The Web: Supreme Court tackles 'trolls'

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The U.S. Supreme Court's decision this week to review a lower-court decision involving eBay and an injunction for patent infringement revives the patent agenda pushed earlier this year by the software industry, a reform program that failed to make any headway through the Congress, legal experts tell United Press International's The Web.

The case, eBay vs. MercExchange, comes from the U.S. Court of Appeals for the Federal Circuit. The court had held that, barring exceptional circumstances, a district court should issue a permanent injunction after finding that a patent was infringed.

According to eBay, and several amicus briefs filed with the courts, this is, however, contrary to the case law, or precedent, and the online auctioneer is now seeking, through the Supreme Court, to end the nearly automatic grant of a permanent injunction against those found by a court to have infringed upon a patent.

"The issue was on the patent reform agenda before the Congress earlier this year," Walter Hanchuk, an intellectual-property attorney with New York-based Chadbourne & Parke told The Web in response to e-mailed questions. "The Business Software Alliance (BSA) introduced a provision -- House Resolution 2795, Section 7 -- that would have accomplished the same result as that sought by eBay in this case. That specific legislative proposal, however, appears dead-in-the-water."

Experts said it is not surprising, however, that the Supreme Court accepted the case for review. Thirty-five of the nation's top patent-law

professors argued in amicus briefs that injunction decisions in patent cases should conform to the historical principles of fairness and should be reasonable and should balance whether the injunction is actually in the public interest, whether it is an adequate remedy and whether the plaintiff would face irreparable injury if the order was not issued.

The professors "believe that the threat of injunctions, without considering the equities, may lead to irreparable harm to the defendant," said Hanchuk.

One of the professors who submitted a brief in the matter, Professor Tim Holbrook of the Chicago-Kent College of Law at the Illinois Institute of Technology, said that such injunctions can have the effect of denying "consumers the product altogether."

Additionally, Hanchuk said, there are other factors at play here in the case now before the Supreme Court. "The BSA and eBay hope that such a change in the law would limit the ability of so-called 'patent trolls' to enjoin infringing activity," said Hanchuk. "A patent troll is a patent owner who has no plan to practice the invention. They assert their patents simply to recover royalties."

If the Supreme Court rules in favor of eBay, it would be a major victory for all companies that perceive themselves as targets of patent trolls, said Annette Hurst, an intellectual-property attorney in San Francisco with Heller Ehrman LLP. "It would substantially reduce the overall threat to defendants from this type of litigation and probably cause settlement values to become more reasonable," Hurst said in response to questions by The Web.

Most tellingly, none of eBay's own patents are involved in the litigation. The firm, MercExchange, apparently makes no products and offers no services but simply wants eBay to license its patent, said Marc Hubbard,

an attorney and shareholder with the law firm of Munsch Hardt Kopf & Harr P.C., which has offices in Dallas, Houston and Austin.

The computer industry's interests are clashing with those of the biotech and pharmaceutical industries here, which "favor the status quo," said Hubbard.

"Many technology companies have taken the position that if a patent owner does not actually make or sell products under the invention, they should not be entitled to an injunction," said Hubbard. "They argue that the patent owner is not really being harmed by continuing infringement, because they will be compensated with money."

Christine Haight Farley, a law professor at the American University Washington College of Law, summarized the issue succinctly, saying, "Over-protection is as dangerous as under-protection for innovation."

There are other interesting facets of this case -- from a legal standpoint -- as well, legal experts said.

"The court requested the parties to brief the question of whether a 1908 Supreme Court decision that arguably established this rule of almost automatic injunctions in patent-infringement cases," Gregory Castanias, a lawyer who practices before the Supreme Court, and appeals courts, for the firm of Jones Day, in Washington D.C., said in an e-mail. "That signals that the court is willing to look at this issue, not just as a matter of what ruling precedent requires, but as a matter of what the right rule should be, under the patent statute and under principles of equity."

New Chief Justice of the United States John Roberts -- confirmed just a few months ago by the U.S. Senate -- is believed to be very interested in technology issues, as, when he served as a clerk for his mentor, the late Chief Justice William Rehnquist, the court addressed high-profile

technology cases. Though no one will venture to guess how the court will rule, the new chief justice is likely to be a significant force on the outcome.

"It is difficult, if not impossible, to predict how the court will rule in any matter. There are compelling arguments on both sides of the issue," said Hanchuk. "Chief Justice Roberts has actually heard a number of intellectual property cases before. In private practice, he also had some intellectual property experience. While he may be very interested in technology, and intellectual property -- particularly given the importance of strong IP rights to the U.S. economy -- it remains unclear, however, what direction he leans in the current IP cases before the court."