

BCLT Symposium on IP & Entrepreneurship

# Challenges Facing Entrepreneurs in Enforcing and Licensing Patents

Professor Margo A. Bagley

University of Virginia School of Law

# That Was Then . . .

- Belief that decisions of the Court of Appeals for the Federal Circuit made it “easier to get patents, easier to enforce patents against others, easier to get large financial awards from such enforcement, and harder for those accused of infringing patents to challenge the patent’s validity.”

*A. Jaffe & J. Lerner, “Innovation and Its Discontents: How Our Broken Patent System is Endangering Innovation and What to Do About It (2003).*

## . . . This is Now

- *KSR v. Teleflex* (harder to get and enforce patents)
- *eBay v. MercExchange* (harder to enforce patents)
- *In Re Seagate Technology* (harder to get large financial awards)
- *Medimmune v. Genentech* (easier to challenge patents)

# *KSR v. Teleflex* (USSC 2007)

(harder to get and enforce patents)

Rejected rigid application of  
teaching/suggestion/motivation test for  
determining obviousness

# *KSR v. Teleflex* (USSC 2007)

(harder to get and enforce patents)

## ■ *Rationales (USPTO Examination Guidelines)*

- (A) Combining prior art elements according to known methods to yield predictable results;
- (B) Simple substitution of one known element for another to obtain predictable results;
- (C) Use of known technique to improve similar devices (methods, or products) in the same way;
- (D) Applying a known technique to a known device (method, or product) ready for improvement to yield predictable results;
- (E) “Obvious to try”—choosing from a finite number of identified, predictable solutions, with a reasonable expectation of success;
- (F) Known work in one field of endeavor may prompt variations of it for use in either the same field or a different one based on design incentives or other market forces if the variations would have been predictable to one of ordinary skill in the art;
- (G) Some teaching, suggestion, or motivation in the prior art that would have led one of ordinary skill to modify the prior art reference or to combine prior art reference teachings to arrive at the claimed invention.

# *KSR v. Teleflex* (USSC 2007)

(harder to get and enforce patents)

- Can make it easier to establish obviousness/invalidate patent claims

# *eBay v. MercExchange* (USSC 2006)

(harder to enforce patents)

- Eliminated the Federal Circuit's general rule in patent cases that a permanent injunction must issue after a finding of infringement, absent exceptional circumstances.

# *eBay v. MercExchange* (USSC 2006)

(harder to enforce patents)

“[S]ome patent holders, such as university researchers or self-made inventors, might reasonably prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their work to market themselves. Such patent holders may be able to satisfy the traditional four-factor test, and we see no basis for categorically denying them the opportunity to do so.”



# *eBay v. MercExchange* (USSC 2006)

(harder to enforce patents)

- Trend: injunctions granted if patentee competes with infringer, less likely if patentee licenses (no sale or manufacture)

# *eBay v. MercExchange* (USSC 2006)

(harder to enforce patents)

- *Voda v. Cordis* (W.D. Ok. 2006), appeal pending): permanent injunction denied where infringer competes with exclusive licensee BUT licensee not joined in suit
- Important for non-practicing patentee to join licensee(s) and focus on satisfying four equitable factors
- Hope: *CSIRO v. Buffalo Tech.* (E.D. Tex 2007), non-practicing entity granted permanent injunction

# *eBay v. MercExchange* (USSC 2006)

(harder to enforce patents)

- What if no injunction?
  - Parties negotiate royalty
  - Patentee should be able to sue again if future infringement (and get enhanced damages)
  - But *Paice v. Toyota* (CAFC 2007): Affirmed denial of permanent injunction and award of “on-going royalty” (i.e. compulsory license) after finding of infringement

# In Re Seagate Tech. (CAFC 2007)

(harder to get large financial awards)

- 35 USC §284 allows courts to enhance (treble) damages; but only after finding of willful infringement
- Negligence not enough, patentee must show “objective recklessness” to establish willful infringement
  - D acted despite objectively high likelihood that actions constituted infringement
  - Objectively high risk was, or should have been known
- Harder for patentee to obtain treble damages

# MedImmune v. Genentech (USSC 2007)

(Easier to challenge)

- Licensee does not have to breach agreement to bring DJ action for non-infringement
- *Micron v. Mosaid* (2/2008): court has jurisdiction if substantial controversy between the parties; variety of factors can suggest controversy
- Makes DJ jurisdiction easier to establish thus easier for licensee or competitor to challenge patent

# Conclusions

- Combination of recent court decisions create variety of challenges for patent enforcement and licensing
- Its relative
- Challenges not insurmountable