

U.S. High Court Hands Tech Firms Patent Victories

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The U.S. Supreme Court sides with software and technology companies in two major patent rulings that could leave them less vulnerable to infringement lawsuits.

The high court moved to curb the liability of firms for infringing products sold overseas and in another case loosened a key legal standard making it easier to invalidate some patents on the grounds they are obvious inventions.

The decisions were applauded by software and technology companies.

"These decisions are a clear victory for promoting patent quality and more equitable damages standards," said Robert Holleyman, president of the Business Software Alliance trade group, in a statement.

In the first ruling, the Supreme Court overturned a ruling that Microsoft Corp. should be held liable for patent infringement on copies of its Windows operating system sold overseas.

By a 7-1 vote, the justices rejected arguments by AT&T Inc. that Microsoft software code that infringes on its patents could be deemed a "component" of a computer, making overseas sales of the Windows operating system an infringement under U.S. patent law.

The court likened Windows software to a "blueprint" for making a product and said it "is not itself a combinable component."

In a second ruling, the justices unanimously said the courts should be more flexible in the way they interpret the standard governing whether patents are valid or merely "obvious" combinations of previous inventions that should be rejected.

"Granting patent protection to advances that would occur in the ordinary course without real innovation retards progress and may, for patents combining previously known elements, deprive prior inventions of their value or utility," the high court said in its opinion.

The case has been keenly watched by industries that rely heavily on patents, such as the pharmaceutical, biotechnology and software industries. Obviousness is the most common ground for the U.S. Patent & Trademark Office to reject a patent.

The trade group representing brand name drug makers, the Pharmaceutical Research and Manufacturers of America, declined to comment on Monday. It had filed an amicus brief supporting the current standard for obviousness.

The patent in dispute, held by Teleflex Inc., combines two existing inventions: an adjustable pedal and an electronic throttle control. It was ruled obvious and invalid by a federal district court after a lawsuit was filed by Canadian manufacturer KSR International.

But the U.S. Court of Appeals for the Federal Circuit, a court that specializes in patent cases and established the obviousness test, overturned the decision, saying the combination could not be considered obvious under its long-standing test.

The federal circuit's test says a patent combining two previous inventions can only be deemed obvious if some earlier "teaching, suggestion or motivation" existed to make the combination.

KSR appealed to the Supreme Court, arguing that the way the federal circuit court was applying the test contradicted previous Supreme Court rulings and made it too easy to defend an obvious patent.

In its decision on Monday, the Supreme Court said KSR had provided "convincing evidence that (combining the sensor and pedal) was a design step well within the grasp" of engineers who designed throttle pedals.

The high court said the "teaching-suggestion-motivation" test was helpful in determining obviousness but "helpful insights however need not become rigid and mandatory formulas."

The case was sent back to the federal circuit appeals court for further proceedings.

Thomas Goldstein, a lawyer for Teleflex, said the decision would affect trillions of dollars in investments in intellectual property.

"There will be a surge in patent fights during the struggle to decide exactly how tough the justices intend to be on securing a patent," Goldstein predicted.

Microsoft shares closed 18 cents lower at \$29.94 on Nasdaq, while AT&T ended 8 cents higher at \$38.72 on the New York Stock Exchange. Teleflex ended 7 cents higher at \$71.83, also on the NYSE.

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