy the test.

Without saying so, the Fifth Circuit must have required that all six factors be satisfied because the court did not discuss three factors that clearly were satisfied: BD's statements were (1) clearly false; (2) clearly material; and (factor 5) continued for long periods. App. 17a. Whether all six factors must be satisfied, or whether they must be weighed and balanced, remains an open question among the courts that have accepted the multi-factor test. *Compare*

United States safety-syringe market. The parties stipulated to that definition of the relevant market and it was uncontested on appeal.

Harcourt, 108 F.3d at 1152 *with Am. Council*, 323 F.3d at 371.

As for the three remaining factors, the evidence satisfied those as well:

- The false speech was clearly likely to induce reasonable reliance. As discussed above, top BD executives, facing internal opposition to the continued dissemination of false information, concluded the false statements were "foundational, differentiating claims" that allowed BD to charge premium prices and that losing the ability to make those false claims "would potentially have a devastating effect . . . ." App.36a. BD executives also acknowledged that the false wastespace claims were the primary reason customers purchased the BD product. BD was the one disseminating the false information; BD's marketing executives concluded customers relied on that false information. Further, there was testimony from a medical marketing expert who conducted surveys establishing the false claims were made about features that are important to consumers and that the claims would influence customers' decisions about which products to use. There is more than sufficient evidence that the false speech was clearly likely to induce reasonable reliance.

- The false assertions were made to buyers without knowledge of the subject matter being asserted. The Fifth Circuit viewed this factor as an inquiry into the sophistication of the buyers. App. 17a. Although the audiences for these statements were largely group purchasing organizations buying syringes for hospitals,

doctors, and nurses, no one could know the sharpness and wastespace statements were false without conducting detailed, complicated laboratory testing with the assistance of specially-written computer programs. No one testified they could visually observe different syringe needles and conclude which was sharper; no one testified they could view the syringes and determine which was retaining more fluid at the end of the injection. The wastespace differences came down to drops and fractions of drops. Neither a medical degree nor experience buying hospital products would assist someone in detecting these microscopic—but important—differences between the products.

- The false assertions were not readily susceptible of neutralization or other offset. The Fifth Circuit rephrased this inquiry as addressing whether the claims could readily be disproved. App. 17a. A BD expert detailed the complicated laboratory testing necessary to evaluate BD's false assertions. That is not the kind of testing someone can *readily* duplicate to analyze the claims. Nor were the claims readily susceptible of neutralization. BD is an enormous company with a very big voice; RTI could not hope to influence the market in an equal way. A medical marketing expert testified that once a belief is established, it is very hard to erase. That expert also concluded it would cost at least $10 million for corrective advertising and, even with that, it would be "very, very difficult" and it "might take a long time" to correct the public's misimpressions. This testimony supports a finding the false assertions could not be readily neutralized.

The evidence satisfied every test for exclusionary conduct except the Fifth and Seventh Circuit standard extolling false commercial speech for its supposed ability to set competition into motion. That test, with a narrow exception, creates a rule of per se legality for false commercial speech in Sherman Act § 2 cases. If any other test is applied to assess the evidence supporting the jury's verdict, the evidence met the test.

IV. THE QUESTION CONCERNING FALSE COMMERCIAL SPEECH IS RECURRING AND THE CIRCUIT SPLIT IS BECOMING MORE ENTRENCHED.

The false commercial speech question has been developing since at least the late 1970's. The Areeda & Hovenkamp treatise dates its presumption of a *de minimis* effect back to a 1979 Second Circuit decision. Areeda & Hovenkamp, ¶ 782b (discussing *Berkey Photo, Inc. v. Eastman Kodak Co.*, 603 F.2d 263, 287-88 & n.41 (2d Cir. 1979)). *Berkey Photo* suggested the *de minimis* presumption and the treatise then developed the multi-factor test to overcome the presumption. *Id.*

Since that time, courts have split along three lines. Courts began adopting some or all of the multi-factor test beginning in 1988 and continuing through 2015. *See Ayerst Labs.*, 850 F.2d at 916 (1988); *Duty Free*, 797 F.3d at 1268-69 (2015). Other courts addressed the exclusionary potential of false commercial speech without adopting a *de minimis* presumption beginning in 1980 and continuing through 2010. *See Int'l Travel Arrangers*, 623 F.2d at 1269-70 (1980); *W. Penn Allegheny*, 627 F.3d at 109 n. 14 (2010). The Seventh Circuit's rule dates back to 1989. *See Sanderson*, 415 F.3d at 623 (citing *Schachar*, 870 F.2d at 399). And

the Fifth Circuit decided *Stearns*, which the circuit viewed as being akin to the Seventh Circuit approach, in 1999. *Stearns*, 170 F.3d at 522.

This question is not being resolved in the courts of appeals. Instead, the courts have staked out profoundly disparate approaches that have only grown more entrenched over the last thirty-six years. Further, the issue is well-developed. Both courts and commentators have weighed in on the issue, setting out their logic, reasons, and assumptions.

The antitrust judgment is based solely on deception. And the Fifth Circuit's reversal of the antitrust judgment is based solely on whether the conduct was exclusionary. Because it is so sharply focused, this case is uniquely situated to allow this Court to address the first question presented.

V. THE COURT SHOULD ALSO RESOLVE THE CIRCUIT SPLIT ABOUT WHETHER ACTIONS TAKEN INTENTIONALLY TO TAINT A MARKET TO CREATE A BARRIER TO ENTRY CAN BE EXCLUSIONARY CONDUCT.

Continuing with its rigid approach of categorically absolving classes of behavior from constituting exclusionary conduct, the Fifth Circuit held it is "illogical" that a would-be monopolist might attempt to contaminate the market to deter entry of an innovative new product. App. 19a. Thus, it held that RTI's evidence that BD had attempted to do so could not support a § 2 claim. *Id.* In so holding, the court created a conflict between the Fifth and D.C. Circuits about whether a firm's efforts to poison the market for a new product can constitute exclusionary conduct.

The D.C. Circuit has held that a firm with market power has engaged in exclusionary conduct when it puts into commerce a product that does not perform as it claims, but instead poisons the market for its competitor's innovative product. *Microsoft Corp.*, 253 F.3d at 76-77. Microsoft distributed tools for use in developing Java-based applications, but the tools caused the applications not to work when used on non-Microsoft systems. *Id.* Microsoft called this the "polluted Java market." *Id.* at 77. The object was to cripple its competitor. The D.C. Circuit held that Microsoft's conduct was exclusionary because it protected Microsoft's monopoly "in a manner not attributable either to the superiority of the operating system or to the acumen of its makers . . . ." *Id.*

In this case, the Fifth Circuit rejected the concept that a firm would taint a market with poorly performing goods as "entirely illogical." App. 19a. The evidence demonstrated BD's retractable syringes were so visibly indistinguishable from RTI's syringes (with one product even infringing RTI's patents) that customers believed BD's products were made by RTI.[3] But BD's retractable syringes malfunctioned so badly that BD engineers told BD management they wanted to correct the syringe's design flaws or pull them from the market. BD management, however, decided not to fix the design flaws and to keep its retractable syringes on the market. App. 36a. At the same time, BD was planning to launch a new retractable syringe "that works" when RTI's patents expire, hoping to move BD's market position from 50% to 70% of the

[3] The Fifth Circuit addressed patent infringement as if it were a separate form of alleged exclusionary conduct. App. 10a-11a. Patent infringement, however, was simply a part of the tainting theory.

safety syringe market. Experts testified that (1) monopolists use anticompetitive conduct to slow the loss of market share when new, better products become available; and (2) when consumers form a poor impression of a new product—such as a retractable syringe—that impression transfers to other companies' products in the same class.

Overriding the jury, the Fifth Circuit found it categorically illogical that a firm would sell a poorly-performing product in order to taint the market against an innovative new product. App. 19a-20a. Accordingly, the court concluded that this could not be exclusionary conduct. *Id.* The D.C. Circuit, however, based liability on a finding that Microsoft intentionally tainted the Java market. Even though RTI cited to this portion of the D.C. Circuit's *Microsoft* opinion and discussed the case on this point at oral argument, the Fifth Circuit did not even acknowledge *Microsoft*'s existence.

The conflict between the circuits on this issue arises from the same legal uncertainty that causes the disarray about false speech. The Fifth Circuit's decision on tainting, like its decision on commercial speech, categorically treats the conduct as legally incapable of being exclusionary. The D.C. Circuit, on the other hand, considers the conduct on a case-by-case basis without immunizing any particular type of conduct.

The question comes down to whether entire classes of conduct—false commercial speech and poisoning the market—should be immunized as per se incapable of constituting exclusionary conduct either because they supposedly cannot harm the market or cannot exist. The circuits are divided on this issue. This Court should grant certiorari in this case to resolve these conflicts.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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January 31, 2017

APPENDIX

APPENDIX A

IN THE UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

[Filed December 2, 2016]

No. 14-41384

RETRACTABLE TECHNOLOGIES, INCORPORATED; THOMAS J. SHAW,

Plaintiffs-Appellees

v.

BECTON DICKINSON & COMPANY,

Defendant-Appellant

Appeals from the United States District Court for the Eastern District of Texas

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Before JONES, WIENER, and HIGGINSON, Circuit Judges.

EDITH H. JONES, Circuit Judge:

This appeal is the latest chapter in the long-running legal disputes between Becton Dickinson & Co. ("BD") and Retractable Technologies, Inc. ("RTI"), competitors in the market for syringes of various types and IV catheters. It arises from a $340 million jury verdict (after trebling) entered against BD for its alleged attempt to monopolize the United States safety syringe market in violation of § 2 of the Sherman Antitrust Act. The jury also found BD liable for false advertising under § 43(a) of the Lanham Act. Relying on principles

of equity, the district court held that the treble damage award subsumed BD's liability to disgorge profits from the false advertising, but the court enjoined BD to stop using those ads and notify customers, employees, distributors, and others about the false claims.

We affirm in part, reverse in part, and vacate and remand in part. The § 2 claim for attempt to monopolize is infirm as a matter of law. First, patent infringement, which operates to increase competition, is not anticompetitive conduct. Second, false advertising is a slim, and here nonexistent, reed for a § 2 claim. Third, the allegation that BD "tainted" the market for retractable syringes while surreptitiously plotting to offer its own retractable a few years later is unsupported and incoherent. We affirm the Lanham Act judgment of liability for false advertising but must reverse and remand for a redetermination of disgorgement damages, if any. Finally, in light of the foregoing, we must vacate and remand the injunctive relief for reconsideration.

BACKGROUND

BD and RTI are two major competitors, along with Covidien Ltd. ("Covidien") and Smiths Medical ("Smiths"), in the U.S. product market for safety syringes. Safety syringes are designed to prevent the transmission of blood-borne diseases like AIDS and hepatitis C to medical professionals or others who are accidentally pricked. The safety syringe market comprises four main products—shielding needles, pivoting needles, sliding sleeve needles, and retracting needles—each of which is best used in specific hospital, clinical, or office settings. BD produced all four types of safety syringes and was the major manufacturer of conventional syringes. RTI produced a conventional syringe and a safety IV catheter during some parts of the relevant

period, but its principal product was the VanishPoint retractable syringe. The VanishPoint syringe has a fixed, albeit retracting needle, which provides admirable protection for injections but is not adaptable for a number of other hospital and clinical uses.

The parties' dispute began before the 2004–2010 period covered by this lawsuit. In 1989 RTI's founder, Thomas Shaw ("Shaw"), developed and patented retractable syringe technology, a groundbreaking innovation in which the needle automatically retracts into the body of the syringe after an injection. Congress passed the Effective Needlestick and Safety Prevention Act effective in 2001 to encourage hospitals to use devices that would minimize needlesticks, and spurred the safety syringe industry. In 2002, approximately five years after RTI introduced the VanishPoint, BD created its own retractable syringe, the Integra. RTI contends that BD had to work around RTI's patents to design the Integra. Moreover, BD's Integra suffered from design flaws such as leaking and "premature plunger rod collapse," which prevented the syringe from delivering a full dose of medicine.

RTI outsold BD in the retractable syringe submarket. BD sold no less than one-third of retractable syringes during the period in question, while RTI had a retractable syringe market share that increased to two-thirds. By 2010, in the relevant product market for all safety syringes, BD had a market share of 49%, Covidien a 30% share, Smiths a 10% share, and RTI a 6% share.

After it experienced initial difficulties persuading hospitals, clinics, and pharmaceutical operators like Walmart to purchase its VanishPoint, RTI sued BD in 2001 in the Eastern District of Texas for antitrust violations and product disparagement (the latter claim

based on the same advertising issues litigated here). The parties settled the suit on July 2, 2004, BD paid RTI $100 million, and the parties executed a mutual release of claims "which accrued on or at any time prior" to the agreement's signing.

Barely three years later, RTI filed this suit alleging patent infringement and antitrust and Texas common law violations. The district court in the Eastern District of Texas bifurcated the litigation, tried the patent case first, and rendered judgment (including a mere $5 million in damages) for RTI on claims that BD's 1mL and 3mL versions of the Integra infringed the VanishPoint patents. On appeal, the Federal Circuit upheld the judgment only as to the 1mL Integra, which BD then removed from the market. *Retractable Techs., Inc. v. Becton, Dickinson & Co.*, 653 F.3d 1296 (Fed. Cir. 2011); *see also* 659 F.3d 1369, 1370 (denying reh. en banc), *cert. denied*, 133 S. Ct. 833 (2013).

The district court reactivated RTI's non-patent claims in 2010. RTI amended its complaint and asserted that BD: monopolized and attempted to monopolize the markets for hypodermic syringes, safety needles and syringes, IV catheters, and safety IV catheters in violation of § 2 of the Sherman Act, 15 U.S.C. § 2; excluded RTI from these markets in violation of the Clayton Act § 3, 15 U.S.C. § 14 (later amended to include a Sherman Act § 1 exclusive dealing claim); violated similar provisions of Texas antitrust law; engaged in false advertising contrary to the Lanham Act § 43(a), 15 U.S.C. § 1125(a)(1)(B); and committed Texas common law torts of product disparagement, interference with prospective contract or business relations, and unfair competition.

RTI's evidence during the multi-day trial in September 2013 emphasized BD's contract practices that allegedly foreclosed competition by offering customers sole source contracts, loyalty discounts, and market share rebates. RTI additionally complained of BD's false advertising (in three separate promotional claims), patent infringement, and unfair competition.

At the close of evidence, RTI dropped its claim for Lanham Act damages and dismissed the state law claims. The court submitted twelve separate antitrust interrogatories covering four liability theories—monopolization, attempted monopolization, contractual restraint of trade, and exclusive dealing—each pertinent to three products—safety syringes, conventional syringes, and safety IV catheters. Antitrust damages were submitted on two bases—"anticompetitive contracting damages" (for each of the three products) and "deception damages" regarding only safety syringes. Finally, the Lanham Act false advertising claim was submitted for representations that BD produced the "world's sharpest needle" and its syringes have "low waste space."

The jury returned a verdict rejecting all but one of the twelve antitrust claims; it held BD liable for attempted monopolization in the market for safety syringes. While rejecting all damages for "anticompetitive contracting," the jury found that RTI suffered "deception damages" exceeding $113,500,000, and it found liability on all the misrepresentations.

The district court wrote a brief opinion rejecting BD's motion for judgment as a matter of law. It trebled the Sherman Act damages, added statutory attorneys' fees, declined on equitable grounds to award disgorgement of profits for BD's false advertising, and enjoined BD as previously noted. BD appealed.

DISCUSSION

Among the many grounds BD has raised, we need consider only four: whether judgment as a matter of law was required on the Sherman Act § 2 or Lanham Act § 43(a) claims, whether the district court abused its discretion in ordering BD to disgorge profits for false advertising, and the propriety of injunctive relief. We discuss each in turn.[1]

I. Section 2 Attempted Monopolization Claim

BD unsuccessfully sought judgment as a matter of a law on the § 2 attempted monopolization claim. We review the denial of a JMOL de novo, considering the facts in the light most favorable to the verdict. *Abraham & Veneklasen Joint Venture v. Am. Quarter Horse Ass'n*, 776 F.3d 321, 327 (5th Cir. 2015). "We can reverse a denial of a motion for judgment as a matter of law only if the jury's factual findings are not supported by substantial evidence or if the legal conclusions implied from the jury's verdict cannot in law be supported by those findings." *MM Steel, L.P. v. JSW Steel (USA) Inc.*, 806 F.3d 835, 843 (5th Cir. 2015) (citation omitted). In this case, the antitrust verdict cannot be legally supported by the jury's findings.

Section 2 of the Sherman Antitrust Act not only prohibits the abuse of monopoly power but also any "attempt to monopolize . . . any part of the trade or commerce among the several States." 15 U.S.C. § 2. To

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[1] In light of our conclusion that the antitrust verdict must be reversed, we do not consider BD's other objections to the antitrust verdict, including: the district court's refusal to give the jury BD's requested "*Stearns* instruction," the district court's admission of the patent verdict, the district court's refusal of BD's request for a special verdict form, or BD's various objections to the RTI damage model.

prevail on an attempted monopolization claim, a plaintiff must show: "(1) that the defendant has engaged in predatory or anticompetitive conduct with (2) a specific intent to monopolize and (3) a dangerous probability of achieving monopoly power." *Spectrum Sports, Inc. v. McQuillan*, 506 U.S. 447, 456, 113 S. Ct. 884, 890–91 (1993). BD does not challenge the specific intent element. For purposes of this analysis, we also assume the hotly disputed contention that RTI has satisfied the dangerous probability element, which assessed BD's market power in the relevant United States market for safety syringes. Therefore, we consider only whether RTI has demonstrated that BD engaged in anticompetitive conduct that violates the Sherman Act.

Critical to our analysis is that the jury verdict significantly narrowed the factual predicate for potential antitrust liability by rejecting RTI's case for exclusionary contracting practices by BD. A large portion of RTI's trial presentation consisted of its witnesses' claims that BD hindered competition by engaging in exclusionary contracting with customers for safety syringes using sole source contracts, loyalty discounts, and market share rebates. BD, however, successfully rebutted the attempt, largely by offering the testimony of over a dozen purchasers of safety syringes that BD's practices did not foreclose their ability to choose among competing products. As a result, RTI's verdict for anticompetitive conduct must rest upon three types of "deception" by its rival: patent infringement by BD's 1mL Integra syringe (but not the 3 mL syringe); two false advertising claims made persistently; and BD's alleged "tainting the market" for retractable syringes in which it alone competed with RTI. Each of these theories must be separately analyzed in light of settled principles of antitrust law.

Predatory or anticompetitive conduct, which excludes competitors from a market, is "conduct, other than competition on the merits or restraints reasonably necessary to competition on the merits, that reasonably appear[s] capable of making a significant contribution to creating or maintaining monopoly power." *Taylor Publ'g Co. v. Jostens, Inc.*, 216 F.3d 465, 475 (5th Cir. 2000) (citations, brackets, and quotations omitted). Further, "'exclusionary' comprehends at the most behavior that not only (1) tends to impair the opportunities of rivals, but also (2) either does not further competition on the merits or does so in an unnecessarily restrictive way." *Aspen Skiing Co. v. Aspen Highlands Skiing Corp.*, 472 U.S. 585, 605 n.32, 105 S. Ct. 2847, 2859 (1985) (quoting 3 PHILLIP E. AREEDA & DONALD TURNER, ANTITRUST LAW 78 (1978)). To determine whether conduct is exclusionary, the court looks to the "proffered business justification for the act." *Taylor,* 216 F.3d at 475. "If the conduct has no rational business purpose other than its adverse effects on competitors, an inference that it is exclusionary is supported." *Stearns Airport Equip. Co. v. FMC Corp.*, 170 F.3d 518, 522 (5th Cir. 1999). *Aspen Skiing* provides an example of conduct taken without a rational business purpose other than to exclude rivals. There, the dominant ski company "fail[ed] to offer any efficiency justification whatever" for its decisions, 472 U.S. at 608, 105 S. Ct. at 2860, and "was willing to sacrifice short-run benefits and consumer goodwill in exchange for a perceived long-run impact on its smaller rival." *Id.* at 610-11, 105 S. Ct. at 2861.

Taylor, however, added the important explanation that "[not] all 'unfair' conduct—even by a monopolist and a fortiori by one who is not—fits within the prohibition of § 2." 216 F.3d at 475-76, (quoting 3A

PHILLIP E. AREEDA & HERBERT HOVENKAMP, ANTITRUST LAW ¶ 806d, at 331 (1996)). Indeed, "[a]ntitrust law is rife with similar examples of what competitors find to be disreputable business practices that do not qualify as predatory behavior." *Id.* at 476. *Taylor* accordingly rejected a § 2 claim based almost exclusively on disreputable but not predatory conduct. *See also City of Groton v. Conn. Light & Power*, 662 F.2d 921, 928 (2d Cir. 1981) (holding alleged instances of misconduct, none of which is anticompetitive, cannot be cumulatively anticompetitive). RTI contends that unfair competitive practices can be aggregated into legally predatory conduct, citing in support *Associated Radio Services Co. v. Page Airways, Inc.*, 624 F.2d 1342 (5th Cir. 1980). In *Page Airways,* a competitor was held liable under § 2 after it stole the plaintiff company's employees, bribed employees, arranged for the theft of documents, and filed sham lawsuits, all to put the plaintiff out of business and facilitate its own competition without bearing startup costs. This court upheld the judgment while voicing extreme reluctance to allow a treble damage verdict to rest upon business torts alone. 624 F.2d at 1350. Significantly, this court cautioned that *Page Airways* "should not be read to encourage all who suffer injury to business or property through an alleged business tort to bring suit under section 1 or 2 of the Sherman Act." 624 F.2d at 1358. There has been no Fifth Circuit case since *Page Airways* in which a congeries of business torts was found so egregious as to constitute actionable predatory or exclusionary conduct. *See Taylor*, 216 F.3d at 484 (explaining that alleged misdeeds of competitor reflected no more than individual competitive decisions rather than anticompetitive conduct).

This distinction between unfair conduct and anticompetitive conduct is critical to maintain because the

antitrust 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 Grp. Ltd. v. Brown & Williamson Tobacco Corp.*, 509 U.S. 209, 225, 113 S. Ct. 2578, 2589 (1993) (internal quotation omitted). Instead, the antitrust laws were designed to protect "*competition*, not *competitors*." *Id.* (citation omitted) (emphasis original). *Brooke Grp.*, of course, postdates *Page Airways.* The Supreme Court put this distinction even more emphatically, for present purposes, in stating that "[e]ven 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.'" *Id.* at 225, 113 S. Ct. at 2589 (quoting *Hunt v. Crumboch*, 325 U.S. 821, 826 (1945)).

A. Patent Infringement

This court long ago held that a defendant's patent infringement cannot serve as a basis for imposing antitrust liability because the patent laws and antitrust laws serve two different and incongruent purposes that "to an extent . . . conflict." *Kinnear-Weed Corp. v. Humble Oil & Ref. Co.*, 214 F.2d 891, 894 (5th Cir. 1954). Patent laws are designed to secure for patent holders a time-limited exclusive right to exploit their discoveries, but this is "not the kind of public purpose protected by the antitrust laws," which seek to "protect the free flow of interstate commerce." *Id.* That a patentee may anticompetitively extend its market power to products other than those covered by a patent, and thus violate the antitrust laws, is well settled. *See United States v. Line Material Co.*, 333

U.S. 287, 308, 68 S. Ct. 550, 561 (1948). RTI, however, cites no case holding the converse: that antitrust liability may be founded in whole or in part upon patent infringement. By definition, patent infringement invades the patentee's monopoly rights, causes competing products to enter the market, and thereby increases competition. RTI, in fact, persuaded another jury of exactly this procompetitive result when it proved patent infringement by BD's 1mL Integra safety syringe. The judgment against BD, which was then forced to remove the competing product from the market, diminished competition but enforced RTI's patent rights. We reaffirm what has been evident and unchallenged since *Kinnear-Weed*: "patent infringement is not an injury cognizable under the Sherman Act." *Northwest Power Prods., Inc. v. Omark Indus., Inc.*, 576 F.2d 83, 88-89 (5th Cir. 1976) (citing *Kinnear-Weed*, 214 F.2d at 894). The jury's verdict cannot be legally supported by BD's infringement on RTI patents.

B. False Advertising

The jury found, and BD does not appeal the finding, that BD falsely advertised throughout the period under litigation that BD needles are the "world's sharpest" (a proxy for patient comfort) and have "low waste space" (allowing more medicine to be dispensed from the syringe), and BD's data prove the claims.[2] On the first claim, BD conducted periodic tests of needle sharpness from the early 1990s, but by about 2003, the tests began to indicate that competitors' needles were equaling or surpassing BD needles to some extent.

[2] RTI also alleged that BD falsely promoted its safety syringes as "safe," but the court found insufficient evidence to support sending this claim to the jury, and RTI has not appealed.

BD's "world's sharpest" advertising continued unabated. Likewise, BD advertised that its Integra needles, which competed only with RTI's VanishPoint, have as much as seven times "lower waste space." Although the claim was true when initially made, BD's tests in 2003, 2005, and 2008 revealed that the waste space measurement was no longer accurate. BD removed the inaccurate measurement from some advertising and marketing materials but its own website and other materials still displayed erroneous waste space comparisons. BD applied the false claim to customer-specific comparative spreadsheets, and imbedded it in a "cost calculator" that sales representatives could use to demonstrate how much money customers would allegedly save with Integra syringes. The cost calculator appeared on BD's website. Some distributors and resellers of the defendant's products continue to use BD's false claims in their promotional materials.

This court's decision in *Stearns Airport Equipment Co. v. FMC Corp.* sets an extremely high bar for a claim that false advertising, without more, can support an antitrust claim. In *Stearns*, this court held that the aggressive sales pitches by an airline boarding bridge manufacturer to municipal airport buyers was not actionable anticompetitive conduct as a matter of law. Summarizing the defendant's several challenged tactics as attempts "to persuade buyers to favor their product," we reasoned that the sales pitches "may have been wrong, misleading, or debatable," but they were all "arguments on the merits, indicative of competition on the merits." 170 F.3d at 523–25; *cf. Page Airways*, 624 F.2d at 1354 (distinguishing "bribes and similar practices" from "mere misrepresentations of one's own or a rival's product").

RTI contends that unlike *Stearns*, this case involves "sustained lying about objectively measurable facts," but *Stearns* did not draw distinctions among touts when concluding that "wrong, misleading, or debatable" arguments relating to the merits of a product do not raise antitrust concerns. *Id.* BD's false comparative advertising, sanctionable though it may be as a business tort, was plainly "on the merits." The *Stearns* court went on to say that:

> To the extent [such representations] were successful, they were successful because the consumer was convinced by either FMC's product or FMC's salesmanship. . . . Without a showing of some other factor, we can assume that a consumer will make his decision only on the merits. To the extent a competitor loses out in such a debate, the natural remedy would seem to be an increase in the losing party's sales efforts on future potential bids, not an antitrust suit.

Id. at 524–25. *Stearns* has not been limited as RTI would have it. *See, e.g., Santana Prods, Inc. v. Bobrick Washroom, Inc.*, 401 F.3d 123,133 (3d Cir. 2005) (quoting above passage).

The Seventh Circuit does not recognize Sherman Act claims based on false advertising. *Mercatus Grp., LLC v. Lake Forest Hosp.*, 641 F.3d 834, 851 (7th Cir. 2011) ("As a general matter, such statements are outside the reach of the antitrust laws, however critical they may be of a competitor's product or business model [unless false statements were accompanied by a "coercive enforcement mechanism"]. . . . This analysis holds true even if the Hospital's statements about Mercatus were false."); *see also Sanderson v. Culligan*

Int'l. Co., 415 F.3d 620, 624 (7th Cir. 2005) ("Commercial speech is not actionable under the antitrust laws . . . . There can be no restraint of trade without a restraint.") (internal quotation marks omitted). The Seventh Circuit's basic reasoning adheres to traditional free speech principles: "If [a competitor's statements about another] should be false or misleading or incomplete or just plain mistaken, the remedy is not antitrust litigation but more speech—the marketplace of ideas." *Schachar v. Am. Acad. of Opthalmology, Inc.*, 870 F.2d 397, 400 (7th Cir. 1989).

The broader point underlying *Stearns* is the distinction embodied in our precedents between business torts, which harm competitors, and truly anticompetitive activities, which harm the market. As we have explained, "[t]he thrust of antitrust law is to prevent restraints on competition. Unfair competition is still competition and the purpose of the law of unfair competition is to impose restraints on that competition." *Nw. Power Prods.*, 576 F.2d at 88. Thus, absent a demonstration that a competitor's false advertisements had the potential to eliminate, or did in fact eliminate, competition, an antitrust lawsuit will not lie.[3] *See id.*; *cf. Phototron Corp. v. Eastman Kodak Co.*,

[3] Our decision in *Multiflex, Inc. v. Samuel Moore & Co.*, 709 F.2d 980 (5th Cir. 1983) is not to the contrary. The conduct in *Multiflex* involved a conspiracy by Samuel Moore with three industry manufacturer-distributors to prevent Multiflex from accessing the channels of distribution. *Id.* at 988. This conduct would have excluded Multiflex—Samuel Moore's only other competitor—from the market by preventing Multiflex from reaching the end-users of its product because the end-users made their purchases of hydraulic hoses exclusively through the three manufacturer-distributors. *Id.* at 984, 988. The false and disparaging statements made by Samuel Moore to Multiflex's bankers and customers about the firm's solvency and product quality, *id.* at 991–92, 994 n.14, were anticompetitive because

842 F.2d 95, 100 (5th Cir. 1988) ("Advertising that creates barriers to entry in a market constitutes predatory behavior of the type the antitrust laws are designed to prevent."). RTI may have lost some sales or market share because of BD's false advertising, but it remains a vigorous competitor, and it did not contend that BD's advertising erected barriers to entry in the safety syringe market.

That false advertising alone hardly ever operates in practice to threaten competition is confirmed not only by a dearth of Fifth Circuit precedent but by two additional considerations. First, false advertising simply "set[s] the stage for competition in a different venue: the advertising market." *Sanderson v. Culligan Int'l Co*, 415 F.3d 620, 623 (7th Cir. 2005). In such a setting, a business that is maligned by a competitor's false advertising may counter with its own advertising to expose the dishonest competitor and turn the tables competitively against the malefactor. *See Mercatus Grp.*, 641 F.3d at 852. Far from restricting competition, then, false or misleading advertising generally sets competition into motion. Second, it will often be difficult to determine whether such false statements induced reliance by consumers and produced anticompetitive effects, or whether the buyer attached little weight to the statements and instead regarded them as biased and self-serving. *See id.* The latter impact becomes more likely where, as here, the relevant consumers are sophisticated. In this case, for instance, RTI produced market surveys that BD's false advertising touched interests relevant to purchasers of safety

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these statements were part and parcel of the conspiracy that threatened to cut off Multiflex—its only other competitor—from the channels of distribution. In this case, BD's false advertising had no comparable potential to eliminate competition.

syringes, but not a single buyer's representative came forward to testify to a purchase motivated by the "world's sharpest needle" and "lower waste space" claims.

Other circuits have also treated skeptically antitrust claims predicated on false advertising and therefore adopted a rebuttable presumption that false advertising has only a *de minimis* effect on competition. *See Am. Council of Certified Podiatric Physicians & Surgeons v. Am. Bd. of Podiatric Surgery, Inc.*, 323 F.3d 366, 370 (6th Cir. 2003); *Am. Prof'l Testing Serv., Inc. v. Harcourt Brace Jovanovich Legal & Prof'l Publ'ns, Inc.*, 108 F.3d 1147, 1152 (9th Cir. 1997); *Nat'l Ass'n of Pharm. Mfrs. v. Ayerst Labs.*, 850 F.2d 904, 916 (2d Cir. 1988). Inspired by a prominent treatise, these circuits adopted the *de minimis* presumption along with variations on a six-part test that a plaintiff must satisfy to support an antitrust claim premised on false advertising: the statements at issue must be (1) clearly false; (2) clearly material; (3) clearly likely to induce unreasonable reliance; (4) made to unsophisticated parties; (5) continued for long periods; and (6) not readily cured by rivals. *Am. Prof'l Testing Serv.*, 108 F.3d at 1152 (citing 3 PHILLIP E. AREEDA & DONALD TURNER, ANTITRUST LAW ¶ 738a, at 278-79 (1978)). Each circuit seems to have tweaked the Areeda six-factor test somewhat, but the basic intent of each court is to create a sharp distinction between ordinary false advertising torts and a defendant's course of conduct that could actually exclude competition.

Three other circuits have viewed such claims critically without announcing a particular test. *See W. Penn Allegheny Health Sys., Inc. v. UPMC*, 627 F.3d 85, 109 n.14 (3d Cir. 2010); *Covad Commc'ns Co. v.*

Bell Atl. Corp., 398 F.3d 666, 674–75 (D.C. Cir. 2005); *Spanish Broad. Sys. of Fla., Inc. v. Clear Channel Commc'ns, Inc.*, 376 F.3d 1065, 1076 (11th Cir. 2004). *But cf. Lenox MacLaren Surgical Corp. v. Medtronic, Inc.*, 762 F.3d 1114, 1127–28 (10th Cir. 2014) (applying, without adopting, the six-factor rebuttable presumption and holding that Lenox created a question of material fact regarding three of the factors).

Even if we were to apply the *de minimis* presumption here, RTI could not uphold a § 2 verdict for BD's false advertising under the six-part test. BD's false claims were not made to unsophisticated parties (part 4), but to hospitals and GPOs that used multidisciplinary committees who had experience with the competing products.[4] The advertising claims were not shown to be "clearly likely to induce unreasonable reliance" (part 3) on the part of customers.[5] Finally, there was no showing that the "world's sharpest needle" and "lower waste space" claims could not be readily disproved, as they were at this trial, by rivals (part 6).

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[4] At oral argument RTI argued that the hospitals were averse to trying new products. It appears, however, that most of the evidence at trial relating to this point focused on BD's alleged "anticompetitive contracting" practices—an argument that the jury rejected.

[5] Trial testimony by Dr. Carl Vartian explained that hospitals employ multidisciplinary committees made up of hospital administrators, specialists, and general physicians to evaluate the safety of products like syringes. Hospital purchasing decisions also involve extensive review of medical literature, consultation with other hospitals that already use the product, and trial periods for new products within a ward or subdivisions of the hospital. Both Dr. Vartian and Nurse Jeanette Akin testified that when it comes to advertising for products like syringes, "we usually don't even look at it" and "we don't give that much credibility" when making purchasing decisions.

Moreover, no facts adduced at trial indicated that BD's advertising in fact harmed competition. RTI not only competed in but has dominated the retractable syringe sub-market, selling up to 67% of all retractable syringes. Indeed, competition within the overall safety syringe market—particularly between BD, Covidien, and Smiths—has remained robust. When asked if he could substantiate a causal connection between false advertising and BD's sales numbers, the Plaintiff's economic expert, Dr. Maness, said he could not. RTI produced no evidence of customers being misled or confused and purchasing BD's syringes instead of RTI's because of the advertisements. Record evidence even indicates that some customers, such as Walgreens, increased their purchases of RTI syringes after being shown BD's erroneous "waste space" comparisons. RTI's evidence consisted mostly of boastful e-mail exchanges between BD sales representatives recounting what they believed were successful sales pitches, but notably there was no testimony from the customers themselves. And as the district court noted, "BD presented evidence that many sales were made for reasons other than the false advertisements."

RTI did not satisfy *Stearns* or any relevant test that circuit courts have devised to render false advertising claims cognizable under the antitrust laws.

C. Tainting the Market

The remaining component of RTI's antitrust verdict is its four-part theory that BD (1) continued to market its flawed Integra retractable needles during the years covered by this litigation, and (2) declined to make needed engineering fixes, (3) for the purpose of persuading purchasers that *all* retractable syringes, including those of RTI, are inherently unreliable, so that (4) BD would lie in wait for RTI's patents to expire

in 2015, avail itself of RTI's (then-unprotected) superior technology, create and unveil a new and superior retractable syringe, and take over the market by 2019.

The first two parts of the theory, although challenged by BD, have some support in the record. The third part has no direct evidentiary basis, is illogical, and is incoherent when considered with the fourth part. And the fourth part, even if true, cannot constitute anticompetitive conduct because it is precisely the type of activity to be expected from competitors when valuable patent rights expire; the patentee's monopoly is eliminated, and the free market reigns where anybody can exploit the formerly protected technology.

Part (3), the tainting theory, must be addressed further because of the record support for the two underlying facts concerning the Integra's design flaws and BD's reluctance to redesign the product to cure them completely. These facts alone do not, however, imply that BD deliberately continued to sell "flawed" Integra needles to sophisticated consumers for a number of years in order to discourage the market from buying VanishPoint safety syringes. There is no direct evidence of BD's intent to "taint" or stunt the retractable syringe market. BD made money selling Integra syringes, albeit less than it made from sales of non-safety syringes. Consumers evidently found them satisfactory, whether flawed or not, because BD's share of the retractable market was no less than about 33% during the period in question. RTI's market share simultaneously increased to two-thirds, and its sales nearly doubled. If BD was attempting to stunt the market for retractables in order to limit RTI's competition, it did a mighty poor job.

The tainting theory is entirely illogical as a vehicle to prove exclusionary conduct. If BD set out to exclude

RTI from the market by tainting its own product, who would be the loser? Would Kellogg's sell a "nutritional" cereal that tastes like sawdust in order to discourage consumers from sampling Quaker Oats's competing product? It is the producer of defective products, after all, who gets sued, suffers product recalls, and damages its reputation in the eyes of the public—not its competitors, who are happy to take up the slack. RTI might assert that this irrationality is exactly what *Stearns* had in mind by condemning exclusionary practices that have "no rational business purpose other than to exclude competitors." *Stearns*, 170 F.3d at 522.[6] But as has been noted, BD's rational business purpose was to continue selling, and making a profit on, a product that had a receptive market. In fact, RTI's market survey expert not only found no evidence of tainting but found that consumers of retractable syringes who were familiar with the VanishPoint had a very favorable impression of it.

Finally, the fourth part of this theory, BD's longer-term plan to compete with a new retractable syringe after RTI's patents expire, utterly belies the taint theory. Tainting the current market for retractable syringes would be both unnecessary and counterproductive to the company's longer-term goal. It is obviously an unnecessary means to prepare the market to accept the newly designed product, particularly when the customary method, a new advertising campaign, would suffice to fuel demand. It is counterproductive because if safety syringe purchasers were deterred from using both Integra and VanishPoint products due

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[6] This conduct is a far cry from corporate bribery and filing sham lawsuits, *see Page Airways*, 624 F.2d at 1356, or from deliberately reducing one's own sales to harm the competitor's business, *see Aspen Skiing*, 472 U.S. at 610-11.

to the Integra's design flaws, RTI cannot explain why BD might think they would flock to purchase the "new and improved" retractable after its introduction.[7]

For all these reasons, RTI has not demonstrated that BD engaged in predatory or anticompetitive conduct as a matter of law. The verdict for § 2 liability rests on "legal conclusions [that] . . . cannot in law be supported by those findings." *MM Steel*, 806 F.3d at 843.

II. Section 43(a) Lanham Act Claim

BD also moved for judgment as a matter of law on RTI's Lanham Act claim based on the affirmative defenses of res judicata and laches. The district court denied this motion. We review de novo the res judicata ruling, *Am Quarter Horse Ass'n*, 776 F.3d at 327, but the application of laches is reviewed on appeal for an abuse of discretion. *Am. Rice, Inc. v. Producers Rice Mill, Inc.*, 518 F.3d 321, 334 (5th Cir. 2008). Under the abuse of discretion standard, "[t]he district court's findings of delay, inexcusability, and prejudice are findings of fact that can be overturned only if they are clearly erroneous," or "if in view of the entire record [the finding] is 'illogical or implausible.'" *Geyen v. Marsh*, 775 F.2d 1303, 1310 (5th Cir. 1985) (citation omitted).

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[7] The only "evidence" for this plan is one internal BD planning document, dated 2011, that evaluated the market for retractable syringes and offered various alternative suggestions for producing a new, low-cost retractable syringe that would avoid "dissatisfiers" in products then on the market. Even if the plan had been adopted, its cornerstone, as hypothesized by RTI's selective reading, was to take advantage of RTI's technology after the company's patents expire. As has been noted, this course of action would be both legal and procompetitive.

A. Res Judicata

"Under res judicata, a final judgment on the merits of an action precludes the parties or their privies from relitigating issues that were or could have been raised in that action." *Allen v. McCurry*, 449 U.S. 90, 94, 101 S. Ct. 411, 414 (1980). A claim in a subsequent suit will be barred under res judicata principles if: (1) the prior suit involved identical parties; (2) the prior judgment was rendered by a court of competent jurisdiction; (3) the prior judgment was a final judgment on the merits; and (4) the same claim or cause of action was involved in both cases. *In re Ark-La-Tex Timber Co., Inc.*, 482 F.3d 319, 330 (5th Cir. 2007). At issue here is only the fourth element: whether the settlement of RTI's first lawsuit against BD involved the same claims or causes of action as the current lawsuit. This court applies a "transactional test" to make this determination, focusing on whether the cases "are based on the same nucleus of operative facts." *United States v. Davenport*, 484 F.3d 321, 326 (5th Cir. 2007) (citations omitted). The court should consider "whether the facts are related in time, space, origin, or motivation, whether they form a convenient trial unit, and whether their treatment as a unit conforms to the parties' expectations or business understanding or usage." *Petro-Hunt, L.L.C. v. United States*, 365 F.3d 385, 396 (5th Cir. 2004).

BD argues that this issue is resolved by *Oreck Direct, LLC v. Dyson, Inc.*, 560 F.3d 398 (5th Cir. 2009). We disagree. In *Oreck*, this court dismissed Oreck's false advertising claim under the Lanham Act concerning two Dyson advertisements asserting that its DC18 vacuum suffered "no loss of suction" and that it was the "most powerful lightweight" vacuum. *Id.* at 400. Because Oreck had settled a previous Lanham Act

lawsuit against Dyson concerning advertisements that its vacuums (not limited to a specific model) do not lose suction, we held the later suit barred by res judicata. *Id.* at 403-04. Crucial to this claim preclusion holding, however, was the fact that Dyson utilized the model-specific advertisements at issue while Oreck's first lawsuit was pending, and information about this vacuum model was produced during discovery. *Id.* The district court confirmed that the "case d[id] not present a situation in which plaintiff's claims are based on conduct transpiring only after the earlier litigation had concluded." *Oreck Direct, LLC v. Dyson, Inc.*, 544 F. Supp. 2d 502, 511 (E.D. La. 2008). Since Oreck "could have" included the model-specific advertisements in its first lawsuit, we held that the second lawsuit was claim precluded. *Oreck*, 560 F.3d at 403–04 & nn.6–7.

Oreck does not control this case. The advertisements RTI complains of in its second lawsuit were made after the 2004 settlement of the first lawsuit. There is no indication that RTI was on notice before the 2004 settlement that BD would continue to utilize the "sharpest needle" and "waste space" comparative advertisements in sales pitches and marketing materials. RTI therefore could not have brought these claims during the pendency of the first lawsuit, and the new post-2004 advertisements and sales tactics of BD created new causes of action that are not barred by res judicata. *See Lawlor v. Nat'l Screen Service Corp.*, 349 U.S. 322, 327, 75 S. Ct. 865, 868 (1955) (holding that antitrust violations that continued after the settlement of the first lawsuit were new causes of action not barred by res judicata even though "both suits involved 'essentially the same course of wrongful conduct'"); *Davis v. Dallas Area Rapid Transit*, 383 F.3d 309, 314 (5th Cir. 2004) ("We have held that

'subsequent wrongs' by a defendant constitute new causes of action . . . . [T]he 'subsequent wrongs' we previously considered occurred either after the plaintiffs had filed their prior lawsuit or after the district court had entered judgment in the prior lawsuit"); 18 CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE & PROCEDURE § 4409, at 227 (3d ed. 2008) ("A substantially single course of activity may continue through the life of a first suit and beyond. The basic claim-preclusion result is clear: a new claim or cause of action is created as the conduct continues.").

B. Laches

Laches is an affirmative defense barring suit when a plaintiff's inexcusable delay in bringing a cause of action has prejudiced the defendant. *Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188, 205 (5th Cir. 1998). To prevail, the defendant must demonstrate: "(1) a delay asserting a right or claim; (2) that the delay was inexcusable; [and] (3) that undue prejudice resulted from the delay." *Id.* (internal citation omitted). "The period for laches begins is when the plaintiff knew or should have known" of the defendant's injurious conduct. *Id.* Although laches is an equitable defense, it is usually applied "with reference to the limitations period for the analogous action at law," *Jarrow Formulas, Inc. v. Nutrition Now, Inc.*, 304 F.3d 829, 835 (9th Cir. 2002), which may be state law if no federal limitations law exists. *Lopez ex rel. Gutierrez v. Premium Auto Acceptance Corp.*, 389 F.3d 504, 506–507 (5th Cir. 2004). Laches applies under the Lanham Act for these reasons, and Texas law is the relevant comparator here.

BD urges this court to apply Texas's two-year statute of limitations for unfair competition and to join the circuits that employ a strong presumption that any

lawsuit filed outside of the statute of limitations is barred by laches. *See Jaso v. The Coca-Cola Co.*, 435 F. App'x 346, 356 n.10 (5th Cir. 2011) (collecting cases). RTI, however, advocates the application of Texas's four-year limitations period for fraud claims. RTI filed this lawsuit in 2007, three years after the settlement of the first lawsuit in 2004; thus, the choice of comparator statute of limitations is potentially decisive. BD also contends that the district court's conclusion that it was not prejudiced by any inexcusable delay on RTI's part was clear error because the delay "increased BD's exposure for no reason other than increasing RTI's recovery."

We need not decide in this case the issues of the applicable statute of limitations, the strong presumption, or whether BD proved an inexcusable delay by RTI, because in any event, the district court neither erred nor abused its discretion in concluding that BD suffered no undue prejudice. BD obviously knew from the parties' just-concluded litigation that RTI objected to the needle sharpness and waste space claims, and BD had every reason to know that its ongoing advertisements of the same claims, which continued through 2011, were inaccurate. The district court's factual findings are not clearly erroneous; as a result, the district court did not abuse its discretion in rejecting the affirmative defense of laches. *See Geyen*, 775 F.2d at 1310.

III. Disgorgement Order

BD challenges the district court's conclusion that it is required to remedy the Lanham Act violations by disgorging a portion of its profits from sales of Integra syringes. This determination is reviewed for an abuse of discretion. *Seatrax, Inc. v. Sonbeck Int'l, Inc.*, 200 F.3d 358, 369 (5th Cir. 2000).

Subject to principles of equity, a defendant's Lanham Act violations may entitle the plaintiff to a portion of the defendant's profits attributable to the false advertising. 15 U.S.C. § 1117(a). Any award of profits is "not automatic . . . and is committed to the discretion of the district court." *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 554 (5th Cir. 1998). A court considers six non-exclusive factors in determining whether an award of profits is appropriate: "(1) whether the defendant had the intent to confuse or deceive, (2) whether sales have been diverted, (3) the adequacy of other remedies, (4) any unreasonable delay by the plaintiff in asserting his rights, (5) the public interest in making the misconduct unprofitable, and (6) whether it is a case of palming off." *Quick Techs., Inc. v. Sage Grp. PLC*, 313 F.3d 338, 349 (5th Cir. 2002) (citing *Pebble Beach*, 155 F.3d at 554).

Even if disgorgement is appropriate, however, a plaintiff "is only entitled to those profits attributable" to the false advertising. *Pebble Beach*, 155 F.3d at 554. Accordingly, if a plaintiff fails to present evidence that the defendant benefitted from the false advertising, the plaintiff may not recover any of the defendant's profits. *Logan v. Burgers Ozark Cty. Cured Hams, Inc.*, 263 F.3d 447, 465 (5th Cir. 2001); *see also Tex. Pig Stands, Inc. v. Hard Rock Cafe Int'l, Inc.*, 966 F.2d 956, 957 (5th Cir. 1992) ("The reason why Hard Rock Cafe's profits were not awarded was . . . the lack of evidence showing that any of Defendant's profits were the result of its infringement of the mark." (emphasis omitted)).

BD first argues that RTI failed to identify what portion of BD's profits (if any) were attributable to false advertising. Additionally, BD contends that the

district court abused its discretion in weighing three of the *Pebble Beach* factors, inasmuch as the court (1) did not specify any amount of diverted sales; (2) failed to find that BD willfully engaged in false advertising; and (3) erred in holding that RTI did not unreasonably delay in filing suit.

We find no clear error in the district court's conclusion that at least some portion of BD's profits were attributable to the false advertising. Indeed, BD acknowledged in the district court, its expert witness's opinion that $7.2 million in profits—netting to $560,000 after deductions for costs and expenses—could be attributable to the waste space advertisements. In *Logan* or *Texas Pig Stands,* by contrast, there was no evidence of attribution. Similarly unassailable is the finding that BD had the intent to confuse or deceive by continuing to use advertisements it knew were false. That BD may not have willfully engaged in false advertising does not change this analysis because a finding of willfulness is not a prerequisite to remedial disgorgement. *Quick Techs.*, 313 F.3d at 349. Finally, we have approved the district court's finding that RTI did not unreasonably delay.

Nevertheless, the district court's equitably-founded decision not to impose disgorgement rested in large part on the premise that RTI was adequately compensated by a $340 million antitrust award. Having overturned the antitrust judgment, we must remand to the district court for a thorough re-weighing of the remaining factors and the entirety of the record to determine whether and how much profit BD should disgorge to compensate for the Lanham Act violations. In particular, when assessing the "diversion" factor, the district court should bear in mind that speculative and attenuated evidence of diversion of sales will not

suffice. *Seatrax*, 200 F.3d at 372 & n.8. Further, if disgorgement of profits is appropriate, the court must recall that "[u]nder 15 U.S.C. § 1117(a), the plaintiff has the burden of showing the amount of the defendant's sales of the infringing product. The defendant has the burden of showing all elements of cost and other deductions." *Maltina Corp. v. Cawy Bottling Co., Inc.*, 613 F.2d 582, 586 (5th Cir. 1980).

IV. Injunctive Relief

BD's final objection is to the district court's injunction requiring BD to "notify customers, distributors, and other market participants" that it "wrongfully made false and misleading advertising claims" in its "needle sharpness" and "waste space" advertisements.[8] We review the grant or denial of injunctive relief for an abuse of discretion. *Aransas Project v. Shaw*, 775 F.3d 641, 663 (5th Cir. 2014). "The district court abuses its discretion if it (1) relies on clearly erroneous factual findings when deciding to grant or deny the permanent injunction (2) relies on erroneous conclusions of law when deciding to grant or deny the permanent injunction, or (3) misapplies the factual or legal conclusions when fashioning its injunctive relief." *Peaches Entm't Corp. v. Entm't Repertoire Assocs., Inc.*, 62 F.3d 690, 693 (5th Cir. 1995).

"A plaintiff seeking injunctive relief must show a real and immediate threat of future or continuing injury apart from any past injury." *Aransas Project*, 775 F.3d at 663. As with all injunctive relief, an

[8] To the extent the court prohibited BD's use of the "needle sharpness" and "waste space" advertisements and required the implementation of a training program to instruct employees and distributors not to use the old marketing materials, BD does not challenge that injunctive relief.

equitable remedy for false advertising under the Lanham Act should be "no broader than reasonably necessary to prevent the deception." *Better Bus. Bureau of Metro. Hous., Inc. v. Med. Dirs., Inc.*, 681 F.2d 397, 405 (5th Cir. 1982). Nonetheless, "[a] district court has a wide range of discretion in framing an injunction in terms it deems reasonable to prevent wrongful conduct." *Soltex Polymer Corp. v. Fortex Indus., Inc.*, 832 F.2d 1325, 1329 (5th Cir. 1987) (citation omitted).

RTI sought an injunction under both the Clayton Act (in order to prevent future antitrust violations) and the Lanham Act (to prevent future false advertising). The district court's order, however, suggests that injunctive relief was granted to remedy the purported antitrust violations. To that extent, our reversal of the antitrust verdict means that the injunction rests on an "erroneous conclusions of law" and is an abuse of discretion. *Peaches Entm't*, 62 F.3d at 693. It remains theoretically possible, while bearing in mind that equitable relief is normally appropriate only in the absence of an adequate remedy at law (i.e., money damages), that a viable injunction might still be an appropriate remedy for the Lanham Act violations. *Westchester Media v. PRL USA Holdings, Inc.*, 214 F.3d 658, 675 (5th Cir. 2000). With these caveats, we vacate and remand the injunction.

CONCLUSION

For the foregoing reasons we REVERSE the denial of BD's motion for Judgment as a Matter of Law concerning the attempted monopolization claim and RENDER judgment on that claim in favor of BD. We also AFFIRM the judgment for Lanham Act liability but REMAND to the district court to consider whether

and how much profit should be disgorged. Finally, we VACATE and REMAND the injunctive relief ordered.

AFFIRMED IN PART, REVERSED IN PART, VACATED IN PART, AND REMANDED.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION

[Filed September 30, 2014]

Case No. 2:08-CV-16

RETRACTABLE TECHNOLOGIES, INC., *et al.*

v.

BECTON, DICKINSON AND CO.

ORDER

Before the Court is Becton, Dickinson and Co.'s ("BD") Renewed Motion for Judgment as a Matter of Law, or Alternatively, for New Trial or Remittitur against Retractable Technologies, Inc., et al. ("RTI") (Docket No. 589). For the reasons below, the Motion is DENIED.

BACKGROUND

On September 19, 2013, following an eight-day trial, a jury returned a verdict finding that BD attempted to monopolize the safety syringe market, and awarded $113,508,014 in damages. Docket No. 577. The jury also found that BD engaged in false advertising under the Lanham Act; however, the parties did not submit a Lanham Act damages question to the jury. *Id.*

These parties are well acquainted. BD is a large medical supplier that manufactures and sells, among other things, safety syringe products and conventional

syringe products. Throughout this lawsuit, the parties used the term "conventional syringes" to describe the common, plastic, hypodermic needles that have been used in the healthcare industry for many years. Safety syringes generally serve the same purpose as conventional syringes, but have various mechanisms to reduce the chance of accidental needlesticks. RTI competes with BD in the safety syringe market by manufacturing and selling its VanishPoint safety syringe.

In addition to being competitors in the marketplace, the parties are frequent adversaries in the courtroom. RTI initially sued BD in 2001, asserting unfair competition and antitrust claims. *Retractable Techs., Inc. v. Becton, Dickinson and Co. et al.*, No. 5:01-cv-036 (E.D. Tex. filed Jan. 29, 2001). BD settled these claims with RTI in 2004 for $100 million in a publicly disclosed settlement. Docket No. 590-1 at 12. Then, on June 15, 2007, RTI brought a second suit against BD, alleging patent infringement, antitrust violations, false advertising, and unfair competition in cause no. 2:07-cv-250. On January 18, 2008, at BD's request, the non-patent portions of that lawsuit were severed and stayed pending resolution of the patent claims. Cause No. 2:07-cv-250, Docket No. 66. The severed portions created the instant (and now third) lawsuit between the parties. In the second suit, a jury found BD liable for patent infringement and awarded damages of $5,000,000 on November 9, 2009. After entry of final judgment, the Court lifted the stay in the instant action. Docket No. 11.

On July 23, 2010, RTI amended its complaint to specifically identify the two allegedly false advertisements that were the subject of jury trial. RTI alleged BD's advertisements claiming RTI's VanishPoint has

0.185 mL of waste space volume were literally false and misleading. Docket No. 15, ¶¶ 88–119. RTI also alleged that BD's advertisements claiming BD's syringes as the "World's Sharpest Needle," were likewise false and misleading. *Id.*, ¶¶ 211–23. After an eight-day trial, the jury was asked a series of antitrust questions: whether BD monopolized the safety syringe, conventional syringe, or safety IV catheters markets; whether BD attempted to monopolize any of those markets; whether BD entered into contracts that unreasonably restrained trade in any of those markets; and whether BD entered into competition-restricting contracts that decreased or restricted competition within any of those markets. Docket No. 577 at 1–3. The jury found that BD had attempted to monopolize the safety syringe market, but found for BD on all other antitrust claims. The jury awarded $113,508,014 in antitrust damages. *Id.* at 4. The jury also found that BD had engaged in false advertising under the Lanham Act with regards to its waste space and World's Sharpest Needle claims; however, the jury was not asked for any relief with regard to the Lanham Act.

BD now renews its motions for judgment as a matter of law on these claims, or alternatively, for a new trial.

APPLICABLE LAW

Judgment as a matter of law is only appropriate when "a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue." FED. R. CIV. P. 50(A). "The grant or denial of a motion for judgment as a matter of law is a procedural issue not unique to patent law, reviewed under the law of the regional circuit in which the appeal from the district court would usually lie." *Finisar Corp. v. DirectTV Grp., Inc.*, 523 F.3d 1323,

1332 (Fed. Cir. 2008). The Fifth Circuit "uses the same standard to review the verdict that the district court used in first passing on the motion." *Hiltgen v. Sumrall*, 47 F.3d 695, 699 (5th Cir. 1995). Thus, a jury verdict must be upheld, and judgment as a matter of law may not be granted, unless "there is no legally sufficient evidentiary basis for a reasonable jury to find as the jury did." *Id.* at 700. The jury's verdict must also be supported by "substantial evidence" in support of each element of the claims. *Am. Home Assurance Co. v. United Space Alliance*, 378 F.3d 482, 487 (5th Cir. 2004).

A court reviews all evidence in the record and must draw all reasonable inferences in favor of the nonmoving party; however, a court may not make credibility determinations or weigh the evidence, as those are solely functions of the jury. *See Reeves v. Sanderson Plumbing Prods., Inc.*, 530 U.S. 133, 150–51 (2000). The moving party is entitled to judgment as a matter of law "only if the evidence points so strongly and so overwhelmingly in favor of the nonmoving party that no reasonable juror could return a contrary verdict." *Int'l Ins. Co. v. RSR Corp.*, 426 F.3d 281, 296 (5th Cir. 2005).

Under Federal Rule of Civil Procedure 59, a new trial may be granted to a party on any or all issues "for any reason for which a new trial has heretofore been granted in an action at law in federal court." "A new trial may be granted, for example, if the district court finds the verdict is against the weight of the evidence, the damages awarded are excessive, the trial was unfair, or prejudicial error was committed in its course." *Smith v. Transworld Drilling Co.*, 773 F.2d 610, 612–13 (5th Cir. 1985).

ANALYSIS

I. ATTEMPTED MONOPOLIZATION

To establish attempted monopolization, a plaintiff must show (A) that the defendant has engaged in predatory or anticompetitive conduct with (B) a specific intent to monopolize and (C) a dangerous probability of achieving monopoly power, and (D) that the defendant's violation caused injury to his business or property. *Spectrum Sports, Inc. v. McQuillan*, 506 U.S. 447, 456 (1993). BD alleges that RTI failed to prove each of these elements.

A. Anticompetitive Conduct

In support of its position, BD first contends that RTI failed to present sufficient evidence of anticompetitive conduct. Docket No. 589 at 3. The Court disagrees. There was a sufficient evidentiary basis for the jury to find anticompetitive conduct—including tainting of the market with improperly functioning syringes, false statements about its products, questionable contracting practices, and infringement of RTI's patents—all of which supported behavior that "unfairly tend[ed] to destroy competition itself." *See Spectrum Sports, Inc.*, 506 U.S. at 458.

BD's next argument, that the false advertising and patent portions of RTI's case cannot, as a matter of law, ever constitute anticompetitive conduct, is also without merit. For support, BD relies upon *Kinnear-Weed*, which struck an antitrust claim from the complaint because it "alleges no facts showing an injury to the public," despite a viable claim for patent infringement. *Kinnear-Weed Corp. V. Humble Oil & Refining Co.*, 214 F.2d 891, 894 (5th Cir. 1954). BD interprets *Kinnear-Weed* to stand for the proposition that the same or similar conduct can never serve as

the basis for both patent infringement and antitrust claims. This interpretation is not consistent with the actual holding in that case, and conflicts with the well-established understanding that antitrust claims should be analyzed with attention to the individual facts of the case rather than by reliance on "formalistic distinctions." *Eastman Kodak Co. v. Image Technical Servs.*, 504 U.S. 451, 467 (1992). BD's argument that false and deceptive statements can never, as a matter of law, be anticompetitive is similarly flawed.

The more salient issue, rather, is whether the evidence presented by RTI constituted a legally sufficient evidentiary basis for the jury to find that BD's conduct was, in fact, exclusionary. Again, sufficient evidence was presented on this important point. As an example, RTI presented evidence showing that BD knew of substantial flaws with its Integra 1cc and 3cc retractable syringes and left those products on the market—even though doing so infringed RTI's patent (as to the 1cc)—because it was important to market even an "imperfect" retracting syringe despite its low profit margin. *See, e.g.*, 9/16 PM Tr. at 205–14. RTI also presented evidence showing that BD continued to make its "World's Sharpest Needle" (and other) advertising claims that it knew were false or misleading because they were "foundational, differentiating claims" and "[l]osing them would potentially have a devastating effect on [BD's] ability to command premium pricing." PX 697; *see also* PX 260 at13 ("[i]dentify and implement needed changes to support World's Sharpest Needle claim"); PX 271 at 9 (". . . as we work toward supporting our claim of WSN"). Additionally, RTI presented evidence suggesting that BD deceived its customers through misleading contract terms and suppression of information about its safety syringes. *See, e.g.*, 9/11 AM Tr. at 22. Accordingly, there was

ample evidence of anticompetitive conduct to support the jury's verdict.

B. Specific Intent

BD also contends generally that RTI failed to show specific intent to monopolize by illicit means. Docket No. 589 at 22. BD seems to suggest that without a "smoking gun" statement admitting specific intent, such intent cannot be found. However, the jury may infer specific intent to monopolize when the overall evidence logically and circumstantially leads to that conclusion, as it did here. *See, e.g., Multiflex, Inc. v. Samuel Moore & Co.*, 709 F.2d 980, 992 (5th Cir. 1983) ("Multiflex . . . showed anticompetitive behavior from which a specific intent to monopolize can be inferred.") *abrogated on other grounds by Deauville Corp. v. Federated Dept. Stores*, 756 F.2d 1183, 1192 n.5 (5th Cir. 1985). Again, there is sufficient evidence to support the jury's finding of specific intent.

C. Dangerous Probability

BD next contends that RTI failed to prove that BD had a dangerous probability of achieving monopoly power. BD argues that its lost market share during the time in question negates such a showing. However, lost market share is not dispositive in an attempted monopolization claim.[1] *Multiflex*, 709 F.2d at 991–92. Here, the jury heard expert testimony suggesting that when paired with BD's relatively high pricing in the safety syringe market, a very small decline of market share (not commensurate with the pricing premium)

[1] Notably, RTI did not succeed on its monopolization claim, suggesting that the jury considered the small decline in market share alleged by BD, but found that decline insufficient to defeat RTI's claim of *attempted* monopolization.

was probative of monopoly power or dangerous probability of achieving that power. 9/18 PM Tr. at 33:11–34:25. BD also claims that "[t]he fact that RTI was far more successful at selling the VanishPoint against the higher-priced Integra proves that price competition is working, not lacking." Docket No. 589 at 20. But BD ignores the other evidence presented by RTI on this point, including the evidence suggesting that the Integra was a severely flawed (and less-marketed) product that RTI contended was only sold for the purpose of tainting the market. When coupled with evidence showing BD's already high market share and very high barriers to entry, there was sufficient evidence for the jury to conclude that BD had a dangerous probability of success. BD finally argues that even if RTI did show a dangerous probability of success, that probability would be negated by "the presence and power of hospitals and their group purchasing organizations (GPOs)." *Id.* at 22. The mixed incentives and actual effect of GPOs were debated at length during the trial, and the jury had ample evidence to conclude that the presence of GPOs did not negate BD's dangerous probability of success. *See, e.g.*, 9/18 PM Tr. at 74:25–77:2. Accordingly, there was sufficient evidence to support the jury's conclusion that BD possessed a dangerous probability of achieving market power.

D. Damages and Injury Caused by Antitrust Injury

BD also objects to the entirety of RTI's damages case. BD first takes issue with antitrust injury and causation. BD takes the position that RTI failed to show market harm and instead showed only lagging RTI sales. While partially true on its face, BD's position is misleading here: RTI submitted evidence

that, because RTI was the only other relevant retractable syringe manufacturer during the pertinent time period, harm to RTI injured competition by raising market-wide costs and constraining innovation, among other deleterious effects. *See, e.g.*, 9/11 AM Tr. at 111:11–112:22. It is thus entirely logical for RTI to show suppression of the retractable syringe in the safety syringe market using evidence of its own lost sales. *See Am. Soc'y of Mech. Eng'rs, Inc. v. Hydrolevel Corp.*, 456 U.S. 556 (1982) (affirming verdict of antitrust liability where harm to the market was shown through harm to a company attempting to market a new type of product); *see also Lorain Journal Co. v. United States*, 342 U.S. 143 (1951) (holding that harm to one party can be demonstrative of harm to competition). The evidence presented at trial was sufficient to show an antitrust injury and injury in fact to RTI that was attributable to BD.

BD next challenges the jury's damages award. Specifically, BD takes issue with Mr. Maness' damages model, alleging that testimony from its own witnesses proved that the "benchmark" analysis used by Mr. Maness was improper because it was based on different businesses and different markets. In order to be used as a benchmark, "the business used as a standard must be as nearly identical to [the subject of comparison] *as possible*." *Lehrman v. Gulf Oil Corp.*, 500 F.2d 659, 667 (5th Cir. 1974) (emphasis added). BD construes this rule to mean that the benchmark must be "nearly identical" in an absolute sense. BD's argument fails because the allegations in this case by their very nature necessitate some inferential reasoning with regard to damages, which a jury is uniquely qualified to provide. Courts have addressed objections like BD's on numerous occasions:

> Where the tort itself is of such a nature as to preclude the ascertainment of the amount of damages with certainty, it would be a perversion of fundamental principles of justice to deny all relief to the injured person, and thereby relieve the wrongdoer from making any amend for his acts. In such case, while the damages may not be determined by mere speculation or guess, it will be enough if the evidence show the extent of the damages as a matter of just and reasonable inference, although the result be only approximate. The wrongdoer is not entitled to complain that they cannot be measured with the exactness and precision that would be possible if the case, which he alone is responsible for making, were otherwise.

Story Parchment Co. v. Paterson Parchment Paper Co., 282 U.S. 555, 563 (1931) (citing *Eastman Kodak Co.* v. *Southern Photo Co.*, 273 U.S. 359, 379 (1927)). Having proved that BD caused damages to RTI, RTI need only provide a just and reasonable estimate of the damages based on relevant data, and it is BD who must "bear the risk of the uncertainty which [its] own wrong created." *Heatransfer Corp. v. Volkswagenwerk, A.G.*, 553 F.2d 964, 984 (5th Cir. 1975). Mr. Maness constructed a reasonable model to compare RTI's actual performance to what its performance would have been but for BD's anticompetitive conduct. Mr. Maness identified the most closely comparable market where BD had not practiced the deception alleged by RTI. Having heard the testimony of both sides, the jury had sufficient evidence to conclude that RTI had proven the amount of damages it awarded.

II. LANHAM ACT AND "RELATED ANTITRUST CLAIMS"

A. Res Judicata

According to BD, the misrepresentations at issue in the instant litigation stem from advertisements that were created before the July 2, 2004 dismissal of RTI's 2001 lawsuit, which involved claims of product misrepresentations. Docket No. 589 at 40, 42. BD thereby submits that the doctrine of res judicata precludes RTI from bringing any suit based on these misrepresentations, even if the misrepresentations occurred after July 2, 2004. *Id.* RTI responds that res judicata is inapplicable because the causes of action in the instant suit only concern BD's misrepresentations—and the resulting injuries—that occurred after July 2, 2004. Docket No. 599 at 47–49.

The federal law of res judicata applies to federal judgments. *See In re Ark–La–Tex Timber Co.*, 482 F.3d 319, 330 n.12 (5th Cir. 2007) (citing *Semtek Int'l v. Lockheed Martin Corp.*, 531 U.S. 497 (2001)). The doctrine of res judicata "relieve[s] parties of the cost and vexation of multiple lawsuits, conserve[s] judicial resources, and, by preventing inconsistent decisions, encourage[s] reliance on adjudication." *Allen v. McCurry*, 449 U.S. 90, 94 (1980). The party asserting the defense of res judicata must meet four elements: "(1) the parties in both the prior suit and the current suit must be identical; (2) a court of competent jurisdiction must have rendered the prior judgment; (3) the prior judgment must have been final and on the merits; and (4) the plaintiff must raise the same cause of action in both suits." *Davis v. Dallas Area Rapid Transit*, 383 F.3d 309, 313 (5th Cir. 2004). The U.S. Court of Appeals for the Fifth Circuit holds that res judicata, or claim preclusion, "forecloses relitigation of claims that

were or could have been advanced in support of the cause of action on the occasion of the former adjudication." *Id.* at 312–13 (5th Cir. 2004) (citing *Allen*, 449 U.S. at 94).

To determine whether two suits involve the same cause of action, the court applies the "transactional test" recited in the Restatement (Second) of Judgments § 24. *Petro–Hunt, L.L.C. v. United States*, 365 F.3d 385, 395 (5th Cir. 2004). Under this approach, the court asks "whether the two actions are based on the same nucleus of operative facts." *Davis*, 383 F.3d at 313. It is the "nucleus of operative facts" in the first action, rather than the "facts litigated" or the "type of relief requested, substantive theories advanced, or types of rights asserted, [that] defines the claim." *United States v. Davenport*, 484 F.3d 321, 326, 327 (5th Cir.2007) (citation omitted). The determination is a practical weighing of various factors, including "whether the facts are related in time, space, origin, or motivation, whether they form a convenient trial unit, and whether their treatment as a unit conforms to the parties' expectations or business understanding or usage." *Davis*, 383 F.3d at 313 (citations omitted). Furthermore, "[i]f the cases are based on the same nucleus of operative facts, the first judgment's preclusive effect extends to all rights the original plaintiff had 'with respect to all or any part of the transaction, or series of connected transactions, out of which the [original] action arose.'" *Davenport*, 484 F.3d at 326 (quoting *Petro–Hunt*, 365 F.3d at 395.)

BD relies heavily on the Fifth Circuit's opinion in *Oreck Direct, LLC v. Dyson, Inc.*, 560 F.3d 398 (5th Cir. 2009). In that case, Oreck sued Dyson over allegedly false representations in Dyson's advertising regarding

unspecified models of its vacuum cleaners. After settling and dismissing that claim, Oreck filed a new suit against Dyson for making the same misrepresentations about one specific model, the DC18. *Oreck Direct, LLC v. Dyson, Inc.*, 544 F. Supp. 2d 502, 505–507 (E.D. La. 2008). The Fifth Circuit affirmed the district court's grant of summary judgment based on res judicata, holding that "[b]ecause Oreck's claims concerning the DC18 *could have been* advanced in support of the cause[s] of action [in Oreck I], res judicata bars Oreck's present suit." *Oreck*, 560 F.3d at 403 (citations omitted) (emphasis in original). Although BD argues that this passage controls the instant dispute, it is important to note that the district court in *Oreck* had specifically held that "[t]his case does not present a situation in which plaintiff's claims are based on conduct transpiring only after the earlier litigation had concluded." *Oreck Direct*, 544 F. Supp. 2d at 511. As the Fifth Circuit noted, the second suit in *Oreck* was filed just two months after the settlement agreement was signed for the first suit. *Oreck*, 560 F.3d at 400. The only distinction between the two suits was that the new suit specified the DC18 model vacuum cleaner. This distinction was insignificant for res judicata purposes because the Court determined that the DC18 was on sale and being promoted with the allegedly misleading advertising claims before the first suit was dismissed.

A recent decision from the U.S. Court of Appeals for the Federal Circuit supports this interpretation of res judicata principles. In *Aspex Eyewear, Inc. v. Marchon Eyewear, Inc.*, the Federal Circuit held that "[u]nder well-settled principles, a party who sues a tortfeasor is ordinarily not barred by a prior judgment from seeking relief for discrete tortious action by the same tortfeasor that occurs subsequent to the original action."

672 F.3d 1335, 1343 (Fed. Cir. 2012). Citing Fifth Circuit authority, the Federal Circuit noted that "claims based on conduct transpiring after the close of prior litigation were not precluded by res judicata *even though the earlier litigation involved the same kind of conduct.*" *Id.* (citing *Kilgoar v. Colbert County Bd. of Educ.*, 578 F.2d 1033 (5th Cir. 1978)) (emphasis added). The Court also quoted Professors Wright and Miller, who opine that "[a] substantially single course of activity may continue through the life of a first suit and beyond. The basic claim-preclusion result is clear: a new claim or cause of action is created as the conduct continues." *Id.* (citing 18 Wright, Miller & Cooper, *Federal Practice & Procedure* § 4409, at 227 (2002)).[2] After acknowledging that this rule "affords some opportunity to generate new claims by manipulating the underlying facts," Wright and Miller conclude that "to the extent that greater protection is needed, it is better to rely on issue preclusion." Wright, Miller & Cooper, *supra* at 249, 251. Of course, issue preclusion is not available to BD here because there was no actual adjudication of any issues in the first suit.[3] Because

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[2] Professors Wright & Miller make clear that this rule also applies to antitrust claims: "[a] second suit could be permitted to challenge essentially the same course of conduct alleged to violate the antitrust laws after settlement of the first suit. There was no bar, 'whether the defendants' conduct be regarded as a series of individual torts or as one continuing tort.'" Wright, Miller & Cooper, *supra*, at 227 n.26 (citing *Lawlor v. National Screen Service Corp.*, 349 U.S. 322, 327–29 (1955)).

[3] "Issue preclusion, also known as collateral estoppel, applies when (1) the identical issue was previously adjudicated; (2) the issue was actually litigated; and (3) the previous determination was necessary to the decision." *Pace v. Bogalusa City Sch. Bd.*, 403 F.3d 272, 290 (5th Cir. 2005) (*en banc*); *see also Lawlor v. National Screen Service Corp.*, 349 U.S. 322, 326 (1955) ("No question of collateral estoppel by the former judgment is involved

RTI's allegations—and the questions before the jury—only involve BD's conduct engaged in after the July 2, 2004 dismissal of RTI's previous lawsuit, res judicata does not bar RTI from asserting these allegations in the instant lawsuit.

B. Release

BD also argues that the 2004 Settlement Agreement and Release (the "Release") releases BD from RTI's current antitrust and Lanham Act causes of action. Docket No. 589 at 44.

The defense of release is governed by federal law because the claims released are largely federal claims. *Chaplin v. NationsCredit Corp.*, 307 F.3d 368, 373 (5th Cir. 2002). "To obtain summary judgment on an affirmative claim of release, a defendant must establish that the plaintiff: (1) signed a release that addresses the claims at issue, (2) received adequate consideration, and (3) breached the release." *Tyler v. Cedar Hill Independent Sch. Dist.*, 426 Fed. App'x. 306, 308 (5th Cir. 2011).

The key question in determining whether the Release addresses the claims at issue is whether the claims asserted in the instant case had accrued on or at any time prior to the date of execution of the Release, as required by its terms. The Supreme Court made clear in *Lawlor* that a new antitrust cause of action, even if based on "essentially the same course of wrongful conduct," accrues as new conduct occurs. *Lawlor v. National Screen Service Corp.*, 349 U.S. at

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because the case was never tried and there was not, therefore, such finding of fact which will preclude the parties to that litigation from questioning the finding thereafter.").

327.[4] Importantly, *Lawlor* was a case dealing with the accrual issue in the context of res judicata, and is thus not one of the statute of limitations cases that BD distinguishes.[5] Lanham Act cases are to the same effect. *See, e.g., Derrick Mfg., Inc. v. Sw. Wire Cloth, Inc.*, 934 F. Supp. 796, 808 (S.D. Tex. 1996).

It is undisputed that BD made similar misrepresentations before the Release. However, RTI has relied only on the use of those misrepresentations *after* that date as the basis for the claims in this case. Applying the transactional test described above, the Court finds that the new use of these prior misrepresentations is not properly protected from a new suit by the defense of release.

Comparing the Release in this case with the release in *Oreck* is instructive on this point. In that release, Oreck "agreed that Dyson would be allowed to use advertising claims that it was making about any product existing" as of the date of the settlement "without incurring any further liability to Oreck." *Oreck Direct, LLC*, 544 F. Supp. 2d at 506. By contrast, BD's protection in the Release here extends to "any claims . . . *which accrued on or at any time prior to the date of execution* of this Settlement Agreement and

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[4] *See also Zenith Radio Corp. v. Hazeltine Research, Inc.*, 401 U.S. 321, 338 ("[E]ach time a plaintiff is injured by an act of the defendants a cause of action accrues to him to recover the damages caused by that act. . . .") (antitrust case); *Exhibitors Poster Exchange, Inc. v. National Screen Service Corp.*, 421 F.2d 1313, 1318 (5th Cir. 1970).

[5] The court in *PBM Products, LLC v. Mead Johnson Nutrition Co.*, 678 F. Supp. 2d 390, 405 (E.D. Va. 2009), applied the same analysis to accrual of claims for the res judicata and statute of limitations defenses, rejecting both as to conduct occurring after the release.

Release." Docket No. 589 at 44 (quoting the Release) (emphasis added). As explained above, the RTI's allegations as to new conduct, even if the new conduct is the same as older released conduct, give rise to claims that accrued after the Release was executed.

B. Evidentiary Basis

BD lastly contends that the jury's verdict on the Lanham Act claims lacked evidentiary basis. Specifically, BD contends that "BD's marketing slogan about the 'World's Sharpest Needle' . . . is [at worst] non-actionable puffery." Docket No. 589 at 46. Similarly, BD contends that with regard to its waste space claims, "even if that statistic became outdated over time, the statements about waste space were true 'when viewed in the light of the overall context' of the ads." *Id.* at 48. However, the evidence at trial showed that BD's claims were objectively measurable, and that those objective measurements showed the claims to be literally false. *See, e.g.*, PX 570, 571, 617, 624, 628; DX 6000; 9/9 PM Tr. at 101–38. RTI also produced evidence sufficient to support a conclusion that BD's literally false claims were materially deceptive and injured RTI. *See, e.g.*, PX 568, 562, 703, 637, 711; 9/12 AM Tr. at 165–66, 179–81.

CONCLUSION

For the reasons set forth above, the Court finds that the jury's verdict in this case was reasonable and supported by substantial evidence. Judgment as a matter of law is inappropriate because BD has failed to show that a reasonable jury would not have a legally sufficient evidentiary basis to find for RTI on the issues set forth above. A new trial is inappropriate because BD has failed to show that the jury's verdict was against the weight of the evidence, the damages

awarded were excessive, or that the trial was unfair or prejudicial error was committed in its course. Finally, remittitur is inappropriate because BD has failed to show that the damages award in this case exceeds the bounds of a reasonable recovery.

Accordingly, the Motion is DENIED.

So ORDERED and SIGNED this 30th day of September, 2014.

/s/ Leonard Davis
LEONARD DAVIS
UNITED STATES DISTRICT JUDGE