Patent challenges impact businesses

This term, the Supreme Court will decide two patent challenges that could have a profound impact on patent law and on business owners.

KSR International v. Teleflex challenges the standard used by the U.S. Court of Appeals for the Federal Circuit in determining when an invention is obvious, and thus, unpatentable. Industrial goods-maker Teleflex Inc. sued KSR International over a patent on a gas-pedal design that Teleflex argues was invalid because the design merely combined two existing parts in an obvious way.

MedImmune v. Genentech addresses how patent licenses are negotiated. It challenges the Federal Circuit's ruling that a patent licensee cannot bring a declaratory judgment action questioning the validity of the licensed patent as long as the licensee has not breached the license agreement. MedImmune pays licensing fees to Genentech for an antibody technology used in MedImmune's childhood respiratory drug, Synagis, while at the same time challenging Genentech's patent in court. If the Supreme Court upholds the Federal Circuit's ruling and finds in favor of Genentech, it may become difficult for licensees to challenge patents they feel were granted in error.

Steve Auvil

"Depending on how the Supreme Court rules in each case, fewer patents could be issued and more litigation could be brought," says Steven M. Auvil, partner and chair of the Intellectual Property Group for Benesch, Friedlander, Coplan & Aronoff LLP in Cleveland.

In *KSR International v. Teleflex*, the court could decide the current standards applied by the patent office and courts are fine as they exist today or it could raise the bar to require a greater advance in a particular art to qualify for a patent.

"If the Supreme Court rules that an obvious rejection doesn't require teaching, suggestion or motivation to combine prior art references, the patent examiner has greater latitude to reject patent claims," Auvil says. "By eliminating the test, it makes it more difficult for someone to get a patent. This means slight advances would be readily rejected."

More than a million patents were issued during the last six months, says Auvil. "The patent office is a storehouse of public knowledge. If the patentability bar is raised, fewer patent applications would be filed and thus, accessibility to advances would diminish. Across the board, some companies would be affected more than others, but there would likely be a fairly widespread impact."

The MedImmune case tackles an arcane area of law that may have a potentially significant impact on business. Currently, if a licensee wants to challenge the validity of a patent in court, it must cease paying royalties or otherwise breach the license. "If the licensee stops paying royalties, the licensor could file a lawsuit and place an injunction against the licensee," Auvil says. "Some people think MedImmune wants to have its cake and eat it too. It wants to avoid an injunction, by continuing to pay royalties, so it can't be sued, yet it wants to attack the patent."

If MedImmune is permitted to challenge the patent, it will encourage other licensees to challenge the license patents, which would affect the way patents are licensed in the future and how disputes are resolved, Auvil explains. "If the Supreme Court decides the courts can hear a dispute when the licensee is in good standing, the next issue for the court to decide will be how the patent owner protects itself from such lawsuits."