

ATTORNEY GUIDE

PATENT LAW UNDER SIEGE: WHAT DOES IT MEAN?

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Since the U.S. Court Of Appeals for the Federal Circuit was established in 1982 – the only federal appeals court which hears patent case – the U.S. Supreme Court and Congress has given relatively scant attention to patent law. However, patent law has now become the focus of the judicial, legislative, and regulatory branches of the U.S. Government. This focus begs the following questions: What changes have are taking place and what steps should businesses be taking to better protect themselves?

As to the first question, the Supreme Court has recently been handing down a number of patent decisions changing the way patent laws will be enforced. Concurrently, Congress has been pursuing the Patent Reform Act — currently stalled in the Senate — which would change the patent landscape entirely. The United States Patent and Trademark Office (USPTO) has also gotten into the act, trying to push through new patent rules currently enjoined by a Virginia federal court.

As to specific examples of these changes, the U.S. Supreme Court has handed down the following recent rulings:

- In *KSR v. Teleflex*, 127 S.Ct. 1727 (2007), the Court rejected the notion that the test employed by the Federal Circuit to determine whether a patent was obvious to one of ordinary skill in the art and therefore invalid – the teaching-suggestion-motivation test – was the only test. This has arguably broadened the number of obviousness arguments that can be made against a patent.

- In *Microsoft v. AT&T*, 17 S.Ct. 1746 (2007) the Court held that certain products, such as certain software-related products, sold outside the United States are not within the reach of the U.S. patent laws.

- In *Medimmune v. Genentech*, 127 S.Ct. 764 (2007) the Court made it easier for a patent licensee to seek a declaratory judgment that the licensed patent is invalid, unenforceable, or not infringed.

- In *Ebay v. Merc Exchange*, 126 S.Ct. 1837 (2007) the Court held that a four-factor test must now be considered in deciding whether to grant injunctive relief against adjudged infringers as opposed to granting such injunctions as a matter of course. As a result, patent owners in certain cases may lose the right to exclude others, a right which was formerly one of their most potent weapons.

The proposed Patent Reform Act currently stalled in the Senate would, among other things, have the following effects: (1) Switch the right of ownership to a

patented invention from the first-to-invent to the first-to-file for the patent. (2) Limit the damages recoverable from a patent infringer. (3) Eliminate one of the defenses to patent infringement — the best mode defense pursuant to which a patent can be determined invalid if the patentee failed to disclose the best mode associated with the subject invention.

The new USPTO rules would restrict an inventor's current rights to seek patent protection by limiting (1) the number of continuation patent applications that may be filed pursuant to an original application, (2) the number of requests for continued examinations of a patent application, and (3) the number of claims within a patent.

So what steps should businesses be taking in light of these changes?

First, patents must be drafted more precisely to avoid any of the new possible pitfalls. For example, in light of *KSR*, the patent language must be carefully chosen to avoid any suggestion that the subject invention was somehow routine or obvious to one of ordinary skill in the art.

Second, patent-related documents, such as patent licenses, must be drafted with more precision to strengthen them against possible attacks. For example, in light of *Medimmune*, a patent owner should consider licensing language which addresses the licensee's right to challenge the licensed patent.

Third, businesses need to work with knowledgeable patent counsel in reducing risks of patent infringement exposure. For example, in light of *Microsoft*, businesses involved in international commerce may avoid infringement by providing master disks, blueprints, or templates to foreign manufacturers who then use such materials to produce and sell otherwise infringing products outside the United States.

Fourth, businesses which own patents should work closely with patent counsel in taking proper steps to ensure the maximum recoverable damages in the event of patent enforcement litigation.

Fifth, if first-to-file system of the Patent Reform Act is enacted, businesses should work with efficient patent counsel to ensure that patent applications are prepared and filed as expeditiously as possible.

In summary, businesses concerned with patent rights need to work with patent counsel who are not only competent, but who keep abreast of all new developments in the law and change their practice and advice accordingly. ■