

CURRENT LEGAL EVENTS IN U.S. PATENT LAW

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Blackberry settlement

- A. A United States patent gives the owner of the invention the right to exclude others from using, selling, importing or producing the invention in the United States.
- B. The Blackberry settlement illustrates the right of the U.S. patent holders to exclude and enforce this right.
 - 1. The company NTP was not producing selling, or using the patented invention but it owned all the patent rights.
 - 2. A jury concluded that a large Canadian company, RIM, was illegally producing, selling, servicing and distributing the Blackberry devices (the definition of infringement).
 - 3. Settlement by RIM was \$614,000,000 to NTP.
 - 4. After the payment, RIM continued producing and selling Blackberry handheld devices.

Blackberry settlement, cont.

- a. There was also the threat of a court order prohibiting production, sale, or use of Blackberry handheld devices by RIM prior to the actual settlement.
- b. The court order, known as an injunction, is enforceable by fines, penalties and imprisonment.

5. This settlement was met by hostility by manufacturers, because a non-producing patent owner enforced its rights to exclude production companies.

Illinois Tool Works v. Independent Ink, Inc., 547 U.S. 28 (2006)

- A. Antitrust law is the means by which the government and private citizens remedy anticompetitive behavior by companies and individuals.
- B. This decision addresses tying of a patented product to a second non-patented product.
 - 1. Tying is the forced purchase of a non-patented product with a patented product.
 - 2. The consumer cannot obtain the patented product without purchasing the second non-patented product.
- C. In this case, the patented product of Illinois Tool Works, i.e., ink jet printer heads, could not be obtained without the purchase of Illinois Tool Works' unpatented ink.
- D. Independent Ink, Inc. brought the antitrust allegations, because it was being driven from the market by Illinois Tool Works' tied products.

Illinois Tool Works, cont.

- E. Before this Supreme Court decision, the company alleged to be violating the antitrust law was presumed
1. to have a dominant market share in the tied patented product,
 2. thereby engaging in anticompetitive activity.
- G. After this Supreme Court decision, the company bringing the lawsuit has the affirmative burden of establishing its adversary's market share.
1. this result is financially onerous for smaller companies which often bring these lawsuits, and
 2. do not have access to the relevant market information from the adversary.

e-Bay, Inc. v. MercExchange, L.L.C. 126 S. Ct. 1281 (2006)

- A. Prior to this Supreme Court decision, whenever a patent owner prevailed in patent infringement litigation, the court generally presumed
1. irreparable injury and awarded an injunction.
 2. the infringing party was then judicially prohibited from producing, selling or using the patented invention.
 3. this meant that the infringing party lost its investment in production means, inventory, advertising, etc.
 4. the infringing parties could be imprisoned if they violated the injunction.
 5. consequently the injunction had these two deterrent effects.

e-Bay, Inc. v. MercExchange, L.L.C., cont.

B. After this Supreme Court decision there is no judicial presumption that the prevailing patent owner requires an injunction.

1. a court may now award only lost profits, a compulsory license, or other statutory measures of financial compensation as a remedy.

2. if the prevailing patent owners attempts to 'shut down' the infringer, it must demonstrate

- a. irreparable injury;
- b. no injury to the public;
- c. balance of hardship; and
- d. money damages are inadequate.

e-Bay v. MercExchange L.L.C., cont.

C. Even if the patent owner submits this evidence, the court may not order an injunction.

1. The patent owner may find itself
 - a. in business with its infringer by a compulsory license, or
 - b. required to commence collection proceedings.

2. The patent owner must then 'follow' the infringer so it
 - a. pays the proper royalties,

 - b. does not submerge its obligations by merger with another company, companies, or bankruptcy.

3. there is no deterrent effect and the infringer can force the patent-owner, from its rightful market.

4. The effect of the decision is more burdensome for smaller companies with limited financial resources.

e-Bay, Inc. v. MercExchange, L.L.C., cont.

D. Aftermath of *e-Bay*: representative examples from approximately thirty cases.

1. Permanent injunctions

a. Monsanto Co. v. Scruggs, 459 F.3d 1328 (Fed. Cir. 2006).

b. Tivo Inc. v. EchoStar Communications Corp.,
446 F. Supp. 2d 664 (E.D. Tex. August 17, 2006)

(1) permanent injunction granted after completing traditional test for injunctions,

(2) which the *e-Bay* decision reinstated.

e-Bay, Inc. v. MercExchange, L.L.C., (cont.)

c. *z4Techs, Inc. v. Microsoft Corp.*, 434 F. Supp. 2d 437 (E.D. Tex. June 14, 2006).

(1) z4Techs

(i) stated that its failure to commercialize its invention was partly due to Microsoft's infringement.

(ii) its patent covered a software activator which Microsoft incorporated into its own software products.

(2) Microsoft described its business hardships and public harm if an injunction was implemented.

e-Bay v. MercExchange, L.L.C.

cont.

(3) The court denied z4Techs' request for a permanent injunction because:

(i) the affirmative burden to establish irreparable injury was the prevailing patent owner's (z4Techs) responsibility;

(ii) the right to exclude is not sufficient to establish irreparable injury; and

(iii) the public interest would be harmed by an injunction which prohibits Microsoft from producing and selling its products with z4Tech's patented product.

e-Bay v. MercExchange, cont.

d. *KEG Techs., Inc. v. Reinhart Laimer*, 436 F. Supp. 2d 1364 (N.D. Ga. June 8, 2006)

- (1) Default judgment did not affect the availability of permanent injunctive relief,
- (2) Denial of preliminary injunctive relief does not affect whether a permanent injunction is appropriate.
- (3) Nevertheless, the court declined to rule, noting the need for additional evidence and argument for injunctive relief.

e-Bay, Inc. v. MercExchange, L.L.C. (cont.)

2. preliminary injunctions

- a. are implemented at the onset of litigation
- b. grant of a preliminary injunction depends in part upon the likelihood of the court finding infringement at trial.
- c. *Abbott Labs v. Andryx Pharms, Inc.*, 452 F.3d 1331 (Fed. Cir. 2006)
 - (1) the district court had presumed irreparable harm because of the likelihood of finding infringement
 - (2) the Federal Circuit vacated the injunction because
 - (i) there was a substantial question on the validity of the patents, and therefore
 - (ii) patentee was not entitled to a presumption of irreparable harm.

e-Bay, Inc. v. MercExchange, L.L.C.(cont.)

d. *Canon Inc. v. GCC International Ltd.*, 450 F. Supp. 2d 243 (S.D. N.Y. August 29, 2006)

(1) A preliminary injunction occurs at the beginning of litigation to preserve the existing conditions of the patent owner and adversaries.

(2) the patent owner bringing the lawsuit must demonstrate

(i) irreparable injury to patent owner if no injunction is granted;

(ii) balance of hardships weighs in favor of the patent owner's hardships;

e-Bay v. MercExchange, cont.

(iii) no detriment to the public welfare if injunction is implemented;
and

(iv) strong likelihood that patent owner's patents will be held valid and
infringed at trial.

(6) court granted a preliminary injunction because

(i) there was a strong likelihood of infringement; and

(ii) money would be inadequate for the patent holder because

(a) the infringer's business operations are far flung, so

(b) locating assets sufficient to provide the money from the infringing
party would be exceedingly difficult.

e-Bay v. MercExchange, cont.

e. Tillery v. Leonard & Sciolla, LLP, 437 F. Supp. 2d 312 (E.D. Pa. 2006).

- (1) a non-patent case addressing use of attorney's former law firm domain name after he left the law firm.
- (2) the court stated that there is no presumption of irreparable harm merely upon a showing of a likelihood of success on the merits.

MedImmune, Inc. v. Genentech, Inc., No. 05-608, 549 U.S. _____, 127 S. Ct. 764 (2007)

A. Background of the litigation

1. There was a licensing agreement between Genentech (the patent owner and licensor) and MedImmune.
2. MedImmune requested a court order declaring that Genentech's patent was invalid.
3. However, MedImmune continued royalty payments to Genentech pursuant to the licensing agreement.

B. Result

1. The Court held that a licensee (in this case, MedImmune, i.e., the party 'renting' the technology) could obtain a judicial finding of invalidity of the underlying patent while complying with the licensing requirements.
2. Prior to this decision, the licensee (MedImmune) could not bring a lawsuit for invalidity of the underlying patent while complying with the license agreement for that patent.

MedImmune, Inc. v. Genentech, Inc. (cont.)

C. Consequences

1. many start up companies are unwilling or unable to produce, sell or use the technology themselves for a variety of legitimate business reasons.
 - a. if a licensee observes
 - (1) great profitability from the licensed technology
 - (2) it can merely file a lawsuit against the patent owner/licensing company for patent invalidity.
 - b. prior to this Supreme Court decision there were more requirements for bringing such a lawsuit.
2. the possible financial consequences of breaching the licensing agreement and being brought to court by the patent owning party are very formidable, but now no longer exist.
 - (1) buyout; or
 - (2) litigation: which is less expensive for the licensee?

Metabolite Laboratories, Inc. et al v. Laboratory Corporation of America Holdings, 370 F.3d 1354 (Fed. Cir. 2004), *cert. dismissed* 126 S. Ct. 2921 (*per curiam*) [hereinafter Metabolite, LabCorp]

- A. Issue before the U.S. Supreme Court: whether a characterization of a method, which was found valid and infringed, is patentable subject matter.
1. 35 U.S.C. section 101
 2. patentable subject matter can be a machine, article of manufacture, composition of matter, or a process or method
 3. judicial exceptions to the statute:
 - a. natural phenomena
 - b. laws of nature
 - c. abstract ideas

Metabolite, cont.

B. disputed characterization before the Supreme Court:

A method for detecting a deficiency of cobalamin or folate in warm-blooded animals comprising the steps of:

assaying a body fluid for an elevated level of total homocysteine and

correlating an elevated level of total homocysteine in said body fluid with a deficiency of cobalamin or folate.

Metabolite, cont.

B. LabCorp's position

1. The designated process as a whole is merely
 - a. a natural physiological relationship, and
 - b. therefore falls into the natural phenomena exception to the statute.

And/or

2. the characterization is so broad that
 - a. it pre-empts all future innovation to tests for relationship, and
 - b. in effect designates a natural physiological relationship.

Metabolite, cont.

C. Metabolite's position

1. First step in the process is not a natural phenomenon.

2. There is a physical transformation of body fluids, thereby fulfilling the requirements of U.S. Supreme Court decisions.

3. There is a practical application with a useful, tangible and concrete result, thereby fulfilling other requirements for patentable subject matter.

D. Supreme Court did not resolve the case because of a procedural defect. So, the question remains open.

KSR International Co. v. Teleflex Inc. et al.,
127 S. Ct. 1727 (2007)

- A. KSR: Teleflex infringed its patent claim for a computerized brake peddle.
- B. Teleflex: patent claim was obvious and therefore invalid.

Rationale: The Teleflex brake pedal was very similar to, and incorporated, previously existing brake pedal technology.

- C. The Court: the 'suggestion, motivation and teaching' test was too restrictive to determine obviousness.

KSR International Co.(cont.)

1. The Court concluded that the suggestion test was still viable, but other factors should be considered as well.

For example, whether the alleged invention would have inevitably been developed in the normal course of that particular technology.

2. the court was particularly concerned about combinations of old technology.
- D. Bottom Line: The patent office and the courts will consider other reasons for obviousness, in addition to the suggestion, motivation and teaching test.

Microsoft Corp. v. AT&T Corp., 127 S. Ct. 1746
(2007)

- A. Microsoft sent infringing software on disks or by e-mail to foreign computer manufacturers.
- B. AT&T contended that the software qualified as components under U.S patent infringement statute.
- C. Supreme Court decision: no infringement
Reasons:

Microsoft v. AT&T, cont.

1. The software placed within the foreign made computers were not the actual disk or e-mail versions, but were copies thereof made abroad.
2. Therefore this software sent by disk or e-mail from the United States to foreign manufacturers were not components as required by the statute.
3. Because the disk and e-mail software were not components, then no components were supplied from the United States, as required by the statute.

Microsoft v. AT&T, cont.

4. Furthermore,

a. the abstract software on the disk and e-mail attachment were not tangible items and

b. therefore they not components within the meaning of the patent infringement statute.

Patent Peer Pilot Program

A. Background of Administrative Program

1. Situation: increasing backlog of applications in the United States patent office.

2. Consequences:

- a. increased pendency of applications before they become patents

- b. deteriorating quality of the patent examination process.

Patent Peer Program, cont.

B. In 2006 an academic group proposed a program in which

1. expert consultants outside the patent office select documents which affect patentability of pending applications, and

2. these consultants rank these documents and make recommendations to the relevant patent examiner(s) according to the technology.

Patent Peer Program, cont.

3. All consultant/patent office transactions occur over the internet.

4. Pilot Program is operating as of summer 2007.

5. Several companies, including IBM, volunteered to participate with their patent applications.

6. As of August 22, 2007, 1347 registrants have submitted 57 prior art documents for 14 patent applications.

Patent Peer Pilot Program, cont.

C. Reactions

1. From the public and patent commentators: generally favorable and hopeful.

2. Query: what is the effect of the pilot program on the impartiality of the application examination process?

Patent Reform Bill

As originally drafted the bill proposes the following:

- Creates a first to file system, replacing the current first to invent rule, when determining rights to an invention.
- Eliminates interference proceedings and implement derived invention proceedings
- Limits litigated damage awards by relating damages to improvements over prior art.

Patent Reform Bill (cont.)

- Institutes post patent grant proceedings pursuant to a cancellation petition.
- This petition alleges that the challenged claim will cause the petitioner significant economic harm.

THE END