

The Road to Bilski
A Growing Supreme Court Hostility to Patent Rights

By

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A. Recent U. S. Supreme Court Patent Decisions

1. Ebay, Inc. vs. Mercexchange L.L.C., 547 U.S. 388 (2006)

The Court rejected the traditional patent-specific rule whereby permanent injunctions are automatically granted to patentees who prevail at trial. Under the traditional rule, the successful patentee could extract a significant licensing royalty from the infringer. Instead, the Court held that the rule governing preliminary injunctions generally would also apply to patent cases. This rule involves application of a well-established four-part test (irreparable injury, inadequate monetary remedies, balance of hardships, and public interests). The case thus limits the remedies of a successful patent in an infringement action.

2. KSR International Co. v. Teleflex Inc., 550 U.S. 398 (2007)

The Court lowered the standard for finding patent invalidity based obviousness. Reversing the Federal Circuit, the Court rejected the rigid application of a teaching-suggestion-motivation test for obviousness, holding that “a combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.” The case thus makes it easier for an accused infringer to prevail an invalidity defense.

3. MedImmune, Inc. v. Genentech, Inc., 549 U.S. 118 (2007)

The Court held that a patent licensee is not required to break or terminate the license as a precondition to seeking a declaratory judgment that the underlying patent is invalid, unenforceable, or not infringed. Such holding overruled a prior line of Federal Circuit cases holding that a licensee could not create a “controversy” without first breaching the licensing agreement. The Court recognized that such a requirement caused the licensee to face the dilemma of

challenging the licensor's patent at the risk of being held in violation of the licensing agreement. The case thus increases the risk to a patentee of having its patent challenged.

4. Microsoft Corp. v. AT&T Corp., 550 U.S. 437 (2007)

As a general rule, no infringement occurs under patent law when the patented product is made or sold in another country. An exception to this rule occurs where the accused infringer makes a component in the United States and then exports the component for combination abroad where such combination infringed the patent. In this case, AT&T sought to apply the exception and hold Microsoft liable for infringing AT&T's method patent by exporting master disks abroad where the foreign manufacturer used the master to install copies of the software on computers to be sold in foreign countries. While the Court did not eliminate the exception to the general rule, it nonetheless narrowed its scope by absolving Microsoft of patent infringement under the facts of the case. Specifically, the Court held that Microsoft's contribution to the infringement method was too attenuated to qualify as infringement because Microsoft only supplied the master disc for copying without installing the master disk itself on any of the foreign-made computers. Moreover, the Court held that the software at issue did not qualify as a "component" at the time of its export from the United States. The case thus narrowed the rights of the patentee.

5. Quanta Computer, Inc. v. LG Electronics, Inc., 553 U.S. 617 (2008)

The Court examined the issue of patent exhaustion, whereby the sale of a patented item terminates the patented rights in that item. The Federal Circuit had found infringement because the patent exhaustion doctrine does not apply to method patents and because the patentee's license to Intel prohibited Intel's sale of the product to a third party to combine with non-Intel products. The Court, however, reversed, holding that the patent exhaustion doctrine also applies to method patents. The case thus narrowed the rights of the patentee in a method patents.

B. Congressional hostility to the rights of Patent Holders

1. Patent Reform Act of 2008 (defeated): (a) Act would have further restricted the venues available for patent cases (seen as a response to the plaintiff-friendly Eastern District of Texas) and (b) Act would have limited the enforcement of patents by non-practicing entities (seen as a restriction on "patent trolls").

2. Patent Reform Act of 2010 (pending): (a) would raised the bar on proving damages by allowing only those damages supported by substantial evidence (b) would requiring courts to transfer venue where the proposed venue is “clearly more convenient,” (c) would limit the right to sue for false marking of a patent to only those persons who have “suffered a competitive injury,” and (d) would authorize third parties to submit prior art to the PTO prior to the issuance of a patent.