

# Hiring a Patentee to Hunt a Competitor

By

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## ABSTRACT

May a patent owner accept a financial incentive to sue a targeted entity for patent infringement without rendering its patent unenforceable or otherwise suffer liability for allegedly enforcing the patent in bad faith because it accepted the bounty?

Surprisingly, the current legal doctrines that address bad-faith patent enforcement do not appear to prohibit or otherwise punish a patentee who accepts a bounty to sue a targeted entity so long as the patentee does not assert a frivolous claim of patent infringement. This article analyzes why the equitable defenses of patent misuse and unclean hands do not appear capable of thwarting a bounty provision if the underlying infringement claim has probable cause. It further analyzes how the stringent standard to overcome *Noerr-Pennington* immunity for sham litigation likely provides a strong defense for a patent owner sued under the antitrust or unfair competition laws for accepting the bounty as part of it bringing its claim of patent infringement. Interwoven with the legal analysis, this article discusses the on-going legal saga between a patent-assertion entity, its licensee who paid the bounty, and the sued competitor, and how the courts viewed the bounty provision, applied *Noerr-Pennington* immunity, and considered various forms of attorney-fee sanctions.

*“Everything is for sale”*—a cynical thought that may now apply to the assertion of patent rights. Consider the following hypothetical: a non-practicing patent assertion entity (NPE) acquires a portfolio of patents applicable to a lucrative market served by several manufacturers that aggressively compete. Seeking to maximize its monetization of the portfolio by having multiple royalty-paying licensees, the NPE refuses to exclusively license the patents to any individual manufacturer. The NPE negotiates a nonexclusive license with a first manufacturer. Desiring to use the license agreement to its advantage to burden its fiercest competitor, the first manufacturer further negotiates a provision specifying that if the NPE sues that competitor for patent infringement or extracts a license on terms more onerous than what the first manufacturer has agreed to, the first manufacturer will pay the NPE an additional lump sum, i.e., pejoratively, the licensee will pay the NPE a bounty to assert the patent against the competitor. Nothing in the license agreement purports to allow the first manufacturer to join in or control the infringement suit against the competitor, share in any recovery

from any suit, or have any input to any licensing negotiations between the NPE and the competitor. The NPE follows through and sues the identified competitor for infringement and collects the bounty. But it does so only after conducting a reasonable pre-filing investigation of its patent infringement claim against the competitor and, exercising independent judgment, correctly concludes it has an objectively reasonable infringement claim against the competitor.<sup>1</sup> Under these facts, have the parties engaged in conduct that renders the patent unenforceable or should result in sanctions or other liability against the NPE and its licensee?

Many will have an initial reaction that “of course” the law will not condone such anticompetitive behavior.<sup>2</sup>

- <sup>1</sup> To keep the hypothetical focused solely on the propriety of the bounty provision, I also assume that no taint of inequitable conduct or fraud infected the underlying prosecution of the asserted patent.
- <sup>2</sup> Ancient doctrines of champerty and barratry generally prohibited third parties from stirring up lawsuits as the financial incentive in the hypothetical license agreement does. But the continued viability of these doctrines has eroded over time as the recent rise in third-party litigation funders shows. See generally, Robert A. Matthews, Jr., Annotated Patent Digest [hereinafter “APD”] § 35:51 *Champerty Considerations for Third-Party Funding of Patent Litigation*.

After all, the Supreme Court has instructed that “a patent is not a hunting license.”<sup>3</sup> The agreement to pay the NPE if it sues the identified competitor arguably has the nonexclusive licensee, a party that has no legal right to enforce the patent,<sup>4</sup> effectively using the patent as a hunting license by hiring the NPE to act as its hunter for the sole purpose of harming its competitor. Yet, under the above-described scenario, the nonexclusive licensee has paid the NPE to only do something that the NPE has the lawful right to do, i.e., sue an entity that has infringed the patent (assuming that the NPE does not assert a frivolous infringement claim). And, as Judge Posner has noted, “There is nothing wrong with trying to make as much money as you can from a patent.”<sup>5</sup>

The foregoing hypothetical loosely follows the scenario at issue between two integrated chip manufacturers and a NPE as described in *Realtek Semiconductor Corp. v. MediaTek, Inc.*<sup>6</sup> According to the complaint, MediaTek, Inc., in 2019, entered into a nonexclusive licensing agreement with a NPE, Future Link Systems LLC (Future Link), that included “a litigation bounty provision,” whereby MediaTek “would pay an additional \$1,000,000 if Future Link, prior to January 1, 2022, either executed a patent license agreement with, or instituted litigation against, Realtek....”<sup>7</sup> Within the specified period, Future Link sued Realtek in a first infringement action on a first patent from its portfolio.<sup>8</sup> Late in the discovery period of that action, Future Link produced the agreement containing the bounty provision. Shortly thereafter, Future Link entered into a license with Realtek and, as a result, voluntarily dismissed its infringement suit without prejudice. Realtek then moved for sanctions based on the bounty provision and other acts of alleged litigation misconduct. In a sealed order, Judge Albright exercised his inherent authority and sanctioned Future Link by converting the dismissal without prejudice to a dismissal with prejudice, but that was the only sanction he imposed.<sup>9</sup> Although the sanction order remains sealed, other opinions have characterized Judge Albright as stating that the bounty provision in the “contract was an ‘improper

contract’ that ‘should be discouraged as a matter of public policy.’”<sup>10</sup>

Future Link also filed a complaint against Realtek before the International Trade Commission (ITC). But it dismissed that complaint early in the investigation after entering into a settlement agreement with a third party regarding the products at issue. Realtek then moved for sanctions in the ITC in view of the bounty provision and other alleged misconduct. The Administrative Law Judge (ALJ) denied that motion finding that “Realtek’s allegations regarding a defective Complaint are not substantiated.”<sup>11</sup> Addressing the bounty provision, the ALJ commented:

***This provision is alarming. It is difficult to imagine how it could possibly be lawful or enforceable. At a minimum, it would seem to warrant an action by Realtek against either Future Link or its counterparty for unfair competition, and it is possible such an action would fall within the jurisdiction of the Commission.***<sup>12</sup>

But in its view, the provision did not support awarding sanctions since it found that the provision “played no role in Future Link’s decision to file the present Complaint.”<sup>13,14</sup>

Notably, in none of these infringement proceedings did the tribunal directly address whether the bounty provision, standing alone, rendered the patent unenforceable or otherwise permitted dismissing the infringement suit.

For the reasons that follow, the law, in its present state, does not appear to prohibit a patentee from accepting a bounty to bring a non-frivolous patent infringement claim against a particular entity. Nor does the law provide tools that can effectively police and stop such an arrangement if deemed unlawfully anticompetitive. Doctrines of patent misuse, unclean hands, antitrust or unfair competition, in their current form, appear to have no teeth in this context if the NPE asserted a nonfrivolous patent infringement claim. Should the infringement claim lack probable cause, the full panoply of tools to combat bad-faith patent enforcement likely will apply, but their application arises from the lack of probable cause for the infringement suit, not from the mere presence of the bounty provision.

3 *Brenner v. Manson*, 383 U.S. 519, 536 (1966).

4 See generally, APD § 9:66 Bare Licensees Have No Standing to Sue.

5 *USM Corp. v. SPS Techs., Inc.*, 694 F.2d 505, 511 (7th Cir. 1982) (Posner, J.) (affirming a summary judgment dismissing a patent-misuse defense).

6 769 F. Supp.3d 1067 (N.D. Cal. Mar. 7, 2025) (*Realtek II*) (granting in part and denying in part a motion to dismiss various antitrust and unfair competition claims Realtek asserted against MediaTek and Future Link in an amended complaint).

7 *Id.*

8 It would later bring a second suit in the same forum on a second set of patents from the portfolio.

9 See *Future Link Sys., LLC v. Realtek Semiconductor Corp.*, No. 6:21-cv-0363-ADA, 2022 WL 22967816 at \*1 (W.D. Tex. Oct. 10, 2022) (Albright, J.) (denying Realtek’s request to unseal the order with limited redactions), *appeal dismissed*, No. 2022-1879, 2022 WL 16645075 (Fed. Cir. Nov. 3, 2022), *aff’d in part, vacated in part*, 154 F.4th 1370 (Fed. Cir. Sep. 9, 2025) (holding that the dismissal with prejudice made Realtek a prevailing party for purposes of seeking § 285 fees, and therefore vacating the prior denial of such fees and remanding, also affirming the denial of Rule 11 and § 1927 sanctions).

10 *Id.*

11 *In re Certain Integrated Circuit Products and Devices Containing the Same*, ITC Inv. No. 337-TA-1295, 2022 WL 1284611, at \*1 (U.S.I.T.C. Apr. 12, 2022).

12 *Id.* 2022 WL 1284611, at \*2.

13 *Id.*

14 Realtek appealed the denial of sanctions, but the Federal Circuit dismissed the appeal for lack of jurisdiction. *Realtek Semiconductor Corp. v. Int’l. Trade Comm’n*, 140 F.4th 1375 (Fed. Cir. Jun. 18, 2025).

## Patent Misuse

In considering the legality of a patentee accepting money to bring an infringement suit against a specific entity, one must consider whether the equitable doctrine of patent misuse applies to prohibit that conduct. When it applies, patent misuse renders a patent unenforceable until the patentee purges the misuse.<sup>15</sup> As a general proposition, the Court of Claims, whose opinions bind the Federal Circuit,<sup>16</sup> has instructed that:

*The theory underlying the defense of [patent] misuse is that the exclusive monopoly granted a patentee should not be used as a basis for the violation of other laws, such as the anti-trust laws, or in restraint of trade, or to promote forbidden trade practices, and the like, and that when so used, the courts will not lend their aid in enforcing the patent monopoly.*<sup>17</sup>

The characterization of misuse operating to curtail engagement in “forbidden trade practices” may sound like it covers a wide swath of conduct. But in application, the doctrine may not reach the scenario of a NPE accepting a bounty to sue a particular entity where the NPE, independent of the financial incentive, has an objectively reasonable infringement claim against that entity.

Under current law, a patentee misuses its patent by engaging in conduct that uses the patent as a means to extend the patent’s exclusionary rights to subject matter not covered by the patent (e.g., tying the sale of an unpatented product to the right to use the patent), or to extend the temporal scope of the patent beyond its expiration date, (e.g., a patent license that requires the payment of royalties past the expiration date of the licensed patent). Thus, the Federal Circuit has explained the “key inquiry under the patent misuse doctrine is whether, by imposing the condition in question, the patentee has impermissibly broadened the physical or temporal scope of the patent grant and has done so in a manner that has anticompetitive effects.”<sup>18</sup> The court has further noted that the misuse doctrine seeks to “prevent a patentee from using the patent to obtain market benefit *beyond that which inheres in the statutory patent right.*”<sup>19</sup> Accordingly, the court has also instructed that “[w]here the patentee has not leveraged its patent *beyond the scope of rights granted* by the Patent Act, misuse has

not been found.”<sup>20</sup> Furthermore, due to its “narrow scope,” “the defense of patent misuse is not available to a presumptive infringer simply because a patentee engages in some kind of wrongful commercial conduct, even conduct that may have anticompetitive effect.”<sup>21</sup>

In the hypothetical, the NPE, when accepting the bounty to bring the infringement suit against a specific competitor, has not engaged in conduct beyond what the Patent Act permits. The NPE determined that, independent of the bounty, an objectively reasonable claim of infringement lies against the competitor. The law thus gives the NPE the right to sue that competitor for infringement.<sup>22</sup> Furthermore, a patentee has full freedom as to which alleged infringers it sues, and which it does not, and when it does so.<sup>23</sup>

An additional statutory obstacle exists to applying patent misuse to punish a patentee for accepting money to sue a particular entity. Under 35 U.S.C. § 271(d)(3) of the Patent Act:

*[n]o patent owner otherwise entitled to relief for infringement ... of a patent shall be denied relief or deemed guilty of misuse or illegal extension of the patent right by reason of his having ... sought to enforce his patent rights against infringement ....*

In view of this statute, the Federal Circuit has instructed that the misuse doctrine does not extend to a “wrongful” assertion of patent rights, even if done in bad faith, where the patent was not fraudulently procured.<sup>24</sup>

Consequently, it does not appear that the doctrine of patent misuse, under the current law, can apply to render a patent unenforceable solely because a NPE accepted money to bring an infringement suit against a particular accused infringer.<sup>25</sup> Indeed, none of the opinions addressing the alleged bounty provision in the infringement suits Future Link brought against Realtek addressed patent misuse. This may suggest that the parties accepted that the patent misuse doctrine does not apply in this context, or it may just be a result of the cases being terminated early by Future Link before Realtek could present its substantive affirmative defenses.

15 *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1372 (Fed. Cir. 1998) (“Patent misuse arises in equity, and a holding of misuse renders the patent unenforceable until the misuse is purged; it does not, of itself, invalidate the patent.”).

16 *Gargoyles, Inc. v. United States*, 113 F.3d 1572, 1576 (Fed. Cir. 1997).

17 *Erie Resistor Corp. v. United States*, 299 F.2d 950, 951 (Ct. Cl. 1962).

18 *Princo Corp. v. Int’l Trade Comm’n.*, 616 F.3d 1318, 1328 (Fed. Cir. 2010) (en banc) (emphasis added).

19 *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700, 704 (Fed. Cir. 1992) (emphasis added).

20 *Princo*, 616 F.3d at 1328 (emphasis added).

21 *Id.* at 1329.

22 35 U.S.C. § 281.

23 See generally, APD § 9:10 No Requirement that Patentee Sue All Infringers Simultaneously.

24 *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1373 (Fed. Cir. 1998). See generally, APD § 28:20 Bringing Suit to Enforce Patent.

25 Additionally, even where patent misuse applies, an accused infringer may not invoke the doctrine to support an affirmative claim against the patentee. See generally, APD § 28:3 Misuse Does Not Support an Affirmative Claim for Relief.



## Unclean Hands

The equitable defense of unclean hands may provide a broader reach than patent misuse. When it applies, it “closes the doors of a court of equity to one tainted with inequity or bad faith relative to the matter in which he seeks relief, however improper may have been the behavior of the defendant.”<sup>26</sup> The doctrine can have broad application since it applies to “[a]ny willful act concerning the cause of action which rightfully can be said to transgress equitable standards of conduct.”<sup>27</sup> Summarizing the Supreme Court’s jurisprudence on the doctrine, the Federal Circuit has explained:

*[A] determination of unclean hands may be reached when ‘misconduct’ of a party seeking relief ‘has immediate and necessary relation to the equity that he seeks in respect of the matter in litigation,’ i.e., ‘for such violations of conscience as in some measure affect the equitable relations between the parties in respect of something brought before the court.’*<sup>28</sup>

Under the hypothetical, while the bounty paid by the licensee may have focused the NPE on pursuing an infringement claim against the identified competitor, the NPE did so only after it determined that, independent of the bounty, it had an objectively reasonable claim of infringement against the competitor. Viewed in this way, the NPE’s act in suing the competitor does not show “an unconscientious or inequitable attitude towards its adversary,”<sup>29</sup> nor does it show that the NPE “transgress[ed] equitable standards of conduct” in bringing an infringement suit. Accordingly, it does not appear that accepting the bounty, by itself, suffices to prevail on an unclean hands defense when the NPE, otherwise, asserts an objectively reasonable claim of infringement against the competitor.<sup>30</sup>

26 *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806, 814 (1945). See generally, APD § 27:129 Unclean Hands May Have Broader Application Than Inequitable Conduct.

27 *Id.* 324 U.S. at 815.

28 *Gilead Sciences, Inc. v. Merck & Co.*, 888 F.3d 1231, 1239–40 (Fed. Cir. 2018) (finding unclean hands where patentee violated an NDA agreement with the accused infringer in obtaining the asserted patent). See generally, APD § 27:129.20 Overall Standard for Applying Unclean Hands.

29 *Int’l. News Serv. v. Associated Press*, 248 U.S. 215, 245 (1918) (unclean hands did not apply to bar injunctive relief to enjoin acts of copyright infringement and unfair competition as the plaintiff’s acts in using the defendant’s news as a tip to begin further investigation, verification, and then drafting of an article, as opposed to just copying the defendant’s news item, as the defendant did with the plaintiff’s news stories, did not constitute unclean hands since that practice was not “an unconscientious or inequitable attitude towards its adversary”).

30 See also *Sanofi-Synthelabo v. Apotex Inc.*, 470 F.3d 1368, 1384 (Fed. Cir. 2006) (proper to exclude evidence of the patentee’s alleged unclean hands arising from a side deal the patentee made with regulators after the patent issued and failed to disclose to a generic drug manufacturer when negotiating settlement terms with the generic drug manufacturer since the patentee’s alleged wrongful conduct did not relate in any way to procuring the asserted patent or in proving the infringement claim).

## Standing

Under the hypothetical, the NPE did not attempt to grant to its licensee any right to sue the competitor for infringement, join the licensee in any infringement suit filed against the competitor, share in the recovery of any infringement suit or control the decision on whether to file an infringement suit. Had the NPE attempted to convey to its non-exclusive licensee the right to sue to the specific competitor and join in the suit, a standing issue likely would arise and defeat that attempt.<sup>31</sup> But under the hypothetical, since the NPE is the only entity that sues, and is the only entity with the right to sue, standing should not be an issue that could require dismissing the infringement claim.

## Antitrust and Unfair Competition Claims

An accused infringer subjected to a patent infringement suit that it believes the patentee asserted in bad faith may attempt to retaliate by filing some form of an unfair competition claim against the patentee. If the accused infringer can show the requisite underlying elements of a federal antitrust violation, such as the patentee having market power and the accused infringer suffering an antitrust injury from the patentee’s conduct, the accused infringer might assert an antitrust claim against the patentee.<sup>32</sup> Alternatively, if the patentee has made statements in the market regarding its infringement suit, an accused infringer may attempt to assert a Section 43(a) Lanham Act claim,<sup>33</sup> a state-law based deceptive trade practice claim or other state-law unfair competition claim.<sup>34</sup>

Regardless of which of the foregoing types of unfair competition claims an accused infringer asserts, the accused infringer must first overcome the patentee’s right to *Noerr-Pennington* immunity. Under this doctrine, based on the First Amendment right to petition the government, a patentee generally enjoys immunity from liability predicated on the patentee having filed an infringement action.<sup>35</sup> But if the patentee brought a “sham” infringement claim, it will lose its protection of *Noerr-Pennington* immunity.<sup>36</sup>

31 See *Prima Tek II, L.L.C. v. A-Roo Co.*, 222 F.3d 1372, 1381 (Fed. Cir. 2000) (“[A] ‘right to sue’ clause cannot confer standing on a bare licensee ... To hold otherwise would allow a patent owner to effectively grant a ‘hunting license,’ solely for the purpose of litigation, in the form of a pro forma exclusive license ... The Supreme Court long ago disapproved of such arrangements.”). See generally, APD § 9:67 Right to Sue Clauses Ineffective and § 9:68 Joining of Bare Licensees to Action.

32 See generally, APD § 34:39 Accused Infringer Must Prove All Elements of an Antitrust Violation.

33 See generally, APD § 34:69 Applicability of the Lanham Act.

34 See generally, APD § 34:70 State Law Deceptive Trade Practices.

35 See generally, APD § 34:2 Substantive Aspects of Noerr-Pennington Immunity; § 34:3 Noerr Immunity Extends Beyond Antitrust Claims.

36 A patentee can also lose the immunity if it has brought a suit on a patent it knows was fraudulently obtained. See generally, APD § 34:10 Immunity Exemption Under Walker Process.

Under the controlling two-part standard set forth in *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus. Inc.* (PRE), to show a sham litigation, a plaintiff must prove 1) that the underlying suit was objectively baseless (i.e., asserted without probable cause) and 2) that the defendant subjectively asserted the suit for an improper anticompetitive purpose rather than to achieve a lawfully beneficial outcome.<sup>37,38</sup> The Supreme Court explained the standard as follows:

*First, the lawsuit must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits. If an objective litigant could conclude that the suit is reasonably calculated to elicit a favorable outcome, the suit is immunized under Noerr, and an antitrust claim premised on the sham exception must fail.*<sup>39</sup>

As to the second part, the Court instructed:

*Only if challenged litigation is objectively meritless may a court examine the litigant's subjective motivation. Under this second part of our definition of sham, the court should focus on whether the baseless lawsuit conceals 'an attempt to interfere directly with the business relationships of a competitor,' through the 'use of the governmental process – as opposed to the outcome of that process – as an anticompetitive weapon.' This two-tiered process requires the plaintiff to disprove the challenged lawsuit's legal viability before the court will entertain evidence of the suit's economic viability.*<sup>40</sup>

The two-part standard of PRE poses a significant, if not insurmountable, obstacle to hold a NPE liable for unfair competition if the patentee, regardless of any improper subjective motivation it may have had in filing the suit, filed a nonfrivolous infringement claim. In the hypothetical, the NPE, while accepting the bounty, filed a nonfrivolous infringement claim. Accordingly, its *Noerr-Pennington* immunity likely survives to defeat any unfair competition claim based on the filing of the infringement suit.

In June of 2023, Realtek filed its own lawsuit against Future Link and MediaTek, asserting unfair

competition claims under California law and a federal antitrust claim based on a conspiracy to monopolize the market. The district court held that *Noerr-Pennington* immunity applied and dismissed all of the claims on a Rule 12(b)(6) motion with leave to amend.<sup>41</sup> The court rejected Realtek's argument that *Noerr-Pennington* immunity should not apply to the bounty provision because "the non-litigation conduct at issue here was not 'incidental' to litigation and therefore was not protected."<sup>42</sup> The district court noted that under Ninth Circuit law, a "defendant's funding for third-party litigation was 'immune from antitrust liability under the *Noerr-Pennington* doctrine.'"<sup>43</sup> It concluded that "[t]he circumstances here are no different."<sup>44</sup> It further explained:

*MediaTek prompted and paid for litigation against Realtek by a third party by including the incentive clause in its licensing agreement with Future Link. Under Liberty Lake, an agreement like this that promotes and promises payment in support of litigation is "sufficiently related to petitioning activity" to be protected by Noerr-Pennington. Sosa, 437 F.3d at 935.45*

Realtek filed an amended complaint that alleged more detailed and specific causes of action and facts attempting to plausibly show that the several infringement suits Future Link brought were frivolous.<sup>46</sup> As to one of the asserted patents, the court found that Realtek had pled sufficient facts to make a plausible showing that Future Link knew the asserted patent was invalid when it brought the suit, and therefore sufficiently pled that the underlying infringement suit lacked probable cause.<sup>47</sup> The court also found that the complaint adequately pled the subjective prong of PRE by alleging that Future Link and MediaTek "amplified the litigation through 'agreed upon press releases,' and that MediaTek directly contacted TV original device manufacturers and original equipment manufacturers to sow doubts about Realtek's reliability by informing them about the patent litigation."<sup>48</sup> The amended complaint further pled that "MediaTek allegedly warned the customers 'to reduce their use of Realtek TV Chips into their products because of the risks posed by patent litigation' and suggested that Realtek's supply would be interrupted because of the Future Link suits."<sup>49</sup> The

37 508 U.S. 49, 60-61 (1993). See generally, APD § 34:19 The Test for Determining if Litigation is a Sham.

38 While PRE states the standard in terms of an antitrust claim, the Federal Circuit has held that *Noerr-Pennington* immunity and PRE's sham litigation standard apply to unfair competition claims asserted against a patentee for alleged bad-faith enforcement. See generally, APD § 34:68 Applicability of *Noerr-Pennington* Immunity; see also APD § 34:64 Requirement of Bad Faith (discussing the requirement of bad faith, i.e., bringing of an infringement claim that lacked probable cause, to overcome federal preemption that would otherwise bar state-law unfair competition claims against a patentee).

39 *Id.* 508 U.S. at 60.

40 *Id.* 508 U.S. at 60-61 (emphasis in original). See also APD § 34:22 Subjective Motive Wholly Irrelevant to Probable Cause Determination.

41 *Realtek Semiconductor Corp. v. MediaTek, Inc.*, 732 F.Supp.3d 1101, 1119 (N.D. Cal. 2024).

42 *Id.* 732 F. Supp.3d at 1113.

43 *Id.* (quoting *Liberty Lake Investments, Inc. v. Magnuson*, 12 F.3d 155, 160 (9th Cir. 1993)).

44 *Id.*

45 *Id.*

46 *Realtek II*, 769 F. Supp.3d at 1082.

47 *Id.* at 1089-90.

48 *Id.* at 1092.

49 *Id.*

court ruled that these “allegations adequately plead the use of the process of litigation—as opposed to its outcome—as an anticompetitive weapon.”<sup>50</sup> This additional communicative conduct by MediaTek and Future Link, and not the mere presence of the bounty provision, sufficed to overcome *Noerr-Pennington* immunity and survive the motion to dismiss.<sup>51</sup> Applying this finding, the court refused to dismiss a collection of antitrust and unfair competition claims that were all predicated on the bad faith assertion of this particular patent. However, as to the antitrust and unfair competition claims based on the assertion of other patents, the court found that Realtek failed to plead sufficient facts to plausibly show those infringement claims were objectively baseless, and therefore *Noerr-Pennington* immunity applied to bar those antitrust and unfair competition claims.<sup>52,53</sup> The court dismissed those claims with prejudice and without leave to amend.

Interestingly, on Oct. 4, 2024, before the district court ruled on the motion to dismiss the amended complaint, the U.S. Dept. of Justice (DOJ) filed a Statement of Interest<sup>54</sup> in the case to “underscore the anticompetitive potential and the unprecedented nature—for *Noerr-Pennington* purposes—of the litigation bounty agreement described in the First Amended Complaint (FAC).”<sup>55</sup> It argued that “[t]he *Noerr-Pennington* doctrine does not, at this stage of the litigation, exempt that agreement from antitrust scrutiny.”<sup>56</sup> According to the DOJ, because Future Link had the legal right and business incentive, independent of the bounty provision, to bring its infringement action against Realtek or to aggressively entreat Realtek to take a license, the bounty provision was incidental to the infringement litigation, and therefore not part of the petitioning activity.<sup>57</sup> Focusing on the licensee, MediaTek, the

DOJ also stated that a patent licensee, especially one with market power, “cannot simply enlist another company with ownership of the intellectual property to claim that MediaTek now has legitimate petitioning rights protected under *Noerr-Pennington*.”<sup>58</sup> It further noted that:

*To permit otherwise would be to create a perverse incentive: One where a monopolist can simply use its monopoly profits to effectively lease another’s potential Noerr-Pennington exemption—thereby insulating its exclusionary conduct from challenge when it never had a First Amendment right to begin with.*<sup>59</sup>

The DOJ also attempted to distinguish the bounty agreement from a traditional litigation funding agreement by noting that the bounty agreement “[r]ather than providing for litigation fees, the provision provides a reward for licensing or for initiating a lawsuit.”<sup>60</sup> The district court disagreed, stating:

*Although Realtek and the United States contend that the payment made by MediaTek to the [Future Link] defendants in exchange for their pursuit of litigation does not constitute protected petitioning for the purposes of Noerr-Pennington, the Court sees no principled distinction between a litigation “award” (as Realtek and the United States characterize the payment here) and the litigation funding that the Ninth Circuit in Liberty Lake found to be within the scope of potential Noerr-Pennington immunity.*<sup>61</sup>

The foregoing shows that under current law, it is unlikely that a NPE’s acceptance of a bounty to bring an infringement claim against a specific entity will trigger liability for unfair competition, so long as the infringement action has an objective basis.<sup>62</sup> Nonetheless, Realtek II does not have the stamp of appellate approval. Another court, facing similar facts, could find the DOJ’s arguments persuasive and adopt a new exception to *Noerr-Pennington* immunity.

## Attorney Fee Sanctions

The Supreme Court has noted that the licensing practices of NPEs can “impose a ‘harmful tax on

50 *Id.*

51 *Id.* at 1093.

52 *Id.* at 1093, 1102 (dismissing with prejudice and without leave to amend Counts I, IV, VIII).

53 The court further refused to dismiss Section 43(a) Lanham Act claims brought against Future Link and MediaTek. But these claims were based on marketplace statements the defendants made about the lawsuits and were independent of the bounty provision. *Id.* at 1095–97. Patentees have the right to publicize infringement allegations made in good faith. See generally, APD § 34:71 Patentee May Publicize Infringement Accusations if Done in Good Faith. Regarding the filing of an infringement suit, prudent patentees will only provide objectively accurate statements about the filing of the lawsuit and the relief requested should the patentee prevail. Making statements that the accused infringer cannot design around the patent, or otherwise making false and misleading impressions about the strength of the patent and how the accused infringer will no longer be able to fulfill customer orders, similar to the statements allegedly made by MediaTek, often leads to trouble for a patentee. See generally, APD § 34:79 False or Misleading Impressions Regarding Strength of Patent.

54 *Realtek Semiconductor Corp. v. MediaTek, Inc.*, No. 23-cv-02774-PCP, Statement of the Interests of the United States (Filed Oct 10, 2024) (DOJ Stmt.), available at <https://www.justice.gov/atr/media/1372741/dl>.

55 *Id.* at p.2.

56 *Id.*

57 *Id.* at pp. 11–12. The DOJ also argued that a “series” exception to *Noerr-Pennington* immunity applied, see *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 513–15 (1972) (instructing that asserting “a pattern of baseless, repetitive claims” will void *Noerr-Pennington* immunity), but the district court rejected that argument because the six infringement actions that Future Link brought were an insufficient quantity under Ninth Circuit law to be a “series” for purposes of applying the exception. *Realtek II*, 769 F. Supp.3d at 1087–88.

58 DOJ Stmt. at p. 14.

59 *Id.*

60 *Id.* at p. 15 (emphasis in original).

61 *Realtek II*, 769 F. Supp.3d at 1086 n.4.

62 See also *Opdyke Investment Co. v. City of Detroit*, 883 F.2d 1265, 1273 (6th Cir. 1989) (“[I]t would avail an anti-trust plaintiff nothing to show that the defendant had surreptitiously caused a front man to institute a lawsuit against the plaintiff, even if the suit proved to be without merit, absent a showing of clear abuse of process. Opdyke made no showing of abuse of process here.”)



innovation.”<sup>63</sup> Consequently, if a NPE uses a patent “as a sword to go after defendants for money” but asserts a frivolous infringement claim, “it is within the power of the court to sanction attorneys for bringing such suits.”<sup>64</sup> Indeed, the Court has instructed that it is “necessary and proper to stress that district courts have the authority and responsibility to ensure frivolous cases are dissuaded.”<sup>65</sup> Stating a similar view specific to NPEs, the Federal Circuit has stated “that it is not improper for a patentee to vigorously enforce its patent rights or offer standard licensing terms, ... [b]ut the appetite for licensing revenue cannot overpower a litigant’s and its counsel’s obligation to file cases reasonably based in law and fact and to litigate those cases in good faith.”<sup>66</sup> Thus, a NPE may face significant scrutiny on whether it has asserted a frivolous infringement claim, with the courts readily poised to award fees should it find the infringement claim was frivolous.<sup>67</sup>

In the district court infringement actions, Realtek sought monetary sanctions against Future Link. It asserted that in view of the bounty provision, Future Link had brought its infringement suit for the “improper purpose” of fulfilling the bounty, thereby violating Rule 11.<sup>68</sup> It also argued that the bounty provision made the infringement suit an act of sanctionable vexatious litigation.<sup>69</sup> Realtek also sought sanctions in the ITC. The district court judge and the ALJ denied the motions for monetary sanctions.

As to the Rule 11 sanction, the Federal Circuit affirmed the district court’s denial based on the bounty provision. It held that the district court did not abuse its discretion in determining that, despite the bounty provision, “an improper purpose was not the but-for cause of [Future Link]’s counsel filing the 363 Complaint.”<sup>70</sup> Citing a Fifth Circuit case, the Federal Circuit noted that “if reasonably clear legal justification can be shown for the filing of the paper in question, no improper purpose can be found and sanctions are inappropriate.”<sup>71</sup> Because Future Link had filed “a plausible patent infringement case” that it could have filed independent of the bounty provision,

it had a “reasonably clear legal justification,” and therefore had not violated Rule 11.<sup>72</sup> As to sanctions under § 1927, the Federal Circuit agreed with the district court that “nothing shows that [Future Link] persisted in litigation or vexatiously multiplied the proceedings.”<sup>73</sup> Hence, while the genesis of the Future Link decision to bring the infringement action may have been influenced by the bounty provision, because Future Link had not engaged in egregious litigation misconduct during the suit, the court did not impose sanctions.<sup>74</sup>

Perhaps exasperated because it did not have the tools to sanction Future Link monetarily for conduct the court characterized as being against public policy, the district court exercised its inherent authority to convert the voluntary dismissal without prejudice to a dismissal with prejudice.<sup>75</sup> This may not be much of a “sanction” as district courts have broad discretion in setting the conditions on which it will permit a voluntary dismissal of a complaint, which includes setting the type of dismissal, i.e., with or without prejudice.<sup>76</sup> Nonetheless, converting the dismissal to a dismissal “with prejudice” had practical consequences as it made Realtek a prevailing party for purposes of seeking § 285 attorney fees,<sup>77</sup> which the district court had originally denied to Realtek.<sup>78</sup> It is possible that on remand, the district court may conclude that the presence of the bounty provision provides a factor that makes the case “exceptional” and justifies awarding § 285 fees. Indeed, in rejecting what it perceived to be too rigid of a standard for awarding § 285 fees imposed by the Federal Circuit, the Supreme Court has instructed that “a district court may award fees in the rare case in which a party’s unreasonable conduct—while not necessarily independently sanctionable—is nonetheless so ‘exceptional’ as to justify an award of fees.”<sup>79</sup> We will have to wait to see if the district court views the bounty provision as being such “unreasonable conduct.” However, in denying the Rule 11 and § 1927 sanctions, the district court found that the infringement claims were not frivolous and were not brought for an improper purpose, and the Federal Circuit affirmed these aspects. If these findings remain undisturbed on remand, it seems unlikely that the district court will find the case exceptional solely because of the bounty provision.

63 *Commil USA, LLC v. Cisco Sys., Inc.*, 575 U.S. 632, 647 (2015).

64 *Id.* 575 U.S. at 647-48.

65 *Id.*

66 *Eon-Net LP v. Flagstar Bancorp.*, 653 F.3d 1314, 1328 (Fed. Cir. 2011) (affirming award of § 285 fees against the patentee for having “filed an objectively baseless infringement action against Flagstar and brought that action in bad faith, specifically to extract a nuisance value settlement by exploiting the high cost imposed on Flagstar to defend against Eon-Net’s baseless claims”).

67 See generally, APD § 33:11 Lawsuit Baseless or Brought in Bad Faith.

68 Fed. R. Civ. P. 11(b)(1) (“By presenting to the court a pleading ... an attorney [] certifies that to the best of the person’s knowledge, information, and belief, formed after an inquiry reasonable under the circumstances; it is not being presented for any improper purpose, such as to harass, cause unnecessary delay, or needlessly increase the cost of litigation[.]”). See generally, APD § 33:40 General Obligations Imposed Under Rule 11.

69 28 U.S.C. § 1927 (“Any attorney ... who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys’ fees reasonably incurred because of such conduct.”). See generally, APD § 33:63 Fees Against Counsel Under 28 U.S.C. § 1927.

70 *Future Link Sys., LLC v. Realtek Semiconductor Corp.*, 154 F.4th 1370, 1379 (Fed. Cir. Sep. 9, 2025).

71 *Id.*

72 *Id.*

73 *Id.*, 154 F.4th at 1380.

74 The Federal Circuit also affirmed the district court’s denial of Rule 11 sanctions on the ground that the patentee allegedly performed an insufficient pre-filing investigation. *Id.*, 154 F.4th at 1377-79.

75 *Supra* n.9.

76 See generally, APD § 39:40.60 — Setting Conditions for Granting a Voluntary Dismissal.

77 In a patent case, under 35 U.S.C. § 285, “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” See generally, APD § 33:1 Patent Act Authorizes Attorney Fees in Exceptional Cases.

78 *Future Link Sys.*, 154 F.4th at 1375-77 (vacating the denial of § 285 fees and remanding for the district court to “consider whether this case is exceptional and whether fees are appropriate”).

79 *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 572 U.S. 545, 555 (2014).

In the ITC, the ALJ denied Realtek's motion for sanctions because it determined that "Realtek's allegations regarding a defective Complaint are not substantiated." The ALJ described the bounty provision as "alarming" and something that "would seem to warrant an action by Realtek against either Future Link or its counterparty for unfair competition."<sup>80</sup> But it did not find that the bounty provision, standing alone, rendered improper Future Link's actions in filing the Complaint.<sup>81</sup>

The foregoing treatment of the various sanctions motions shows that sanctions for litigation misconduct lack effectiveness to thwart a bounty provision. If, despite the bounty provision, the NPE has otherwise brought a nonfrivolous claim of infringement and has not engaged in litigation misconduct in pursuing its infringement claim before the court, attorney fee sanctions will not likely apply simply because the NPE accepted a bounty to commence its infringement action against the particular accused infringer. On the flipside, should the court find that the NPE asserted a frivolous infringement claim, it seems likely that the court will rely on the presence of the bounty provision as a factor in the totality of the circumstances that will favor a fee award.

## Against Public Policy

In his sealed sanction order, Judge Albright purportedly stated that the bounty provision "was an 'improper contract' that 'should be discouraged as a matter of public policy.'"<sup>82</sup> In characterizing the bounty provision this way, Judge Albright may have been referring to a basic legal doctrine of contract law that courts will not enforce contractual agreements that violate public policy.<sup>83</sup> However, voiding the enforceability of a bounty provision on grounds of public policy only addresses the contractual relationship between the NPE and the licensee. It does not address the infringement suit brought by the NPE against the targeted competitor. This may deter some future efforts to include a bounty provision in a licensing agreement. But it does not appear to pose a significant obstacle to parties already willing to comply voluntarily with a bounty provision. More importantly, it does not foreclose, or otherwise impede, the NPE from pursuing its infringement claim against the targeted competitor despite a court's unwillingness to contractually enforce the bounty provision.

<sup>80</sup> *Supra* n.11.

<sup>81</sup> Realtek appealed the denial of sanctions to the Federal Circuit. But in June 2025, the court dismissed the appeal because it lacked jurisdiction since, while final, the denial of sanctions was "not a final determination on the merits" that fell within the Federal Circuit scope of permissible review. *Realtek Semiconductor Corp. v. Int'l. Trade Comm'n*, 140 F.4th 1375, 1378 (Fed. Cir. 2025). The court further noted that "Realtek's appeal from the Commission's denial of its request for sanctions does not lie in this court," but it might have been reviewable through a claim under the Administrative Procedure Act first brought in a district court. *Id.* at 1381-82 & n.4.

<sup>82</sup> *Supra* n.9.

<sup>83</sup> See e.g., RESTATEMENT [SECOND] OF CONTRACTS § 186 Promise in Restraint of Trade ("(1) A promise is unenforceable on grounds of public policy if it is unreasonably in restraint of trade. (2) A promise is in restraint of trade if its performance would limit competition in any business....")

## Conclusion

The foregoing shows that the present state of the law appears to permit a NPE to accept a bounty to bring a patent infringement action against a specific entity; something many will say is unethical and anticompetitive. But this is not the first instance where patent law permits a patentee to engage in behavior that at first appears to be unethical and anticompetitive so long as the patentee stays within the confines of the legal rights the law has provided. For example, the law allows a patent applicant to submit patent claims drafted specifically to cover a competitor's product as long as the applicant complies with all statutes and regulations of patent prosecution. Such conduct by the applicant will not render the issued patent unenforceable for inequitable conduct despite the unseemly act of the applicant expressly targeting a competitor's product rather than focusing the patent claims on what the inventor specifically invented.<sup>84</sup> Similarly, even though a NPE accepted a bounty in connection with bringing a patent infringement suit, as long as the NPE asserts a non-frivolous infringement claim, after conducting an adequate pre-filing investigation, the NPE stays within the confines of its legal rights in asserting its patent. But, if the NPE's greed leads it to assert an infringement claim a court later determines lacked probable cause, the NPE will likely lose its *Noerr-Pennington* immunity and face potential liability under the antitrust or unfair competition laws. While the frivolousness of an infringement claim, and not the mere presence of the bounty provision, provides the basis to impose liability, it seems likely that a court or jury will account for the presence of the bounty provision in determining whether to award treble or other punitive damages. Thus, while the law may presently permit accepting a bounty, doing so has risks.

## ABOUT THE AUTHOR

**Robert A. Matthews, Jr.** is an internationally recognized expert on U.S. patent law, and the sole author of the [Annotated Patent Digest](#), a comprehensive treatise widely relied on and cited by federal judges and lawyers when addressing complex issues of U.S. patent law. He has over 30 years of experience in the field. Through [Matthews Patent-Law Consulting](#), he provides consulting services on all aspects of U.S. patent law for patent litigations and USPTO proceedings. Seasoned outside and in-house patent counsel turn to him when facing tough patent-law questions and need quick direct answers, supported with on-point case law authority, to the full range of substantive and procedural issues arising in high stakes U.S. patent matters. ■

<sup>84</sup> See generally, APD § 27:6 Presenting Claims to Cover a Specific Competitor's Product.