

Court Rulings Remake Patent Law

by Howard Zaharoff

In a series of cases over the past year and a half, the Supreme Court, and recently the Federal Circuit, have changed the landscape of patent law, creating an environment that is less patent-friendly but, many would say, more balanced overall than what had existed for many years.

The Supreme Court and Federal Circuit Blast Away at Patent Precedents

The sequence began in March 2006 with *EBay v. MercExchange*, in which the US Supreme Court made it harder to obtain an injunction against patent infringement. For many years, following Federal Circuit precedent, injunctions were routinely granted once patent infringement was found. This is incorrect, said the Supreme Court: The standard for an injunction in patent infringement cases is no different than in other cases and, therefore, to obtain an injunction the patentee must still show irreparable harm, inadequate legal remedies, balance of hardship and public interest.

The second case was *MedImmune v. Genentech*, decided in January 2007. The Federal Circuit had held that a licensee who was in good standing under a patent license and was not repudiating the license had no reasonable apprehension of suit and thus no basis to seek

- ✓ Why is it harder now than 2 years ago for a patent owner to enjoin infringers?
- ✓ Why is it easier to invalidate a patent for obviousness?
- ✓ Why is it harder for patentees to recover treble damages against infringers?

Read on for the answers to these, and other, patent law questions...

declaratory relief on infringement or patent validity. Disagreeing with long-established case law, the Supreme Court held that a patent licensee who was not repudiating the license was entitled to challenge the patent owner's claimed scope of its patent, and even the validity of the patent itself, despite the fact that the owner/licensor couldn't sue the licensee under the patent because the license remained in effect. Following this opinion several lower courts promptly held that a party did not need a reasonable apprehension of suit to seek declaratory relief: it was enough if there was a bona fide disagreement about whether the licensee infringed.

The third case was *KSR v. Teleflex*, decided in April 2007. Here the Supreme Court again decimated Federal

Circuit precedent and held that, to invalidate as "obvious" a patent covering a combination of prior art, it wasn't necessary to prove that some prior "teaching, suggestion or motivation" had anticipated the combination. Though agreeing that ordinarily one would like to see evidence of some prior TSM, the Court concluded that it was not always necessary and that in the right case other factors could demonstrate that the invention was too obvious to patent.

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The fourth case, *Microsoft v. ATT*, was also decided in April 2007. Here the Supreme Court sided with the software giant and held that one did not infringe a patent by shipping to a foreign manufacturer a master disk from which an infringing software program is created. The Patent Act requirement that there be a shipment of a “component” of the patented invention meant a physical part and not a disk containing information from which an infringing copy could be created.

Finally, at the end of August the Federal Circuit overturned its own precedents and held in *Seagate Technology* that to prove “willful infringement,” and thus be entitled to recover treble damages and attorneys fees from an infringer, one had to show objective recklessness – not just negligence, but infringing activity despite “an objectively high likelihood that its actions constituted infringement of a valid patent.” Under this higher standard the court also found that accused infringers are not obligated to obtain the opinion of patent counsel to avoid a finding of willfulness.

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Conclusion: What 18 Months Have Wrought

These changes can be summed up as follows. As of 18 months ago, you knew that if you owned a patent you were virtually assured of an injunction if you could show probable infringement; that your current licensees couldn't sue to challenge your patent's validity; that if anyone wanted to void your patent for obviousness, they needed to prove it was anticipated by a prior teaching, suggestion or motivation; and that if you notified someone they were infringing and they didn't hire a patent lawyer to advise them, then, provided you could prove they infringed, you could recover treble damages for their willful misconduct.

As 2007 draws to a close, owning a patent no longer guaranties an injunction against infringers or an absence of challenge from your licensees; you can lose your patent for obviousness without the challenger necessarily proving a prior teaching, suggestion or motivation for your invention; and you will have a harder time recovering treble damages, even from infringers who failed to obtain a non-infringement opinion from a patent lawyer.

Add to the above a new set of strict limitations on claims and continuations issued by the Patent Office in August,

and you have a tough two years for patentees and their attorneys, and some welcome relief for licensees and minor infringers.

See our next TLIP Alert for suggestions to licensors and licensees on how to respond to these dramatic changes.

The Morse, Barnes-Brown & Pendleton, PC, **Technology Licensing & Intellectual Property Practice** counsels businesses of all sizes on creating, protecting and transferring IP assets, including advice on trademark, copyright, advertising, Internet and technology law.

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