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## A Question of Fairness: Should Noerr-Pennington Immunity Extend to Conduct in International Commerical Arbitration?

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## Introduction

As arbitration has supplanted litigation as the primary method of dispute resolution between parties to international commercial relationships, questions have inevitably arisen as to when concepts first developed in litigation should apply to arbitration.<sup>1</sup> Answering these questions is not always an easy task because, on the one hand, the use of arbitration is now a governmentally encouraged form of dispute resolution but, on the other hand, arbitration's relative informality and private contractual nature still render it suspect in some eyes.<sup>2</sup> This Article is concerned to examine a potent litigation weapon—viz., the *Noerr-Pennington* doctrine, which generally insulates litigation conduct from later claims—and to determine whether and to what extent it should, by analogy, immunize conduct within an arbitral proceeding from later claims.<sup>3</sup> Part One traces the development of the *Noerr-Pennington* doctrine in the litigation context. Part Two considers the arguments, pro and con, for applying the doctrine to arbitration acts. Part Three concludes with some suggestions for facilitating application of the doctrine to arbitration.

### 1. Development of the Doctrine

In *Eastern Railroad President's Conference v. Noerr Motor Freight, Inc.*, the United States Supreme Court held that competing railroads had not violated the antitrust laws by jointly

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<sup>1</sup> Cf. *Universal Am. Barge Corp. v. J-Chem, Inc.*, 946 F.2d 1131, 1137 (5th Cir. 1991) (stating that district court must consider the procedural differences between arbitration and litigation in assessing application of preclusionary doctrine and determine on a case-by-case basis the “procedural adequacy” of the arbitration proceeding).

<sup>2</sup> See, e.g., *Duferco Int'l Steel v. T. Klaveness Shipping*, 333 F.3d 383, 389 (2d Cir. 2003) (“It should be remembered that arbitrators are hired by parties to reach a result that conforms to industry norms and to the arbitrator's notions of fairness.”).

<sup>3</sup> The *Noerr-Pennington* doctrine takes its name from two seminal United States Supreme Court cases, *E. R.R. President's Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127 (1961) and *United Mineworkers of Am. v. Pennington*, 381 U.S. 657 (1965). Throughout this article, I will refer to the doctrine as *Noerr* or *Noerr-Pennington*.

“seeking to influence the passage and enforcement of laws . . . to destroy . . . truckers as competitors for the long-distance freight business.”<sup>4</sup> This was so, according to the Court, because the federal antitrust laws do “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.”<sup>5</sup> This conclusion flowed from the Court’s recognition that antitrust laws must be construed in harmony with an overarching constitutional right: “[t]he right of petition is one of the freedoms protected by the Bill of Rights, . . . we cannot, of course, lightly impute to Congress an intent to invade those freedoms.”<sup>6</sup> Accordingly, “no violation of the [antitrust laws] can be predicated upon mere attempts to influence the

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<sup>4</sup> *Noerr*, 365 U.S. 127 (1961).

<sup>5</sup> *Id.* at 136.

<sup>6</sup> *Id.* at 138. It is worth noting that although the Court *referred to* the First Amendment, it did not base its decision on those grounds. Rather, it declined to interpret and apply the Sherman Act in a way that would raise constitutional concerns. See PHILLIP AREEDA & HERBERT HOVENCAMP, 1 ANTITRUST LAW 157 (3d ed. 2006). Subsequent courts have nonetheless located *Noerr* immunity in the First Amendment. See, e.g., *Knology Inc. v. Insight Commc’n Co., L.P.*, 393 F.3d 656, 658 (6th Cir. 2004) (“The *Noerr-Pennington* doctrine allows businesses to combine and lobby to influence the legislative, executive, or judicial branches of government or administrative agencies without antitrust or § 1983 liability, because the First Amendment’s right of petition protects such activities.”). This distinction is of some procedural importance because a court that views *Noerr*-protected activities as outside the antitrust laws may see the matter as one of failure to state a claim, whereas a court that views these activities as grounds for Constitutional avoidance may see the matter as one of an affirmative defense. In the former instance, a case could be dismissed with the Plaintiff bearing the burden; in the latter instance, the defendant could be forced to plead and prove the affirmative defense while carrying the burden on summary judgment or at trial. Cf. *In re Burlington N., Inc.*, 822 F.2d 518, 533 (5th Cir. 1987), *cert. denied*, 484 U.S. 1007 (1988) (“A defendant who relies on *Noerr-Pennington* merely denies the existence of an antitrust violation.”; “[a] plaintiff attempting to make an antitrust case based on conduct that involves lobbying or litigation bears the burden to show that such activity is not protected petitioning . . .”) with *RRR Farms, Ltd. v. Am. Horse Prot. Ass’n, Inc.*, 957 S.W.2d 121, 129 (Tex. App.—Houston [14th Dist.] 1997) (“[T]he *Noerr-Pennington* doctrine is an affirmative defense . . . ; [t]herefore, as the summary judgment movant, the [defendant] had the burden to come forward with sufficient summary judgment evidence to establish the affirmative defense as a matter of law.”).

passage or enforcement of laws.”<sup>7</sup> The antitrust laws thus do not apply “where a restraint upon trade or monopolization is the result of valid governmental action, as opposed to private action.”<sup>8</sup>

The antitrust immunity that the Court promulgated in *Noerr* protects the efforts of competitors to influence the passage of legislation.<sup>9</sup> *United Mineworkers of America v. Pennington* soon extended that immunity to cover attempts of competitors to influence the regulatory actions of executive branch agencies and officials.<sup>10</sup> In *Pennington*, coal mine operators asserted antitrust counterclaims against a union and other operators based on an alleged conspiracy to persuade the Secretary of Labor to set a higher minimum wage injurious to the counterclaimants. The Supreme Court held that “[i]t is clear under *Noerr* that [the plaintiff] could not collect any damages under the [federal antitrust laws] for any injury which it suffered

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<sup>7</sup> 365 U.S. at 135.

<sup>8</sup> *Id.* at 136.

<sup>9</sup> *See*, AREEDA & HOVENKAMP, *supra* note 6, at 158 (“[A]ny direct injury caused by the publicity campaign must be regarded as an ‘included effect’ of the campaign to obtain the anti-trucking legislation.”)

<sup>10</sup> 381 U.S. 657 (1965). In accordance with *Pennington*, courts have consistently dismissed antitrust and tort claims where the alleged injury flows from the government’s adoption of rules or policies developed or advocated by private industry associations. *See, e.g., Mass. Sch. of Law at Andover, Inc. v. Am. Bar Ass’n*, 107 F.3d 1026, 1036-37 (3d Cir.), *cert. denied*, 118 S. Ct. 264 (1997) (holding that *Noerr-Pennington* precludes antitrust claims directed at state bar admissions requirements based on accreditation decisions); *Sessions Tankliners, Inc. v. Joor Mfg., Inc.*, 17 F.3d 295, 299 (9th Cir. 1994), *cert. denied*, 513 U.S. 813 (1994) (holding that *Noerr-Pennington* requires dismissal of antitrust and tortious interference with prospective economic advantage claims challenging municipalities’ adoption of safety codes developed by a trade association); *Sessions Tankliners, Inc. v. Joor Mfg., Inc.*, 17 F.3d 295, 299 (9th Cir. 1994), *cert. denied*, 513 U.S. 813 (1994) (holding that *Noerr-Pennington* requires dismissal of antitrust and tortious interference with prospective economic advantage claims challenging municipalities’ adoption of safety codes developed by a trade association); *Lawline v. Am. Bar Ass’n*, 956 F.2d 1378 (7th Cir. 1992), *cert. denied*, 510 U.S. 992 (1993) (applying *Noerr-Pennington* to antitrust claims relating to Illinois Supreme Court’s ethical standards developed by the ABA).

from the action of the Secretary of Labor.”<sup>11</sup> *Pennington* thus established that—where private parties influence a government decision—the government decision is a supervening cause of the alleged injury.<sup>12</sup> Antitrust liability is thereby avoided because antitrust laws provide no remedy against adverse governmental regulatory action.<sup>13</sup>

The next important iteration of the *Noerr* doctrine suggested that it could reach (and insulate from antitrust liability) initiation of administrative and court proceedings.<sup>14</sup> Over time, this suggestion has hardened into something nearing absolute immunity: “instituting a court action is immune from application of the antitrust laws under the *Noerr-Pennington* doctrine on the principle that genuine efforts to influence governmental decision making are not penalized by

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<sup>11</sup> 381 U.S. at 671.

<sup>12</sup> The *Noerr-Pennington* doctrine most commonly obtains *vis-à-vis* traditional lobbying; nonetheless, the doctrine has from its conception protected attempts to influence “law enforcement practices.” Courts have noted that the public policies served by ensuring free flow of information to the police are as compelling as communications with other government agencies because without that information it would be difficult for law enforcement authorities to discharge their duties. *Forro Precision, Inc. v. IBM Corp.*, 673 F.2d 1045, 1060 (9th Cir. 1982). Thus, participation—either direct or indirect—in a law enforcement investigation is immunized. *See, e.g., id.* at 1058 (holding that search of competitor’s premises after invoking police assistance can not serve as the basis of an antitrust claim because “the *Noerr-Pennington* doctrine applies to citizen communications with police”); *King v. Idaho Funeral Serv. Assoc.*, 862 F.2d 744, 745 (9th Cir. 1988) (finding summary judgment proper where person allegedly acting on behalf of trade association alerted state licensing officials of violation of law; such action is protected by *Noerr-Pennington*, even if action was taken by “agreement”). However, claimed abuses of government processes outside the area of legislative activity should receive more intense scrutiny than that of traditional lobbying. *Forro*, 673 F.2d 1045, 1060 n.10. (9th Cir. 1982).

<sup>13</sup> *See AREEDA & HOVENKAMP, supra* note 6, at 160. (“In sum, *Pennington* developed the alternative rationale that when a private party petitions the government and the plaintiff’s injury is caused by the government’s resulting act, then the government, not the private defendant, is the legal cause of the plaintiff’s injury.”).

<sup>14</sup> *Cal. Motor Transp. Co. v. Trucking Unlimited*, 404 U.S. 508 (1972) (applying *Noerr-Pennington* immunity to the institution of federal and state proceedings to defeat and resist applications by competitors to acquire, transfer, or register operating rights).

application of the antitrust laws.”<sup>15</sup> Even if the alleged bad actor had viciously anticompetitive motives for seeking government action against its competitor, and even if the ensuing government action against the competitor was unwise, the *Noerr-Pennington* doctrine shields this joint exercise of First Amendment rights.<sup>16</sup> “[t]hat a private party’s political motives are selfish is irrelevant: ‘*Noerr-Pennington* shields from the Sherman Act a concerted effort to influence public officials regardless of intent or purpose.’”<sup>17</sup> Indeed, in *Noerr* itself, the Court held that the concerted lobbying activities of twenty-four railroads, their presidents, and a public relations firm enjoyed absolute antitrust immunity because the government contacts, which were pursued by arguably unethical and deceptive means with the sole aim of destroying the

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<sup>15</sup> *Rockbit Indus. U.S.A., Inc. v. Baker Hughes, Inc.*, 802 F. Supp. 1544, 1552 (S.D. Tex. 1991). See also *Otter Tail Power Co. v. United States*, 410 U.S. 366, 379-80 (1973), *reh’g denied*, 411 U.S. 910 (1973) (noting that *Noerr-Pennington* may immunize litigation that is intended to appreciably slow the efforts and increase the costs of competitors, so long as the litigation does not fall into the “mere sham” exception); *Brownsville Golden Age Nursing Home, Inc. v. Wells*, 839 F.2d 155, 159-60 (3d Cir. 1988) (applying *Noerr* immunity to conspiracy, abuse of process, and other claims); *Virtual Works, Inc. v. Network Solutions, Inc.*, 1999 WL 1074122 (E.D. Va. 1999) (applying *Noerr-Pennington* immunity to tortious interference claims in the context of trademark infringement).

<sup>16</sup> “Congress shall make no law . . . abridging the freedom of speech, or of the press; or the right of the people peaceably to assemble, and to petition the Government for a redress of grievances.” U.S. CONST. amend. I.

<sup>17</sup> *City of Columbia v. Omni Adver., Inc.* 499 U.S. 365, 380 (1991). In *City of Columbia*, Omni Outdoor Advertising entered the billboard market in Columbia, S.C., which was 95% controlled by Columbia Outdoor Advertising. Columbia Outdoor was a local business owned by a family with deep local roots and political connections. In reaction to its new competitor, Columbia Outdoor executives met with city officials to seek enactment of zoning ordinances that would restrict billboard construction. Ultimately, restrictions that favored Columbia Outdoor’s entrenched position were passed, and Omni sued. The Supreme Court rejected Omni’s suit on *Noerr* grounds and held that “[t]he same factors which . . . make it impracticable or beyond the purpose of the antitrust laws to identify and invalidate lawmaking that has been infected by selfishly motivated agreement with private interests likewise makes it impracticable or beyond that scope to identify and invalidate lobbying that has produced selfishly motivated agreement with public officials.” *Id.* at 383.

competitive capabilities of a competing industry (namely, trucking), represented a genuine attempt to influence legislation and law enforcement practices.<sup>18</sup>

Two things are implicit in all this. First, litigation conduct will be immunized unless the litigation is completely bogus—i.e., it falls within what is commonly referred to as the “sham” exception to *Noerr*.<sup>19</sup> In *Professional Real Estate Investors, Inc. v. Columbia Pictures Industries, Inc.*, the Supreme Court outlined a two-part test for determining whether any given litigation will be so considered.<sup>20</sup> As an initial matter, the litigation must be objectively baseless in the sense that no reasonable litigant could realistically expect success on the merits.<sup>21</sup> Thus, 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>22</sup> In practice, then, once a court determines that the litigation has objective

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<sup>18</sup> *E. R.R. President’s Conference v. Noerr Motor Freight, Inc.*, 365 U.S. 127, 133, 143-45 (1961)

<sup>19</sup> See generally AREEDA & HOVENKAMP, *supra* note 6, at 221-305 (discussing standards for pleading and proving sham shown in a variety of contexts).

<sup>20</sup> *Prof’l Real Estate Investors, Inc. v. Columbia Pictures Indus. Inc.*, 508 U.S. 49 (1992). There, a resort operator sought antitrust damages against a motion picture studio based on the motion picture studio’s failed suit attempting to recover copyright infringement damages; the resort operator asserted that the motion picture studio’s suit was a “mere sham” and therefore not eligible for *Noerr-Pennington* immunity.

<sup>21</sup> *Id.* at 60.

<sup>22</sup> *Id.* at 60-61. Where there is “probable cause, as understood and applied in the common law tort of wrongful civil proceedings” to institute proceedings, the litigation cannot be viewed as objectively baseless whatever the subjective interest with which it was filed. *Id.* at 62. Probable cause to institute civil proceedings requires no more than a “reasonable belief there is a chance that [a] claim may be held valid upon adjudication.” *Id.* at 62-63. A court is authorized to make this determination as a matter of law when there is no dispute over the predicate facts of the underlying legal proceeding, and a determination of the presence of probable cause irrefutably demonstrates the antitrust plaintiff has not proved the objective prong of the sham exception. *Id.* at 63.



merit, the inquiry ends and the defendant wins.<sup>23</sup> Only if the court first concludes that the challenged litigation is objectively meritless does it proceed to consider the second prong of the test, which involves an inquiry into the litigant’s subjective motivation.<sup>24</sup> Under this prong, an improper purpose will be found if the court determines that “the baseless lawsuit conceals ‘an attempt to interfere directly with the business relationships of a competitor,’ . . . through the ‘use [of] the governmental process—as opposed to the outcome of that process—as an anticompetitive weapon.’”<sup>25</sup> But again, because the question of subjective intent is not considered unless a claim is first held to be objectively baseless, a finding that a lawsuit was instituted with probable cause is an absolute defense to a claim that the case is a sham, regardless of the litigant’s subjective motivation in bringing it.<sup>26</sup>

Second, because the *Noerr-Pennington* doctrine is now commonly framed in First Amendment terms, its application has spread beyond antitrust claims—and in more than one

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<sup>23</sup> *Id.* at 60-61.

<sup>24</sup> *Id.* at 60-61.

<sup>25</sup> *Id.* at 60-61 (quoting *Columbia v. Omni Outdoor Adver., Inc.*, 499 U.S. 365, 380 (1991)). This two-pronged test requires a plaintiff to prove the challenged lawsuit legally unviable before even allowing him to address its economics. However, even if a plaintiff is able to prove both the objective and subjective components of a sham he must still prove an antitrust violation. “Proof of a sham merely deprives the defendant of immunity; it does not relieve the plaintiff of the obligation to establish all other elements of his claim.” *Id.*

<sup>26</sup> *Id.* at 60-61. The court also found that a “winning lawsuit is by definition a reasonable effort at petitioning for redress and therefore not a sham.” *Id.* at 61 n.5. *But see In re Burlington Northern, Inc.*, 822 F.2d 518, 527 (5th Cir. 1987) (refusing to lay down a categorical rule that successful petitioning can never be a sham), *cert. denied sub. nom., Union Pacific R.R. Co. v. Energy Transp. Sys., Inc.*, 484 U.S. 1007 (1988). This presents a significant pleading hurdle for a plaintiff attempting to predicate a claim on litigation conduct. *See Hartford Life Ins. Co. v. Variable Annuity Life Ins. Co., Inc.*, 964 F. Supp. 624, 628 (D. Conn. 1997) (dismissing antitrust counterclaim; even if allegations were true, they would not establish that there was no probable cause to initiate the proceedings).

dimension.<sup>27</sup> But the United States Supreme Court has not squarely held this to be the case, although, as we will see, it has inferentially done so, at least to the satisfaction of the lower courts. In *BE & K Const. Co. v. N.L.R.B.*, the Court faced the by-then familiar “issue of when litigation may be found to violate federal law, but this time with respect to the NLRA rather than the Sherman Act.”<sup>28</sup> Ultimately, the Court did not need to decide whether fully to extend *Noerr* to a non-antitrust statute, but—as Justice Scalia stated in a concurring opinion—the majority opinion sufficiently cleared that road:

Although the Court scrupulously avoids deciding the question (which is not presented in this case), I agree with Justice BREYER, that the implication of our decision today is that, in a future appropriate case, we will construe the National Labor Relations Act (NLRA) in the same way we have already construed the Sherman Act: to prohibit only lawsuits that are *both* objectively baseless *and* subjectively intended to abuse process.<sup>29</sup>

The underlying reasoning of the majority opinion was that—consistent with the general notion that the freedoms of speech and press entail that they must be given “breathing space”—it would

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<sup>27</sup> See *Sosa v. DIRECTV, Inc.*, 437 F.3d 923, 931 (9th Cir. 2006) (“[W]e 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.”); *Baltimore Scrap Corp. v. David J. Joseph Co.*, 237 F.3d 394, 399 (2001) (holding that *Noerr-Pennington* immunity applies to adjudicatory processes through the First Amendment because “the rights of petition and association trump any anticompetitive effects that might occur from asking the government for redress . . . and that [a]ny other rule would allow the specter of satellite litigation to restrict the primary right of citizens to seek justice from the judicial system”) (citing *California Motor Transport Co. v. Trucking Unlimited*, 404 U.S. 508, 510-11, (1972)); *White v. Lee*, 227 F.3d 1214, 1231 (9th Cir. 2000) (holding that because *Noerr-Pennington* “is based on and implements the First Amendment right to petition,” it is not limited to the antitrust context; rather, it “applies equally in all contexts”).

<sup>28</sup> 536 U.S. 516, 526 (2002) (deciding whether the NLRB could impose sanctions based on a contractor’s filing of a retaliatory lawsuit when the suit was not objectively baseless).

<sup>29</sup> *Id.* at 537.

be anathema to First Amendment values to declare unlawful an “entire class of reasonably based but unsuccessful lawsuits.”<sup>30</sup>

This expansive reading of *Noerr* is consistent with what many courts both before and after *BE & K* have held. As one Texas court put it, “[t]he courts that have addressed whether the doctrine applies in cases other than those based on anti-trust violations recognize that while the doctrine originally arose in connection with anti-trust cases, it is fundamentally based on First Amendment principles . . . . Thus, the doctrine is a principle of constitutional law that bars litigation arising from injuries received as a consequence of First Amendment petitioning activity, regardless of the underlying cause of action asserted by the plaintiff.”<sup>31</sup> Not surprisingly, then, *Noerr* now applies to (1) non-antitrust federal statutory claims<sup>32</sup> (2) state as well as federal claims,<sup>33</sup> (3) pre-litigation activities,<sup>34</sup> (4) reports to law enforcement,<sup>35</sup> (5) some settlement agreements,<sup>36</sup> and (6) refusals to settle.<sup>37</sup>

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<sup>30</sup> *Id.* at 531.

<sup>31</sup> *RRR Farms, Ltd. v. Am. Horse Prot. Assoc.*, 957 S.W.2d 121, 129 (Tex. App.—Houston [14th Dist.] 1991) (holding that *Noerr-Pennington* immunity applies to a claim of tortious interference with prospective business advantage brought by breeders of Tennessee Walking Horses based on the a horse association’s lobbying and litigation designed to do away with certain procedures and devices used in the training and showing of Tennessee Walking Horses).

<sup>32</sup> *Gen-Probe, Inc. v. Amoco Corp.*, 926 F. Supp. 948, 956 (S.D. Cal. 1996) (the doctrine bars “any claim, federal or state, common law or statutory, that has as its gravamen constitutionally protected petitioning activity”).

<sup>33</sup> *South Dakota v. Kan. City S. Indus., Inc.*, 880 F.2d 40, 50-53 (8th Cir. 1989) (recognizing that *Noerr-Pennington* doctrine may be invoked to immunize petitioning activity from civil liability outside the antitrust context); *Video Int’l Prod., Inc. v. Warner Amex Cable Commc’n.*, 858 F.2d 1075, 1077-78, 1084 (5th Cir. 1988) (applying *Noerr-Pennington* to claims for tortious interference and violation of 42 U.S.C. § 1983 and opining that “[t]here is simply no reason that a common-law tort doctrine can any more permissibly abridge or chill the constitutional right of petition than can a statutory claim such as antitrust”); *Stern v. U.S. Gypsum, Inc.*, 547 F.2d 1329, 1342-46 (7th Cir. 1977) (applying *Noerr-Pennington* to 42 U.S.C. § 1985(1)); *In re Circuit Breaker Litig.*, 984 F. Supp. 1267, 1282-83 (C.D. Cal. 1997) (“[T]o the

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extent that Defendants' claims for intentional interference are based on conduct protected by the *Noerr-Pennington* doctrine, such claims fail because the conduct cannot be found wrongful under a state tort law."); *Computer Assocs. Int'l, Inc. v. Am. Fundware, Inc.*, 831 F. Supp. 1516, 1522 (D. Colo. 1993) (recognizing *Noerr-Pennington* doctrine applies in suits other than those based on antitrust violations); *National Indus. Sand Ass'n v. Gibson*, 897 S.W.2d 769, 774 (Tex. 1995) (recognizing applicability of *Noerr-Pennington* doctrine to conspiracy claim); *RRR Farms*, 957 S.W.2d at 129 (finding *Noerr-Pennington* doctrine applicable to claims for malicious prosecution, tortious interference, abuse of process, and prima facie tort); *Diaz v. Sw. Wheel, Inc.*, 736 S.W.2d 770, 774 (Tex.App.—Corpus Christi 1987, writ denied) (finding summary judgment for trade association proper where association allegedly attempted to influence government agency not to recall or ban product; further finding that the act was not illegal and therefore could not give rise to conspiracy claim).

<sup>34</sup> See, e.g., *McGuire Oil Co. v. MAPCO, Inc.*, 958 F.2d 1552, 1560 (11th Cir. 1992) ("Regarding Mapco's claim that plaintiffs' concerted and repeated threats of litigation constituted a violation of the antitrust laws, it is clear that such threats, no less than the actual initiation of litigation, do not violate the Sherman Act."); *Coastal States Mktg., Inc. v. Hunt*, 694 F.2d 1358, 1367 (5th Cir. 1983) ("Given that petitioning immunity protects joint litigation, it would be absurd to hold that it does not protect those acts reasonably and normally attendant upon effective litigation."); *Versatile Plastics, Inc. v. Sknowbest! Inc.*, 247 F. Supp. 2d 1098, 1104 (E.D. Wisc. 2003) (considering applicability of *Noerr* to patent infringement letters); *Matsushita Elecs. Corp. v. Loral Corp.*, 974 F. Supp. 345, 359 (S.D.N.Y. 1997) (extending immunity to infringement warning letters sent by the plaintiff to the defendant's customers); *Barq's Inc. v. Barq's Beverages, Inc.*, 677 F. Supp. 449, 453 (E.D. La. 1987) ("[P]laintiff's actions (including letters to suppliers and demand letters) which preceded the filing of this lawsuit are also protected under *Noerr-Pennington* petitioning immunity."); *Aircapital Cablevision, Inc. v. Starlink Commc'ns Group*, 634 F. Supp. 316, 325-26 (D. Kan. 1986) (extending immunity to issuance of press releases publicizing the lawsuit and threatening further legal action); but see *Cardtoons v. Major League Baseball Players Ass'n*, 208 F.3d 885, 885 (10th Cir. 2000) ("[W]e hold that when the basis for immunity is the right to petition, purely private threats of litigation are not protected because there is no petition addressed to the government.").

<sup>35</sup> *Forro Precision, Inc. v. IBM Corp.* 673 F.2d 1045, 1060 (9th Cir. 1992) (applying *Noerr-Pennington* immunity when the defendant solicited a police investigation to catch a competitor who had allegedly stolen its trade secrets); *Ottensmeyer v. Chesapeake & Potomac Tel. Co. of Md.*, 756 F.2d 986, 994 (4th Cir. 1985) (applying *Noerr-Pennington* immunity and the "sham" exception to interactions with police; opining that the "sham" exception provides the necessary safeguard against abuse of immunity).

<sup>36</sup> *A.D. Bedell Wholesale Co. v. Philip Morris, Inc.*, 263 F.3d 239 (3d Cir. 2001), cert. denied, 534 U.S. 1081 (2002) (in extending *Noerr* to settlement agreement, court stated that "[W]e see no reason to distinguish between settlement agreements and other aspects of litigation between private actors and the government which give rise to an antitrust immunity").

<sup>37</sup> *Prof'l Real Estate Investors, Inc. v. Columbia Pictures, Inc.* 944 F. 2d 1525, 1528-29 (9th Cir. 1991), aff'd, 508 U.S. 49 (1993) ("A decision to accept or reject an offer of settlement

As these cases show, *Noerr* casts a reasonably long shadow over litigation activities. But what if parties—particularly cross-border parties—elect arbitration instead of litigation as a method of dispute resolution? Should *Noerr* attach to the same extent—or even to some extent—to arbitration activities? To that subject we now turn.

### 11. *Noerr-Pennington* in Arbitration

There are two general ways in which *Noerr* could be applicable to arbitration, each of which has a precise litigation analogue. First, a party could institute an arbitration against a rival. Later, the rival could argue (in a separate arbitration or, more likely, in a separate lawsuit) that the first party instituted the arbitration solely for anticompetitive reasons and to interfere in the rival's business. Second, two parties could conduct an arbitration and resolve their dispute by way of a settlement agreement. A third party might later sue on the ground that this agreement is anticompetitive. With respect to each of these scenarios, should *Noerr* bar the later suit and, if so, under what circumstances and to what extent? To answer this question, we must look carefully at the policies underlying both *Noerr* and international commercial arbitration.

#### 1. Arbitration as a basis of a present counterclaim or a subsequent lawsuit.

The threshold obstacle to applying *Noerr* to arbitration activities is (deceptively) obvious: arbitration does not involve petitioning the *government*. But is that really so, at least as a practical matter? To begin to answer that question, we must consider whether there is sharp line to be drawn between “public” and “private” legislative and adjudicative bodies, and, if not, if there is a reasoned way to determine *ex ante* whether a particular “quasi-public” body should qualify as a *Noerr*-protected body. In *Allied Tube & Conduit Corp v. Indian Head, Inc.*, the Supreme Court considered whether acts taken in connection with a private trade

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is conduct incidental to the prosecution of the suit and not a separate and distinct activity which might form the basis for antitrust liability.”).

association/standard-setting body were quasi-public and, therefore, worthy of *Noerr* immunity.<sup>38</sup> The Court opined that the issue reduced to one of the “context and nature of the activity.”<sup>39</sup> There, some members of the trade association manipulated the standard-setting process of their private organization to advantage their products and disadvantage those of certain competitors.<sup>40</sup> The Court held that the association could not claim “quasi-legislative” status merely because legislatures routinely adopted its standards: “Whatever de facto authority the Association enjoys, no official authority has been conferred on it by any government, and the decisionmaking body of the Association is composed, at least in part, of persons with economic incentives to restrain trade.”<sup>41</sup> By contrast, the major international arbitral bodies are not composed of persons with economic incentives to restrain trade<sup>42</sup> and, as explained above, private arbitration is to some extent clothed in “official” sanction, so we must drill deeper to see whether courts have recognized any quasi-public entities as *Noerr*-conferring entities.<sup>43</sup>

A fruitful first step in this analysis is to consider immunity more generally and to consider cognate situations in which courts have extended immunity to actors in quasi-public organizations. At the highest level of generality, courts have on several occasions recognized that self-regulatory organizations should enjoy immunity when they exercise quasi-governmental

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<sup>38</sup> *Allied Tube & Conduit Corp. v. Indian Head, Inc.*, 486 U.S. 492, 500-02 (1988) (manufacturers of steel electrical conduit packed annual meeting of national trade group to ensure that use of PVC electrical conduit would not be approved in National Electrical Code).

<sup>39</sup> *Id.* at 506.

<sup>40</sup> *Id.* at 509-10.

<sup>41</sup> *Id.* at 501.

<sup>42</sup> *Cf. Superior Ct. Trial Lawyers v. FTC*, 493 U.S. 411 (1990) (lawyers boycotted legal services for indigent defendants to force fee increases from District of Columbia).

<sup>43</sup> *See supra*, note 2 and accompanying text.

powers.<sup>44</sup> More important for our purposes, we find that courts have in fact treated various non public bodies *as if* they were courts.<sup>45</sup> And this is particularly so with respect to private arbitrators. The issue reduces to one of the “‘functional comparability’ of the arbitrator’s role in a contractually agreed upon arbitration proceeding to that of his judicial counterpart . . .”<sup>46</sup> In other words, the policies favoring arbitral and judicial independence converge:

The functional comparability of the arbitrators’ decision-making process and judgments to those of judges and agency hearing examiners generates the same need for independent judgment, free from the threat of lawsuits. Immunity furthers this need. As with judicial and quasi-judicial immunity, arbitral immunity is essential to protect the decision-making process from reprisals by dissatisfied litigants.<sup>47</sup>

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<sup>44</sup> See, e.g., *Barbara v. N.Y. Exch.*, 99 F.3d 49, 58 (2nd Cir. 1996) (holding that the New York Stock Exchange is immune in performance of regulatory functions that would otherwise be undertaken by government agency); *Sparta Surgical Corp. v. NASD, Inc.*, 159 F.3d 1209, 1213-14 (9th Cir. 1988) (finding NASD cloaked with immunity by virtue of its duties under the Securities Exchange Act).

<sup>45</sup> See, e.g., *Kwoun v. S.E. Mo. Prof’l Standards Review Org.*, 811 F.2d 401, 407-09 (8th Cir. 1989) (holding that a private peer-review group conducting adversarial medical performance review was afforded the same immunity that would have been afforded members of a court because “the committee’s function shared the characteristics of the judicial process, because an unfavorable recommendation from each committee had the potential of provoking a retaliatory lawsuit, and because the subject of each committee’s actions had adequate opportunity to challenge those actions through judicial review”), *cert. denied*, 486 U.S. 1022 (1988); *Wasyf, Inc. v. First Boston Corp.*, 813 F.2d 1579, 1582 (9th Cir. 1987) (immunizing appraisers undertaking adjudicative-type acts because such immunity: (1) promotes independent judgment free from the threat of lawsuits, (2) protects the decision maker from undue influence and protects the decision making process from reprisals from dissatisfied litigants, and (3) furthers the federal policy supporting such adjudicative-type acts).

<sup>46</sup> *Austern v. Chicago Bd. Options Exch., Inc.*, 898 F.2d 882, 886 (2nd Cir. 1990) (holding that a claim for mental anguish and the expense of defending an unsuccessful action to have an arbitral award confirmed failed because the CBOE was shielded from civil liability by the doctrine of arbitral immunity).

<sup>47</sup> *Corey v. NYSE*, 691 F.2d 1205, 1208-11 (6th Cir. 1982) (holding that a claim against the NYSE for mental anguish, long standing physical problems, and punitive damages arising out of the NYSE empanelling arbitrators for a separate claim failed based on the doctrine of arbitral immunity).

The next step in the argument is to consider the flip side of the coin: namely, whether a person petitioning an arbitral body should enjoy parallel *Noerr* immunity.<sup>48</sup> Certainly, any given commercial arbitration is a matter of contract between the parties;<sup>49</sup> nonetheless, commercial arbitration—both domestic and international—carries government sanction and is, therefore, in some sense nothing more than an outsourcing of a traditional government function (litigation in court) to specialized and relatively speedy expert bodies.<sup>50</sup> For example, arbitral *awards* are

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<sup>48</sup> *But cf., Waddell & Reed Fin., Inc. v. Torchmark Corp.*, 223 F.R.D. 566, 624 (D. Kan. 2004) (in the context of NASD investigation, finding that “[s]ound public policy reasons support immunity for private parties who in good faith perform certain quasi-governmental tasks. Absent any controlling authority on the issue, however, the Court is reluctant to extend immunity to those who petition private parties who engage in such tasks”).

<sup>49</sup> *Chiron Corp. v. Ortho Diagnostic Sys., Inc.*, 207 F.3d 1126, 1130 (9th Cir. 2000) (“[A]n agreement to arbitrate is a matter of contract.”); MARTIN DOMKE, DOMKE ON COMMERCIAL ARBITRATION: THE LAW AND PRACTICE OF COMMERCIAL ARBITRATION 1, at §1:2 (Gabriel M. Wilner ed., 2008) (“Arbitration is a creature or matter of contract. . . a party cannot be required to submit to arbitration any dispute which that party has not agreed to submit.”).

<sup>50</sup> Over twenty years ago, the United States Supreme Court acknowledged the need for international commercial arbitration as a primary method of dispute resolution:

As international trade has expanded in recent decades, so too has the use of international arbitration to resolve disputes arising in the course of that trade. The controversies that international arbitral institutions are called upon to resolve have increased in diversity as well as in complexity. Yet the potential of these tribunals for efficient disposition of legal disagreements arising from commercial relations has not yet been tested. If they are to take a central place in the international legal order, national courts will need to “shake off the old judicial hostility to arbitration,” . . . and also their customary and understandable unwillingness to cede jurisdiction of a claim arising under domestic law to a foreign or transnational tribunal. To this extent, at least, it will be necessary for national courts to subordinate domestic notions of arbitrability to the international policy favoring commercial arbitration.

*Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth*, 473 U.S. 614, 638-39 (1985) (citation omitted) (holding that a domestic auto dealer engaged in an international transaction bound by its arbitration agreement, even as to antitrust claims). It is also worth noting that Congress has from time to time provided for arbitration as a method of dispute resolution under particular statutes. See, e.g., *Global Naps, Inc. v. Bell Atlantic-N.J., Inc.*, 287 F. Supp. 2d 532 (D. N.J. 2003)



typically confirmed by courts and thus result in *judgments*.<sup>51</sup> The point here is that, whether by statute or treaty, the United States has institutionalized arbitration schemes, as have most other commercially sophisticated jurisdictions.<sup>52</sup>

At least some courts would seem to believe that this is a matter beyond cavil. For example, in *Sunergy Communities, Inc. v. Aristek Properties, LTD*, the defendants sought to avoid—on *Noerr-Pennington* grounds—the plaintiffs’ antitrust claims, which were predicated, in part, on an allegation that one of the defendants had forced one of the plaintiffs to participate in an arbitration to deprive him of resources needed to finance and run a competing business.<sup>53</sup> The Court first noted that the *Noerr* doctrine had “evolved” and that it had been “extended” over time.<sup>54</sup> Then, it went straight to the issue of whether the defendant’s arbitration and litigation acts were a “sham” (i.e., an exception to *Noerr*) and concluded that it could not say in the context of summary judgment because the plaintiff had prevailed in the arbitration, and it was unclear that the defendant had prevailed in the related litigation.<sup>55</sup> In structuring its analysis in this

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(discussing arbitration provisions of the Telecommunications Act of 1996, codified at 47 U.S.C §§ 252(b)(1) and (e)(5)).

<sup>51</sup> See Sabrina M. Sudol, *The U.N. Convention on the Recognition and Enforcement of Foreign Arbitral Awards and Issue Preclusion: A Traditional Collateral Estoppel Determination*, 65 U. PITT. L. REV. 931 (2004); *Foreign Judgments Based on Foreign Arbitral Awards: The Applicability of Res Judicata*, 124 U. PA. L. REV. 223 (1975).

<sup>52</sup> The Federal Arbitration Act is codified at 9 U.S.C. §§ 1 et seq. The United States is a signatory to two conventions relating to arbitration, the Convention on the Recognition and Enforcement of Foreign Arbitral Awards and the Inter-American Convention on International Commercial Arbitration. The former is codified at and implemented through 9 U.S.C. §§ 201 et seq., the latter at and through 9 U.S.C §§ 301 et seq.

<sup>53</sup> 535 F. Supp. 1327, 1329 (D. Colo. 1982).

<sup>54</sup> *Id.* at 1329-30.

<sup>55</sup> *Id.* at 1331.

fashion, the Court plainly, if implicitly, found that *Noerr* would apply to both litigation and arbitration conduct, absent application of the sham exception. This is of course not a definitive statement (and something of an ipse dixit) and thus fails to explain *why* arbitration could rationally be treated as protected petitioning activity.<sup>56</sup> What remains to be done, then, is to close the loop between governmental sanction and private arbitration.<sup>57</sup>

In other words, once we demonstrate that arbitration has government imprimatur, objections to the application of *Noerr* begin to lose force, especially vis-à-vis international arbitration. To illustrate, a careful review of a leading case on the issue, *Eurotech, Inc. v. Cosmos European Travels AG*, will be worthwhile.<sup>58</sup> Plaintiff Eurotech and its affiliates were in

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<sup>56</sup> AREEDA & HOVENKAMP offer a useful point of comparison when they discuss private decision-making bodies:

we can say that no liability would arise when the petitioner—that is, the antitrust defendant—was neither a member of the private decision-making body nor had any unique opportunities to exert influence that were not also available to the antitrust plaintiff. Even the defendant who was a member or had such influence should not be liable unless it abused its position in a way that denied the antitrust plaintiff fair consideration in the private body’s rule-making process.

AREEDA & HOVENKAMP, *supra* note 6, at 331.

<sup>57</sup> One reason to take the private/public overlap seriously is that it is not unheard of for a claimant to argue that its opponent has abusively instituted both arbitration *and* litigation against it. See, e.g., *Heritage Numismatic Auctions, Inc. v. Superior Galleries, Inc.*, No. 3:06 CV2053N, N.D. Tex. (Doc. 9, filed 1/08/2007) at 10 (in support of monopolization counterclaim, defendant/counterplaintiff alleged that “Heritage’s arbitration—much like its initial lawsuit and now this instant proceeding—is malicious, devoid of merit, and purely designed to prevent any former Heritage employee or contractor from working for Superior.”). Treating the prosecution of arbitration and litigation symmetrically would have the virtue of providing a single rule of decision in cases, like *Heritage*, in which an antitrust claim is founded on both litigation and arbitration conduct. Indeed, the counterclaimant in *Heritage* apparently conceded the efficacy of such an approach in alleging that plaintiff/counterdefendant’s arbitration and litigation were “shams” within the meaning of *Professional Real Estate Investors*. *Id.* at 11. In other words, counterplaintiff would not have alleged that the arbitration was a sham had it not believed that *Noerr* applied to it.

<sup>58</sup> 189 F. Supp. 2d 385 (E.D. Va. 2002).

the marketing business.<sup>59</sup> At some point, Eurotech purchased an internet domain name, cosmos.com, from which one of its affiliates marketed travel-related service on behalf of third parties.<sup>60</sup> Defendant Cosmos European Travels had for many years been in the business of conducting budget vacation packages.<sup>61</sup> It had long used the marks “Cosmos” and “Cosmos Tourama,” which it had registered in several jurisdictions, including the United States.<sup>62</sup> It also operated two websites containing “cosmos” in the domain name.<sup>63</sup>

Although some of the facts were in dispute, one of the plaintiff companies contacted one of the defendant’s affiliates to discuss a possible business arrangement.<sup>64</sup> There was back and forth between the two sides for a couple of months, but they reached no agreement.<sup>65</sup> Soon thereafter, Cosmos European Travels filed an arbitration complaint with the World Intellectual Property Organization (WIPO), in which it sought an order transferring the registrar certificate for cosmos.com to it.<sup>66</sup> The arbitrator ultimately agreed and ruled that the disputed domain name should be transferred to Cosmos European Travels.<sup>67</sup> The global registry for all “.com” names thus notified one of Eurotech’s affiliates that the domain name cosmos.com would be transferred

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<sup>59</sup> *Id.* at 387.

<sup>60</sup> *Id.* at 387-88.

<sup>61</sup> *Id.* at 387.

<sup>62</sup> *Id.*

<sup>63</sup> *Id.*

<sup>64</sup> *Id.* at 388.

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*

<sup>67</sup> *Id.* at 390.

to Cosmos European Travels unless Eurotech immediately filed suit to block the transfer.<sup>68</sup> Eurotech obliged, but it filed suit not just with respect to ownership of the domain name.<sup>69</sup> It also filed tortious interference and abuse of process claims based on “initiating and maintaining the WIPO proceeding.”<sup>70</sup>

Cosmos European Travels moved to dismiss the tort claims on a variety of grounds, including *Noerr-Pennington*.<sup>71</sup> In considering this part of the motion to dismiss, the Court first rehearsed the genesis and growth of the *Noerr-Pennington* doctrine, concluding that “courts have extended this judicial doctrine well beyond its original boundaries.”<sup>72</sup> Given this expansive reading of the doctrine, the court opined that

Thus, the only questions remaining regarding the *Noerr-Pennington* doctrine’s applicability here are (1) whether WIPO arbitration proceedings are protected by the *Noerr-Pennington* doctrine, and, if so, (ii) whether the sham litigation or fraudulent litigation exceptions to the *Noerr-Pennington* doctrine apply here.<sup>73</sup>

In response to the first question, Eurotech drove to the nut of the problem by arguing that “because WIPO is a private entity, arbitration under WIPO auspices is a wholly private matter undeserving of *Noerr-Pennington* immunity.”<sup>74</sup> The Court, however, disagreed, finding the

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<sup>68</sup> *Id.* at 389.

<sup>69</sup> *Id.*

<sup>70</sup> *Id.* By way of contrast, see *Famology.com v. Perot Systems Corp.*, 158 F. Supp. 2d 589 (E.D. Pa.). There, the Court found that plaintiffs could survive a motion to dismiss their tortious interference and abuse of process claims based on a lost domain-name arbitration. The Court did not, however, address *Noerr-Pennington*, presumably because defendant did not raise it.

<sup>71</sup> *Id.*

<sup>72</sup> *Id.* at 392.

<sup>73</sup> *Id.*

<sup>74</sup> *Id.*

argument “unpersuasive because WIPO is not simply and solely a private body; rather, it is a quasi-public organization that is an integral part of the United Nations system of organizations, with a mandate to administer intellectual property matters.”<sup>75</sup> But even more important, the Court held that WIPO proceedings are “a form of arbitration” and, ipso facto, “are part of the adjudicatory process . . . warrant[ing] *Noerr-Pennington* immunity.”<sup>76</sup> This holding squares with the realities of international commercial relationships and dispute resolution and is also accompanied by a built-in safeguard against abuse.<sup>77</sup> For if one party were to institute, for example, a bogus arbitration under the auspices of a corrupt arbitral body, the aggrieved party should be allowed to defeat a claim of *Noerr* immunity by invoking the “sham” exception.<sup>78</sup>

In *Eurotech*, the Court found that the sham exception did not apply as a matter of fact because the conduct about which the plaintiffs complained did not rise to the level of fraud.<sup>79</sup>

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<sup>75</sup> *Id.*

<sup>76</sup> *Id.* But see A. Michael Froomkin & Mark A. Lemly, *ICANN and Antitrust*, 2003 ILL. L. REV. 1, 72 n.353 (2003) (suggesting that domain-name arbitration not sufficiently public to confer *Noerr* immunity on participants).

<sup>77</sup> There are good reasons why the *international* aspects of these relationships should be of no moment. As one commentator has persuasively argued, “what companies can do domestically, they should be able to do overseas.” Wilbur Fulgate, *The Department of Justice’s Antitrust Guidelines for International Operations*, 17 VA. J. INT’L L. 691, 693 (1977). Taking this as a cue, the Fifth Circuit held that a company that brought suits against parties that purchased oil from its Libyan operation that had been nationalized could avail itself of *Noerr* immunity for those and other acts. See *Coastal States Mktg., Inc. v. Hunt*, 694 F.2d 1358, 1366 (5th Cir. 1983) (“We see no reasons why acts that are legal and protected if done in the United States should in a United States court become evidence of illegal conduct because performed abroad.”).

<sup>78</sup> An apt analogy would be to the preclusive effect to be given an award issued as a result of corruption. See *infra*, note 82.

<sup>79</sup> *Eurotech, Inc. v. Cosmos European Travels Adtiengesellschaft*, 189 F. Supp. 2d at 393-94. It remains an open question whether “fraud” is an exception to *Noerr* and if so, whether it is separate from or just an instantiation of the “sham” exception. *Id.* at 394. The leading antitrust commentators suggest an “approach that denies *Noerr* protection to every significant and

Specifically, the Court found no conduct that could be said to have deprived the WIPO proceeding of its legitimacy or that infected its core.<sup>80</sup> But if a court were to find corruption or fraud that undermined the legitimacy of a prior arbitration, then the court should refuse to confer *Noerr* immunity on acts committed in connection with that arbitration. This would not be completely unique approach: a useful analogue already exists in the jurisprudence relating to the preclusive effect of international arbitral awards.<sup>81</sup> That is, a court properly may decline to extend res judicata or collateral estoppel effect to a foreign arbitral award if, for example, the award was obtained without due allegations and proof or “civilized” procedures.<sup>82</sup> A similar standard could thwart unwarranted resort to *Noerr*.

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provable provision of information that the antitrust defendant knew or should have known to be false.” PHILLIP E. AREEDA & HERBERT HOVENKAMP, 1 ANTITRUST LAW 259 (3d ed. 2006) (standard applicable to false information producing successful judicial or quasi-judicial claim); cf. *Fox News Network, L.L.C. v. Time Warner Inc.*, 962 F. Supp. 339 (E.D. N.Y. 1997) (noting exception to *Noerr* for illegal, corrupt, or unethical means used in suit and further noting that conduct that might not be considered corrupt in a monetary sense might nevertheless be illegal or unethical); but see *Cheminor Drugs v. Ethyl Corp.*, 168 F.3d 119, 123-24 (3d Cir. 1999) (“While we do not condone misrepresentations in a judicial setting, neither will we deprive litigants of immunity derived from the First Amendment’s right to petition the government if the alleged misrepresentations do not affect the core of the litigant’s . . . case.”). For a general discussion of this issue, see Daniel J. Davis, *The Fraud Exception to the Noerr-Pennington Doctrine in Judicial and Administration Proceedings*, 60 U. CHI. L. REV. 325 (2002); Scott Filmore, *Defining the Misrepresentation Exception to the Noerr-Pennington Doctrine*, 29 KAN. L. REV. 423 (2001); C. Douglas Floyd, *Antitrust Liability for the Anticompetitive Effects of Governmental Action Induced by Fraud*, 69 ANTITRUST L.J. 403 (2001).

<sup>80</sup> *Eurotech*, 189 F. Supp. 2d at 394.

<sup>81</sup> See Randy D. Gordon, *Only One Kick at the Cat: A Contextual Rubric for Evaluating Res Judicata and Collateral Estoppel in International Commercial Arbitration*, 18 FLA. J. INT’L L. 549 (2006).

<sup>82</sup> *Gulf Petro Trading Co. v. Nigerian Nat’l Petroleum Corp.*, 288 F. Supp. 2d 783, 794 (N.D. Tex. 2003), *aff’d*, 115 Fed. Appx. 201 (5th Cir. 2004) (holding that the doctrines of res judicata and international comity precluded modifying or setting aside final arbitral award from a foreign jurisdiction because (1) the foreign judgment was rendered by a court of competent jurisdiction, which had jurisdiction over the cause and the parties, (2) the judgment is supported

At least one Court has followed *Eurotech*, even where the defendant *lost* the underlying arbitration about which the plaintiff complains. *Oneida Tribe of Indians of Wisconsin v. Harms*, like *Eurotech*, arose from a dispute over an internet domain name.<sup>83</sup> The Oneida Tribe owned a number of trademarks that incorporated the word “Oneida.”<sup>84</sup> Many years after the Oneida Tribe had begun to use its trademarks, Harms registered the domain name “www.oneidatribe.com.”<sup>85</sup> The Oneida Tribe demanded that Harms relinquish the domain name, and, when he refused, it submitted a complaint to the National Arbitration Forum.<sup>86</sup> For reasons that are unclear from the district court’s opinion, the arbitrator ruled that the Oneida Tribe did not carry its burden.<sup>87</sup> Soon thereafter, the Oneida Tribe sued in federal court, and Harms counterclaimed, arguing that the pre-arbitration demand letter, the arbitration complaint, and the lawsuit itself all constituted malicious prosecution and defamation.<sup>88</sup> But the Court found that all the Oneida Tribe’s conduct fell within the *Noerr-Pennington* doctrine.<sup>89</sup> Along the way, the Court specifically noted that *Noerr* immunity had been extended (by *Eurotech*) to arbitration conduct and then specifically held that “there is no indication that that Oneida Tribe was doing anything other than exercising by due allegations and proof, (3) the relevant parties had an opportunity to be heard, and (4) the foreign court followed civilized procedural rules).

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<sup>83</sup> 2005 U.S. Dist LEXIS 27558 (E. D. Wisconsin).

<sup>84</sup> *Id.* at \*3.

<sup>85</sup> *Id.*

<sup>86</sup> *Id.* at \*4.

<sup>87</sup> *Id.* at \*5.

<sup>88</sup> *Id.* at \*6, \*8. The precise nature of Harms’ claims caused the Court to perform a fair amount of guesswork because they were “scattered and largely unclear”; nonetheless, using a liberal “pro se litigant” standard, the court held them “at least intelligible” and declined to dismiss them on purely procedural grounds. *Id.* at \*6.

<sup>89</sup> *Id.* at \*8.

rights that are protected by the *Noerr-Pennington* doctrine,” and that, “[a]ccordingly Harms cannot bring any counterclaims based on any of the activity he complains the Tribe has undertaken.”<sup>90</sup>

Before leaving this topic, we should note that—even though *Noerr* should cover claims based on alleged arbitral abuse—a court might allow such a claim to survive a motion to dismiss based on a very thin allegation of “sham.” In *Frayne v. Chicago 2016*, that is exactly what happened.<sup>91</sup> The background facts are these: In 2006, the City of Chicago allegedly incorporated Chicago 2016 to act as the City’s agent in connection with its attempt to bring the 2016 Olympic Games to Chicago.<sup>92</sup> Chicago filed to register “CHICAGO 2016” as a trademark; the mark was registered in 2008.<sup>93</sup> Several years earlier, Frayne had registered the Internet domain name “Chicago2016.com.”<sup>94</sup> Chicago 2016 tried to purchase the domain name from him, but he was unwilling to sell.<sup>95</sup> Defendants then initiated a WIPO proceeding “claiming that Frayne had registered and used the Chicago2016.com name in bad faith.”<sup>96</sup> Soon thereafter, Frayne sued on a variety of statutory and constitutional theories, and WIPO dismissed the defendants’ complaint without prejudice.<sup>97</sup>

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<sup>90</sup> *Id.* at \*9.

<sup>91</sup> *Frayne v. Chicago 2016*, No. 1:08-cv-05290, N.D. Ill. (Doc. 41, filed 1/08/2009).

<sup>92</sup> *Id.* at 2.

<sup>93</sup> *Id.*

<sup>94</sup> *Id.*

<sup>95</sup> *Id.*

<sup>96</sup> *Id.* at 2-3.

<sup>97</sup> *Id.* at 3.



Chicago 2016 moved to dismiss the lawsuit, in part on the ground that its actions were protected under *Noerr*.<sup>98</sup> The Court agreed, holding that “[a]ctions to protect a trademark, including enforcing trademark rights in court, are subject to protection under the *Noerr-Pennington* doctrine,” which extends to “petitions made to administrative agencies.”<sup>99</sup> But the Court did not stop there: “Frayne alleges that ‘[d]efendants’ actions in bringing baseless WIPO proceedings and threatening legal proceedings against Frayne have violated his constitutional rights. By this allegation, Frayne has raised the issue of whether the WIPO proceedings were a sham designed to injure him, thus rendering the *Noerr-Pennington* doctrine inapplicable.”<sup>100</sup> For the reasons discussed above, this allegation of “sham” is arguably insufficient as a matter of pleading (e.g., the facts alleged do not demonstrate a lack of probable cause, a threshold requirement for a finding of sham), but the Court nonetheless deemed it sufficient and denied the motion to dismiss.<sup>101</sup> In any event, the Court added additional mass to the growing body of case law holding that *Noerr* applies with equal force to arbitration and litigation conduct.

## **2 . Can *Noerr-Pennington* insulate a pre- or post-arbitral settlement agreement from third-party attacks?**

*Noerr*, like all flexible concepts, can be stretched to the breaking point. One commentator has recently suggested that “the *Noerr-Pennington* doctrine should immunize from

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<sup>98</sup> *Id.* at 6.

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*

<sup>101</sup> See *supra*, notes 19-26 and accompanying text; see also *Rockbit Indus. U.S.A., Inc. v. Baker Hughes, Inc.*, 802 F. Supp. 1544, 1552 (S.D. Tex. 1991) (“In light of the fundamental first amendment values that the *Noerr-Pennington* doctrine is designed to protect, a complaint should contain specific allegations demonstrating that the *Noerr-Pennington* protections do not apply.”).

subsequent litigation ADR incidental to genuine petitioning of the courts.”<sup>102</sup> By invoking all alternative dispute resolution, this commentator is tacitly suggesting (a suggestion that he later makes explicit) that *Noerr* should be extended to mediation, even pre-suit mediation.<sup>103</sup> This would seem to fall well within a zone of purely private—and therefore non-immune—activity.<sup>104</sup> There may be, however, good (at least superficial) conceptual reasons to distinguish pre-suit or pre-arbitration activities (particularly settlement) from those made in the course of litigation or arbitration, so I want to focus our attention in the latter direction.<sup>105</sup>

Certainly, there are situations in which the government is a party to a settlement agreement or—as with consent decrees or class action settlements—court approval is required.<sup>106</sup>

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<sup>102</sup> Adam Eckstein, *The Petition Clause and Alternative Dispute Resolution: Constitutional and Consistency Arguments for Providing Noerr-Pennington Immunity to ADR*, 75 U. CIN. L. REV. 1683, 1684 (2007).

<sup>103</sup> *Id.*

<sup>104</sup> For example, two competitors fighting over a mutual defection of employees might think it expedient to settle the dispute by agreeing to divide their markets in a way that would render the defections harmless from a bottom-line business perspective. This agreement would nonetheless be a per se violation of Section 1 of the Sherman Act, and there is no overriding policy reason to apply *Noerr* immunity to it. See *Palmer v. BRG of Ga., Inc.*, 498 U.S. 46 (1990). Certainly, parties should be encouraged to settle disputes quickly and efficiently, but a pre-suit/arbitration agreement is nonetheless a *private* agreement. See *Addyston Pipe & Steel Co. v. U.S.*, 175 U.S. 211 (1899); AREEDA & HOVENKAMP, *supra* note 6, at 282 (“An out-of-court settlement between litigants that is a private contract that ordinarily neither contemplates nor involves judicial participation.”). Accordingly, the disputing parties should work to craft an agreement that is legal from the outset, not count on immunity after the fact.

<sup>105</sup> This is not to suggest that pre-litigation/arbitration acts taken via ADR are outside *Noerr*. For instance, it makes good sense that one party should be able to invoke a contractual mediation clause without fear that this act could later be claimed to have been taken in bad faith or for anticompetitive reasons. Cases extending *Noerr* to pre-litigation threat or demand letters could easily be tailored to fit this scenario. See *supra* note 34.

<sup>106</sup> See 15 U.S.C. § 16(e) (2004) (“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.”); 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. . . . If the

But those are the rare exceptions. (And, even then, there are persuasive arguments why *Noerr* should not apply).<sup>107</sup> In fact, courts routinely refuse to immunize litigation-related settlement agreements on *Noerr* grounds, where those settlements were not closely supervised by a court.<sup>108</sup> For example, in *In re Cardizem CD Antitrust Litigation*, the defendant argued that “purely private agreements . . . that are entered into during the course of pending litigation but are not filed with, presented to, or approved by the court presiding over that litigation, fall within the *Noerr-Pennington* immunity doctrine because they are ‘incidental to’ that pending litigation.”<sup>109</sup>

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proposal would bind class members, the court may approve it only after a hearing and on finding that it is fair, reasonable, and adequate.”); *A.D. Bedell Wholesale Co. v. Philip Morris, Inc.*, 263 F.3d 239 (3d Cir. 2001), *cert. denied*, 534 U.S. 1081 (2002) (state as party).

<sup>107</sup> See Raymond Ku, *Antitrust Immunity, the First Amendment and Settlements: Defining the Boundaries of the Right to Petition*, 33 IND. L. REV. 385, 426-34 (2000).

<sup>108</sup> It is helpful to think of the analogous situation in which parties reach an agreement that is itself anticompetitive and then later seek the blessing of an administrative agency:

Applying to an administrative agency for approval of an anticompetitive contract is not lobbying activity within the meaning of the *Noerr-Pennington* doctrine. In any case, PGE is not being held liable for filing the application that resulted in the 1972 Order. PGE is being held liable for agreeing with PP&L to replace competition with area monopolies in the Portland area.

*Columbia Steel Casting Co. v. Portland Gen. Elec. Co.*, 111 F.3d 1427 (9th Cir. 1996) (holding that an agreement between two utility providers, dividing the city of Portland between them, violated § 1 of the Sherman Act and that *Noerr-Pennington* immunity does not extend to situations where parties seek ratification of anti-competitive actions after the fact).

<sup>109</sup> 105 F. Supp. 2d 618, 634-35 (E. D. Mich. 2000), *aff’d*, 332 F.3d 896 (6th Cir. 2003) (purchasers of heart medication brought anti-trust suit against the manufacturers of both brand-name and generic version of the medication based on an agreement under which the manufacturer of the generic version delayed production in exchange for a cash payment from the brand-name manufacturer); see also *In re Brand Name Prescription Drugs Antitrust Litig.*, 186 F.3d 781, 789 (7th Cir. 1999) (retail pharmacies brought suit against wholesalers and manufacturers of prescription drugs, alleging a price fixing scheme in violation of the Sherman Act, in which Judge Posner opined that *Noerr* “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 . . . . Otherwise every cartel could immunize itself from

In support, the defendant pointed out, among other things, that “*Noerr-Pennington* immunity has been extended to non-sham, pre-litigation threats of suit, demand letters, and communications about pending suits.”<sup>110</sup> The Court conceded this point, but deemed it off mark: “While it is true that the courts have extended *Noerr-Pennington* immunity [in the way defendant suggests], the . . . Agreement does not fall within this category of immunized pre-litigation conduct. Accordingly, that line of authority does nothing to advance Defendant’s position here.”<sup>111</sup> Other courts have reached similar conclusions.<sup>112</sup>

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antitrust liability by the simple expedient of seeking governmental sanction for the cartel after it was up and going.”).

<sup>110</sup> *Id.* at 637.

<sup>111</sup> *Id.* See also Esther H. Steinhauer, *Is Noerr-Pennington Immunity Still a Viable Defense Against Antitrust Claims Arising From Hatch-Waxman Litigation?*, 61 FOOD & DRUG L.J. 679, 691-93 (2006).

<sup>112</sup> It is something of a commonplace that a settlement agreement can constitute an antitrust violation. See *United States v. Singer Mfg. Co.*, 374 U.S. 174 (1963) (finding patent settlement agreement in violation of Sherman Act.); *In re New Mexico Natural Gas*, 1992 LEXIS 9452 (D. N.M.) (“When parties petition a court for judicial action, *Noerr* 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* protection.”). In recent years, some courts have found no properly alleged antitrust violation in the context of settlement agreements and, thus, no need to decide (even though questioning) the applicability of *Noerr*. *In re Tamoxifen Citrate Antitrust Lit.*, 429 F.3d 370, 401 (2nd Cir. 2005) (“Because we think that an agreement to [take certain actions] to extend a patent’s monopoly power might well constitute anticompetitive action outside the scope of a valid patent, we decline to rest our conclusion on the ground of *Noerr-Pennington* immunity.”); *Medimmune, Inc. v. Genentech, Inc.*, 427 F.3d 958, 965-66 (Fed. Cir. 2005) (concluding that, although the district court had found *Singer*-type settlement protected by *Noerr*, the plaintiff had not stated an antitrust violation; also holding that submission of settlement agreement to district court and court’s judgment to Patent and Trademark Office protected by *Noerr*). Other courts, though, have specifically declined to apply *Noerr* in the face of an otherwise properly pled antitrust claim. *Andrx Pharm., Inc. v. Elan Corp., Plc*, 421 F.3d 1227, 1236 (11th Cir. 2005) (“In sum, then, while the allegations regarding Elan’s infringement suits against Andrx were immunized under the *Noerr-Pennington* doctrine, Andrx did sufficiently state a claim under both § 1 and § 2 of the Sherman Anti-Trust Act that Elan’s settlement Agreement with SkyePharma, coupled with SkyePharma’s putative agreement not to market, violated antitrust law.”); *Andrx Pharm., Inc. v. Biovail Corp. Int’l*, 256 F.3d 799 (D.C. Cir. 2001) (“The Agreement is not unlike a final, private settlement agreement resolving

At the end of the day, two factors weigh heavily against applying *Noerr* to arbitral settlement agreements, be they domestic or international. First, as we have just seen, even in the litigation context, there are strong policy reasons for doubting the pro-competitive bona fides of settling parties.<sup>113</sup> For as the seminal case on this subject (*U.S. v. Singer*) showed, otherwise vigorous competitors will sometimes collude to disadvantage a mutually despised rival and maintain a position of shared market dominance.<sup>114</sup> Second, given that international arbitrators are (a) often selected for their industry and international commercial—not antitrust—law expertise and (b) not always bound to provide a reasoned opinion in even a *decided* case, it is unwise to presume that arbitrators are well-situated to ensure that any particular settlement agreement is in the best interest of the market.<sup>115</sup> Third, although there is ample procedural opportunity to challenge a fraudulently- or collusively-obtained arbitral award, there is no parallel mechanism for reviewing arbitral settlements. Taken together, these objections would seem sufficient to foreclose (at least for now) any attempt to extend *Noerr* immunity to arbitral settlement agreements.

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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.”).

<sup>113</sup> For a thorough discussion of the problems inherent in applying *Noerr* to settlement agreements, see Raymond Ku, *Antitrust Immunity, the First Amendment and Settlements: Defining the Boundaries of the Right to Petition*, 33 IND. L. REV. 385 (2000).

<sup>114</sup> 374 U.S. at 192-93 (“We reject, as a question of law, the [lower] courts inference that the attitude of suspicion, wariness and self-preservation of the parties negated a conspiracy.”); see also, *U.S. v. LSL Biotech.*, 379 F.3d 672, 675 (9th Cir. 2004) (although case was dismissed on subject-matter jurisdiction grounds, the Department of Justice challenged as a naked restraint of trade a settlement agreement that had been approved by an Israeli arbitrator).

<sup>115</sup> See generally, Gordon, *supra* note 82, at 572-577 (discussing expertise of arbitrators, arbitral procedures, and comparing aspects of domestic and international arbitration).

### 3 . A further word on *Noerr-Pennington*'s international aspects.

*Eurotech* makes it reasonably clear that *Noerr* has at least some international currency—after all, that case grew out of a cross-border dispute that was arbitrated under the auspices of an international organization. But what happens if a later-contested arbitration takes place between non-US parties that is conducted outside the United States? What then? Does *Noerr* apply? The answer has two (related) faces: one oriented towards choice of law, the other towards jurisdiction. In other words, the forum hearing the dispute would have to decide under its own choice-of-law rules whether US law generally could apply to the dispute and, even then, whether the Sherman Act (and its related baggage like *Noerr*) in particular could be stretched to cover acts taking place outside the United States.<sup>116</sup> A couple of hypotheticals can aid us here.

Suppose two parties, both based in member states of the European Union (let's say France and the United Kingdom), resolve a dispute in a London arbitration brought by the French party. Later, the UK party sues the French party, claiming that the arbitration was brought for purposes of harassment and to injure it as a competitor by, for example, draining its limited resources in what proved to be a lengthy and costly arbitration. Under this scenario, could the French party hide behind *Noerr*? To answer this question, a predicate inquiry is required: what substantive body of law provides the rule of decision?<sup>117</sup> Put differently, could the UK party raise a colorable claim that US antitrust law applies? That, of course, would depend on numerous factors and require the UK party to overcome a common-sense presumption that a dispute between two foreign parties lacks a requisite connection to United States

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<sup>116</sup> For a thorough discussion of these issues, see Andrew Guzman, *The Case for International Antitrust* (UC Berkeley Pub. Law & Legal Theory Research Paper Series, Paper No. 128 2003), available at <http://ssrn.com/abstract=412300>.

<sup>117</sup> *Id.* at 12 (noting that although there is no international competition policy, “a de facto regime [has been] created by the interaction of national regimes and their choice of law rules”).

commerce, but it would not be impossible.<sup>118</sup> For instance, the two parties could (because of intellectual property rights or some other advantage) be the only two parties capable of producing a product with substantial sales in the United States. In that situation, the Sherman Act might very well apply, and, if so, so would *Noerr*.<sup>119</sup>

To capture the other common fact-pattern that we examined above, let's alter the hypothetical. This time, the French and British parties resolved their dispute via a settlement or agreed award, by, again for example, agreeing to eliminate competition by allocating territories to one another on an exclusive basis. Do the parties have a good *Noerr* defense against the claims of a third party suing in the United States on an allegation that it was injured by reason of the market-division scheme? Again, the question turns on whether US antitrust law would apply *at all*. The hurdle here is significant and is usually framed in terms of extraterritorial jurisdiction. On the hypothetical given, the issue presented would be whether the third party was directly injured by the conspiracy and, if it was injured, whether the alleged injury was a result of the conspiracy's "domestic effects."<sup>120</sup> If the plaintiff clears this hurdle, then a US court would have jurisdiction to hear its claim under the Sherman Act. Ipso facto, the French and British

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<sup>118</sup> For a traditional statement of this presumption, see *American Banana Co. v. United Fruit Co.*, 213 U.S. 347, 357 (1909) ("[T]he general and almost universal rule is that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done.").

<sup>119</sup> See generally *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 796 (1993) (holding that Sherman Act reaches foreign conduct that has "some substantial effect" in the US); *United States v. Alcoa*, 148 F.2d 418, 443-45 (2nd Cir. 1945) (holding that Congress intended the Sherman Act to reach extraterritorial conduct having a substantial intended effect in the US).

<sup>120</sup> *Roche v. Empagran*, 124 S. Ct. 2359, 2367-71 (2004) (holding that plaintiff's alleged foreign injury and the alleged US effects were "independent" and thus beyond the Sherman Act's reach).

defendants would have a *Noerr* defense, although for the reasons that we have already discussed in the domestic context, it would not be a particularly good defense.

In sum, although adding an international dimension to an evaluation of *Noerr* in the context of arbitration adds a layer of analytical complexity, the ultimate analysis remains the same.

### **Conclusion and Recommendations**

Parties to international commercial transactions realize that those transactions may go awry and that disputes may therefore arise. They have two choices on the front end. First, they can do nothing (i.e., say nothing about disputes in their contract) and have a race to their respective courthouses when a dispute does crop up. Most parties do not relish the thought of competing lawsuits or the prospect of defending a suit in the home jurisdiction of the other party. They thus contract to resolve their disputes by arbitration, usually in a predetermined location under the auspices of a neutral arbitral body. For them, arbitration is not just *a* method of binding dispute resolution—it is the *only* method that makes commercial sense. In other words, arbitration is a substitute for litigation from the perspective of sophisticated commercial parties.

Viewed in this light, a couple of observations can be made. First, international parties choose arbitration not just because they are looking for an alternative to litigation procedures (although that is surely important) but because they are looking for a neutral forum within which to resolve disputes. Second, as a consequence of the first, it would be error to presume that international contracting parties are any less interested in the protections that litigation affords than are domestic parties. For example, should parties to arbitral agreements (viewed *ex ante*) want arbitral decisions to be conclusive or subject to collateral attack? Courts have generally held that—for policy reasons—arbitral awards should be (nearly) as sacrosanct as judgments. By the same token, would parties (again *ex ante*) prefer to be able to institute an arbitration



without fear that the act could form the basis of an antitrust claim? One would think not, as the few courts that have examined the issue have determined. How best, then, can the importation of *Noerr-Pennington* be facilitated? First, parties could begin to state in their arbitral agreements that *Noerr-Pennington* will apply to their respective acts to the same extent as if an arbitration were a litigation. Procedurally, then, this agreement could be raised as a defense in a subsequent proceeding.<sup>121</sup> The opposing party could, of course, then raise “sham” as a defense to the *Noerr* defense if it believed that the prior arbitration was raised with the requisite bad faith. Similarly, arbitral bodies could build *Noerr* into their rules. Thus, parties contractually choosing those rules would be agreeing that *Noerr* would apply to their subsequent arbitral conduct.

International commercial arbitration is a crucial adjunct of international commerce, and its use is to be encouraged. As this Article has demonstrated, there are good reasons to afford international arbitrations the same *Noerr-Pennington* protections as would be the case with lawsuits. It is time to institutionalize *Noerr-Pennington* into that scheme.

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<sup>121</sup> By framing the issue as one of what the parties will or will not do in the event of a dispute, it avoids the problem of essentially attempting to tell a court what it should do. *Cf. Hill Street Associates LLC v. Mattel Inc.*, 128 S. Ct. 1396 (2008) (opining that parties cannot contract for particular standard of review of arbitral award; sole standard is contained in FAA).