

Supreme Changes in Patent Law

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WolfBlock

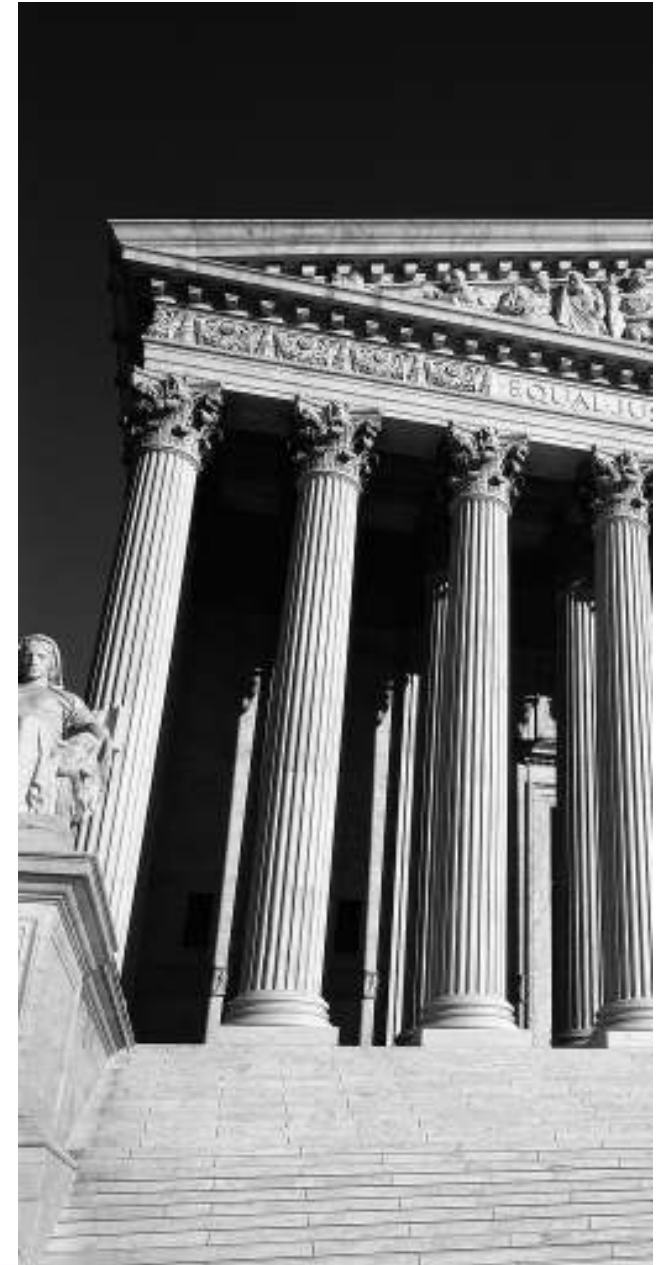
A patent infringement case

- Supreme Court
- Court of Appeals for Federal Circuit
- District Court
(SDNY, EDTX, ND CAL, D DEL)



The Supreme Cases

1. eBay v. MercExchange
2. MedImmune v. Genentech
3. AT&T v. Microsoft
4. KSR v. Teleflex



eBay v. MercExchange

- Remedy
 - Damages
 - Injunction? 35 USC §283



eBay v. MercExchange

- District Court
 - Business method
 - Patent valid, eBay infringes
 - Injunction?



eBay v. MercExchange

- District Court
 - Patent is property, injunction is right to exclude others from that property
 - Use four part equity test:
 - Will Plaintiff face irreparable injury without injunction?
 - Does Plaintiff have an adequate remedy at law?
 - Public interest in granting injunction
 - Balance of hardships



eBay v. MercExchange

- District Court
 - Plaintiff was a non-commercializing patent owner (NCPO) aka “troll”
 - Injunction denied



eBay v. MercExchange

- Federal Circuit
 - Same test but
 - Injunction granted barring exceptional circumstances



eBay v. MercExchange

- Supreme Court
 - “Unanimous” decision
 - Four factor equity test, plaintiff must demonstrate:
 - That is has suffered an irreparable injury
 - That remedies available at law, such as monetary damages are inadequate to compensate
 - Consider balance of hardships between plaintiff and defendant
 - Public interest is served



eBay v. MercExchange

- Supreme Court (majority?)
 - No categorical rules
 - University researchers or self-made inventors, need not commercialize



eBay v. MercExchange

- Supreme Court (first concurrence)
 - Because patent is a right to exclude and infringer could be using, first two factors may be implicated. (Fed. Cir Test?)



eBay v. MercExchange

- Supreme Court (second “concurrence” with four of eight justices)
 - Four part test, no categorical rules
 - NCPO (factors two and four)
 - Business methods – vague and suspect validity



eBay v. MercExchange

- What's the law?
- Use four part equity test:
 - 1) That is has suffered an irreparable injury
 - 2) That remedies available at law, such as monetary damages are inadequate to compensate
 - 3) Consider balance of hardships between plaintiff and defendant
 - 4) Public interest is served



eBay v. MercExchange

- Lots of questions:
- Does a patent case automatically affect two factors?
- What about NCPO? Another two factors?
- Business method patents?
- Supreme Court opines on patent issues



Commonwealth Scientific v. Buffalo Technologies (E.D. Tex.)

- Plaintiff research organization, derives revenue from licensing – NCPO
- University researcher dicta
- Licensing revenue needed
- Reputation harmed – compete for top minds
- Not a minor component
- Public policy – rarely against



MedImmune v. Genentech

- Declaratory Judgment Act 28 USC 2201
 - Based on Court's Article III empowerment to adjudicate cases and controversies
- When is there a case or controversy?
 - Patent context (old law)
 - Threat of infringement
 - Reasonable apprehension of suit
- Typical case – letter threatening infringement
 - Wait till sued
 - Chilling effect on customers and business



MedImmune v. Genentech

- Suppose I have a license?
 - Where is the reasonable apprehension? I can't be sued?
 - Why do I care?
 - No longer infringing
 - New prior art
 - Change in marketplace makes license unreasonable
 - Learn of facts relating to unenforceability



MedImmune v. Genentech

- License for patent 1
- Letter saying patent 2 needs license
- MedImmune **paid royalty** for patent 2 AND sued for declaratory judgment of
 - 1) Non-infringement, invalidity, unenforceability
 - 2) Rights under the contract



MedImmune v. Genentech

- Why not simply breach the contract?
- If they lose:
 - Breach of contract claim
 - Threat of injunction (eBay)
 - Treble damages
 - Attorneys fees
 - Unfavorable license terms



MedImmune v. Genentech

- District Court
 - No comment on contract claim
 - Must be an actual controversy between the parties
 - Licensee in good standing does not have subject matter for a DJ
 - “Serious misgivings” about the conclusion



MedImmune v. Genentech

- District Court
 - Policies
 - Licensors bear more risk and less likely to grant license if licensees can challenge the patents
 - A chilling effect on patent challenges
 - Licensee in the best position to challenge



MedImmune v. Genentech

- Federal Circuit
 - No comment on contract claim
 - If royalty paid, licensor can't sue so no DJ
 - Policy
 - Patent owner has contracted his right away to sue, but is at a continuing risk of attack



MedImmune v. Genentech

- Federal Circuit
 - The test
 - Reasonable apprehension of infringement suit and
 - Activity which could constitute infringement
 - Need a definite and concrete controversy
 - By avoiding breach, MedImmune avoided apprehension of suit



MedImmune v. Genentech

- Supreme Court
 - Major focus on contract claim
 - License for products “the manufacture, use or sale of which . . . would, if not licensed under th[e] Agreement, infringe one or more claims . . . which have neither expired nor been held invalid by a court or other body of competent jurisdiction . . . ”



MedImmune v. Genentech

- Supreme Court
 - Test for DJ
 - Whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment



MedImmune v. Genentech

- Supreme Court
 - Analogy to government actions
 - You don't have to commit the crime to challenge it
 - Private coercion is the same



MedImmune v. Genentech

- Supreme Court
 - The rule that a plaintiff must destroy a large building, bet the farm, or (as here) risk treble damages and the loss of 80 percent of its business before seeking a declaration of its actively contested legal rights finds no support in Article III
 - i.e. DJ is appropriate.



MedImmune v. Genentech

- Supreme Court
 - A promise to pay royalties on patents that have not been held invalid does not amount to a promise not to seek a holding of their invalidity



MedImmune v. Genentech

- Supreme Court
 - Abolished “reasonable apprehension test?”

Yes



MedImmune v. Genentech

- Sandisk Corporation v. STMicroelectronics, Inc. (FED CIR.)
 - Parties negotiated cross-licenses on patents, negotiations broke down, suit for DJ regarding rights
 - Same illegal activity before government analogy



MedImmune v. Genentech

- Sandisk Corporation v. STMicroelectronics, Inc. (FED CIR.)
 - Reasonable apprehension of suit test rejected by Supreme Court
 - If patentee asserts rights, and other party contends he does not need a license, Article III controversy



MedImmune v. Genentech

Some lessons

- Licensee does not have to breach to sue for DJ
- Reasonable apprehension test abolished – easier DJ
- Contract drafting
 - Don't tie royalty to a legal conclusion (infringement, validity)
 - Consider contracting that licensee cannot challenge the validity of the patent in light of the Supreme Court's distinction (third party challenge?)



AT&T v. Microsoft

- Infringement
- 35 USC 271(f)(1)
 - Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.



AT&T v. Microsoft

- Shrimp deveiner case
- What about software?



AT&T v. Microsoft

- District Court
 - Patent on apparatus which processes speech
 - Microsoft ships golden disc with Windows software that, when combined with a computer, will infringe (copies made)
 - Supply?
 - Component?



AT&T v. Microsoft

- District Court
 - Issue is ripe for review by Fed Cir.
 - Policy – prevent copiers from avoiding US patents by assembling abroad
 - Software can be a component for 271(f), see In re Alappat
 - Excluding “protection” for inventions that use software is not in line with changing world



AT&T v. Microsoft

- District Court
 - One shipment to be copied is “supplying” for 271(f)



AT&T v. Microsoft

- Federal Circuit
 - Software may be a “component” of a patented invention
 - For software, the act of copying is subsumed in the act of supplying so “sending a single copy abroad with the intent that it be replicated invokes §271(f) liability for those foreign made copies”
 - All resulting copies have been supplied from the US



AT&T v. Microsoft

- Federal Circuit
 - 271(f) is not limited to the transmission medium - disks contain software like bottles include liquids
 - Look at actual industry practices
 - Infringement



AT&T v. Microsoft

- Supreme Court
 - Computer alone does not infringe
 - Golden disc is not installed, must be installed to perform processing and thereby infringe
 - Must be computer readable to be “combinable,” otherwise it's just abstract code, need a physical copy
 - A copy of Windows, not Windows in the abstract is a component



AT&T v. Microsoft

- Supreme Court
 - Footnote – a component may be intangible such as in a method or process
 - Component itself must be supplied – NOT HERE
 - Policy – presumption that US law governs domestically but does not rule the world
 - Get foreign patents
 - Is this a loophole? Yes. to avoid infringement, send one disc abroad and make copies, talk to Congress



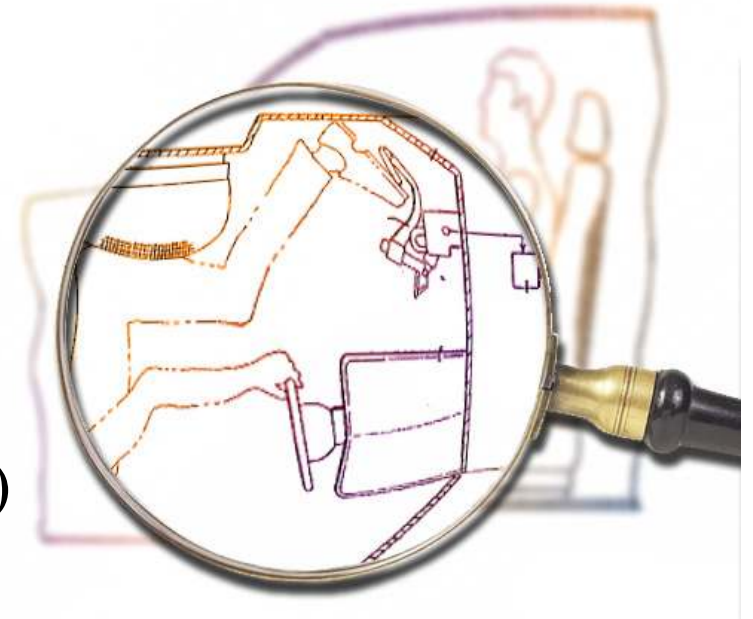
AT&T v. Microsoft

- What to do?
 - Owners: patent overseas
 - Infringers: send one disc overseas and copy
 - Make sure method claims are in the application



KSR v. Teleflex

- Patentability
- Four Doors
 - 101 (statutory subject matter)
 - 102 (novelty)
 - 103 (non-obviousness) ***
 - 112 (written description et al)



KSR v. Teleflex

102 (Novelty)

- Is it new?
- Typically one “prior art” reference



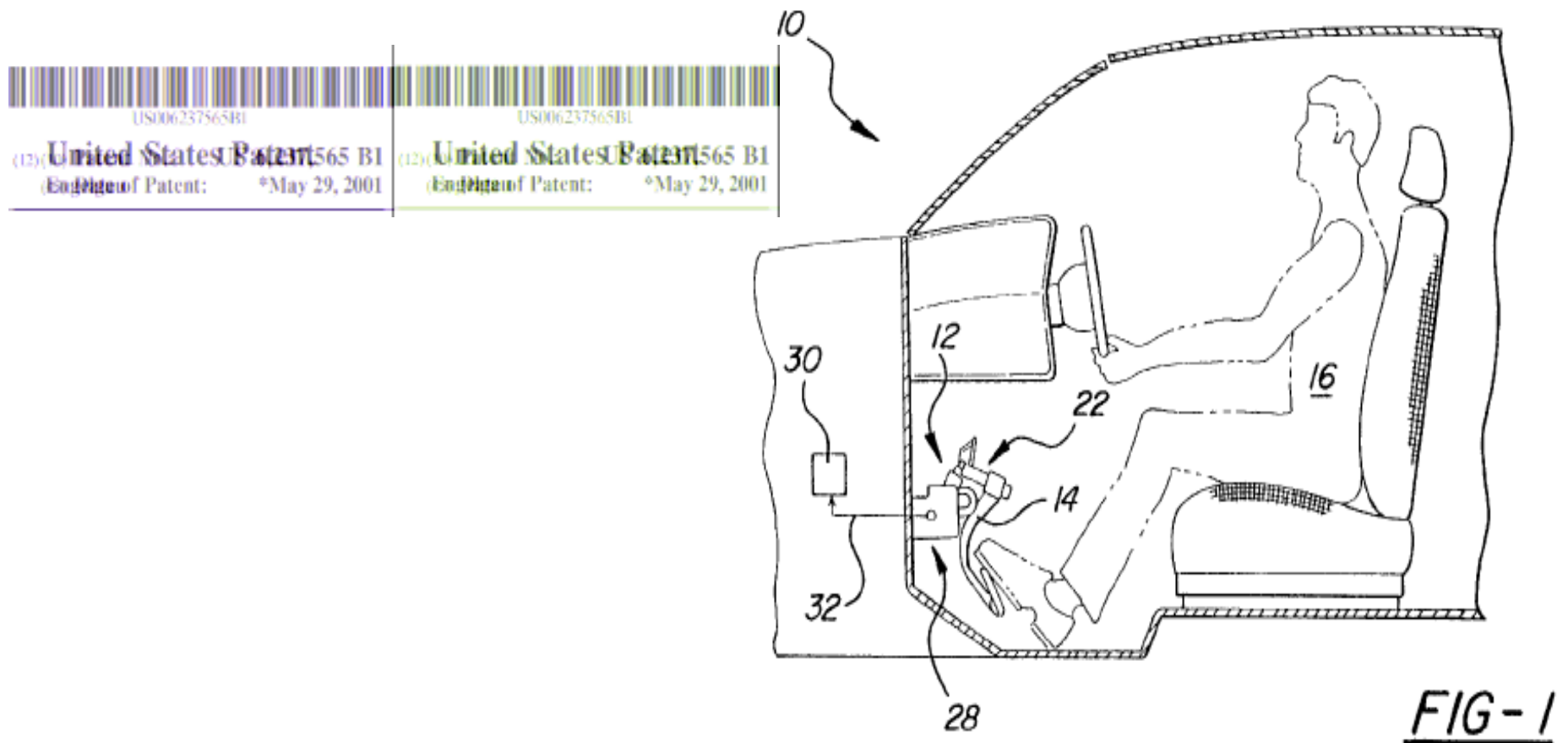
KSR v. Teleflex

103 (non-obviousness)

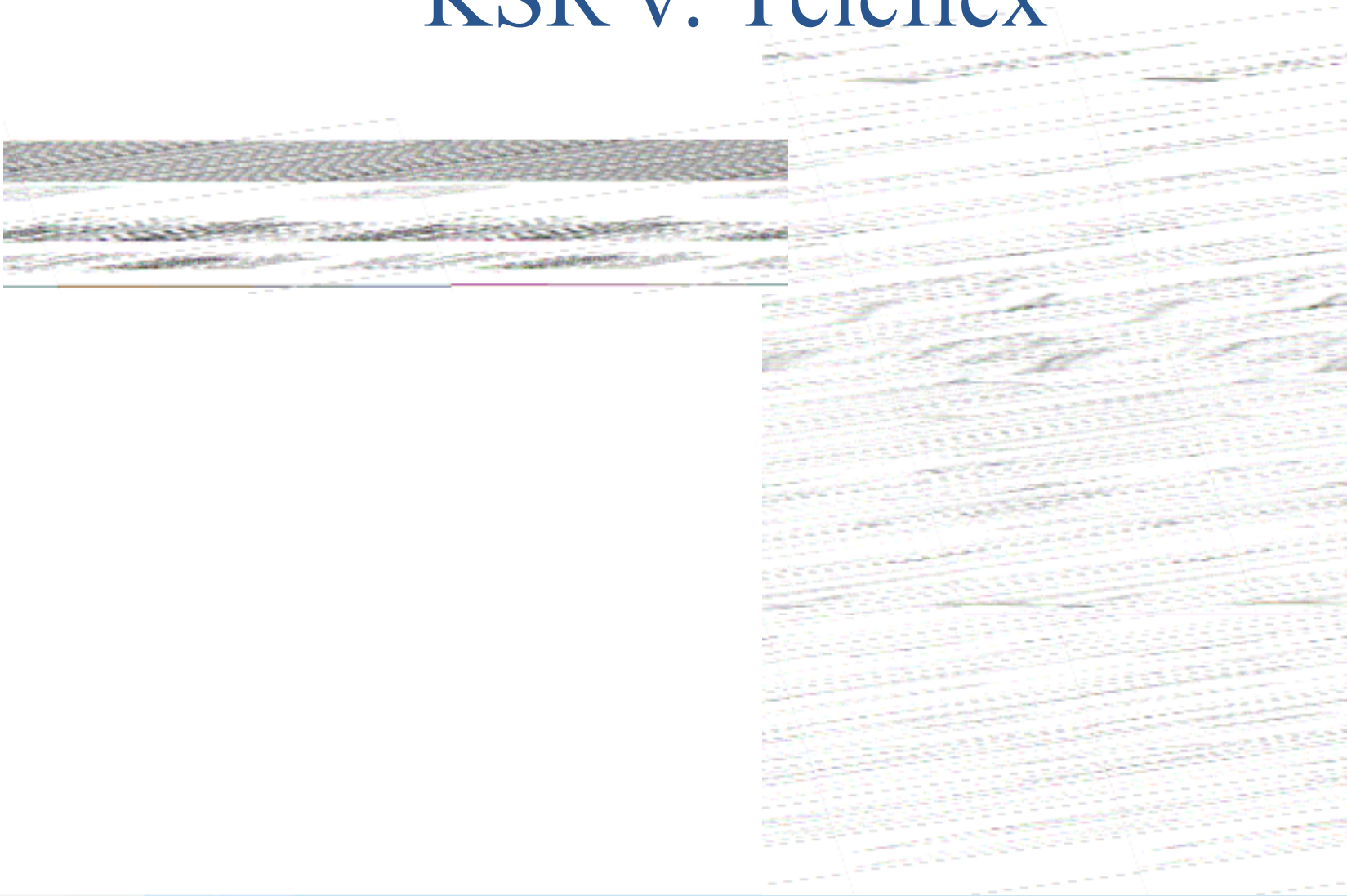
- Not explicitly shown in 1 reference
- Chocolate, peanut butter
- Any new circuit – see circuit textbook, inductors, capacitors, etc.
- What test does one use when faced with multiple references?



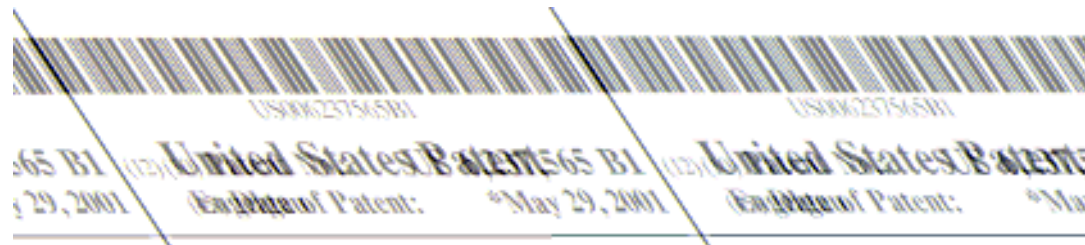
KSR v. Teleflex



KSR v. Teleflex



KSR v. Teleflex



- Claim 4
 - adjustable pedal sensor in assembly
 - electronic throttle control
 - on support



KSR v. Teleflex

- District Court
 - Graham v. John Deere Test
 - Scope and content of the prior art
 - Level of ordinary skill in the art
 - Differences between the prior art and the claimed invention
 - Suggestion to combine ****
 - Any objective indicia of non-obviousness
 - Commercial success, long-felt need, failure of others, skepticism and unexpected results



KSR v. Teleflex

- District Court
 - Suggestion to combine
 - Either in the prior art itself or by reasonable inference from the nature of the problem, or from the knowledge of those with ordinary skill in the art
 - Motivation came from the nature of the problem to be solved, all prior art related to vehicle pedal systems



KSR v. Teleflex

- Federal Circuit (unpublished)
 - Same four part Graham test but . . .
 - Where is the teaching-suggestion motivation?
 - Motivation may be found:
 - 1) In the prior art
 - 2) In the knowledge of one with ordinary skill in the art that certain references are of particular value
 - 3) From the nature of the problem to be solved
 - District court did not articulate



KSR v. Teleflex

- Supreme Court
 - Scope and content of prior art
 - Differences between prior art and claims
 - Level of skill of POSA
 - Secondary considerations
 - Commercial success, long felt unresolved need, failure of others



KSR v. Teleflex

- Supreme Court
 - Use an “expansive and flexible approach”
 - The test: Is there an apparent reason to combine the known elements in the fashion claimed by the patent at issue?



KSR v. Teleflex

- Supreme Court
 - Things to consider:
 - A patent for a combination which only unites old elements *with no change in their respective functions* is obvious
 - Design incentives
 - Market forces
 - Interrelated teachings of multiple patents
 - Precise teaching not required



KSR v. Teleflex

- Supreme Court
 - Things to consider:
 - Not to advances “without real innovation, ordinary innovation not enough”
 - A known problem may produce an obvious solution
 - Any need or problem in the field of endeavor
 - Look at “common sense” – bad facts?
 - POSA has ordinary creativity
 - Obvious to try



KSR v. Teleflex

- Supreme Court
 - Rationale behind presumption of validity



KSR v. Teleflex

What's affected?

Everything



KSR v. Teleflex

- Patent filing strategy
 - Less filings?
 - Prior art search?
 - Background description, avoid marketplace incentives
 - Supporting affidavits
- Litigation Strategy
 - Careful when characterizing POSA
 - Presumption of validity?
- Due Diligence in technology transfer
 - Market research re marketplace motivators?



Leapfrog Enterprises v. Fisher-Price, Inc.

- Federal Circuit
 - Electronic device for associating letters with their sounds
 - Updating a mechanical prior art device with electronics – commonplace and obvious, common sense
 - An old idea using new technology – available and understood in the art



Supreme Summary

- Supreme Court will take a more active role (even if they confuse basic principles)
- Injunction in a patent case: Four-part equity test. Advocacy for special plaintiffs
- DJ easier to file
- Software patents weaker – file overseas
- Obviousness test easier to prove and more subjective
- More advocacy (more litigation)



Thank you

Please contact me if you think of
something after the program

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