March 2016

The Return of the Supreme Court to Patent Law

Timothy R. Holbrook

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When discussing developments in patent law, attorneys generally have focused on the Federal Circuit for the last two decades. Over the last two years, however, the Federal Circuit has generally been quiet on big issues. The Federal Circuit seems to have garnered more attention for its failures to act than for its seminal decisions in the last few years.[1] In contrast, life has been rather hectic at the Supreme Court in terms of patent law. In the past, the Supreme Court typically addressed issues on the periphery of patent law;[2] the Court's recent cases, however, have

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[*] Associate Professor of Law and Associate Director of the Program in Intellectual Property Law, Chicago-Kent College of Law. My thanks to Namon Huddleston for assistance with this article. This article is based on the talk I presented at the Eighth Annual Sughrue Symposium at the University of Akron School of Law. My talk was entitled *The Return of the Supreme Court to Patent Law: 2005 in Review and 2006 in Preview*, in which I reviewed the previous year's patent law development. This paper focuses exclusively on recent Supreme Court patent jurisprudence. My thanks to the organizers of that conference for the opportunity to return to Northeastern Ohio, where I was born, raised, and learned to debate using the University of Akron for research, and to discuss the issues contained in this paper.

1. *See, e.g.*, Amgen, Inc. v. Hoechst Marion Roussel, Inc., No. 05-1157, 2006 WL 3378475, at *1 (Fed. Cir. Nov. 22, 2006) (declining reconsideration of *de novo* standard of review over claim construction over numerous dissents); Lizardtech, Inc. v. Earth Resource Mapping, Inc., 433 F.3d 1373, 1373 (Fed. Cir. 2006) (declining en banc consideration of Federal Circuit's criticized written description jurisdiction, over numerous dissents); Phillips v. AWH Corp., 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc) (reaffirming previous claim construction methodology of Vitronics Corp. v. Conceptronic, Inc., 90 F.3d 1576 (Fed. Cir. 1996) and not addressing numerous questions presented in en banc order).

2. The Supreme Court has reviewed a number of Federal Circuit patent cases, but those cases rarely involve substantive patent law. *See, e.g.*, Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc., 535 U.S. 826 (2002) (Federal Circuit's jurisdiction); Nelson v. Adams USA, Inc., 529 U.S. 460 (2000) (procedure); Christianson v. Colt Indus. Operating Corp., 486 U.S. 800 (1988) (Federal Circuit's jurisdiction); College Sav. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd., 527 U.S. 666 (1999) (state sovereign immunity); J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred Int'l, Inc., 534 U.S. 124 (2001) (intersection of utility patents and plant patents); Dickinson v. Zurko, 527 U.S. 150 (1999) (requiring Federal Circuit to apply APA standards of review to PTO determinations). *See* Timothy R. Holbrook, *The Supreme Court's Complicity in Federal Circuit Formalism*, 20 SANTA CLARA COMPUTER AND HIGH TECH. L. J. 1, 6 n.30 (2003) [hereinafter

jumped into its heart.[3] This activity demonstrates a renewed interest in patent law by the Court and perhaps an increasing skepticism of the Federal Circuit's ability to be the sole arbiter of patent law. I will address the recent Supreme Court patent-related cases, their impact on the patent system, and the evolving institutional dynamic between the Federal Circuit and the Supreme Court.

I. DECIDED SUPREME COURT CASES FROM 2005-07

The diverse set of patent-related cases decided by the Supreme Court has demonstrated that the Court is not only concerned with narrow issues that generally fall within the penumbra of constitutional issues. Instead, the recent set of cases selected for certiorari primarily related to the core aspects of patent law. During this unsettled period in patent law, with calls for reform coming from commentators and Congress itself, the Court is beginning to articulate its viewpoints on the appropriate scope of protection afforded by patents. The following section discusses the most recent cases before the Court that either are patent cases or that have potential consequences for patent law. Moreover, I also discuss one case that the Supreme Court dismissed as having granted certiorari improvidently, given the lively and insightful dissents to that dismissal.

A. Merck KGAA v. Integra Lifesciences I., Ltd[4]

In *Merck*, the Supreme Court addressed the safe harbor provision afforded by 35 U.S.C. § 271(e)(1). This section affords a defense for otherwise infringing acts when those acts are used to prepare a filing before the FDA. Specifically, § 271(e)(1) states:

> It shall not be an act of infringement to make, use, offer to sell, or sell within the United States or import into the United States a patented invention . . . solely for uses reasonably related to the development and submission of information under a Federal law which regulates the

Holbrook, *Supreme Court*]; John F. Duffy, *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, 2002 SUP. CT. REV. 273, 296-98 (2002).

3. Aside from the cases discussed in this article, the Supreme Court delineated key patent law doctrine in Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 535 U.S. 722, 740 (2002) (prosecution history estoppel), Pfaff v. Wells Elecs., 525 U.S. 55, 67-68 (1998) (on-sale bar to patentability); Warner-Jenkinson Co. v. Hilton Davis Chemical Co., 520 U.S. 17, 40-41 (1997) (doctrine of equivalents, prosecution history estoppel, and the all elements rule).

4. 545 U.S. 193 (2005).

manufacture, use, or sale of drugs or veterinary biological products.[5]

This section was adopted as part of the Hatch-Waxman Act to provide a balance between the patent owner's exclusive rights and the interest of generic companies getting to market quickly. Before the enactment of the Hatch-Waxman Act, the Federal Circuit held in *Roche Products* that use of a patented invention for the purpose of preparing an application to a regulatory agency seeking approval of a generic version of a drug was an act of infringement.[6] This holding meant that a patentee would effectively get a patent term extension: generic companies could only begin preparing for the regulatory process *after* the patent expired, creating a lag between the expiration of the patent and when the generic company could enter the market.[7]

Congress responded to this situation by overruling *Roche* with the statutory safe-harbor provision of § 271(e)(1). Although this safe-harbor negatively impacted patent holders, Congress acted even-handedly by affording patent term extensions to patent owners due to regulatory delays in getting a product approved. It also provided a new, technical form of infringement: the mere filing of a generic drug application during the term of the underlying patent is now an act of infringement. The patentee, therefore, need not wait for the generic company to enter the market but instead can sue once the application has been filed.[8]

In *Merck*, Integra's patented invention related to a peptide that can be used to inhibit the growth of blood vessels, providing a potential way to combat cancer by starving cancerous tumors. Merck had tested the

5. 35 U.S.C. § 271(e)(1). For an elucidating discussion of this provision, *see generally* Bradley Scott Eidson, *How Safe Is The Harbor? Considering The Economic Implications Of Patent Infringement In Section 271(e)(1) Analysis*, 82 WASH. U. L. Q. 1169, 1171-75 (2004).

6. Roche Prods., Inc. v. Bolar Pharm. Co., 733 F.2d 858, 863 (Fed. Cir. 1984), *superseded by statute,* Drug Price Competition and Patent Term Restoration Act of 1984, Pub. L. No. 98-417, 98 Stat 1585, *as recognized in* W.L. Gore & Associates, Inc. v. C.R. Bard, Inc., 977 F.2d 558 (Fed. Cir. 1992).

7. *See* Timothy R. Holbrook, *Possession in Patent Law*, 59 SMU L. REV. 123, 141 (2006) [hereinafter Holbrook, *Possession*].

8. This specialized area of patent law has numerous complications, such as obligations for patent owners to list the patents that cover the inventions approved by the regulatory agency (generally the Food and Drug Administration) on what is known as the "Orange Book." This listing obligation has generated its issues of administrative law regarding the obligations of the FDA to monitor the accuracy of Orange Book listings. *See, e.g.,* Apotex, Inc. v. Thompson, 347 F.3d 1335, 1348-49 (Fed. Cir. 2003); aaiPharma Inc. v. Thompson, 296 F.3d 227, 238-40 (4th Cir. 2002) (finding no obligation on part of FDA to monitor listings). Generic companies must also notify the patent holder if they will argue before the FDA that approval should be permitted because the generic company believes its product does not infringe the relevant patents or that the patents are invalid or unenforceable. This certification is known as a paragraph IV certification. *See generally* Holbrook, *Possession*, *supra* note 7, at 141-42.

patented compound as a potential drug candidate but did not select it for further drug development or an application to the FDA. Integra sued Merck for infringement based on Merck's use of the patented peptide.

Merck contended that even though it never filed an application for federal approval of patented peptide, its activities should fall within the safe harbor provision of § 271(e)(1), thereby immunizing them from infringement liability. Integra countered that Merck's use was too attenuated from the FDA approval process to qualify for such protection, an argument that met with favor at the Federal Circuit.[9] The Federal Circuit concluded that Merck was merely looking for new drugs that may or may not subsequently be the subject of an FDA application.[10] As such, the research was not "'reasonably related to the development and submission of information' to the FDA."[11] In essence, the Federal Circuit viewed the research as too remote from the actual application process to qualify for the statutory defense.

The Supreme Court disagreed and gave a broader interpretation to the statute. The Court reasoned that:

> It does not follow from this, however, that § 271(e)(1)'s exemption from infringement categorically excludes either (1) experimentation on drugs that are not ultimately the subject of an FDA submission or (2) use of patented compounds in experiments that are not ultimately submitted to the FDA. Under certain conditions, we think the exemption is sufficiently broad to protect the use of patented compounds in both situations.[12]

Thus, experiments on patented drugs that, although initially promising, are ultimately not submitted to the FDA for approval are also exempt from infringement.

The exact contours of the Supreme Court's more expansive reading of the § 271(e)(1) safe harbor remain to be seen. The Court recognized that there are limits as to the scope of the safe harbor but failed to articulate exactly where any lines should be drawn. It simply concluded that, here, the Federal Circuit had drawn the line in the wrong place and that Merck clearly fell within the safe harbor defense. As such, the exact contours of the defense remain unclear.

Moreover, the opinion leaves many questions unanswered that will

9. *See* Integra Lifesciences I, Ltd. v. Merck KGaA, 331 F.3d 860, 868 (Fed. Cir. 2003) (finding safe harbor inapplicable), *vacated*, 545 U.S. 193 (2005).

10. *Id.* at 866.

11. *Id.* at 867 (quoting 35 USC § 271(e)(1) (2000)).

12. Merck KGAA v. Integra Lifesciences I., Ltd., 545 U.S. 193, 206 (2005).

need to be examined by the lower courts. For example, if the lower courts interpret *Merck* broadly, then the value of research tool patents may be greatly reduced. The Supreme Court recognized this possibility, but left the question open.[13] But, given the Court's broader view of what constitutes qualifying activity under the safe harbor, it appears that at least some research tool patents will be difficult to enforce. Expansion of the statutory safe harbor defense may be appropriate in promoting the creation and dissemination of information, particularly in light of the Federal Circuit's evisceration of the common law "experimental use" defense.[14]

B. MGM Studios Inc. v. Grokster, Ltd [15]

Although not technically a patent case, the Supreme Court's *MGM Studios* decision could have significant repercussions for US patent law. The decision addressed the legality of peer-to-peer file sharing software that did not contain a centralized index of files or copyrighted songs. Everyone believed the Court would clarify the standard articulated in *Sony Corp. of America v. Universal City Studios, Inc.,*[16] which insulates technology with the capacity for substantial non-infringing uses from contributory copyright infringement. Instead, the Court articulated a new, active inducement theory of copyright infringement. To the surprise of many – and consternation of some – the Court imported 35 U.S.C. § 271(b) active inducement from patent law into copyright law[17] just as it had imported 35 U.S.C. § 271(c) contributory infringement in *Sony*.

In so doing, the Court avoided addressing the language in Sony that precluded contributory copyright infringement for devices that are "capable of substantial noninfringing uses."[18] This judicial-sidestepping has interesting implications for active inducement law, now both in patent and copyright law. Particularly, the Supreme Court's concern with the seemingly nefarious intent of *Grokster* highlights the important yet uncertain role of intent in assessing infringement under § 271(b).

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13. *Id.* at 205 n.7 ("We therefore need not — and do not — express a view about whether, or to what extent, §271(e)(1) exempts from infringement the use of 'research tools' in the development of information for the regulatory process.").

14. *See* Madey v. Duke Univ., 307 F.3d 1351, 1362 (Fed. Cir. 2002).

15. 545 U.S. 913; 125 S.Ct. 2764 (2005).

16. 464 U.S. 417, 439-42 (1984).

17. *See* MGM Studios Inc. v. Grokster, Ltd., 125 S.Ct. 2764, 2780 (2005) ("For the same reasons that Sony took the staple-article doctrine of patent law as a model for its copyright safe-harbor rule, the inducement rule, too, is a sensible one for copyright. We adopt it here . . .").

18. *Sony*, 464 U.S. at 442.

The requisite intent for active inducement is an unsettled question at the Federal Circuit. At present, Federal Circuit law is split on whether there must be an intent to induce infringement or merely the intent to induce the acts that constitute infringement.[19] The Federal Circuit has generally refused to resolve the split, noting that the issue has not been properly presented in order to resolve the difference.

There is a significant potential difference between these two standards. If the intent required for active inducement is merely an intent to induce the acts that constitute infringement, then the subjective belief of the inducer regarding whether those acts are infringing or whether the relevant patent is invalid or unenforceable are irrelevant.[20] If the intent is to induce infringement, then a good faith belief that those acts are non-infringing or that the patent is invalid or unenforceable would be directly relevant: such a good faith belief would negate the intent element.[21]

The evolution of this area of the law no longer rests solely with the Federal Circuit. Because the standard will now be used in copyright cases, the regional circuits will play a role in ascertaining what the appropriate intent should be. Indeed, it may create a circuit split that the Supreme Court will need to resolve in the future, unless the regional circuits simply defer to Federal Circuit law. Given the unsettled nature of the Federal Circuit's law, however, such resort may be useless, forcing the regional circuits to answer the question on their own. Indeed courts in copyright cases have not referenced the Federal Circuit's active inducement standard. In contrast, the Federal Circuit has relied upon the Supreme Court's *Grokster* decision in the context of an active inducement case under 35 U.S.C. § 271(b), although the court again avoided addressing the present intracircuit split, on an arguably

19. *See* MercExchange, LLC v. eBay, Inc., 401 F.3d 1323, 1332 (Fed. Cir. 2005), *cert. granted on other grounds*, eBay, Inc. v. MercExchange, LLC., No. 05-130, 2005 WL 3144112 (U.S. Nov 28, 2005); MEMC Elec. Mat'ls, Inc. v. Mitsubishi Mat'ls Silicon Corp., 420 F.3d 1369, 1378 n.4 (Fed. Cir. 2005); Insituform Technologies, Inc. v. CAT Contracting, Inc., 385 F.3d 1360, 1378 (Fed. Cir. 2004). *See generally* Timothy R. Holbrook, *The Intent Element of Induced Infringement*, 22 SANTA CLARA COMP. & HIGH TECH. L.J. 399 (2006) [hereinafter Holbrook, *Intent*]; Mark A. Lemley, *Inducing Patent Infringement*, 39 UC DAVIS L. REV. 225, 238-39 (2005).

20. Holbrook, *Intent*, *supra* note 19, at 404-06.

21. *Id.* I support the "intent to induce infringement standard," but also posit that it should be a defense for past infringement only. Once a court has adjudicated the acts of infringement and validity of the patents, the good faith belief will be confirmed (and there is no liability anyway) or rejected (such that from that point forward there is no longer a good faith belief). As such, the intent would act as a bar to damages only and not prospective relief such as a permanent injunction. *See id.* at 406.

inappropriate basis.[22]

In *MEMC*, the Federal Circuit reasoned that it need not resolve the intracircuit split because "it is undisputed that SUMCO had knowledge of the '302 patent. Thus, assuming that MEMC is able to demonstrate that SUMCO had intent to induce the specific acts constituting infringement, intent additionally to cause an infringement can be presumed."[23] This reasoning is simply wrong: if SUMCO had a good faith belief that the relevant patent claims were invalid, unenforceable, or not infringed, then there would not be inducement under the "intent to induce infringement" standard. Knowledge alone is therefore insufficient to presume intent to induce infringement. This case squarely presented the issue but the Federal Circuit refused to answer it. As such, the law still lingers in uncertainty.

C. Unitherm Food Sys., Inc. v. Swift Eckrich, Inc. [24]

Although technically an appeal from a patent case, the issue addressed by the Supreme Court is strictly one of civil procedure. The Court's selection of this case is somewhat surprising because the Federal Circuit was merely applying Tenth Circuit law.[25] The Federal Circuit, when applying its own law, actually followed the approach eventually articulated by the Supreme Court.[26] Arguably, therefore, it was inappropriate for the Supreme Court to grant review of this issue of 10th Circuit law in a Federal Circuit case.

The issue presented was "[w]hether, and to what extent, a court of appeals may review the sufficiency of evidence supporting a civil jury verdict where the party made a motion for judgment as a matter of law under Rule 50(a) of the Federal Rules of Civil Procedure before submission of the case to the jury, but neither renewed that motion under Rule 50(b) after the jury's verdict, nor moved for a new trial under Rule 59?"[27]

The Court concluded that failure to renew the motion or move for a new trial precludes an appellate court from reviewing the sufficiency of the evidence supporting the jury's verdict.[28] This case establishes a

22. *MEMC Elec. Materials, Inc.*, 420 F.3d at 1379-80.

23. Id. at 1378 n.4.

24. 126 S.Ct. 980 (2006).

25. Unitherm Food Systems, Inc. v. Swift Eckrich, Inc., 375 F.3d 1341, 1365 n.7 (Fed. Cir. 2004), *reversed by* Unitherm Food Systems, Inc. v. Swift Eckrich, Inc., 546 U.S. 394 (2006).

26. *Unitherm*, 375 F.3d at 1365 n.7.

27. Unitherm Food Systems, Inc. v. Swift Eckrich, Inc., 543 U.S. 1186 (2005).

28. *Unitherm*, 126 S.Ct. at 989.

national standard for appellate review of jury verdicts, but there is nothing about it that makes it unique to patent law. The Court simply used this case as the vehicle to change the Tenth Circuit's practice.

D. Illinois Tool Works, Inc. v. Independent Ink, Inc. [29]

The issue presented in *Independent Ink* was whether the possession of a patent creates a presumption of market power when analyzing a tying arrangement under antitrust law. Supreme Court precedent previously had established such a presumption, although the continued viability of that presumption has been called into question, even by the Federal Circuit in this case.[30]

The Supreme Court took the Federal Circuit's invitation and rejected the presumption of market power in these cases.[31] After recounting the history of the presumption, the Court looked to Congress's rejection of a presumption of market power in the context of a patent misuse defense. Congress amended the Patent Act in 1988 to require proof of market power if a defendant is arguing patent misuse as a defense to patent infringement.[32] While the Court acknowledged that the amendment technically did not alter the Court's antitrust jurisprudence, the Justices did recognize that the amendment "certainly invites a reappraisal of the per se rule announced in International Salt."[33] The Court reasoned that:

> It would be absurd to assume that Congress intended to provide that the use of a patent that merited punishment as a felony would not constitute "misuse." Moreover, given the fact that the patent misuse doctrine provided the basis for the market power presumption, it would

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29. 126 S.Ct. 1281 (2006).

30. The Federal Circuit panel signaled the Supreme Court that review of this case may be appropriate:

> Even where a Supreme Court precedent contains many "infirmities" and rests upon "wobbly, moth-eaten foundations," it remains the "Court's prerogative alone to overrule one of its precedents." State Oil Co. v. Khan, 522 U.S. 3, 20, 118 S.Ct. 275, 139 L.Ed.2d 199 (1997). None of the authorities that defendants present . . . constituted an express overruling of *International Salt* or *Loew's*. We conclude that the Supreme Court has held that there is a presumption of market power in patent tying cases, and we are obliged to follow the Supreme Court's direction in this respect. The time may have come to abandon the doctrine, but it is up to the Congress or the Supreme Court to make this judgment.

Independent Ink, Inc. v. Illinois Tool Works, Inc., 396 F.3d 1342, 1351 (Fed. Cir. 2005), *vacated and reversed by* Independent Ink, Inc. v. Illinois Tool Works, Inc. 126 S.Ct. 1281 (2006).

31. *Independent Ink, Inc.*, 126 S.Ct. at 1284.

32. 35 U.S.C. § 271(d)(5).

33. *Illinois Tool Wooks*, 126 S.Ct. at 1290-91.

> be anomalous to preserve the presumption in antitrust after Congress has eliminated its foundation.[34]

Overturning its prior decisions, the Supreme Court unanimously rejected the presumption of market power and now requires proof of market power in the market for the patented good.[35] Such an outcome was expected, and is consistent with generally accepted views in both the antitrust and patent communities.

E. eBay Inc. v. MercExchange L.L.C, [36]

The Supreme Court granted certiorari in this case to review the Federal Circuit's standard[37] for granting permanent injunctions in patent infringement cases. The Federal Circuit had stated that permanent injunctions would be granted in patent infringement cases unless there were exceptional circumstances, such as an interest in protecting the public health.[38] In effect, the Federal Circuit categorically required permanent injunctions in every patent case where the court had found infringement of a valid patent claim.

The Patent Act permissibly authorizes courts to grant permanent injunctions "in accordance with the principles of equity,"[39] seemingly requiring a balancing of equitable factors that the Federal Circuit did not do. The Federal Circuit in this case specifically reversed the district court's denial of permanent injunction, noting that this case did not present such exceptional circumstances.[40]

The Supreme Court not only granted certiorari on the issue presented by the petitioner,[41] but also articulated a second question to address:

> Whether this Court should reconsider its precedents, including *Continental Paper Bag Co. v. Eastern Paper Bag Co.,* 210 U.S.

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34. *Id.* at 1291.

35. *Id.* at 1293 ("Congress, the antitrust enforcement agencies, and most economists have all reached the conclusion that a patent does not necessarily confer market power upon the patentee. Today, we reach the same conclusion, and therefore hold that, in all cases involving a tying arrangement, the plaintiff must prove that the defendant has market power in the tying product.").

36. 126 S.Ct. 733 (2005).

37. *Id.*

38. *MercExchange*, 401 F.3d at 1338.

39. 35 U.S.C. § 283 (2000).

40. *MercExchange*, 401 F.3d at 1339.

41. The petitioner's question presented is "[w]hether the Federal Circuit erred in setting forth a general rule in patent cases that a district court must, absent exceptional circumstances, issue a permanent injunction after a finding of infringement." Petition for Writ of Certiorari, eBay Inc. v. MercExchange, L.L.C., No. 05-130, 2005 WL 1801263 (July 25, 2005).

> 405 (1908), on when it is appropriate to grant an injunction against a patent infringer.[42]

In *Continental Paper Bag*, the Supreme Court held that the failure of the patentee to practice the invention was not by itself a sufficient basis to deny a permanent injunction.[43] Presentation of this questions suggested that the Court was aware of the "patent troll" phenomenon, where a patent holder does not manufacture any goods but instead seeks licenses under the patents.

The Supreme Court ultimately declined to overturn *Continental Paper Bag* and concluded that both the Federal Circuit and the district court erred in their respective analysis.[44] The Court reasoned that injunctive relief is available in patent cases under the same circumstances as in non-patent cases,[45] only after equitable balancing of four factors:

> A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.[46]

The Court acknowledged that the district court did use the appropriate four factor test, but erred in applying those factors. The Court criticized the court for "adopt[ing] certain expansive principles suggesting that injunctive relief could not issue in a broad swath of cases." Particularly, the Supreme Court rejected the district court's reliance on the patent holders "willingness to license its patents" and failure to practice the patent as sufficient to conclude there would be no irreparable harm.[47] The Court reasoned that equity does not allow a court to paint with such a broad brush because some patent holders, such as solo-inventors and universities, may not have the ability to practice the invention at a

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42. eBay Inc. v. MercExchange, L.L.C., 126 S. Ct. 733 (2005).

43. Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U.S. 405, 429 (1908). The patentee was using an older method, so the patentee in this case at least was providing *something* to the public.

44. eBay Inc. v. MercExchange L.L.C., 126 S.Ct. 1837, 1840 (2006).

45. *Id.* at 1839 ("These familiar principles apply with equal force to disputes arising under the Patent Act. As this Court has long recognized, 'a major departure from the long tradition of equity practice should not be lightly implied.' Nothing in the Patent Act indicates that Congress intended such a departure. To the contrary, the Patent Act expressly provides that injunctions 'may' issue "in accordance with the principles of equity.'").

46. *Id.*

47. *Id.* at 1840.

commercial level.[48] In those circumstances, a permanent injunction may be appropriate. The Court then confirmed the continuing vitality of *Continental Paper Bag*:

> To the extent that the District Court adopted such a categorical rule, then, its analysis cannot be squared with the principles of equity adopted by Congress. The court's categorical rule is also in tension with *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 422-430 (1908), which rejected the contention that a court of equity has no jurisdiction to grant injunctive relief to a patent holder who has unreasonably declined to use the patent.[49]

The Court did not conclude, however, that the Federal Circuit's approach was correct. Instead, the Federal Circuit had gone too far to the other extreme by denying permanent injunctions only in exceptional circumstances. The Court rejected this categorical approach *in favor* of permanent injunctions, requiring the Federal Circuit to apply the basic four-factor framework.[50]

While this outcome alone would be of incredible significance, the truly fascinating aspect of the Court's decision is the diametrically opposed concurrences. These opinions show that the Court is fractured on what the impact of Court's unanimous opinion will have in practice. Chief Justice Roberts, joined by Justices Scalia and Ginsburg, emphasized that, historically, the granting of permanent injunctions has always been the norm and that denial of an injunction is in fact rare.[51] The lower courts, therefore, do not write on a clean slate and should take this history into account when balancing the four equitable factors: "When it comes to discerning and applying those standards, in this area as others, 'a page of history is worth a volume of logic.'"[52]

In contrast, Justice Kennedy, joined by Justices Stevens, Souter, and Breyer, interpreted the Court's decision to portend a departure from the traditional practice, particularly because times have changed:

> In cases now arising trial courts should bear in mind that in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases.[53]

48. *Id.*
49. *Id.* at 1840-41.
50. eBay Inc., 126 S.Ct. at 1841.
51. *Id.* at 1841-42 (Roberts, C.J., concurring).
52. *Id.* at 1842 (quoting New York Trust Co. v. Eisner, 256 U.S. 345, 349 (1921)).
53. *Id.* at 1842 (Kennedy, J., concurring).

Justice Kennedy identified a number of modern scenarios that may suggest that a permanent injunction is not appropriate: where the patent holder's business model is to seek licenses without producing anything himself (i.e. where the patent holder is a "patent troll"); where the infringement is only of a component of a larger product; or where the invention is on a business method, patents which may be vague or of suspect validity.[54] Thus, while history can be an aid, "district courts must determine whether past practice fits the circumstances of the cases before them."[55]

As the Court's opinion is less than a year old, drawing conclusions on what changes, if any, will occur in the practice of granting permanent injunctions is difficult to discern. Tellingly though, three district courts have already refused to grant a permanent injunction in light of the Supreme Court's *eBay* decision.[56] Thus, at least some district courts seem to be siding with Justice Kennedy's view of permanent injunctions.[57] Whether the Federal Circuit will allow these denials to stand, and whether that court will bring injunctive relief effectively back to pre-*eBay* levels, remains to be seen.

F. Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc. [58]

In *Laboratory Corp. v. Metabolite Laboratories*, the Court agreed to review the validity of a patented method that related to a correlation between a vitamin deficiency and a level of proteins in a patient's blood. Specifically, the claim at issue was to:

> A method for detecting a deficiency of cobalamin or folate in warm-blooded animals comprising the steps of: assaying a body fluid for an elevated level of total homocysteine; and correlating an elevated level

54. *Id.* It is not clear to me how consideration of the nature of the invention – a business method – would factor in appropriately at the permanent injunction stage. The court necessarily has found the claims at issue valid and definite. Minimally, this statement by Justice Kennedy suggests he doubts that business methods are proper subject matter for a patent.

55. *Id.* at 1842-43.

56. Voda v. Cordiss Corp., No. CIV-03-1512-L, 2006 WL 2570614, 5 (W.D. Okla. Sept. 5, 2006); Paice LLC v. Toyota Motor Corp., No. 2:04-CV-211-DF, 2006 WL 2385139, at 6 (E.D. Tex. Aug. 16, 2006); z4 Technologies, Inc. v. Microsoft Corp., 434 F.Supp.2d 437, 444 (E.D. Tex. 2006).

57. Two of the cases, *Paice* and *z4* both involved patents on components of larger devices, a concern expressly addressed in Justice Kennedy's concurrence. *z4 Technologies*, 434 F.Supp.2d at 441 (citing *eBay*, 126 S. Ct. at 1842 (Kennedy, J., concurring)); *Paice LLC*, 2006 WL 2385139, at 6.

58. 370 F.3d 1354 (2004), *cert. dismissed*, 126 S.Ct. 2921 (2006).

> of total homocysteine in said body fluid with a deficiency of cobalamin or folate.[59]

The claim was not limited to a particular method of performing this correlation, unlike the other claims in the patent. The Federal Circuit noted that a doctor receiving the results of the assay would infringe merely by recognizing the correlation.[60]

The procedural history of this case, and the ultimate dismissal of the case by the Court, makes the lack of an outcome particularly unsatisfying. The Supreme Court apparently went out of its way to grab this decision, only to dismiss the case at the eleventh hour. Specifically, the Court asked the Solicitor General to address the following question:

> The method consists of the following: First, measure the level of the relevant amino acids using any device, whether the device is, or is not, patented; second, notice whether the amino acid level is elevated and, if so, conclude that a vitamin B deficiency exists. Is the patent invalid because one cannot patent "laws of nature, natural phenomena, and abstract ideas"? *Diamond v. Diehr,* 450 U.S. 175, 185, 101 S.Ct. 1048, 67 L.Ed.2d 155 (1981).[61]

This request was somewhat surprising because the accused infringer did not challenge the validity of the claim on this basis. The issue arguably was inherently present in the third question in the certiorari petition:

> Whether a method patent setting forth an indefinite, undescribed, and non-enabling step directing a party simply to "correlat[e]" test results can validly claim a monopoly over a basic scientific relationship used in medical treatment such that any doctor necessarily infringes the patent merely by thinking

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59. U.S. Patent No. 4,940,658, col. 11, ll. 58-65 (issued Jul. 10, 1990), *invalidated,* Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc., 126 S.Ct. 543 (2005).

60. Metabolite Laboratories., Inc. v. Laboratory Corp. of Am. Holdings, 370 F.3d 1354, 1364 (Fed. Cir. 2004) ("The record shows that physicians order assays and correlate the results of those assays, thereby directly infringing. LabCorp's Discipline Director, Dr. Peter Wentz, testified that the physicians receiving total homocysteine assays from LabCorp carry out the correlating step."). The Supreme Court dissenters also recognized this reality:

> [T]he inventors testified that claim 13's "correlating" step consists simply of a physician's recognizing that a test that shows an elevated homocysteine level—by that very fact—shows the patient likely has a cobalamin or folate deficiency. They added that, because the natural relationship between homocysteine and vitamin deficiency was now well known, such "correlating" would occur automatically in the mind of any competent physician.

Laboratory Corp. of Am. Holdings v. Metabolite Laboratories., Inc., 126 S.Ct. 2921, 2924 (2006) (Breyer, J., dissenting from dismissal) (citations omitted).

61. 125 S.Ct. 1413 , 1413-14 (2005).

about the relationship after looking at a test result.[62]

The Solicitor General recommended that the Court not take the case, although it did recognize that there may be an issue with the patentability of the claimed correlation.[63] Ultimately, the Supreme Court granted certorari only on this third question and not with respect to the question it posed to the Solicitor General.[64]

After briefing and argument, the Court ultimately concluded that the issue was not properly before it, dismissing the case as certiorari being improvidently granted.[65] The dismissal came with a stinging, insightful dissent by Justice Breyer, with whom Stevens and Souter joined.

These Justices believed that the question was properly before the Court[66] and additionally that claim 13 should be invalidated as merely claiming a natural phenomenon.[67] According to the Justices, the correlation between the elevated protein level necessarily, as a matter of nature, corresponds to a vitamin B deficiency:

> At most, respondents have simply described the natural law at issue in the abstract patent language of a "process." But they cannot avoid the fact that the process is no more than an instruction to read some numbers in light of medical knowledge.[68]

The dissenters rejected the patentee's reliance on other Supreme Court cases, considering those cases inapposite because those cases relied on the transformation of blood or another material; instead the claim simply requires "the user to (1) obtain test results and (2) think about them."[69]

The dissent also viewed the patentee's reliance on the Federal Circuit's decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*,[70] as unavailing.[71] In *State Street,* the Federal

62. Petition for Writ of Certiorari, Laboratory Corp. of America Holdings v. Metabolite Laboratories. at i No. 04-607 (2004); 2004 WL 2505526.

63. Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc., Brief for the United States as Amicus Curiae, No. 04-607, 2005 WL 2072283 at 6-7 (Aug 26, 2005).

64. Metabolite Laboratories, Inc.,126 S.Ct. 601 (2005).

65. Laboratory Corp., 126 S.Ct. at 2921.

66. *Id.* at 2925-26 (Breyer, J., dissenting).

67. *Id.* at 2928 (Breyer, J., dissenting).

68. *Id.* at 2928 (Breyer, J., dissenting). Indeed, Justice Bryer does not view the case as even a close one, noting that it is "not at the boundary" and the claim "is invalid no matter how narrowly one reasonably interprets [natural phenomenon] doctrine." *Id.* at 2927 (Breyer, J., dissenting).

69. *Id.* at 2927 (Breyer, J., dissenting).

70. 149 F.3d 1368, 1373 (Fed. Cir. 1998).

71. *Metabolite,* 126 S.Ct. at 2928 (Breyer, J., dissenting).

Circuit confirmed the patentability of methods of doing business.[72] In reaching this conclusion, the Federal Circuit held that an invention is eligible for patent protection if it produces a "a useful, concrete and tangible result."[73] The dissent in *Metabolite* disagreed with this assessment of the law. Bringing the viability of *State Street* into question, the dissent noted that "this Court has never made such a statement and, if taken literally, the statement would cover instances where this Court has held the contrary."[74]

The dissenting opinion offered considerable insight into the Justices' view of the relationship between the Supreme Court and the Federal Circuit. Taking note of the recent debate over the patent system, the Justices noted that

> In either event, a decision from this generalist Court could contribute to the important ongoing debate, among both specialists and generalists, as to whether the patent system, as currently administered and enforced, adequately reflects the "careful balance" that "the federal patent laws . . . embod[y]."[75]

This reasoning may explain to some degree the Supreme Court's recent interest and considerable involvement in patent law.

Although the Court dismissed the case, the issue of subject matter eligibility now is of primary concern for the patent system. Three Justices clearly believe that patents on correlations such as the one in claim 13 are simply natural phenomena, which would render the claim ineligible for patent protection.[76] As such, the court system may yet deal with this issue in a case where it is expressly presented.

Moreover, the Patent and Trademark Office (PTO), taking the signal from the Supreme Court, has issued new guidelines for assessing subject matter eligibility.[77] These new guidelines may obviate the need for additional judicial consideration of the issue of the PTO alters its methodology to address the concerns of the dissenters in *Metabolite*. The guidelines do note that examiners should assess whether the claimed

72. *State Street*, 149 F.3d at 1373.

73. *Id.*

74. *Metabolite*, 126 S.Ct. at 2928 (Breyer, J., dissenting).

75. *Id.* at 2929 (Breyer, J., dissenting) (quoting Bonito Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 146 (1989)).

76. Diamond v. Diehr, 450 U.S. 175, 185 (1981) ("Excluded from such patent protection are laws of nature, natural phenomena, and abstract ideas.").

77. *See* Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility, 1300 OFF. GAZ. PAT. OFFICE 142 (November 15, 2005).

invention covers a law of nature, natural phenomena or abstract idea.[78] Of course, this change at the PTO would not address the voluminous number of patents that have already issued on correlations and other natural phenomena. If the courts or the PTO ultimately agrees with the dissenters, many patent claims, particularly those that relate to genes that predispose someone to a given disease, could be in jeopardy.[79] Often, these patents are phrased as a correlation between the existence of a mutation and an increased likelihood of developing a certain disease, such as cancer. The correlation would seemingly be a natural result of the presence of the mutation, much as the correlation in *Metabolite* existed as a matter of natural fact. Consequently, a host of patents on genes and mutations may be invalidated if the viewpoint of the dissent in *Metabolite* is embraced.

Minimally, the issue of eligible subject matter has been pushed to the forefront of patent law, even with the dismissal of the *Metabolite* case. The dissent offers considerable insight into how the case may have gone and should provide guidance to the courts, PTO, and possibly policy makers in how to address the scope of patent eligibility.

G. MedImmune v. Genentech [80]

In *MedImmune*, the Supreme Court addressed whether a patent licensee must material breach the license in order to have standing to bring a declaratory judgment action for invalidity or non-infringement. The specific question presented was whether

> Article III's grant of jurisdiction of "all Cases . . . arising under . . . the Laws of the United States," implemented in the "actual controversy" requirement of the Declaratory Judgment Act, 28 U.S.C. § 2201(a), require a patent licensee to refuse to pay royalties and commit material breach of the license agreement before suing to declare the patent invalid, unenforceable or not infringed?[81]

MedImmune took a license from Genentech that covered one patent and

78. *Id.*

79. *See* Jordan Paradise, Lori Andrew, Tim Holbrook, & Danielle Bochneak, *When Patents Threaten Science,* 314 SCIENCE 1395, 1395 (Dec.1, 2006); Jordan Paradise, Lori Andrews, and Tim Holbrook, *Patents on Human Genes: An Analysis of Scope and Claims*, 307 SCIENCE 1566, 1566 (2005) (discussing claims on methods of correlating gene mutations with predispositions to certain conditions).

80. 127 S.Ct. 764 (2007).

81. Petition for Writ of Certiorari, MedImmune, Inc. v. Genentech, Inc., No. 05-608, 2005 WL 3067195, at i (Nov. 10, 2005).

would then cover a pending application.[82] When the second patent issued, Genentech advised MedImmune that its product Synagis® was covered by the second patent and therefore royalties were due.[83] MedImmune disagreed but feared treble damages, attorney's fees, and injunctive relief preventing sale of Synagis, which accounted for greater than 80% of their revenue.[84] MedImmune paid and continued to pay the royalties arguably due under the license, but nevertheless filed a declaratory judgment action, seeking a declaration that the patent was not infringed, invalid, or unenforceable.[85]

The Federal Circuit concluded that there was no Article III case or controversy and thus no jurisdiction.[86] The Federal Circuit reasoned that, absent a breach, the licensee cannot have a reasonable apprehension of suit.[87] The Supreme Court granted certiorari, reversed the judgment of the Federal Circuit and remanded the case.

As a preliminary matter, the Court clarified that the case involves a contract dispute and not merely an issue of patent validity. Although likely irrelevant to the Court's ultimate determination regarding jurisdiction,[88] the Court made clear that the petitioner "has raised and preserved a contract claim."[89]

Turning to the question of jurisdiction, the Supreme Court concluded that the "case or controversy" requirement was satisfied in this case. The Court recognized that it has not "draw[n] the brightest of lines between those declaratory-judgment actions that satisfy the case-or-controversy requirement and those that do not."[90] Providing little guidance, the Court simply noted that the jurisdictional inquiry rests on "'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.'"[91] The Court recognized that, had there been a breach, then there would have been a case or controversy.

The lack of a breach of the license, however, was not fatal to jurisdiction. The Supreme Court acknowledged that, in cases where

82. MedImmune, Inc. v. Genentech, Inc., 127 S. Ct. 764, 768 (2007).
83. *Id.*.
84. *Id.*
85. *Id.*
86. MedImmune, Inc. v. Genentech, Inc., 427 F.3d 958, 963 (Fed. Cir. 2005).
87. *Id.*
88. *MedImmune*, 127 S. Ct. at 769.
89. *Id.* at 770.
90. *Id.* at 771.
91. *Id.* (quoting Maryland Casualty Co. v. Pacific Coal & Oil Co., 312 U.S. 270, 273 (1941)).

threatened government action is the concern, the Court has permitted declaratory judgment actions without requiring, for example, the plaintiff to actually break the law.[92] The Court saw no difference between government and private enforcement actions.[93] The Court found support in its decision in *Altvater v. Freeman*, in which "several patentees had sued their licensees to enforce territorial restrictions in the license."[94] The licensees continued to pay their royalties but still counterclaimed for a declaratory judgment of invalidity, [95], and the Court concluded there was a case or controversy because the royalties were paid under protest with the threat of injunctions, damages, and treble damages looming overhead.[96] Perhaps the most important aspect of the Court's opinion is found in footnote 11, in which it notes that the Federal Circuit's "reasonable apprehension of suit" test is inconsistent with *Altvater*. The Court went onto sharply criticize the test, noting that this test conflicts with a number of Supreme Court decisions.[97]

The Court also rejected the respondents contention that a license acts as an insurance policy for the patentee against suits challenging the patents validity. The court refused to read into such agreements an implicit "prohibition against challengeing the validity of the patents."[98] The Court reasoned that "[p]romising 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."[99] Similarly, the Court rejected application of the common law rule that "a party to a contract cannot at one and the same time challenge its validity and continue to reap its benefits."[100] The Court noted that the rule would not apply here, where the petitioner is not repudiating the license but instead challenging its scope. Regardless, according the Court, such an argument would be one on the merits and does not implicate the issue of jurisdiction.[101]

The Court then remanded the case because, although there is a case or controversy under Article III, the district court still has the discretion to decline jurisdiction under the Declaratory Judgment Act. Because

92. *Id.* at 772.
93. *Id.*
94. *MedImmune*, 127 S. Ct. at 772.
95. *Id.*
96. *Id.*
97. *Id.* at 774 n. 11. The Court chided the Federal Circuit for the tests "evolved form, the 'reasonable apprehension of *imminent* suit' test." *Id.* (emphasis in original).
98. *Id.* at 776.
99. *Id.* (emphasis in original).
100. *MedImmune*, 127 S. Ct. at 776.
101. *Id.*

deciding that issue would be "imprudent," the court remanded to allow the lower courts to make this determination.[102]

The potential ramifications from this case are uncertain, but they stand to be profound. At a minimum, this case will have ramifications outside of the patent context because it bears on declaratory judgment action, even in non-intellectual property cases. Most importantly, however, the Supreme Court provided very little guidance as to when there would *not* be jurisdiction in these cases. The Court simply said there was a case or controversy here, but failed to articulate a standard for the lower courts to apply.

In addition to failing to articulate a standard, the Court may have eviscerated the Federal Circuit's rule. Footnote 11 offers a harsh criticism of the "reasonable apprehension of suit" test, calling the continued viability of that standard into question. It would premature, however, to declare the Federal Circuit's test dead. The Supreme Court criticized the standard only when it resulted in a conclusion of no jurisdiction; the Court did not say that the test is not an appropriate tool for *finding* a case or controversy. In other words, a showing of a reasonable apprehension of suit would be sufficient to find that there is an actual case or controversy, but it is not necessary. A party may show a case or controversy through some other approach. Thus, the "reasonable apprehension of suit" test may yet be alive as a way of showing there is a case or controversy. Failure to show a reasonable apprehension does not mean, however, that there is *not* a case or controversy. Parties may use other approaches to make that assessment. The Federal Circuit's test therefore may have some applicability but it will no longer be the *sole* test for assessing jurisdiction under the Declaratory Judgment Act.

The Supreme Court's decision also leaves unanswered what steps a patent holder can take in crafting its license to discourage the licensee from challenging the validity of the patent. A blanket prohibition on challenging a patent's validity likely would be unenforceable under *Lear v. Adkins*, which eliminated the doctrine of licensee estoppel.[103] Such a contractual prohibition would be a transparent attempt to end run this holding and likely would not be enforceable. But other options remain available to patentees to discourage challenges to the license absent a breach. For example, the license could call for an enhanced royalty if

102. *Id.* at 777. Justice Thomas dissented from the majority opinion, both on the ground that there is no contract dispute and that there is no case or controversy. *See id.* at 777-82 (Thomas, J., dissenting).

103. 395 U.S. 653, 670-71 (1969).

the licensee brings a declaratory judgment suit. In order to be in compliance with the license, the licensee would have to pay, for example, treble the royalty rate. Other punitive measures could be included in the license to discourage such challenges. Whether these measures will withstand the one-two punch of *Lear* and *MedImmune*, however, remains an open question and one that undoubtedly will be the subject of future litigation.

II. PENDING SUPREME COURT CASES

In addition to the above cases, the Supreme Court is currently considering two other patent cases. These cases are of considerable importance to the patent system, dealing with when licensees can challenge a patent, when an invention should be considered obvious, and the extent of a patent's extraterritorial reach.

A.. KSR International Co. v. Teleflex, Inc. [104]

In KSR International Co. v. Teleflex, Inc., the Supreme Court will dive into the heart of patent law by addressing the appropriate standard for assessing whether a claimed invention is obvious. Specifically, the question presented in this case is:

> Whether the Federal Circuit has erred in holding that a claimed invention cannot be held "obvious", and thus unpatentable under 35 U.S.C. § 103(a), in the absence of some proven "'teaching, suggestion, or motivation' that would have led a person of ordinary skill in the art to combine the relevant prior art teachings in the manner claimed."[105]

This case challenges the Federal Circuit's current requirement that there be a motivation to combine references in order for a patent claim to be obvious. By requiring an express motivation in the prior art, commentators have suggested that the Federal Circuit has lowered the bar for nonobviousness, resulting in the issuance of many patents that should be invalid.[106] Recent Federal Circuit cases may demonstrate that the court has recognized this problem and is finding the motivation to

104. 119 Fed. Appx. 282 (2005), *cert. granted*, 126 S.Ct. 327 (2005).

105. Petition for a Writ of Certiorari, KSR International Co. v. Teleflex, Inc., No. 04-1350, at i, (2005); 2005 WL 835463.

106. *See* A PATENT SYSTEM FOR THE 21ST CENTURY 89-90 (Nat'l Academies Press 2004, Stephen A. Merrill, et. al., eds.); Holbrook, *Possession*, *supra* note 7, at 172-73 n. 276; Timothy R. Holbrook, *Substantive Versus Process-Based Formalism In Claim Construction*, 9 LEWIS & CLARK L. REV. 123, 128 n.22 (2005) [hereinafter Holbrook, *Claim Construction*]; John R. Thomas, *Formalism at the Federal Circuit*, 52 AM. U. L. REV. 771, 773 (2003).

combine from other sources, such as the nature of the problem and the knowledge of one having ordinary skill in the art.[107] This softening of the Federal Circuit's heretofore bright-line rule would appear to be interesting and conspicuous lobbying by the Federal Circuit to avoid reversal by the Supreme Court. The Court did in fact hear those pleas, as Chief Justice Roberts and Justice Ginsburg acknowledged in the oral argument.[108] Other Justices also recognized this effort by the Federal Circuit, in a less-than-flattering tone.[109]

The briefing of this case, and the options for resolving this issue presented to the Court, have been disappointing, however. All the parties and amici seem stuck in a bifurcated world — either the suggestion test or its back to *Graham*.[110] Both of those options are terribly unsatisfying and likely unhelpful to the Supreme Court. No one seems to be trying to find a way to reconcile the interest in certainty expressed by the Federal Circuit (as embodied in the suggestion test) with the interest guarding against formalistic law that results in patents on arguably trivial advances.

The Supreme Court has recognized these concerns and the tension therein. *Markman*, *Warner-Jenkinson*, *Festo*, and even *Traffix* are replete with discussions along these lines.[111] The approach that the Court has routinely adopted to balance these concerns can be summed

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107. *See, e.g.,* In re Kahn, 441 F.3d 977, 987-88 (Fed.Cir.2006); Alza Corp. v. Mylan Laboratories., Inc. 464 F.3d 1286, 1290-91 (Fed. Cir. 2006); Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc., 424 F.3d 1293, 1322 (Fed.Cir.2005); Princeton Biochemicals, Inc. v. Beckman Coulter, Inc., 411 F.3d 1332, 1338 (Fed. Cir. 2005).

108. KSR Int'l Co. v. Teleflex, Inc., Transcript of Oral Argument at 5-6, *available at* http://www.supremecourtus.gov/oral_arguments/argument_transcripts/04-1350.pdf (Justice Ginsburg asking, "Would you make, be making the same argument if we were looking at the most recent decisions of the Federal Circuit, the ones that they issued within the year, and each as I remember they held that the patent was obvious and therefore invalid? Suppose we were dealing in what was, the cases were, what were they, Kahn, Alpha, and Diestar?"); *id.* at 51 (The Chief Justice noting "Well, that's because the Federal Circuit's approach focuses narrowly prior to our grant of certiorari, allegedly more flexibly after, on prior art, as opposed to I would say common sense."); *see also id.* at 36 (respondent arguing that "the Federal Circuit has made quite clear [since the grant of certiorari] that its test is inclusive, and we think that that establishes that it's not necessary to add some new sort of undetermined test").

109. *Id.* at 53 (Justice Breyer noting that "[the Federal Circuit] so quickly modified itself" and Justice Scalia following with "And in the last year or so, after we granted cert in this case after these decades of thinking about it, it suddenly decides to polish it up.").

110. *See, e.g.,* Brief of Respondent, KSR Int'l Co. v. Teleflex, Inc., 2006 WL 2989549 (Oct. 16, 2006) (retain suggestion test); Brief for Petitioner, KSR Int'l Co. v. Teleflex, Inc., 2006 WL 2515631 (Aug. 22, 2006) (return to *Graham*); Brief of United States in Support of Petitioner, KSR Int'l Co. v. Teleflex, Inc., 2006 WL 2453601 (Aug. 22, 2006) (return to *Graham*); Brief of Intellectual Property Law Professors in Support of Petitioner, KSR Int'l Co. v. Teleflex, Inc., 2006 WL 2452369 (Aug 22, 2006) (return to *Graham*).

111. *See supra* note 3.

up in the word "presumptions."[112] The IBM amicus brief posits the use of a presumption based on the presence of all the claim limitations in prior art references that constitute analogous art.[113]

The problem with the suggestion test is not its application when there *is* a suggestion to combine.[114] An extant suggestion is incredibly strong evidence of obviousness. Similarly (and absent from the dialogue) is the presence of a teaching away in the prior art, which is strong evidence of non-obviousness.[115] Indeed, the two seem to be different sides of the same coin. The problem is that the absence of a motivation should not be fatal to a determination that the invention is obvious. The absence of a motivation means very little, just as the absence of a teaching away in the prior art means little to the ultimate question of obviousness. When there is neither a motivation to combine nor a teaching away, resorting to the basic *Graham* framework would appear to be appropriate.

This situation would seem ripe for the use of presumptions, an approach that the Court has used in the past to create some level of certainty to ambiguous areas of the law. The presence of a suggestion to combine should create a presumption of obviousness, rebuttable by strong secondary considerations, such as the failure of others, unexpected results, or long-felt but unsolved need, or by contrary evidence from the prior art. Similarly, the presence of a teaching away should create a presumption of non-obviousness, rebuttable by other secondary considerations suggesting the advancement was merely trivial or other parts of the prior art demonstrating that one of skill in the art would not view this combination as being discouraged by the prior art. In the absence of either a suggestion to combine or a teaching away, no presumption arises and the court should apply the *Graham* methodology alone, absent any presumptions. Indeed, the absence of either a

112. *See* Holbrook, *Claim Construction*, *supra* note 106, at 129-33 (recognizing Supreme Court's preference for presumptions); Holbrook, *Supreme Court*, *supra* note 2, at 9-10.

113. Brief for International Business Machines Corp. in Support of Respondent, KSR Int'l Co. v. Teleflex, Inc., 2006 WL 2430566, at 18 (Aug. 22, 2006). IBM argues that "references should be presumed combinable by a person having ordinary skill in the art where the references are within the scope of the 'analogous art'"; in such circumstances, there need not be a motivation to combine the references. *Id.*

114. The U.S. government recognized this dynamic at oral argument . *See* KSR Int'l Co. v. Teleflex, Inc., Transcript of Oral Argument, *supra* note 108, at 19 ("We agree that teaching suggestion and motivation are valid means of proving obviousness, valid considerations for the Court . . . The problem with the Federal Circuit's test is it makes that the exclusive test and precludes obviousness determinations in the absence of satisfaction of that test which this Court's precedents are clearly not consistent with.").

115. *See. e.g.,* In re Gurley, 27 F.3d 551, 553 (Fed. Cir. 1994).

motivation or a teaching away says very little about the state of the art one way or the other; it is merely an absence of *evidence* and not evidence of a lack of technical know-how.

Although this approach has not been advocated by parties, and the brief by IBM articulates a version of rebuttable presumptions, hopefully the Court will continue to apply its preferred methodology of using presumptions to enhance certainty, and will adopt an approach somewhat akin to that presented here.

B. Microsoft Corp. v. AT&T Corp. [116]

The Supreme Court recently granted certiorari in Microsoft Corp. v. AT&T Corp.,[117] which involves a complex statutory interpretation of an extraterritorial infringement provision.[118] To understand this issue thoroughly, however, a brief review of the history of this provision is appropriate.[119]

Generally, patents are viewed as territorial rights such that the right to exclude is limited to acts within the United States.[120] The Supreme Court generally interpreted this limitation rather strictly.[121] Most recently, the Supreme Court addressed this issue in Deepsouth Packing Co. v. Laitram.[122] There the accused infringer had manufactured all of the components of the patented device but never completed the assembly of the device; instead, the parts were exported where the machine was routinely assembled. As a result, the invention had never been made in its entirety in the United States. The Supreme Court strictly interpreted the Patent Act's infringement provisions, reasoning that the invention itself has never been made, used or sold in the United States. As such, there was no infringement under the U.S. patent.[123]

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116. 414 F.3d 1366 (2005), *cert granted*, 127 S.Ct. 467 (2006).

117. No. 05-1056, 2006 WL 403667, at *1 (U.S. Oct. 27, 2006).

118. Technically, this provision is not strictly extraterritorial because there is a domestic nexus – the manufacture of parts of the invention in the United States and subsequent export. The reality is, however, that this provision can be used by U.S. patent holders to protect its rights in foreign markets, which is an extraterritorial effect.

119. This section is based on my draft article, Timothy R. Holbrook, *Extraterritoriality in Patent Law*, available at http://papers.ssrn.com/sol3/papers.cfm?abstract_id=944157 [hereinafter Holbrook, *Extraterritoriality*].

120. *See* Timothy R. Holbrook, *Territoriality Waning? Patent Infringement for Offering in the United States to Sell an Invention Abroad*, 37 U.C. DAVIS L. REV. 701, 719-21 (2004) [hereinafter Holbrook, *Territoriality Waning?*]; Donald S. Chisum, *Normative and Empirical Territoriality in Intellectual Property: Lessons from Patent Law*, 37 VA. J. INT'L L. 603, 604 (1997).

121. *See* Holbrook, *Extraterritoriality*, *supra* note 119, at 7.

122. Deepsouth Packing Co. v. Laitram Corp., 406 U.S. 518 (1972).

123. *Id.*; *But see id.* at 532-33 (Blackmun, J., dissenting) (rejecting this interpretation of

In response to this holding, the Congress eventually overruled *Deepsouth* by adopting § 271(f). The first part of § 271(f) is specifically directed the *Deepsouth* scenario by defining infringement to include the exportation of the unassembled components of the patented invention if the exporter actively induces the assembly of the device outside of the United States. Congress went even further, however, by adopting § 271(f)(2), which expanded infringement to include the exportation of a component of a patented device with no substantial non-infringing use.[124]

In *Microsoft Corp.*, the court addressed two questions: whether a "component" of an invention under § 271(f) could be something intangible like computer software and "whether software replicated abroad from a master version exported from the United States-with the intent that it be replicated—may be deemed 'supplied' from the United States."[125] The Federal Circuit had already answered the former question in the affirmative in *Eolas Technolgies Inc. v. Microsoft Corp.*,[126] holding that software could be a component of an invention.

As to the latter question, the court also answered that question affirmatively, noting that "supplying" software generally requires the making of a copy.[127] Copying is therefore subsumed in supplying software components.[128] Moreover, software exported via golden disks or electronic transmission both fall within the scope of § 271(f)'s proscription on supplying the components of a patented invention: "[l]iability under § 271(f) is not premised on the mode of exportation, but rather the fact of exportation."[129] The court admittedly interpreted the statute broadly to effectuate the legislative intent behind the provision.[130] The Federal Circuit, in the one-two punch of *Eolas* and *AT&T* greatly expanded the territorial reach of U.S. patents because now § 271(f) covers intangible items that may be transmitted outside of the United States electronically.[131]

The Supreme Court has agreed to review both questions. Likely,

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"make" as too narrow).

124. *See* Holbrook, *Territoriality Waning?*, *supra* note 120, at 721.

125. AT & T Corp., v. Microsoft Corp., 414 F.3d 1366, 1369 (Fed. Cir. 2005).

126. 399 F.3d 1325 (Fed. Cir. 2005).

127. *AT &T*, 414 F.3d at 1370.

128. *Id.*

129. *Id.* at 1371.

130. *Id.*

131. Judge Rader dissented in *AT&T*, concluding that copying and supplying are different, with the former not covered by § 271(f). *See id.* at 1373 (Rader, J., dissenting). Judge Rader's concerns with extraterritoriality are a bit perplexing, however, given that he authored *Eolas*.

the Court will reverse one, if not, both of the Federal Circuit's conclusions. The *Eolas* question seems to be the most important, however. Moreover, absent from the Federal Circuit's analysis is any concern for the impact of this decision on the interests of the countries to which the software was exported. The Federal Circuit has never applied comity concerns, an apparently glaring absence from its case law.[132]

III. CONCLUSION

The Supreme Court's recent intervention into patent law is fascinating. No longer is the Court leaving the Federal Circuit to its own devices, interceding only on issues peripheral to patent law and which generally involves issues with which the Court is familiar. Instead, the Court has shown a willingness over the last two years to dive into the heart of patent law, offering its views as a generalist court on the appropriate scope of the U.S. patent system. Such intervention perhaps shows that the Supreme Court has given the Federal Circuit time to mature, and now will reassert itself in the area of patent law. The Court may also now be responding to the often splintered decisions of the Federal Circuit, which may be likely given its expertise and may help identify key issues appropriate for the Court to resolve.[133] As to whether the Supreme Court's intervention will be viewed as a constant present or a mere passing interlude, only time will tell. This period of time, however, will leave an indelible mark on the patent law landscape.

Interestingly, this rash of cases shows an interesting dynamic within the Supreme Court. Nearly every patent case decided is unanimous, yet the opinions remain rather vague and unsatisfying. Perhaps the Supreme Court prefers unanimous decisions so as to speak with commanding authority in this area where it is not an expert and where there is a specialized court. Moreover, these decisions show that the Supreme Court is not uniform in its views on all of these issues. Review of the concurrences in these cases, such as *Grokster* and *eBay* shows considerable disagreement at the Court with the intended impact of the majority decisions. Thus, practitioners should take heed of the various concurring opinions – insight into the views of the Supreme Court justices will be best illuminated there.

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132. *See Extraterritoriality, supra* note 119, at 38 (recognizing this omission and offering a methodology for addressing such concerns).

133. *See* Duffy, *supra* note 2, at 284 ("[T]he expertise of the Federal Circuit judges tends to illuminate the difficult issues of patent law, making the issues more visible, more comprehensible, and easier to review.").