

The U.S. Supreme Court implements its own brand of patent law reform

In the last several years, the United States Congress has failed to pass major reforms to the country's patent laws. Protecting the rights of patent owners has been a national priority since the nation's founding, with constitutional protection set forth in Article 1, Section 8, Clause 8, "to Promote the Progress of Science and the useful Arts by securing for limited Times to Authors and Inventors the exclusive Rights to their respective Writings and Discoveries..."



Many believe that the patent right has been a significant incentive to innovation and accounts for the sustained technological dominance of the U.S. in the world. A recent study by the consulting firm of Ocean Tomo LLC estimates that 80% of the market value of S&P 500 companies is attributable to their intangible assets that include patents. But because the patent grant provides the owner with a limited-time monopoly (20

years) that permits the owner to exclude others from practicing the invention without permission, there are concerns that a poorly functioning system of government review, issuance and enforcement of patents has anti-competitive consequences.

Spurred on by perceived abuses of the patent system by patent owners and the sense that incomplete and inadequate review by the under-funded and understaffed Patent Office has led to the issuance of "junk" patents, certain players in the U.S. economy have called for an overhaul of the patent system. The current pending legislation, The Patent Reform Act of 2007 (PRA), includes major changes that limit damages in infringement actions and create new post-grant review proceedings at the Patent Office. The PRA also restricts where patent holders can sue infringers, thereby restricting the ability of patent owners to choose courts that are considered patent friendly or, like the Western District of Wisconsin, are "rocket dockets" that by their sheer speed to trial provide significant leverage to the patent plaintiff.

It should be noted that some of the key proponents of the legislation are large computer software and hardware companies such as Apple, Cisco, Intel and Oracle.

Opponents include major manufacturers like 3M and General Electric, pharmaceutical and biotechnology companies and major universities and research institutions including the University of Wisconsin's technology transfer arm, WARF. Whether a bill will actually become law in the near future remains a real question.

The calls for reform have not fallen on deaf ears at the U.S. Supreme Court. The court has stepped into the breach while legislation has been winding its way through Congress. Specifically in the last two terms the highest court has:

1. Made it more difficult for successful patent litigants to obtain permanent injunctions;
2. Made it easier for licensees and other potential infringement defendants to sue to invalidate patents and obtain non-infringement declarations;
3. Eased the burden of proving obviousness in order to invalidate a patent; and
4. Narrowed the extraterritorial reach of U.S. law.

A careful review of these decisions reveals the court's concerns that some patents have been improperly granted and that the enforcement process has unnecessarily restricted the ability of alleged infringers to challenge the validity of patents. The decisions have been narrowly crafted to address specific deficiencies in the application of the law in concrete cases.

The Federal Circuit Court of Appeals, which hears all patent appeals from the federal district courts, has been doing its part to address some of the concerns about perceived pro-patent owner bias in court enforcement. For example, the Federal Circuit recently decided *In Re Seagate Technology*, a case that makes it more difficult for a patent owner to obtain enhanced damages for willful infringement.

Perhaps the highest court is indeed in the best position to interpret existing patent laws to strike the proper balance between fostering innovation and maintaining a competitive economy. Rather than ushering in a significantly altered patent law regime, perhaps Congress should codify certain of the court's recent decisions or take a more surgical approach for improving the patent review process and enforcement mechanisms. **CRW**

Gina Carter is Shareholder in Whyte Hirschboeck Dudek S.C.'s Madison office.