CPI COMPETITION POLICY INTERNATIONAL

CPI Antitrust Chronicle

January 2014 (1)

Noerr-Pennington's Furtherance Standard for Petitioning Immunity: Application to Settlements

Christopher M. Grengs

Noerr-Pennington's Furtherance Standard for Petitioning Immunity: Application to Settlements

Christopher M. Grengs[1]

I. INTRODUCTION

This article explains that only a person's conduct that is in furtherance of a petition to obtain redress from government, and the effects that are incidental to such conduct, should be immune from liability under laws that would otherwise apply, such as the federal antitrust laws. Under the unidirectional furtherance standard of the Supreme Court's *Noerr-Pennington* doctrine, a person's conduct must be directed toward obtaining governmental action in order to obtain such immunity.

This unidirectional furtherance standard for petitioning immunity has important implications for situations where parties on opposing sides of litigation resolve their dispute by entering into a contract agreement that terminates the litigation as one of its mutually acceptable conditions. Under this standard, such a settlement between private parties should not be immune. By contrast, such a settlement between a private party and government should be immune.

The Supreme Court has not yet considered the specific question of whether *Noerr-Pennington* petitioning immunity applies to a settlement agreement.[2] But a series of lower court cases involving litigation settlements have given rise to a debate over whether or not such agreements should be immune. Much of the confusion regarding this issue is a consequence of an imprecise reading of *Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc.* by some lower courts and commentators.

Most lower courts that have considered decisions by private parties on opposing sides of litigation to settle have correctly held that they do not constitute immune petitioning conduct. But the Ninth Circuit in *Columbia Pictures Industries, Inc. v. Professional Real Estate Investors,*

[1] Attorney Advisor, Federal Trade Commission Office of Policy Planning. The views expressed in this article are solely those of the author and do not necessarily represent the views of the FTC or any of its commissioners.

[2] Although courts typically favor the settlement of disputes, the Supreme Court and lower courts have indicated that private settlement agreements may potentially result in antitrust liability. *See* FTC v. Actavis, Inc., 133 S.Ct. 2223, 2232 (2013) ("this Court's precedents make clear that patent-related settlement agreements can sometimes violate the antitrust laws."). *See also* Blackburn v. Sweeney, 53 F.3d 825 (7th Cir. 1995) (dissolution agreement between former law partners settling a state court lawsuit was a horizontal agreement to allocate markets among competitors and a per se violation of Section 1 of the Sherman Act); In re YKK, Inc., 116 F.T.C. 628 (1993) (indicating that private settlement agreements are not exempt from antitrust scrutiny); Duplan Corp. v. Deering Milliken, Inc., 444 F.Supp. 648, 683 (D.S.C. 1977) ("Although settlements of patent litigation are normally as desirable as settlements of other types of litigation, settlements of such litigation are not sanctioned by the courts when they are attended by anti-competitive results.") (citation omitted), *aff'd in part and rev'd in part*, 594 F.2d 979 (4th Cir. 1979), *cert. denied*, 444 U.S. 1015 (1980), *appeal after remand sub nom.*, Burlington Indus. v. Milliken & Co., 690 F.2d 380 (4th Cir. 1982), *cert. denied*, 461 U.S. 914 (1983).

Inc. ("*PRE*"), as part of its reasoning, mistakenly replaced *Noerr*'s unidirectional furtherance standard with an over-broad, omnidirectional standard that extends in every direction to make immune from antitrust liability any conduct that is merely incidental to petitioning, including the settlement of litigation between private parties. A state district court has also incorrectly held that settlement agreements approved by a court are immune from antitrust liability, absent a sham.

Several lower courts that have considered the decision of a private party to settle with a government entity on the opposing side of litigation have correctly held that such a settlement constitutes the full realization of protected petitioning conduct. But some of these courts have incorrectly relied on a *PRE*-type incidental standard as part of their reasoning, thus creating additional confusion about the correct standard for immunity and how *Noerr-Pennington* should be applied in two distinct situations.

Section II of this article explains the Supreme Court's *Noerr-Pennington* doctrine. Section III explains that, under *Noerr*'s unidirectional standard for petitioning immunity, settlements between private parties should not be immune and settlements between a private party and government should be immune. Section IV analyzes lower court decisions on settlement agreements between private parties. Section V analyzes lower court decisions on settlement agreements between a private party and government. Section VI discusses the confusion among commentators on the issue of whether *Noerr-Pennington* should apply to settlements.

This article concludes that courts should resolve questions involving litigation settlements and the *Noerr-Pennington* doctrine using more careful language that is consistent with the original *Noerr* case. In particular, courts should clarify that the *Noerr-Pennington* doctrine articulates a unidirectional furtherance standard for petitioning immunity. Likewise, courts should clearly distinguish between situations involving settlements between private parties and settlements between a private party and government.

II. THE *NOERR-PENNINGTON* DOCTRINE

The Supreme Court first addressed the relationship between the First Amendment's petition clause and the federal antitrust laws in the 1961 case of *Eastern Railroad Presidents Conference v. Noerr Motor Freight, Inc*.[3] The petition clause states that, "Congress shall make no law . . . abridging . . . the right of the people . . . to petition the Government for a redress of grievances."[4] The Supreme Court held that, "no violation of the [Sherman] Act can be predicated upon mere attempts to influence the passage or enforcement of laws."[5]

In *Noerr* a group of truck operators and their trade association sued a group of defendant railroads, their executives, and a public relations firm.[6] The truckers alleged that the railroads had conspired to restrain trade and monopolize long-distance freight in violation of sections 1 and 2

[3] 365 U.S. 127 (1961).

[4] U.S. CONST. amend. I. This portion of the amendment is a successor to the ancient Anglo-American right of petition. *See generally* Borough of Duryea v. Guarnieri, 131 S.Ct. 2488 (2011).

[5] *Noerr*, 365 U.S. at 135.

[6] *Id*. at 129-31.

of the Sherman Act.[7] Specifically, the truckers accused the railroads of conspiring to conduct a publicity campaign against them "designed to foster the adoption and retention of laws and law enforcement practices destructive of the trucking business, to create an atmosphere of distaste for the truckers among the general public, and to impair the relationships existing between the truckers and their customers."[8]

The railroads admitted they conducted a publicity campaign designed to influence the passage of state laws and tax rates relating to trucking and to encourage more stringent enforcement of traffic laws.[9] But they denied any motive to destroy the trucking business as a competitor or to interfere with the relationships of truckers and their customers.[10]

As described by the Court, the railroads "insisted…the campaign was conducted *in furtherance of* their rights 'to inform the public and the legislatures of the several states of the truth . . .' " about road damage done by truckers, their failure to pay a fair share of construction costs, their violations of weight and speed limits, and hazards they created.[11] The Supreme Court accepted this defense and held that the railroads' conduct did not violate the Sherman Act. The Court expressly declined to consider any of defendants' other defenses.[12]

In particular, the Court held that the publicity campaign in question was not a violation of the Sherman Act merely because it may have had a purpose to restrict competition to the benefit of the railroads and to the detriment of the competitor truckers.[13] The Court emphasized that a contrary conclusion—that the railroads' conduct violated the Sherman Act—"would raise important constitutional questions" because the "right of petition is one of the freedoms protected by the Bill of Rights, and we cannot, of course, lightly impute to Congress an intent to invade these freedoms."[14] In addition, the Court held that the campaign was not merely a "sham" to mask interference with the truckers' business relationships.[15]

Noerr observed that "to petition" is an active verb that expresses a unidirectional standard. Specifically, the Court recognized that to petition is "to seek action on" or to "solicit[ ]" the government to accomplish some "purpose."[16] Therefore, "We . . . hold that, at least insofar as

[7] *Id*. at 129.
[8] *Id*.
[9] *Id*. at 131.
[10] *Id*.
[11] *Id*. (emphasis added).
[12] *Id*. at 132 n.6.
[13] *Id*. at 136-40. According to the Court: "the Act does not apply to mere group solicitation of governmental action . . . . The right of the people to inform their representatives in government of their desires with respect to the passage or enforcement of laws cannot properly be made to depend upon their intent in doing so. It is neither unusual nor illegal for people to seek action on laws in the hope that they may bring about an advantage to themselves and a disadvantage to their competitors." *Id*. at 139.
[14] *Id*. at 138.
[15] *Id*. at 144.
[16] *Id*. at 136-140.

the railroads' campaign was *directed toward* obtaining governmental action, its legality was not at all affected by any anticompetitive purpose it may have had."[17]

In the words of the *Noerr* Court, to petition is to engage in "conduct" that is "in furtherance of" or "directed toward obtaining" some "purpose" in the form of "governmental action." That is to say, to petition is to act to move forward a request to government that it take some action to accomplish a goal specified by the petitioner.[18]

The Court also recognized that "to petition," as an underlying verb, is distinct from an "effect," as a noun, that subsequently results. The Court referred to the fact that the truckers had "sustained some direct injury as an *incidental effect* of the railroads' campaign to influence governmental action and that the railroads were hopeful that this might happen."[19] But, according to the Court, "It is inevitable, whenever an attempt is made to influence legislation by a campaign of publicity, that an incidental effect of that campaign may be the infliction of some direct injury upon the interests of the party against whom the campaign is directed."[20]

Thus, the Court circumscribed its "incidental" language to the subsequent "effect" of the railroads' petitioning of government.[21] By contrast, the underlying petitioning conduct preceding

[17] *Id*. at 139-40 (emphasis added). *Accord* Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49, 59 (1993); FTC v. Superior Court Trial Lawyers Ass'n, 493 U.S. 411, 424 (1990).

[18] The Supreme Court has recently reiterated this point in *Borough of Duryea v. Guarnieri*. "The right to petition allows citizens to express their ideas, hopes, and concerns to their government and their elected representatives . . . . [T]he right to petition is generally concerned with expression directed to the government seeking redress of a grievance." 131 S.Ct. 2488, 2495. "Interpretation of the Petition Clause must be guided by the objectives and aspirations that underlie the right. A petition conveys the special concerns of its author to the government and, in its usual form, re-quests action by the government to address those concerns." *Id*.

[19] *Noerr*, 365 U.S. at 143 (emphasis added). The Court further emphasized this means (i.e., conduct) versus consequences (i.e., effect) distinction again in *FTC v. Superior Court Trial Lawyers Ass'n*. "[I]n the *Noerr* case the alleged restraint of trade was the intended *consequence* of public action; in this case the boycott was the *means* by which respondents sought to obtain favorable legislation." *Superior Court Trial Lawyers Ass'n*, 493 U.S. at 424.

[20] *Noerr*, 365 U.S. at 143. "Inherent in such fights, which are commonplace in the halls of legislative bodies, is the possibility, and in many instances even the probability, that one group or the other will get hurt by the arguments that are made." *Id*. at 144.

[21] *Id*. at 143. The Supreme Court reiterated this distinction in Allied Tube & Conduit Corp. v. Indian Head, Inc., 486 U.S. 492 (1988). In *Allied Tube* the Supreme Court held that efforts to influence the setting of a private association's product standards did not qualify for *Noerr-Pennington* immunity, even when those standards were routinely adopted by state and local governments. In doing so, the Court stated that, "where, independent of any government action, the anticompetitive restraint results directly from private action, the restraint cannot form the basis for antitrust liability if it is 'incidental' to a valid effort to influence governmental action." *Id*. at 499 (citing to *Noerr*, 365 U.S., at 143). The Court elaborated that "*Noerr* immunity might still apply . . . if . . . the exclusion of polyvinyl chloride conduit from the Code, and the effect that exclusion had of its own force in the marketplace, were incidental to a valid effort to influence governmental action." *Id*. at 502. The Court further referenced the original *Noerr* case for support. "[W]e characterized the railroads' activity as a classic 'attempt . . . to influence legislation by a campaign of publicity,' an 'inevitable' and 'incidental' effect of which was 'the infliction of some direct injury upon the interests of the party against whom the campaign is directed.' " *Id.* at 505 (citing to *Noerr*, 365 U.S. at 143). Thus, the Court reaffirmed *Noerr*'s distinction between acting "to influence" government, as a verb, from a resulting "restraint" or "effect," as a noun. *Accord* Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49, 57 (1993) (quoting *Noerr*, 365 U.S. at 143 for the proposition that "such 'direct injury' was merely 'an incidental effect of the . . . campaign to influence governmental action.' ").

this effect was "in furtherance of" or "directed toward" some "purpose" that could be accomplished by "governmental action."

The Court recognized that the verb "to petition" expresses action by a person directed toward obtaining governmental action to accomplish a specified goal. By contrast, the noun "effect" is a thing that is a subsequent consequence of that verb expressing such action. The Court did not consider these two parts of speech to be equivalents.

The Court also distinguished the effects of a private party's legitimate petition to government from the effects of action among private parties. The former types of effects are immune from Sherman Act liability. The latter types of effects are not. "[W]here a restraint upon trade or monopolization is the result of valid governmental action, as opposed to private action, no violation of the Act can be made out."[22]

Since *Noerr*, the Supreme Court has held that petitioning immunity from antitrust liability extends beyond the legislative context. In *United Mine Workers of America v. Pennington* the Supreme Court held that First Amendment petitioning immunity extends not only to petitioning legislatures, but also encompasses efforts to petition "public officials" generally, "regardless of intent or purpose."[23] As a result, petitioning immunity from federal antitrust liability has commonly become known as *Noerr-Pennington* immunity.[24] In *California Motor Transport Co. v. Trucking Unlimited* the Court reiterated that "the right to petition extends to all departments of the Government" as long as the petition is not a "sham."[25]

The text of the petition clause is not limited to any particular context. Thus, on its face, this constitutional right to petition government for a redress of grievances appears to apply in all legal contexts, not merely in the antitrust context.[26]

Consistent with this reading, the Supreme Court in *Noerr* cautioned against finding liability under the common law for petitioning conduct, in addition to specifically holding that defendants did not violate the federal Sherman Act.[27] More recently, the Supreme Court has specifically stated that *Noerr-Pennington* principles extend to federal laws generally, beyond the antitrust context. The Court, by analogy, has applied *Noerr-Pennington* principles to litigation involving the National Labor Relations Act.[28] In doing so, the Court concluded that it "should

[22] *Noerr*, 365 U.S. at 136. The Supreme Court also reiterated this distinction in *Allied Tube*. "The scope of this protection depends . . . on the source, context, and nature of the anticompetitive restraint at issue." *Allied Tube*, 486 U.S. at 499.

[23] 381 U.S. 657, 670 (1965) ("Joint efforts to influence public officials do not violate the antitrust laws even though intended to eliminate competition.").

[24] *See generally* Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49, 56 (1993) ("Those who petition government for redress are generally immune from antitrust liability.").

[25] 404 U.S. 508, 510-11 (1972).

[26] *See Prof'l Real Estate Investors*, 508 U.S. at 59 (discussing "applying *Noerr* as an antitrust doctrine or invoking it in other contexts . . . .").

[27] *Noerr*, 365 U.S. at 136-37 ("This essential dissimilarity between an agreement jointly to seek legislation or law enforcement and the agreements traditionally condemned by § 1 of the [Sherman] Act . . . does constitute a warning against treating the defendants' conduct as though it amounted to a common-law trade restraint.").

[28] BE & K Const. Co. v. NLRB, 536 U.S. 516 (2002) (holding that employer's unsuccessful retaliatory lawsuit against unions could not serve as the basis for unfair labor practice liability, absent a finding that the suit was

follow a similar course under the NLRA" because "The right to litigate is an important one . . . ."[29] The court explained that, in both contexts, "the same underlying issue" or "underlying connection" is the question of "when litigation may be found to violate federal law . . . ."[30] The Court has not yet squarely addressed the incorporation of *Noerr-Pennington* principles against state law statutory claims, however.[31]

III. APPLICATION TO SETTLEMENTS

Noerr's unidirectional standard for immunity for petitioning conduct has important implications for settlement agreements between parties on opposing sides of a litigation dispute.[32] Under this unidirectional standard, settlements between private parties should not be immune. By contrast, settlements between a private party and government should be immune.

An agreement between private parties on opposing sides of litigation to settle that dispute should not be immune because such an agreement does not move forward a request to a government judicial branch court that it take some action to achieve a specified goal. Rather, when private parties on opposing sides of litigation agree between themselves to settle that litigation they do exactly the opposite. By definition, a litigation settlement between private parties on opposing sides of a litigation dispute is an agreement to stop all efforts to move forward their respective requests to a government judicial branch court to take action.

Such a litigation settlement between private parties entirely removes government from the equation and only the private parties remain. When private parties enter into such an agreement between themselves, those acts are not "conduct" that is "in furtherance of" or "directed toward obtaining" some "purpose" in the form of "governmental action" because government is no longer involved in the matter. Instead, private parties by doing so cut-off or short-circuit the petitioning process.

Immunizing private parties for settling litigation between themselves would produce absurd outcomes. Private parties who agree to settle a dispute before resorting to litigation gain no immunity under *Noerr-Pennington*. By definition, neither party has acted to petition government for any action whatsoever. Government is not involved. But if the exact same parties could instead petition a government judicial branch court to resolve their dispute, and then obtain immunity for agreeing to withdraw their respective petitions from a court's consideration, the agreement would receive immunity simply because the parties had walked into court and then walked back out.

Their settlement would gain immunity by virtue of mere geography—by having entered and left a court versus merely settling their dispute in a board room—and nothing more. In

objectively baseless); Bill Johnson's Rests., Inc. v. NLRB, 461 U.S. 731 (1983) (applying the sham exception to hold that it is an enjoinable unfair labor practice for an employer to prosecute a baseless lawsuit with the intent of retaliating against an employee for the exercise of certain rights protected under the National Labor Relations Act).

[29] *Bill Johnson's Rests., Inc.*, 461 U.S. at 744.

[30] *BE & K Const. Co.*, 536 U.S. at 526.

[31] *But see* Sosa v. DIRECTV, Inc., 437 F.3d 923, 931 (9th Cir. 2006) ("we conclude that the *Noerr-Pennington* doctrine stands for a generic rule of statutory construction, applicable to any statutory interpretation that could implicate the rights protected by the Petition Clause.").

[32] Such settlements are distinct from agreements among parties on the same side of a litigation dispute.

addition, this bizarre two-tier result would, as a practical matter, favor parties who possess the considerable resources typically needed to initiate or defend against litigation over those who do not.

Immunizing settlements between private parties would also create perverse incentives. The prospect of immunity from legal liability that might otherwise apply to private settlements would serve as an incentive for private parties to clog the courts with unnecessary litigation initiated solely for the purpose of later withdrawing that same litigation in order to trigger immunity for a settlement. Courts typically favor settlements, in part, because they conserve the scarce judicial resources needed to consider litigation petitions.[33] But this perverse incentive would turn the judicial resource conservation rationale for settlements on its head and would, instead, likely strain judicial resources.

A comparison to petitioning the legislative and executive branches of government further illustrates the error of immunizing a litigation settlement between private parties.[34] Consider a hypothetical situation where private parties initiate but subsequently withdraw from the legislative or executive branch a petition to enact an anticompetitive regulatory scheme and then enter into an anticompetitive agreement to accomplish the same goal. For example, suppose one professional sports league believes that a second competing league is engaging in exclusionary conduct towards its franchises.[35] Instead of bringing an antitrust suit in a judicial branch court, suppose the first league petitions Congress and the President to enact legislation to protect its franchises from the activities of the second league by allocating markets between them. The second league then does the same for its own franchises. But before any legislation is enacted, the two leagues withdraw their respective petitions, return to their board rooms, and enter into a market allocation agreement between themselves in order to avoid future controversies.

Immunizing from legal liability an agreement that private parties enter into after they initiate, and then withdraw, their respective petitions from the legislative or executive branch of government would effectively allow those private parties to do an end-run around otherwise applicable laws, such as the Sherman Act.[36] Perversely, private parties would be granted the impenetrable bubble of petitioning immunity for the settlement agreement as a specific reward for cutting off, or short-circuiting, the very petitioning process that *Noerr-Pennington* is supposed to protect.

Immunizing from legal liability settlements between private parties who agree to withdraw their petitions from the legislative or executive branch would be inconsistent with the idea of petitioning government to obtain a redress of grievances. Under such an approach,

---

[33] *E.g.*, Murchison v. Grand Cypress Hotel Corp., 1992 WL 565225 (M.D. Fla. 1992) (unreported) (enforcing a settlement agreement), *aff'd* 13 F.3d 1483, 1486 (11th Cir. 1994) ("We favor and encourage settlements in order to conserve judicial resources.").

[34] *See supra* notes 23-25 and related text, discussing that the First Amendment right to petition extends to public officials, generally, across all departments of Government.

[35] *See* U.S.F.L. v. N.F.L., 842 F.2d 1335 (2d Cir. 1988).

[36] *See* Palmer v. BRG of Georgia, Inc., 498 U.S. 46, 49-50 (1990) (holding an agreement between competitors to allocate territories to be per se illegal under Section 1 of the Sherman Act). "Such agreements are anticompetitive regardless of whether the parties split a market within which both do business or whether they merely reserve one market for one and another for the other." *Id.*

immunity would apply despite the fact that the petition was withdrawn from the legislative hopper and the executive branch's consideration and the attempt to persuade government to take some action was extinguished. As in the case of judicial branch courts, such perverse incentives to strain government resources with petitions that are initiated only for the purpose of later withdrawing them would frustrate the petition clause's purpose to protect an open "right of access . . . to be heard" by government.[37]

A settlement between a private party and a government entity on opposing sides of a litigation dispute, however, should be immune from laws that might otherwise apply. By definition, government remains part of the equation in such a case. Therefore, immunity should apply. For example, where a private party brings suit against a government entity and subsequently terminates the suit in exchange for certain terms, such a settlement embodies the ultimate resolution of the private party's efforts to achieve a redress of its grievances from the government entity. Oppositely, where a government entity brings suit against a private party and subsequently terminates the suit in exchange for certain terms agreed to by the private party, such a settlement embodies the resolution of any grievances that the private party may have had regarding the government entity's claims against it.

This analysis of the applicability of *Noerr-Pennington* immunity to the substance of a final settlement agreement is unaffected by any interactions that opposing litigant parties might have had with a judicial branch court or its officials during the preceding litigation process. Such interactions, whatever they may have been, do not change the operation of the final terms of a contractual settlement.

A final litigation settlement, by definition, is a contract containing certain terms agreed to by the opposing parties who sign their names to it, and no one else. For example, the operation of a settlement's final terms does not change because a judicial branch court has previously facilitated or otherwise encouraged the settlement, versus an otherwise identical scenario where parties enter into a settlement absent such encouragement. Likewise, court procedures that formally recognize the decisions of opposing parties to settle their dispute are distinct from the nature of a settlement contract, itself.[38] Such procedures merely reflect parties' own choices about how to resolve their controversy.

The existence of safeguards to ensure fairness in the process of withdrawing a dispute from a court's consideration, as in the case of a complex class action settlement involving numerous private parties, also does not alter the operation of a settlement's final conditions.[39] A government entity's legal obligation to adhere to certain standards, such as a public interest

[37] *California Motor Transp.*, 404 U.S. at 512-13.

[38] *E.g.*, FED. R. CIV. P. 41(a)(1)(A) ("the plaintiff may dismiss an action without a court order by filing: (i) a notice of dismissal before the opposing party serves either an answer or a motion for summary judgment; or (ii) a stipulation of dismissal signed by all parties who have appeared."). *See also* Local No. 93, Int'l Ass'n of Firefighters v. City of Cleveland, 478 U.S. 501, 522 (1986) ("it is the agreement of the parties, rather than the force of the law upon which the complaint was originally based, that creates the obligations embodied in a consent decree.").

[39] *E.g.*, FED. R. CIV. P. 23(e) ("The claims, issues, or defenses of a certified class may be settled, voluntarily dismissed, or compromised only with the court's approval. The following procedures apply to a proposed settlement, voluntary dismissal, or compromise . . . . ").

standard, does not alter the operation of the particular terms that it negotiates with a private party using its remaining discretion, either.[40]

Immunizing a final settlement based on parties' past interactions with a court during the litigation process, when immunity would otherwise be unavailable, would again create perverse incentives for parties to engage in such interactions and unnecessarily consume judicial resources for the sole purpose of gaining immunity.[41] For example, in the context of litigation between private parties, the parties would have an incentive to hold out against amicably resolving their dispute until a court involved itself in settlement negotiations, in order to trigger immunity for the final settlement agreement, based on that involvement. Similarly, if private parties could immunize a settlement based on a court's application of procedures that recognize their decisions to settle or which safeguard the fairness of the settlement process, the parties would then have an incentive to initiate litigation, walk into court, trigger those procedures, and then walk back out and settle, simply to obtain immunity for their agreement.

IV. LOWER COURT DECISIONS RELATING TO PRIVATE SETTLEMENT AGREEMENTS

Most lower courts that have considered decisions by private parties on opposing sides of litigation to settle their dispute have correctly held that they do not constitute immune petitioning conduct. But the Ninth Circuit in *Columbia Pictures Industries, Inc. v. Professional Real Estate Investors, Inc.,* as part of its reasoning, mistakenly replaced *Noerr*'s unidirectional furtherance standard with an omnidirectional standard that makes immune from antitrust liability any conduct that is merely incidental to petitioning, including the settlement of litigation between private parties.[42] One state district court has also incorrectly held that settlement agreements approved by a court are immune from antitrust liability, absent a sham.

---

[40] *E.g.*, 15 U.S.C. § 45(b) (requiring that "it shall appear to the [Federal Trade] Commission that a proceeding by it . . . would be to the interest of the public . . . .") and 15 U.S.C. § 16(e)(1) ("Before entering any consent judgment proposed by the United States under this section, the court shall determine that the entry of such judgment is in the public interest."). *See also* FTC v. Onkyo U.S.A. Corp., 1995 U.S. Dist. LEXIS 21222 *8 n.5 (D.D.C. 1995) (conducting a public interest inquiry and concluding that, "unless a consent decree is unfair, inadequate, or unreasonable, it ought to be approved.") (citations omitted) and United States v. Microsoft Corp., 56 F.3d 1448, 1460-1462 (D.C. Cir. 1995), *reh'g and suggestion for reh'g en banc denied* (a court's role is not to substitute its judgment for the "rather broad discretion" of the government "to settle with the defendant within the reaches of the public interest," but is "only to confirm that the resulting settlement is ' "within the *reaches* of the public interest." ' ") (citations omitted). Furthermore, seeking to immunize a settlement between a government entity and a private party based on such an obligation would be superfluous, given that such a settlement, by its basic nature, is immune from liability under laws that might otherwise apply, anyway.

[41] For example, one commentator argues that "it is probably safe to conclude that the parties' likelihood of obtaining *Noerr-Pennington* protection increases in direct proportion to the degree of court involvement in settling the litigation." Geoffrey D. Oliver, *Living on the Fault Line: Counseling Clients at the Interface of Antitrust and Intellectual Property Law*, 22 ANTITRUST 38, 40 (2008). This commentator specifically recommends that, "parties seeking to gain *Noerr-Pennington* protection should consider requesting that the judge become involved in active scrutiny of the terms of the settlement agreement, including possibly holding a hearing to review the specific provisions of the settlement agreement in light of the claims of the underlying litigation." *Id.*

[42] For purposes of this article, this particular observation is not meant to question other aspects of the Ninth Circuit or Supreme Court decisions in *PRE*.

In re New Mexico Natural Gas Antitrust Litigation appears to be the first case to directly address the applicability of *Noerr-Pennington* to private settlement agreements.[43] There, New Mexico government institutions and various individuals and corporations alleged that defendant natural gas producers and suppliers had fixed intrastate wellhead gas prices in settling prior litigation. Defendants claimed that *Noerr-Pennington* exempted the initiation, prosecution, and settlement of the litigation from antitrust liability.

In denying both parties' motions for summary judgment on the issue, the District of New Mexico held that "a private settlement accomplished without Court participation should not be afforded *Noerr-Pennington* protection."[44] The court correctly recognized that a litigation settlement between private parties removes government from the equation and, therefore, there is no reason why it should obtain petitioning immunity from antitrust liability. The court reasoned that, "When parties petition a Court for judicial action that protection attaches, but when they voluntarily withdraw their dispute from the court and resolve it by agreement among themselves there would be no purpose served by affording *Noerr-Pennington* protection."[45] Furthermore, "defendants have pointed to no case which would afford *Noerr-Pennington* protection to private settlement of litigation, and logic would indicate no reason why there should be such protection."[46] Thus, "The parties by so doing must abide with any antitrust consequences that result from their settlement."[47] The District of New Mexico also noted, however, that the settlement in question had been submitted as part of a court-approved dismissal order.[48] But it declined to rule on the effect of that order, if any, before the development of additional facts.[49]

In *Columbia Pictures Industries, Inc. v. Professional Real Estate Investors, Inc.* several movie studios alleged copyright infringement by defendant hotel operators that rented video discs for viewing in hotel rooms, under the theory that such rentals constituted public performances that violated the Copyright Act.[50] After instituting the copyright infringement action, the studios refused the request of the hotel operators to license and install in-room video systems. The hotels subsequently counterclaimed, alleging the studios' suit was merely a sham that violated sections 1 and 2 of the Sherman Act and state antitrust and unfair competition laws, and that their refusal to grant licenses and other activities constituted a pattern of anticompetitive conduct.

---

[43] 1982 U.S. Dist. LEXIS 9452 (D.N.M. 1982) (unreported). *See also* Raymond Ku, *Antitrust Immunity, the First Amendment and Settlements: Defining the Boundaries of the Right to Petition*, 33 IND. L. REV. 385, 423 (2000).

[44] In re New Mexico Natural Gas Antitrust Litig. at *16.

[45] *Id.*

[46] *Id.*

[47] *Id.*

[48] *Id.* at *16-17.

[49] *Id.* at *18.

[50] 944 F.2d 1525 (9th Cir. 1991), *aff'd on other grounds,* Prof'l Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49 (1993) (holding that, in order for litigation to be a sham, it must be objectively baseless and the litigant's subjective motivation must conceal an attempt to interfere directly with a competitor's business relationships through the use of governmental processes – as opposed to the outcome of that process – as an anticompetitive weapon).

In affirming the district court's grant of summary judgment in favor of the studios on the operators' antitrust counterclaim, the Ninth Circuit reasoned that the hotel operators' licensing request effectively amounted to an offer to settle the litigation. Based on this premise, the court correctly held that the studios' non-sham refusal to settle could not form the basis of an antitrust claim.[51] Effectively, such a refusal continued to move the studios' litigation petition forward toward a resolution by a judicial branch court.

The Ninth Circuit, however, incorrectly replaced *Noerr*'s unidirectional furtherance standard with an over-broad, omnidirectional incidental standard as part of its reasoning.[52] The court reasoned that "A decision to accept or reject an offer of settlement is conduct incidental to the prosecution of the suit and not a separate and distinct activity which might form the basis for antitrust liability."[53]

Such an incidental standard encompasses not only private conduct that moves a litigation petition forward toward a resolution by a judicial branch court; it extends in all directions, and sweeps in all other private conduct that merely relates to, touches upon, or is associated with a litigation petition. As the Ninth Circuit observed, an incidental standard covers not only the private initiation and subsequent advancement of a litigation petition as, for example, through the rejection of a settlement offer. It also extends to the withdrawal of that same petition from a court's consideration in order to enter into a private litigation settlement agreement which, by definition, necessarily relates to the underlying litigation petition, itself. Thus, an incidental standard is not merely unidirectional. Rather, it is omnidirectional and, therefore, is over-broad.[54]

Four other cases involving the settlement of patent disputes relating to the Hatch-Waxman Act have correctly concluded that private settlements should not be immune from antitrust liability.[55]

---

[51] *Id*. at 1528-29.

[52] For purposes of this article, this particular observation is not meant to question other aspects of the Ninth Circuit or Supreme Court decisions in *PRE*.

[53] 944 F.2d 1525, 1528. Notably, notwithstanding the Ninth Circuit's language regarding "A decision to accept . . . an offer of settlement" no actual decision to accept a settlement offer was at issue in this case.

[54] The Supreme Court did not adopt this incidental standard in its decision defining sham litigation. Rather, it reaffirmed that *Noerr*'s incidental language refers to the subsequent effect of conduct to influence governmental action. *Prof'l Real Estate Investors*, 508 U.S. 49, 57 (1993) (quoting *Noerr*, 365 U.S. at 143).

[55] These cases are distinguishable from the Federal Circuit's decision in MedImmune, Inc. v. Genentech, Inc., 427 F.3d 958 (Fed. Cir. 2005) (subsequent history omitted). *See also* MedImmune, Inc. v. Genentech, Inc., 2003 WL 25550611 (C.D. Cal. 2003) (holding that the joint action of Genentech and Celltech was protected by *Noerr-Pennington*). In that case, the Patent & Trademark Office ("PTO") declared an interference between Genentech and Celltech patents regarding methods of producing certain antibodies and decided priority in favor of Celltech. Genentech then filed a 35 U.S.C. § 146 action in the Northern District of California to overturn the determination. During mediation, the parties agreed that evidence demonstrated that the Genentech patent was entitled to priority. The Northern District entered a judgment on the parties' resolution of the issue of priority and directed the PTO to vacate its prior decision, revoke Celltech's patent, and issue Genentech a continuation on its patent. The parties jointly presented the court's judgment to the PTO. The PTO entered an order that Genentech was the prior inventor and concluded that the Northern District's judgment cancelled Celltech's patent by operation of law. *Id*. at 961-62. Subsequently, the Federal Circuit held that, because statute required the parties to bring their settlement to the court,

In re Cardizem CD Antitrust Litigation considered allegations by heart medication purchasers that a private settlement agreement, in which brand manufacturer Hoechst Marion Rousel, Inc. paid generic manufacturer Andrx to delay introducing its generic, violated Section 1 of the Sherman Act and state antitrust and consumer protection laws.[56]

The Eastern District of Michigan rejected defendants' motion to dismiss argument that the agreement was immune from antitrust liability because it was "incidental to," an "incidental effect" of, or "reasonably attendant to" pending non-sham patent infringement litigation.[57] "The Agreement did not take place within the context of that suit; i.e., it was never filed with or approved by the court presiding over that matter, and the court was not even aware of its existence." [58] It was simply a "private market allocation agreement between horizontal competitors . . . ."[59] As such, "any anticompetitive harms that flow from the HMRI/Andrx Agreement are the result of purely private action, not judicial action."[60]

The court properly recognized that an agreement by private parties to settle litigation, by definition, does not involve government and, therefore, cannot constitute immune petitioning conduct.[61] It also distinguished defendants' agreement from refusals to accept settlement offers like in *PRE* and from negotiations with a state attorney general or other government official.[62] It further pointed out that, "Contrary to Defendant's contention here, the courts have not broadly applied *Noerr-Pennington* immunity to purely private settlement agreements. Rather . . . courts have not hesitated to impose antitrust liability in cases arising out of anticompetitive settlement agreements."[63] In addition, it noted that *Noerr*'s incidental language referred to the incidental effects of petitioning conduct.[64]

In *Andrx Pharmaceuticals, Inc. v. Biovail Corp. Int'l.* Andrx sued the Food and Drug Administration, Biovail, and others to clarify its rights to manufacture a generic version of

---

and to bring the court's judgment to the PTO, *Noerr-Pennington* protection was unnecessary to protect the filing from claims of collusion and fraud by MedImmune against Genentech and Celltech. *Id.* at 967.

[56] 105 F.Supp.2d 618 (E.D. Mich. 2000), *aff'd* 332 F.3d 896 (6th Cir. 2003), *cert. denied sub nom.* Andrx Pharmaceuticals, Inc. v. Kroger Co., 543 U.S. 939 (2004).

[57] *Id.* at 633-36 ("HMRI argues that, because the HMRI/Andrx Agreement is an 'incidental effect' of non-sham patent infringement litigation; i.e., it is conduct reasonably attendant to litigation (a protected activity), it is immune from antitrust liability under the *Noerr-Pennington* doctrine.").

[58] *Id.* at 640.

[59] *Id.* at 636.

[60] *Id.* at 635.

[61] In particular, the court analogized the situation to one where a pharmaceutical manufacturers trade group petitions Congress for a law requiring drug makers to raise their prices, but before Congress acts the trade group members enter into an agreement to do the same thing, themselves. *Id.* at 637.

[62] *Id.* at 638-42.

[63] *Id.* at 640-41 (citing to *In re New Mexico Natural Gas Antitrust Litig.*).

[64] *Id.* at 636-37 ("The argument Defendant advances here is not supported by the Court's 'incidental effects' analysis in *Noerr*.").

Cardizem CD.[65] Biovail counterclaimed that the HMRI/Andrx settlement agreement violated Sections 1 and 2 of the Sherman Act and New Jersey common law.

The D.C. Circuit rejected Andrx's claim that the settlement was immune litigation-related conduct, in the course of affirming the district court's dismissal of Biovail's counterclaim for lack of standing, but reversing its decision to do so with prejudice. "The Agreement is not unlike a final, private settlement agreement resolving the patent infringement litigation by substituting a market allocation agreement. Such a settlement agreement would not enjoy *Noerr-Pennington* immunity and neither does the Agreement here."[66] Quoting *Cardizem*, the court noted " 'it is the result of purely private conduct and thus constitutes a private restraint of trade subject to liability under the antitrust laws.' "[67]

In re Ciprofloxacin Hydrochloride Antitrust Litigation considered antibiotic purchaser and advocacy group claims that settlements between Bayer and generic manufacturers violated Section 1 of the Sherman Act and state antitrust and consumer protection laws.[68]

The Eastern District of New York held that defendants' motion to dismiss argument that the settlements were immune from antitrust liability was "easily refuted" because they "are private agreements between the defendants, in which Judge Knapp played no role other than signing the Consent Judgment. The Consent Judgment did not include the terms of the agreements, nor was the judge even apprised of the terms before he 'so ordered' the Consent Judgment."[69] Furthermore, "Even if signing the Consent Judgment could be construed as approving the Settlement Agreements, government action that '"amounts to little more than approval of a private proposal' is not protected."[70]

The court's reasoning is notable because, in addition to reiterating that private settlements are not immune, it also correctly explained that judicial branch court procedures that recognize the decisions of private parties to settle litigation do not, themselves, achieve a purpose of redress in the form of government action. They merely reflect private parties' own decisions to cut-off or short-circuit the petitioning process.

In re Nexium Antitrust Litigation provides the most extensive analysis by a court of private settlements.[71] There, putative class action plaintiffs alleged that agreements between AstraZeneca and each of three generic manufactures to settle patent infringement litigation by

[65] Andrx Pharmaceuticals, Inc. v. Friedman, 83 F.Supp.2d 179 (D.D.C. 2000), *aff'd in part and rev'd in part sub nom.* Andrx Pharmaceuticals, Inc. v. Biovail Corp., Int'l, 256 F.3d 799 (D.C. Cir. 2001), *cert. denied* 535 U.S. 931 (2002).

[66] *Id*. at 819.

[67] *Id*. at 818 (quoting *Cardizem CD*, at 635). Like *Cardizem*, it emphasized that " '[T]he doctrine does not authorize anticompetitive *action* in advance of government's adopting the industry's anticompetitive proposal. The doctrine applies when such action is the consequence of legislation or other governmental action, not when it is the means for obtaining such action . . . .' " *Id*. at 818-19 (quoting In re Brand Name Prescription Drugs Antitrust Litig., 186 F.3d 781, 789 (7th Cir. 1999) (Posner, J.)).

[68] 261 F.Supp.2d 188, 194-97 (E.D.N.Y. 2003). *See also* Bayer AG v. Barr Labs, Inc., 798 F.Supp. 196 (S.D.N.Y. 1992) (Knapp, J.).

[69] 261 F.Supp.2d 188, 212-13.

[70] *Id*. at 213 (quoting Cantor v. Detroit Edison Co., 428 U.S. 579, 602 (1976)).

[71] 2013 WL 4832176 (D. Mass. 2013).

keeping generic versions Nexium heartburn medication out of the market, in exchange for payment, constituted Sherman Act Section 1 and 2 violations and analogous state law violations.[72] Defendants argued that, because the New Jersey District Court had previously entered consent judgments sanctioning the settlements, any anticompetitive harms flowing from the agreements were due to government action—not private action.[73]

The District of Massachusetts noted the lack of guidance regarding the applicability of *Noerr-Pennington* to a judge's entry of a consent judgment.[74] Therefore, it considered whether the private conduct in question constituted a valid effort to influence government.[75] It noted that the distinction between private settlements and consent judgments entered by a court "is far from obvious and modest at best."[76]

The court correctly observed that the means employed to reach a consent judgment are the same as those used to enter into a private settlement or any private commercial contract, unlike a judge's opinion that is aided by the review of claims asserted in an adversarial system.[77] Thus, the maneuvering of private parties "to transform a settlement agreement into a judicially approved consent judgment, then, cannot be fairly characterized as direct 'petitioning'— – at least not as that word is commonly understood in the context of the political process."[78] In particular, "Consent judgments effected at the behest of private parties" do not have a "purpose" of "the persuasion of a judicial officer to obtain a redress of grievances" in contrast to settlements between private parties and a state government actor that is directly engaged in the decision making process.[79]

The court, however, incorrectly read *Allied Tube & Conduit Corp. v. Indian Head, Inc.* to have held that "the *Noerr-Pennington* doctrine extends not only to 'direct' petitioning but also to activities that are 'incidental' to a valid effort to influence governmental action."[80] This is a misquotation. *Allied Tube's* incidental language, like the original *Noerr* case, refers not to petitioning conduct by a private party, but to the subsequent effects of such conduct.[81]

The court also incorrectly concluded that an incidental standard would not encompass a consent judgment.[82] However, an incidental standard would, in fact, extend to a consent judgment because such a judgment necessarily relates to an associated litigation petition before a

[72] *Id.* at *1 n.2.

[73] *Id.* at *17.

[74] *Id.* at *18.

[75] *Id.* (citing to Raymond Ku, *Antitrust Immunity, the First Amendment and Settlements: Defining the Boundaries of the Right to Petition*, 33 IND. L. REV. 385, 404 (2000)).

[76] *Id.*

[77] *Id.* (citing to Ku, at 427-28).

[78] *Id.*

[79] *Id.* at *19 & n.27 (citing to A.D. Bedell Wholesale Co. v. Philip Morris, Inc., 263 F.3d 239, 252-54 (3d Cir. 2001)).

[80] *Id.* at *17 (citing to Allied Tube, 486 U.S. at 499). *See also id.* at *19 n.27 (stating that "courts have deemed settlements between private parties and the state to be incidental to the petitioning that takes place via litigation.").

[81] *See supra* note 21.

[82] 2013 WL 4832176 at *19.

judicial branch court. Thus, although the District of Massachusetts arrived at the correct result, it did so based on an incorrect, over-broad incidental standard.

The District of Massachusetts observed that most settlements do not require a judge's approval, and that was true in this case.[83] It noted that nothing prevented AstraZeneca and the three generics from stipulating to a dismissal of the patent infringement actions.[84] Thus, it correctly reasoned that, "A decision of a court that serves merely to memorialize a bargained-for agreement that could have otherwise been resolved without judicial intervention ought not benefit from the exemption allowed by *Noerr-Pennington*."[85] Therefore, the court correctly concluded that it could not accord the consent judgments immunity under *Noerr-Pennington*, in the course of making various grants and denials regarding defendants' motions to dismiss.

Furthermore, "Adopting the alternative view would provide litigants with an avenue wholly impervious to antitrust scrutiny simply by seeking out a court's rubber-stamped approval."[86] Thus, the court correctly recognized that judicial procedures that merely reflect private parties' own choices about how to resolve their controversy should not provide *Noerr* immunity for those decisions. In particular, "the entering of a consent decree does not, by itself, reflect a court's assent to the substantive terms found therein . . . ."[87] It stressed that, "the very fact that the Defendants can with a straight face advance this *Noerr-Pennington* argument based on consent judgments emphasizes that judges must be exceptionally wary of exercising their equitable powers at the joint behest of the parties."[88]

But in *Mueller v. Wellmark, Inc.*, the Iowa District Court for Polk County incorrectly held that, "Under the *Noerr-Pennington* doctrine, settlement agreements approved by a court are immune from antitrust liability, absent a sham . . . ."[89] Specifically, it concluded that a prior, judicially approved class action settlement resolving issues regarding claims payment processing for physicians appeared "genuine and valid."[90] According to the district court, "The court in that case found that the settlement was an arm's length transaction, and that it is reasonable, adequate, and is not the result of collusion between the parties. As such, it is shielded from antitrust liability under *Noerr*."[91]

However, as explained above, the mere existence of safeguards to ensure fairness in the process of withdrawing a dispute from a court's consideration does not alter the operation of the final conditions of a settlement agreement between private parties or transform an agreement between private parties into an agreement with a government entity. In particular, the order

[83] *Id.* (contrasting FED. R. CIV. P. 41(a)(1)(A) with the Antitrust Procedures and Penalties Act, Pub. L. No. 93-528, 88 Stat. 1706 and FED. R. CIV. P. 23(e)).

[84] *Id.*

[85] *Id.*

[86] *Id.*

[87] *Id.* at *20.

[88] *Id.* at *20 n.29.

[89] *See* 818 N.W.2d 244, 253 (Iowa 2012) (interlocutory appeal).

[90] *See id.*

[91] *See id.*

approving the settlement emphasized that the agreement was the product of "good faith, arm's length negotiations between" private parties.[92]

The Iowa Supreme Court affirmed the district court's grant of summary judgment against plaintiff chiropractors' state law claims of unlawful discrimination and anticompetitive conduct. But it did not address the issue of *Noerr* immunity. Instead, it affirmed based on the district court's alternative ground that there was no evidence that health insurer Wellmark violated the Iowa Competition Law in implementing the settlement.[93] Thus, the court avoided improperly immunizing a private settlement and, instead, examined the settlement as if it were not immune.

V. LOWER COURT DECISIONS RELATING TO SETTLEMENT AGREEMENTS WITH GOVERNMENT

Several lower courts that have considered the decision of a private party to settle with a government entity on the opposing side of a litigation dispute have correctly held that such a settlement constitutes the full realization of protected petitioning conduct.

Campbell v. Chicago appears to be the first case to squarely consider the application of *Noerr-Pennington* immunity to a settlement between a private party and a government entity.[94] There, plaintiff cab drivers claimed, among other things, that two cab companies violated Sections 1 and 2 of the Sherman Act by securing an ordinance favorable to them in exchange for settling a lawsuit alleging the city violated a prior taxi ordinance.

In granting defendants summary judgment, the Northern District of Illinois, Eastern Division correctly held that the cab companies were immune under *Noerr-Pennington*. The district court observed that the settlement embodied the ultimate resolution of the cab companies' acts to achieve a redress of grievances from the city. "They sought a legal remedy for an established breach of contract. They agreed to drop that legal right in exchange for an ordinance favoring their position as already the two largest holders of licenses in the City."[95] The Seventh Circuit noted the same point in affirming.[96]

Several other cases relate to the 1998 Master Settlement Agreement ("M.S.A.") between the five major U.S. tobacco companies and representatives of forty-six states, the District of Columbia, and five territories to settle litigation relating to the health effects of tobacco products.[97] Plaintiffs in these cases attacked the M.S.A., alleging various Sherman Act violations and other theories of harm. [98]

---

[92] *See id*. at 264.

[93] *Id*. at 247, 264-65.

[94] 639 F.Supp.1501 (N.D. Ill. 1986), *aff'd* 823 F.2d 1182 (7th Cir. 1987).

[95] *Id*. at 1511.

[96] 823 F.2d 1182, 1186 ("The cab companies agreed to drop the damage claims in exchange for a favorable ordinance.").

[97] *See generally* PTI, Inc. v. Philip Morris, Inc., 100 F.Supp.2d 1179, 1185 (C.D. Cal. 2000).

[98] The holdings in these cases regarding the M.S.A., itself, are distinguishable from Freedom Holdings, Inc. v. Spitzer, 357 F.3d 205, 233 (2d Cir. 2004) (*Noerr-Pennington* immunity not relevant to determining whether New York state legislation enacted in 2001 subsequent to the M.S.A. is preempted by federal law) (subsequent history omitted).

These cases correctly recognize that, where a government entity brings suit against a private party and subsequently terminates the suit in exchange for certain terms agreed to by the private party, such a settlement embodies the resolution of any grievances that the private party may have had regarding the government entity's claims against it. But some of them incorrectly relied on a *PRE*-type incidental standard in their reasoning.[99]

In *Hise v. Philip Morris Inc.* the Northern District of Oklahoma correctly held that the M.S.A. deserved immunity and granted defendants summary judgment.[100] "[T]he concerted effort by defendants to influence public officials, i.e., the states' Attorneys General, to accept a settlement in exchange for dismissing the numerous lawsuits pending against defendants is among the activities protected by the *Noerr-Pennington* doctrine."[101]

In regard to the M.S.A., government entities remained part of the equation. "[T]he doctrine would surely ring hollow if it failed to encompass private entities who, after having been sued by one or more states for similar conduct, jointly petition the states in order to achieve a mutually acceptable settlement, designed to reduce the amount of time and expense involved in defending the action."[102]

However, in arriving at the correct conclusion, the court mistakenly replaced *Noerr*'s furtherance standard with the incidental standard articulated by defendants.[103] The Tenth Circuit affirmed for substantially the same reasons as the district court.[104]

In *Forces Action Project LLC v. California* the Northern District of California correctly held that defendants' activities in negotiating and entering into the M.S.A. were immune from liability as non-sham petitioning conduct.[105] It cited to *PRE* to conclude that, in the litigation context, "litigation settlements are also within the ambit of the immunity conferred."[106] But it did not distinguish between settlements between private parties and settlements between a private party and government.[107] After dismissing plaintiffs' claims for lack of standing and denying their motion to amend, the Ninth Circuit affirmed.

---

[99] For purposes of this article, this particular observation is not meant to question other aspects of these decisions.

[100] 46 F.Supp.2d 1201 (N.D. Okla. 1999), *aff'd*, 208 F.3d 226 (10th Cir. 2000) (unreported), *cert. denied* 531 U.S. 959 (2000).

[101] *Id*. at 1207.

[102] *Id*. at 1206.

[103] *Id*. ("The Court is satisfied that defendants' activities, in negotiating the M.S.A. with the several settling states and achieving a settlement agreement with those states, are protected under the *Noerr-Pennington* doctrine as conduct incidental to litigation . . . .").

[104] 208 F.3d 226.

[105] 2000 WL 20977 (N.D. Cal. 2000) (unreported), *aff'd in part, rev'd and remanded in part*, 16 Fed. Appx. 774 (9th Cir. 2001) (mem. unreported), *appeal after remand*, 57 Fed. Appx. 322 (9th Cir. 2003) (mem. unreported), *aff'd and reh'g denied*, 61 Fed. Appx. 472 (9th Cir. 2003) (amended mem. unreported). In particular, see 2000 WL 20977 at *8 ("The *Noerr-Pennington* doctrine protects the right of citizens to petition the government for redress, by providing that such an act cannot form the factual basis for a later suit. Initially limited to the antitrust context, the *Noerr-Pennington* doctrine has since expanded to immunize the use of litigation as the factual basis for other litigation.").

[106] 2000 WL 20977 at *8.

[107] *Id*.

In *A.D. Bedell Wholesale Co., Inc. v. Philip Morris, Inc.* defendants argued that the M.S.A. deserved *Noerr-Pennington* protection as a government contract that resolved through negotiated compromise pending and threatened litigation, as distinct from an agreement with other private parties.[108] The Western District of Pennsylvania correctly held that defendants' actions to negotiate and execute the M.S.A. were protected by *Noerr-Pennington* and dismissed plaintiff's Sherman Act claims.[109] But it incorrectly adopted the incidental standard articulated by defendants, citing to *Hise*.[110]

The Third Circuit affirmed the district court's dismissal and joined other federal courts holding the M.S.A. to be immune.[111] But it also mistakenly adopted an incidental standard, stating that "other courts have extended *Noerr-Pennington* immunity to include efforts to influence governmental action incidental to litigation such as prelitigation threat letters."[112] Citing to *PRE* and *Campbell*, the court reasoned that, "There would seem to be no reason to differentiate settlement from other acts associated with litigation."[113] The Third Circuit did, however, on a general level distinguish settlements involving government from purely private agreements, for which "Passive government approval is insufficient."[114]

In *PTI, Inc. v. Philip Morris, Inc*. the Central District of California immunized private defendants for entering and implementing the M.S.A., citing to *Hise, Forces Action*, and the *Bedell* district court decision.[115] Thus, it granted defendants' motion to dismiss.[116]

"Under the *Noerr-Pennington* doctrine, the private defendants are clearly immune for their activities involved with the negotiation, execution, and attempts to implement the MSA . . . . Indeed, such conduct is precisely the type of activity the doctrine was intended to protect."[117] The court pointed out that "the primary objects of plaintiffs' complaint . . . are the result of active negotiations between accountable public officials and the tobacco companies."[118] Like *Hise* and *Bedell*, it also mistakenly adopted an incidental standard.[119]

In *Mariana v. Fisher* the Middle District of Pennsylvania granted defendants' motion to dismiss, citing to *Bedell* and its incidental standard.[120] In affirming, the Third Circuit also cited to

---

[108] 104 F.Supp.2d 501, 505-06 (W.D. Pa. 2000), *aff'd* 263 F.3d 239 (3d Cir. 2001), *cert. denied*, 534 U.S. 1081 (2002).

[109] *Id*. at 506-07.

[110] *Id*.

[111] 263 F.3d 239, 252 & n.31 (citing to the *Hise*, *Forces Action*, and *PTI* district court decisions).

[112] *Id*. at 252-53 (citing to McGuire Oil Co. v. Mapco, Inc., 958 F.2d 1552, 1560 (11th Cir. 1992); Coastal States Mktg., Inc. v. Hunt, 694 F.2d 1358, 1367-68 (5th Cir. 1983)).

[113] *Id*. at 253.

[114] *Id*. at 251.

[115] 100 F.Supp.2d 1179, 1193 (C.D. Cal. 2000).

[116] *Id*.

[117] *Id*.

[118] *Id*. at 1194.

[119] *Id*. ("Unethical and deceptive conduct is immune from antitrust liability when it is incidental to an attempt to obtain governmental action.").

[120] 226 F.Supp.2d 575, 579-82 (M.D. Pa. 2002), *aff'd* 338 F.3d 189 (3d Cir. 2003), *cert. denied sub nom.* Mariana v. Pappert, 540 U.S. 1179 (2004).

its *Bedell* decision, and noted that it was unaware of any Supreme Court or appellate case holding that *Noerr-Pennington* cannot apply to government actors.[121]

In *Sanders v. Brown* the Northern District of California noted that every previous district court had concluded that the tobacco manufacturers' conduct in negotiating and entering into the M.S.A. was immune.[122] In addition, it cited to *Campbell* as further support for this conclusion.[123] In granting defendants' motion to dismiss, the district court adopted the incidental standard of *PRE* and *Hise*, as part of its reasoning, and also cited to *Bedell*, *PTI,* and *Forces Action* in support of this standard.[124]

In affirming, the Ninth Circuit stated that it was joining the Seventh Circuit in holding that "*Noerr-Pennington* immunity protects a private party from liability for the act of negotiating a settlement with a state entity."[125] Notably, the Ninth Circuit did not cite its own *PRE* decision or that case's incidental standard. Rather, it was careful to point out that its decision was not addressing the application of *Noerr-Pennington* to anticompetitive settlement agreements between two private entities, who might conceivably claim that petitioning a court to accept their settlement should immunize the agreement itself.[126]

In *S&M Brands, Inc. v. Summers*, the Middle District of Tennessee, in the course of dismissing several claims, cited to *Bedell, PTI,* and the *Sanders* district court to conclude that *Noerr-Pennington* would bar a *per se* Sherman Act Section 1 claim against the M.S.A.[127]

In *Vibo Corp., Inc. v. Conway* the Western District of Kentucky also applied *Noerr-Pennington* to the M.S.A. in dismissing plaintiff's claims.[128] In addition to citing to *Campbell, Hise, Bedell, PTI*, *Sanders*, and *Summers*, the district court observed that "The MSA resulted from a lawsuit initiated by the state governments against the [original participating manufacturers]. As a product of the settlement of that lawsuit, it, and all of its provisions, represent the result of the OPMs' active negotiations with state government officials."[129]

The Sixth Circuit affirmed, citing to *Sanders* and *Campbell* for their conclusions that petitioning includes the acts of negotiating and entering into a settlement or other agreements with a government entity.[130] However, in doing so, it incorrectly suggested that private actors are immune from liability if their activity is merely associated with government petitioning, citing to *Allied Tube*.[131]

---

[121] *Id*. at 197-200.

[122] Sanders v. Lockyer, 365 F.Supp.2d 1093, 1103 (N.D. Cal. 2005) (citing to *PTI*, *Forces Action*, *Hise*, and *Bedell*), *aff'd sub nom.* Sanders v. Brown, 504 F.3d 903 (9th Cir. 2007), *cert. denied* 553 U.S. 1031 (2008).

[123] *Id*. at 1103.

[124] *Id*. at 1102.

[125] 504 F.3d 903, 912-13.

[126] *Id.* at 913 n.8.

[127] 393 F.Supp.2d 604, 629-30 (M.D. Tenn. 2005), *aff'd* 228 Fed.Appx. 560 (6th Cir. 2007) (unreported).

[128] 594 F.Supp.2d 758 (W.D. Ky. 2009), *aff'd* 669 F.3d 675 (6th Cir. 2012).

[129] *Id*. at 772-75.

[130] 669 F.3d 675, 684.

[131] *Id*. (citing *Allied Tube*, 486 U.S., at 501 for the proposition that "private actors remain liable for anticompetitive activity not associated with government petitioning . . . .").

VI. CONFUSION AMONG THE COMMENTATORS

Several commentators have addressed the question of whether litigation settlements should be immune from antitrust liability under *Noerr-Pennington*. None of these commentators, however, has specifically recognized that the *Noerr-Pennington* doctrine articulates a furtherance standard for petitioning immunity. Most of these commentators have not distinguished between situations involving settlement agreements between private parties and settlements between a private party and government.

Some early commentators pointed out at the time of the *New Mexico Natural Gas* litigation that the case law and legal doctrine regarding whether settlements should be immunized from antitrust scrutiny was little developed.[132] These commentators cautioned against finding antitrust violations in settlements out of concern that liability might unnecessarily inhibit settlements and, thereby, strain judicial resources.[133] At the same time, these authors generally allowed that the question of whether *Noerr* applies to a settlement may depend on its nature, including whether the settlement is between private parties or is between a private party and government.[134]

More recently, some commentators have arrived at more firm conclusions about whether settlements should be immune. Some commentators correctly conclude that private settlements should not obtain *Noerr-Pennington* immunity because they are the antithesis of efforts to obtain government action.[135] The leading antitrust treatise likewise concludes that settlements between private parties are private contracts that should not be immune, while settlements between a private party and a state actor should be immune because the state itself is a party to the contract.[136] Another commentator incorrectly argues that private settlements deserve blanket immunity, even if they nakedly restrict competition.[137] Similarly, another argues that immunity

[132] Harry M. Reasoner & Scott J. Atlas, *The Settlement of Litigation as a Ground for Antitrust Liability*, 50 ANTITRUST L. J. 115, 116 (1981) ("The law regarding the various substantive ways a settlement can have antitrust implications is little developed. Much of what is suggested is therefore a discussion of theoretical principles not refined in the crucible of actual litigation in this area.").

[133] *Id*. at 115, 126.

[134] *Id*. at 116 ("There are legally significant subcategories ranging from simple contracts between a plaintiff and defendant to judicially approved class action settlements to government consent decrees subjected to independent judicial review.").

[135] Ku, *supra* note 43, at 421-28 ("Private settlements . . . are in fact the antithesis of efforts to solicit government action . . . . When private parties enter into a settlement agreement, they are affirmatively withdrawing consideration of the matter from the decisionmaking authority of government . . . . [T]hey have officially given up any such effort and are acting on their own."). *Accord* HERBERT HOVENKAMP ET AL., IP AND ANTITRUST: AN ANALYSIS OF ANTITRUST PRINCIPLES APPLIED TO INTELLECTUAL PROPERTY LAW § 7.2c & n.19 (2d ed. 2013) (citing to Ku at 388-89). *See also* Randy D. Gordon, *A Question of Fairness: Should* Noerr-Pennington *Immunity Extend to Conduct in International Commercial Arbitration?*, 19 AM. REV. INT'L ARB. 211, 228-31 (2008) (finding it doubtful that immunity should apply to arbitration settlement agreements).

[136] PHILLIP E. AREEDA & HERBERT HOVENKAMP, ANTITRUST LAW: AN ANALYSIS OF ANTITRUST PRINCIPLES AND THEIR APPLICATION ¶ 205g (4th ed. 2013).

[137] John F. Resek Comment, *Biovail v. Hoechst Aktiengellschaf, Inc.: An Analysis Under the Sherman Act and the* Noerr-Pennington *Doctrine*, 10 FORDHAM INTELL. PROP. MEDIA & ENT. L. J. 571 (2000). Resek argues that a partial settlement agreement of a patent dispute is protected under *Noerr* "because the partial settlement agreement is a

should apply to settlements achieved through alternative dispute resolution, as long as the underlying conflict being resolved is not a sham.[138] But, to the extent that these commentators attempt to articulate a rationale for the application of petitioning immunity, they all misread *Noerr* as articulating an incidental standard, rather than a furtherance standard.[139]

Some commentators argue that private settlement agreements should be evaluated on a case-by-case basis and immunity should apply under *PRE*'s incidental standard where the settlement is made in "good faith" and is within the "four corners" of the litigation.[140] In this view, such a settlement is one that is not injected with additional anticompetitive terms beyond the "legitimate disputes" in question.[141] In this approach, a court would have to conduct an in-depth analysis of the underlying litigation claims in order to determine if *Noerr-Pennington* immunity should apply to each provision of a private settlement.[142]

These commentators state that "The Sherman Act was not designed to reach . . . agreements resolving legitimate disputes about each party's pre-existing legal rights . . . and *therefore* the *Noerr* doctrine should protect" those agreements.[143] The illogical implication of this approach is that *Noerr-Pennington* immunity should apply to shield certain actions from liability (i.e., agreeing to a settlement having no anticompetitive terms) precisely because, by definition, no liability can attach to those actions.

Such an approach would render *Noerr-Pennington* immunity to be without functional purpose and, therefore, entirely superfluous. If, by definition, there is nothing to hide in a private settlement agreement having no anticompetitive terms, then the cloak of *Noerr* immunity is

---

private action which is incidental to a valid effort to influence government action." *Id*. at 590. In his view, "The Supreme Court has decided that the constitutional rights are sufficiently precious that the standard to defeat Noerr Immunity using the sham exception is very high." *Id*. at 594.

[138] Adam Eckstein, Comment, *The Petition Clause and Alternative Dispute Resolution: Constitutional and Consistency Arguments for Providing* Noerr-Pennington *Immunity to ADR*, 75 U. CIN. L. REV. 1683, 1707-09 (2007) ("In essence, this rule requires a genuine, litigable conflict in order for parties engaging in ADR to receive immunity.").

[139] *See* Ku, *supra* note 43, at 399 & n.97 (misquoting *Allied Tube*, 486 U.S. at 499 for the proposition that "in addition to protecting the 'act' of petitioning itself, courts recognize that *Noerr* immunity protects what can be described as 'incidental' acts associated with 'a valid effort to influence governmental action.' "); AREEDA & HOVENKAMP, *supra* note 136, ¶ 205g ("as the Ninth Circuit held in *Columbia*, settlement discussions and the resulting decisions are one of the incidents of the petitioning immunity that *Noerr* creates."); Resek, *supra* note 137, at 590 (citing to *Allied Tube* for the conclusion that "Noerr also immunizes the Hoechst-Andrx partial settlement because the partial settlement agreement is a private action which is incidental to a valid effort to influence government action."); and Eckstein, *supra* note 138, at 1684 ("To protect the constitutional right to petition and correspond with the judicial system's preference of settlements, the *Noerr-Pennington* doctrine should immunize from subsequent litigation ADR incidental to genuine petitioning of the courts.").

[140] Mark L. Kovner et al., *Applying the Noerr-Pennington Doctrine to Pharmaceutical Patent Litigation Settlements*, 71 ANTITRUST L. J. 609, 624-25 (2003). In the view of these commentators, "The *Noerr* doctrine, as developed and subject to certain exceptions, affords protection for virtually all petitioning-related conduct, including actions taken by parties in litigation that are not objectively and subjectively baseless." *Id*. at 612.

[141] *Id*. at 624.

[142] *Id*. at 624-25.

[143] *Id*. at 624 (emphasis added). "We start from the premise that settlements are entitled to *Noerr* protection to the extent they dispose of the litigation on the merits and are limited to the issues presented in the litigation, i.e., they are protected to the extent that they fall within the 'four corners' of the litigation." *Id*. at 625.

merely an unnecessary accessory garment in which to clothe the innocent, blameless body of such an agreement. This argument is exactly backwards. *Noerr-Pennington* immunizes non-sham petitioning conduct directed towards obtaining governmental action where legal liability, such as antitrust liability, might otherwise potentially apply if a private party took that action, itself.[144]

Citing to *PRE*'s incidental standard, this theory incorrectly equates the initiation and subsequent furtherance of a petition towards some goal with its exact opposite, the decision by private parties to terminate the petitioning process and to settle their dispute themselves.[145] These commentators suggest that a failure to immunize private settlements amounts to a private party being "obligated, by force of law, to continue litigating claims if it wants to stop."[146] This argument is incorrect. Just because a private settlement should not obtain *Noerr-Pennington* immunity does not mean that the rules of civil procedure have suddenly been abolished or that private parties to litigation have been converted into adversarial conscripts.[147] The option to terminate litigation and enter into a non-immune private settlement always remains.

Some suggest that *Noerr-Pennington* immunity for private settlements should vary with the level of government involvement, akin to a sliding scale. Some conclude, based on *Hise*'s incidental language, that "private settlement agreements involving *some* aspect of government involvement will be protected as valid petitioning efforts" as long as they do not constitute "unethical litigation tactics," such as a market allocation agreement.[148] Other commentators argue that immunity turns more specifically on whether a judicial branch court is involved in, directs, orders, approves, or enforces the settlement agreement, for example, in the form of a consent decree.[149] One of these suggests that "it is probably safe to conclude that the parties'

[144] United Mine Workers of America v. Pennington, 381 U.S. 657, 669 (1965) ("The Sherman Act, it was held, was not intended to bar concerted action of this kind even though the resulting official action damaged other competitors at whom the campaign was aimed."); Eastern R.R. Presidents Conf. v. Noerr Motor Freight, Inc., 365 U.S. 127, 136 (1961) ("the Sherman Act does not prohibit two or more persons from associating together in an attempt to persuade the legislature or the executive to take particular action with respect to a law that would produce a restraint or a monopoly.").

[145] "Where the settlement covers only the issues raised in the litigation, and therefore any alleged harm from the settlement stems only from the agreement to cease litigating, then the settlement is incidental to the litigation and Noerr should apply." Kovner et al., *supra* note 140, at 624. According to these commentators, "The initiation of legitimate (i.e. non-sham) patent litigation is clearly protected activity. This is just another way of saying that a refusal to settle is protected. If a refusal to settle is protected, so shouldn't accepting a settlement offer also be immune absent other expressly anticompetitive terms?" *Id*. at 622-23. "If parties are immunized from antitrust liability for bringing legitimate litigation, as they are under well-established law, then those same parties should be immunized for 'pulling the plug' on the litigation and diverting their resources to other pursuits." *Id*. at 613.

[146] *Id*. at 613. *See also id*. at 624 ("If bringing non-sham litigation is immunized from antitrust attack, then an agreement to stop the litigation should be, too, lest we turn private parties into public prosecutors with an obligation to continue to pursue a case for 'public interest' reasons.").

[147] *See generally* FED. R. CIV. P. 41(a)(1)(A).

[148] A.B.A Sec. of Antitrust L. Monograph 25, The *Noerr-Pennington* Doctrine 64-65 (2009).

[149] *See* M. Howard Morse, *Settlement of Intellectual Property Disputes in the Pharmaceutical and Medical Device Industries: Antitrust Rules*, 10 GEO. MASON L. REV. 359, 402-03 (2002); Jeff McGoff, Note, *Exploring the Boundary of The Noerr-Pennington Doctrine in the Adjudicative Process*, 34 U. MEM. L. REV. 429, 441-42, 450 (2004); Oliver, *supra* note 41, at 40.

likelihood of obtaining *Noerr-Pennington* protection increases in direct proportion to the degree of court involvement in settling the litigation."[150]

Some commentators have suggested other specific applications of a sliding scale-type approach. One commentator suggests that *Noerr-Pennington* immunity could be strengthened where the counter party to a settlement is a governmental entity, where a settlement "closely follows what might be a likely judicial outcome of the litigation," where a settlement is "reviewed and 'so ordered' " by a presiding court, or where the antitrust agencies were included in the process of assessing proposed judicial settlements.[151] Others also specifically suggest that collective action by multiple defendants to settle a private lawsuit brought against them in a judicial branch court is immune under *PRE*'s incidental standard, an anticompetitive class action settlement under Federal Rule of Civil Procedure 23 is likely immunized because it requires a court's review and approval, and the settlement of a case brought by government against a private party is also immune.[152]

Apart from suggesting that a settlement between private parties and government is immune, these sliding scale-type approaches are erroneous because they are imprecise. They mistakenly replace the specific basis of *Noerr-Pennington* immunity, conduct that furthers a petition toward some goal in the form of redress by government, with merely some government involvement at some point, more generally. They provide no clear guidance as to when or to what extent courts should apply *Noerr-Pennington* to settlements. Furthermore, a sliding scale approach based on government involvement would give private parties perverse incentives to avoid settling litigation amicably themselves and to, instead, unnecessarily involve courts in settlement negotiations to the maximum extent possible, in the hope of triggering immunity for doing so.

Another commentator has criticized *Sanders v. Brown* for adopting a blanket rule of immunity for the M.S.A.[153] This commentator believes the Ninth Circuit's application of *Noerr* immunity is merely an ends-driven choice between the lesser of two evils: the sanctioning of anticompetitive behavior if the M.S.A. was immunized and the possible chilling effects on speech if the M.S.A. was not immunized.[154] This commentator rightly points out that the Ninth Circuit did not provide a comprehensive analysis of the application of *Noerr* in the M.S.A. context.[155] But neither does the author, beyond an allegation that the Ninth Circuit merely used outcome-driven reasoning in order to fall in line with other courts that had previously immunized the M.S.A.[156]

---

[150] Oliver, *supra* note 41, at 40.

[151] *See* James R. Atwood, *Securing and Enforcing Patents: The Role of* Noerr/Pennington, 83 J. PAT. & TRADEMARK OFF. SOC'Y. 651, 664-67 (2001).

[152] David A. Donohoe & Maiysha R. Branch, *Can a Litigation Settlement Violate the Antitrust Laws?*, METROPOLITAN CORP. COUNSEL (Dec. 2000).

[153] Robert W. Bauer, Sanders v. Brown: *State-Action Immunity and Judicial Protection of the Master Settlement Agreement*, 34 J. CORP. L. 1291, 1304 (2009).

[154] *Id.*

[155] *Id.* at 1305.

[156] *Id.* at 1299.

VII. CONCLUSION

Courts should resolve questions involving litigation settlements between parties on opposing sides of litigation and the *Noerr-Pennington* doctrine using more careful language that is consistent with the original *Noerr* case. Only conduct in furtherance of a petition to obtain redress from government and effects incidental to such conduct should obtain *Noerr-Pennington* immunity from liability under laws that would otherwise apply, such as the federal antitrust laws.

Noerr's unidirectional furtherance standard for immunity for petitioning conduct has important implication for settlement agreements between parties on opposing sides of a litigation dispute. Under *Noerr*'s furtherance standard, a settlement between private parties should not be immune. By contrast, a settlement between a private party and government should be immune. Courts should clearly distinguish between these two situations in the course of applying a furtherance standard to settlement agreements.