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Comment: Supreme Court reins in Federal Circuit decisions favoring patent holders

Jurisdiction : **North America / USA**
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IN BRIEF
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The Supreme Court heard six appeals of Federal Circuit decisions on patents, the most ever, and unanimously reversed the lower court's rulings in five of them. That’s a striking contrast to the lack of uniformity and split decisions at the Federal Circuit, legal experts agree.

“I think the Supreme Court is sending a strong and deliberate message to the Federal Circuit that it should get its house in order,” said Robin Feldman, a law professor and director of the Institute for Innovation Law at University of California Hastings College of the Law.

Since Congress created the Federal Circuit in 1982, the court has largely been free to develop its own body of patent law. The Supreme Court reviewed few Federal Circuit patent decisions until the mid-1990s, and most of the decisions raised only procedural issues.

But that changed from 1996 to 2002 when the Supreme Court agreed to hear 10 patent cases, deciding nine and overturning five Federal Circuit decisions. Since then, the Supreme Court has agreed to hear dozens of patent cases taking on increasingly substantive issues, such as patentability, and more often than not, overturning the Federal Circuit.

Patent experts agree that the Supreme Court decision from the last term that’s likely to have the greatest impact is Alice vs. CLS Bank. The court found that inventions tied to abstract ideas that require a computer for implementation are not eligible for patent protection (see here), the only decision affirming a

Federal Circuit opinion. However, the Federal Circuit had issued several differing opinions in the case, leaving lower courts with little guidance on what tests judges should use to determine patent eligibility.

In Alice, the Supreme Court laid out a stricter test to determine what types of subject matter can be patented (see here), using the same two-step test it had applied in Mayo Collaborative v. Prometheus Labs, which struck down a patent on a method of administering drugs to patients.

"The court makes it clear that its prior decision in Mayo, which most patent lawyers had been pretending didn't exist, is in fact the test for patentable subject matter," said Stanford University law professor Mark Lemley.

As a result, many of the software and business method patent claims being litigated in courts today are vulnerable, patent experts such as Lemley agree.

But other decisions could also lead to more legal challenges for all patent owners. The court encouraged more challenges to broadly worded patents in Nautilis v. Biosig, a patent case involving heart-rate monitors in exercise equipment, by tightening the requirements for definiteness in patent claims (see here). Justice Antonin Scalia said the high court took the case because the Federal Circuit standard "had some really extravagant language" (see here).

The Supreme Court reversed the Federal Circuit in Medtronic v. Mirowski Family Ventures, finding that the burden of proving infringement remains on the patent owner, even when a licensee seeks a judgment of noninfringement.

It also disagreed with the Federal Circuit's reasoning in two decisions, Octane Fitness v. Icon Health & Fitness and Highmark v. Allcare Health Management System. The justices unanimously rejected the Federal Circuit's standard for finding an "exceptional" patent case for the purpose of awarding attorneys' fees to the winner, saying it was "unduly rigid" and took away too much discretion from district courts (see here).

And in Limelight Networks v Akamai Technologies, the high court reversed a Federal Circuit ruling that Limelight had induced infringement of one of Akamai's patents, even though no one directly infringed the patent. In a unanimous opinion written by Justice Samuel Alito, the court said the Federal Circuit's analysis "fundamentally misunderstands what it means to infringe a method patent" (see here).

"The Supreme Court has spoken," Feldman said. "The question now is whether anyone will listen."

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IP litigation - CLS Bank - Alice
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IP Litigation - Highmark - Allcare Health Management System
IP litigation - Icon Health & Fitness - Octane Fitness et al
Subjects : Intellectual Property
Industries : Information Technology
Regulators / Courts : Federal Circuit, SCOTUS
Jurisdiction : North America, USA

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