

## SUPREME COURT SPOTLIGHT

### *The Supreme Court Takes On Patent Law*

by Ifan A. Lateef and Joshua Stowell

Recent decisions suggest that the Supreme Court is acting to replace the Federal Circuit as the final word on matters of patent law. In 1982, the U.S. Court of Appeals for the Federal Circuit was created to hear all patent cases and thus provide direction and uniformity to the patent system. For the next 25 years, the court enjoyed relatively unfettered control over U.S. patent law, with little intervention by the Supreme Court. This historical “hands-off” approach can be tracked numerically: depending on how a “patent case” is defined, in the last 25 years, the Supreme Court has granted certiorari in roughly 16 patent cases, or less than one per year. During this time period, the Federal Circuit developed a host of standards and tests to guide patent practice in the United States. In many cases, these standards and tests deviated from the traditional tests applied in other areas of the law and became peculiarities of patent law. Commentators often justified such specialized tests based on the unique nature of patent law.

However, the Supreme Court is now re-engaging in patent law, granting certiorari in four patent cases in just over a year. The Supreme Court has reversed the Federal Circuit in each case, overturning long-standing legal tests and doctrines in the process. Many commentators support the Supreme Court's new approach of reigning in the Federal Circuit because they believe that Circuit had gone too far in deviating from established general legal principles with its peculiarities of patent law. Some less-supportive commentators suggest, however, that in taking more patent cases, the Supreme Court is merely reacting to public opinion of recent high-profile cases, such as the BlackBerry case. In that case, infringement of allegedly “weak” patents led to a potential injunction that threatened to disrupt the BlackBerry service network.

#### *eBay v. MercExchange, 126 S.Ct. 1837 (May 15, 2006)*

In *eBay*, the Supreme Court rejected what had been the Federal Circuit's “general rule” (unique to patent law) that a permanent injunction prohibiting the sale of infringing products should automatically result from a finding of patent infringement, absent exceptional circumstances. In rejecting this rule, the Supreme Court instructed the Federal Circuit to adopt the traditional four-factor test for assessing requests for an injunction in other areas of the law. The Court noted in its

opinion that the traditional principles of equity apply to patent cases just as they would to any other area of the law.

#### *MedImmune, Inc. v. Genentech, Inc., 127 S.Ct. 764 (Jan. 9, 2007)*

In *MedImmune*, the Supreme Court rejected what had been the Federal Circuit's standard for declaratory judgment jurisdiction. The Federal Circuit's test had required potential infringers to demonstrate a “reasonable apprehension of suit” in order to maintain a declaratory judgment action. Under this standard, patent holders had been free to aggressively police their intellectual property in the marketplace—short of threatening an infringement suit—without fear of a pre-emptive declaratory suit.

In rejecting the Federal Circuit's “reasonable apprehension of suit” test, the Supreme Court criticized it as inconsistent with the declaratory judgment standard applied in other areas of the law. The Court held that a more flexible test should apply. Commentators suggest that this change in the law will have a drastic effect on license negotiations, exposing patent holders to declaratory judgment jurisdiction more often from potential licensees. Consequently, law suits will increase because patent holders have fewer non-litigation options when notifying competitors or potential licensees of their patents.

#### *KSR International Co. v. Teleflex Inc., 127 S.Ct. 1727 (April 30, 2007)*

In *KSR*, the Supreme Court addressed the Federal Circuit's test for patent nonobviousness, a statutory requirement for obtaining a patent. In deciding that an invention is patentable, the U.S. Patent and Trademark

Office must be satisfied that the invention has not already been made or described. The office looks at references that exist already—the “prior art”—to determine novelty and nonobviousness. Not only must no *single* reference describe the invention (novelty), but the invention must not be an obvious *combination* of existing references (non-obviousness).

In *KSR*, the Supreme Court rejected strict application of the TSM test as overly formulaic. The Court recognized that intelligent inventors would know to combine certain prior art references even without an explicit teaching or motivation. The Court encouraged a more flexible obviousness test in an attempt to better incorporate the general knowledge and common sense of a “person of ordinary skill in the art.”

*Supreme Court Spotlight continued on page 6*

**Supreme Court Spotlight continued from page 2**

**Microsoft Corp. v. AT&T Corp., 127 S.Ct. 1746 (April 30, 2007)**

On the same day the Supreme Court decided *KSR*, the Court also decided *Microsoft*. The *Microsoft* case dealt with Section 271(f) of the Patent Act, which generally prohibits the sale of unpatented individual components from the United States for the purpose of combining the components overseas into an infringing product. The issue was whether supplying software from the United States to be installed overseas violated Section 271(f). In yet another example of Supreme Court intervention in patent law, the Court once again rejected the Federal Circuit's analysis. In reversing the Federal Circuit, the Supreme Court seemed to reject the notion that software should be treated any differently from inventions based on mechanical parts. The Supreme Court also relied on a general principle that U.S. law, including patent law, is limited to the territory of the United

States unless otherwise indicated by statute.

As these cases demonstrate, the Supreme Court is in the process of replacing the Federal Circuit as the final word on matters of patent law. Commentators believe patent litigators will now aggressively seek more writs of certiorari, particularly in cases where a Federal Circuit opinion relies on a specialized patent rule, where the Federal Circuit panel is divided, or where a Federal Circuit decision contradicts decisions rendered prior to the Supreme Court's formation in 1982. Legal areas that may be ripe for Supreme Court involvement include the waiver of attorney-client privilege in willful infringement proceedings, the magnitude and scope of patent damages, and the deference given to district courts in construing patent claims.

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**Courtroom Procedure continued from page 4**

<sup>13</sup>*Brown & Williamson*, 710 F.2d at 1177.

<sup>14</sup>*Richmond*, 448 U.S. at 569-73.

<sup>15</sup>*In Re Providence Journal Co.*, 293 F.3d 1, 10-13 (1st Cir. 2002) (court's blanket policy of refusing to file memoranda at law required to be filed by counsel violated First Amendment); *Publicker*, 733 F.2d at 1069 (First Amendment right of access extends to public records and documents, including judicial records and documents); *Grove Fresh Distrib., Inc. v. Everfresh Juice Co.*, 24 F.3d 893, 897 (7th Cir. 1994) (First Amendment presumes a right of access to both proceeding and documents filed with the court); *Hartford Courant Co. v. Pellegrino*, 380 F.3d 83, 93 (2d Cir. 2004) (First Amendment right of access applies to

court docket sheets).

<sup>16</sup>*Kamakana v. City and County of Honolulu*, 447 F.3d 1172 (9th Cir. 2006).

<sup>17</sup>*Foltz*, 331 F.3d at 1135.

<sup>18</sup>*Kamakana*, 447 F.3d at 1179.

<sup>19</sup>*Foltz*, 331 F.3d at 1133.

<sup>20</sup>*Kamakana*, 447 F.3d at 1179.

<sup>21</sup>*Foltz*, 331 F.3d at 1137.

<sup>22</sup>*Id.* at 1131 (citing *Deford v. Schmid Prods. Co.*, 120 F.R.D. 648, 653 (D.Md. 1987)).

<sup>23</sup>*Id.* at 1132.

<sup>24</sup>*Id.*

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