

## Injunction Standards in Patent Cases Under Review

The Federal Circuit Court of Appeals recently reversed a District Court's refusal to grant a permanent injunction in *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323 (Fed. Cir. 2005). eBay petitioned the Supreme Court to review the enforcing of a permanent injunction because of the impact the injunction would have on its business. The United States Supreme Court has agreed to review the question of whether this Court "should reconsider its precedents, including *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405 (1908), on when it is appropriate to grant an injunction against a patent infringer." The Supreme Court also agreed to review eBay's question presented as to whether "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."

The eBay/MercExchange dispute focuses on the fixed-priced purchasing feature of eBay's website, which allows customers to purchase items for a fixed, listed price. The three patents at issue were assigned to MercExchange, which operates as a "non-practicing entity" (NPE - meaning that MercExchange does not

itself practice the inventions disclosed in the patents, but simply exists to license its patent technology to others.) The District Court found that eBay and its wholly owned subsidiary, Half.com, infringed U.S. Patents 5,845,265 and 6,085,176. However, eBay was not given a permanent injunction.

Both eBay and MercExchange. The Federal Circuit reversed, in part, and sustained, in part, the District Court's findings - agreeing that eBay had infringed MercExchange's patents *and* that the District Court had erred in not granting a permanent injunction against eBay's continued use of the invention. The court cited several cases beginning with *Continental Paper Bag Co.*

In *Continental Paper Bag Co.*, the Supreme Court held that an inventor, even one that did not commercially exploit his invention, had the right to exclude others from using his/her invention. Chief Justice Marshall stated in an earlier case: "an inventor receives from a patent the right to exclude others its use for the time proscribed in the statute. And, for his exclusive employment of it during that time, the public faith is pledged." The Court went on to state that "the right can only retain its attribute of exclusiveness by a prevention of its violation. Anything but prevention takes away the privilege which the law confers upon the patentee."

The Federal Circuit has interpreted this to mean that a court should issue a permanent injunction against a patent infringer unless exceptional circumstances exist. eBay requests the standard be modified asking that courts should apply the Four Factor Test used in non-patent suits. Traditionally, the four factors are: irreparable injury; inadequacy of legal remedies; balancing of parties' hardships; and whether an injunction would adversely affect the public interest.

In deciding between the two stances, the Supreme Court will affect patent litigation in a profound manner. If the Supreme Court validates the Federal Circuits stance, there will be a greater motivation to settle for fear of a grant of a permanent injunction. If the Supreme Court grants eBay's request to modify the standards used to grant an injunction, there will be a curtailing of the right to exclude others inherent to a patent. Either way the Supreme Court decides, one of the foundational principles of patent law will be changed.

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# USPTO Receives Record Number of Applications for 2005

Despite an ever increasing backlog at the United States Patent & Trademark Office (USPTO), more and more people and companies are filing patent and trademark applications than ever before.

The USPTO reported that in Fiscal Year 2005 a record number of patent and trademark applications were received - 406,302 patent applications and 323,501 applications for trademark registration (USPTO Fiscal Year 2005 Performance and Accountability Report).

Jon Dudas, Under Secretary of Commerce for Intellectual Property, attributed the continued growth to “aggressive new reform proposals that will enhance quality and improve productivity” while continuing to strengthen intellectual property protection. He also added that the office has been aggressively fighting intellectual property piracy and counterfeiting through educational outreach programs



The USPTO granted 165,485 patents, including 151,079 utility (inventions), 13,395 design, and 816 plant patents.

Inventors residing in the US received 85,238 patents with the State of California having the highest share of those patents (23 percent, 19,928 patents). New York was a distant second (7 percent, 5,631 patents); followed by Texas (7 percent, 5,660 patents), Michigan (5 percent, 3,907 patents), and Massachusetts (4 percent, 3,443 patents).

Overall, since establishing the patent office in 1790, over 7 million U.S. patents have been granted.

On the trademark front, the USPTO registered 143,396 trademarks and renewed 32,279 registrations.

More than 3 million trademarks have been registered since 1870.

For the complete report, see: <http://www.uspto.gov/web/offices/com/annual/2005/2005annualreport.pdf>.



## PCT Undergoes Reform, Too

During a recent annual meeting, several new policies were adopted by the World Intellectual Property Organization. A few are outlined below.

The Assembly of the PCT Union agreed to include Arabic as a language of publication of the PCT. This will provide greater accessibility to applicants in many developing countries.

Several amendments to PCT regulations were proposed. These amendments are designed to assist applicants in retaining rights in certain situations, while maintaining an appropriate balance between the interests of applicants and third parties. These amendments largely pertain to recent technology advancements in sharing information and communications

technology in the publication of PCT applications. Officials also feel these amendments will the international search with the addition of patent documents from the Republic of Korea to the PCT minimum documentation used in carrying out international searches.

Delegates reviewed other developments concerning minimum documentation, in particular the possible including of traditional knowledge-related publications outside of standard patent literature. They also reviewed the status of the developing Search Guidance Intellectual Property Digital Library (SGIPDL) to help examiners in choosing what documentation to consider when conducting an international search.

The Assembly also took note of the significant progress made in the

area of PCTAutomation and PCT Information Systems.

Additionally, PCT Member States took note of the status of reform of the International Patent Classification (IPC), the hierarchical classification system covering all technology fields designed to search and retrieve patent information.

The IPC is periodically revised to take account of technological developments and to ensure a more user-friendly patent classification and search tool. The latest edition will be introduced on Jan. 1, 2006, after more than 6 years in production.

The updated edition is currently available in English and French. Log on to [www.wipo.int/classifications/ipc](http://www.wipo.int/classifications/ipc).

## Federal Circuit Clarifies Conception, Appreciation

In *Invitrogen Corp. v. Clontech Laboratories, Inc.*, the Federal Circuit recently addressed what is required for an inventor to “conceive” of his or her invention. The technology at issue relates to a modified version of reverse transcriptase produced by retroviruses. Unmodified reverse transcriptase facilitates reverse transcription, the production of DNA from RNA templates, and also facilitates degradation of the RNA template once the DNA is produced. The patented reverse transcriptase retains the ability to produce DNA from RNA, but does not have the ability to degrade the RNA template, allowing the RNA templates to be reused to produce more DNA. Invitrogen successfully produced this mutant reverse transcriptase in January, 1987.

Other researchers also were working on modifying reverse transcriptase, including two at Columbia University. The Columbia scientists had successfully produced the genetically modified reverse transcriptase in 1984, more than two years before Invitrogen’s success. However, at that time, the Columbia researchers were not aware that they had produced reverse transcriptase that had these characteristics.

In order to have conceived the invention, the inventor must “appreciate that which he has invented.” Therefore, the question was not when the modified reverse transcriptase was produced by the Columbia researchers, but rather when they appreciated the fact that the enzyme they had produced retained its ability to produce DNA but lack the ability to degrade the RNA templates. This particular activity was not confirmed by the Columbia researchers until March 1987, after the date Invitrogen had reduced the invention to practice. As a result, the Columbia research could not anticipate the Invitrogen patents, as their conception date was pushed back to the point they appreciated the nature of what they had produced.

This situation most often comes up in the context of chemical or biotechnology patents. This case illustrates that it is important to understand the beneficial nature of a new compound, genetic variation, or the like as soon as possible, or later work by another party could result in the later party gaining the patent rights in the invention.

To read the full text, log on to <http://fedcir.gov/opinions/04-1039.pdf>.

## Eighth Circuit Ruling Narrows Fair Use Doctrine

On September 1, 2005, the Court of Appeals for the Eighth Circuit ruled in favor of Blizzard Entertainment, maker of the popular Warcraft and Diablo video game titles. In upholding the District Court for the Eastern District of Missouri’s ruling, the court held the Digital Millennium Copyright Act prohibited the open source software developers BnetD from performing reverse engineering to create their software, an application that emulated Blizzard’s Battle.net by allowing “gamers” to connect with each other on non-company servers.

In addition, the ruling held that so-called click-wrap, browse-wrap, or handshake licenses may also prohibit reverse engineering. With the exception of Diablo, Blizzard issued a CD Key having a unique sequence of alphanumeric characters for each authorized version. To log onto Battle.net the game initiates an authentication sequence or “secret handshake” between the game and the Battle.net server. In order to play the game the user must first install the game onto the computer and click on the “I Agree” button accepting the end user license agreement (EULA) and the terms of use (TOU) for the web site, both of which prohibited reverse engineering.

The court found the developers of the BnetD software program in violation of the anti-circumvention and anti-trafficking provisions of the Digital Millennium Copyright Act (DMCA). In its ruling, the court noted that BnetD did not determine whether the CD key was valid or

currently in use by another player. Thus, unauthorized copies of the Blizzard games were played on bnetd.org servers. As a result, the court ultimately reasoned that the developers of the BnetD software program had waived any fair use defense.

BnetD had hoped to find protection under Section 1201 F of the DMCA, which exempts reverse engineering from liability for circumventing technology. However, the court disagreed with BnetD, including arguments presented by the Electronic Frontier Foundation (EFF) spurring worries about the broader implications for add-on innovation and development, “This ruling is bad for gamers, but it could also be terrible for the software industry,” said EFF Staff Attorney Jason Schultz. “It essentially shuts down any competitor’s add-on innovation that customers could enjoy with their legitimately purchased products. Add-on innovation is one of the hottest areas of creativity and economic growth right now in software, and this decision will slow investment and development in that field.”

Still, others find the importance of upholding click wrap software agreements, “Nobody is forcing Blizzard customers to click “I agree,” notes Declan McCullagh of CNET News.com. “In fact, they can return the software for a full refund if they don’t like the fine print. Or they can continue the reverse-engineering process without the benefit of having the software installed normally—a more difficult task, but not impossible.”

# Skepticism Surrounds New Patent Agent Degree Program

A new master's degree program is being offered in patent agency. Will this offering affect patent attorneys? Presently, few lawyers seem to believe it will have much of an impact, citing to the distinctions between patent agents and patent attorneys. Lawyers also question whether the program at Webster University in St. Louis, Missouri will attract the students it seeks due to the unique nature of the patent bar exam which has seen many changes recently.

Patent agents are non-lawyers with engineering or science degrees or equivalent coursework who pass the patent bar exam. Agents can prepare, file and prosecute patent applications, but they are unable to prepare certain legal instruments such as assignment contracts.

Grant Kang, a former adjunct intellectual property professor at Washington University School of Law in St. Louis, says many law firms have patent agents on staff working under the supervision of patent attorneys, but alone, patent agents are not "a whole service package".

Traditionally, engineers and science majors become patent agents after enrolling in one-week prep courses or studying on their own for the exam. Webster University seeks to offer more to those interested in the career of a patent agent.

In a one-of-a-kind program that began this fall, Webster University is offering a 36-credit-hour master's degree in patent agency at its St. Louis campus. For a full-time student, the degree would take about 14 months to complete and cost approximately \$16,740. "The patent agency program provides the theoretical and practical knowledge needed to enter the field of patent agency well-prepared to prepare and prosecute patent cases" states the 2005-2007 graduate course catalog. Students would not only study to pass the patent bar exam, but also would take courses in intellectual property law, patent drafting, prosecution and litigation to better prepare them for entering the work force.

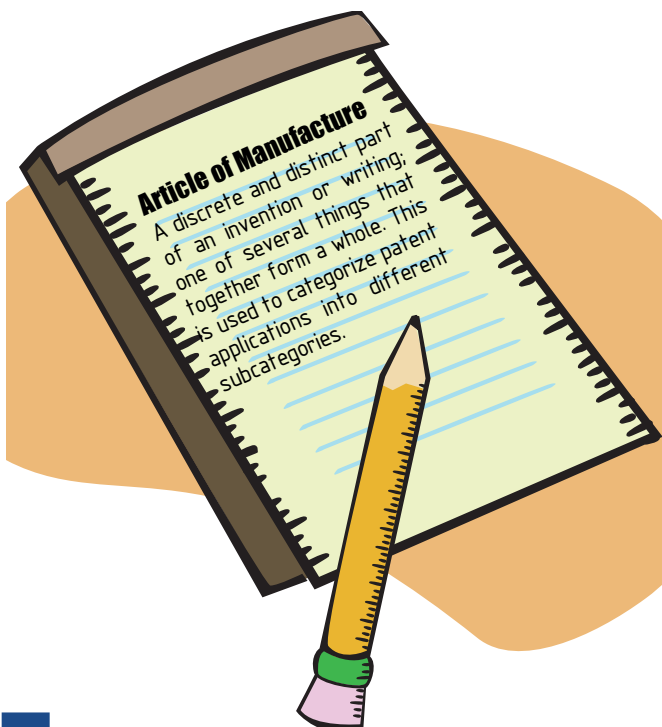
Bruce Umbaugh, associate dean of arts and sciences at Webster, believes the program will attract two kinds of students. The first type includes those who have worked in science or engineering for a while and are interested in a new professional challenge. The second includes new and recent graduates in science and engineering who are questioning their career choice but still want to work close to these fields.

Houston lawyer William L. LaFuze remains skeptical. He is the immediate-past chair of the ABA's Intellectual Property Section and a co-section head of the intellectual property department at Vinson & Elkins. "I have a hard time understanding the demand for the program," LaFuze says. He notes that tens of thousands of current

patent agents have passed the patent bar exam in "a much, much shorter time" than a 14-month, full-time course. Fourteen months is "basically half of what it takes to go to law school," LaFuze notes. If someone has that much ambition, he asks, why not go to law school, where the "prestige is greater, and the pay grade is better?"

No one enrolled in the program's first nine-week session, which began in early August. However, there are four additional nine-week sessions scheduled. The registration figures are not yet available. LaFuze admits, if he were reviewing the qualifications of applicants for a patent agent position at his firm, "it would probably be a plus to have somebody who studied for 14 months." Therefore, what the future holds for the master's degree program and any impact on patents agents is yet to be seen.

## IP VOCABULARY



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