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This update focuses on recent intellectual property decisions and developments impacting the field of information and communications technology.

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- A significant decision concerning the validity of business method patents was handed down by the Full Federal Court on 18 July 2006. The Court found that whilst mere schemes or ideas were not patentable, a business method when producing a requisite effect is patentable.

In *Grant v Commissioner of Patents*, the Court found that a method for structuring a financial transaction to protect an individual's assets (from legal liability) was not proper subject matter for a patent in Australia. The method involved an arrangement utilising a trust, a gift, a loan and a security. Mr Grant had appealed a first instance judgment, where the method was rejected as not being patentable subject matter, and in which the primary judge said the social cost and resulting social benefits of an invention should be considered before being patentable.

The Full Court rejected any requirement of assessing whether an alleged invention will advance the public interest, or of determining the balance between social cost and public benefit. The Full Court instead referred to a long standing test of patentable subject matter, which required consideration of whether there exists: an artificially created state of affairs in a field of economic utility, and referred to the US State Street and AT&T decisions. The Full Court decision indicated an invention should involve a physical effect in the sense of a concrete effect or phenomenon or manifestation or transformation. The decision did not seek to draw a definite line, but clearly supported patents for computer software based inventions. The Full Court also clarified that an alleged invention does not have to involve an application of science or technology, as has been previously asserted by the Commissioner of Patents.

- The CSIRO is defending a patent litigation suit in the US brought by some of the world's biggest companies in the wireless technology field. The CSIRO had originally sued Buffalo Technology over CSIRO's US patent covering aspects of wireless LANs and IEEE 802.11a, g protocols. Subsequently, companies such as Intel, Microsoft, Hewlett-Packard and Netgear, some of which had received demands for royalty payments from the CSIRO, are seeking a court ruling that the patent is invalid or that

they do not infringe the patent. The CSIRO recently argued that it should be treated as immune to the court action under the US Foreign Sovereign Immunities legislation as it is an agency of a foreign government. However, the court ruled that the CSIRO was not immune and the federal court trial will proceed to assess the patent validity and infringement assertions.

- In a major patent case in the US, with huge implications for business, the US Supreme court unanimously ruled that injunctions are not automatic in patent infringement cases, where infringement is made out, unless exceptional circumstances exist. Previously, it was normal US court practice that after a jury found patent infringement existed, an injunction could be relatively easily obtained to prevent continued sale or distribution of a product. This created enormous concern for businesses as a successful product could potentially have to be immediately removed from sale if a settlement was not negotiated, obviously not always with favourable terms.

In a case involving MercExchange, a small company, and the giant eBay, at issue was eBay's "buy it now" feature on its web-site, which allows users to bypass a bidding process. MercExchange holds a patent covering the technology and previously was successfully awarded US\$5.5 million by a court for patent infringement. The trial judge denied MercExchange's request for a permanent injunction to prevent eBay using the feature, and appeals found their way to the Supreme Court, which held the trial judge indeed has the discretion not to award an injunction. The case is considered to potentially have a significant impact on companies that create portfolios of patents for licensing, without ever manufacturing products, as leverage for demanding high royalty payments may now be somewhat reduced.

- Microsoft has already benefited from this recent and significant shift in US patent law, relating to court issued injunctions, to avoid having to re-release its Office software products. The US Supreme court recently removed the presumption that an injunction to prevent sale of products could be obtained almost automatically when infringement is found in a patent case.



Patents and Designs

In April 2006, a jury in Texas found Microsoft and Autodesk had infringed two patents owned by Z4 Technologies relating to preventing unauthorised use of computer software, resulting in a US\$133 million damages award to Z4 Technologies (reportedly US\$18 million of which was required to be paid to Mr David Colvin, the founder of Z4 Technologies). However, the court refused to issue a permanent injunction against Microsoft. The court found the balance of hardship fell in Microsoft's favour and Z4 Technologies would not suffer irreparable harm.

- In another recent denial of a preliminary injunction in the US, a court refused to issue an injunction against Google. Skyline had sued another company, Keyhole, in 2004 for patent infringement based on Skyline's patent issued in 2002 for terrain mapping based on satellite imagery. Google became part of the suit when it acquired Keyhole and now distributes the technology as part of Google Earth. The court refused the injunction to prevent sales or distribution of Google Earth and a full trial is expected later in the year.
- A New Zealander, Peter Calveley, has successfully applied to the US Patent and Trademark Office for re-examination of one of the best known Internet-based business method patents. The US patent is owned by Amazon.com and is commonly known as the "one-click" patent. The patent relates to an Internet ordering method where users can make subsequent purchases at a web-site with only one click of a mouse. Amazon.com has previously successfully sued a competitor, Barnes and Noble, for patent infringement and now licenses the patent to many web-site operators. It was reported that Mr Calveley became frustrated with slow delivery when he purchased a book through an affiliate bookseller using Amazon's Internet shop-front. Subsequently, he searched and located a patent and documents which he used as a basis to request and obtain re-examination of the patent. The USPTO will now reassess the validity of Amazon's one-click patent.
- Palm, the maker of the Palm Pilot PDA, has settled a patent infringement suit with Xerox relating to handwriting recognition software. Palm will pay US\$22.5 million and the two companies have agreed not to sue each other over a mutually determined range of technology. In 2001, a court found Palm's graffiti software infringed patents owned by Xerox relating to its Unistrokes software.

A 2003 decision by the US Court of Appeals upheld the earlier decision but damages were not settled until recently.

- In a novel auction for patents, Ocean Tomo, a company that specializes in selling intellectual property, arranged an auction that resulted in the sale of 31 patent portfolios for a total of US\$8.4 million. The different portfolios covered a wide range of technology from software for distributing TV programs to industrial chemicals. It was reported that many of the patent portfolios sold for about US\$11,000. The bulk of sales occurred after the auction completed. For example, Magnasenses' patents for engine valve timing reached US\$1.4 million in bidding but failed to reach the seller's minimum. The success rate of nearly 40 % for patents sold against patents offered seems to demonstrate the viability of the patent auction market.
- It seems clear that the wireless email market is far from settling down yet, with multiple ongoing or new patent litigation cases in the US. In May 2006 wireless email provider Visto was awarded US\$3.6 million in damages arising from patent infringement by rival Seven Networks. The case related to components of a mobile email system which gives users remote access to email from behind corporate firewalls. Immediately after the victory, Visto filed a new court action against Research in Motion, the maker of the Blackberry device, based on alleged infringement of four patents, three of which were at issue in the dispute with Seven Networks. In March 2006, Research in Motion had settled ongoing patent litigation with NTP for US\$612.5 million. Visto has signed a licensing deal with NTP for use of its patents. Previously this year, Visto also sued competitor Good Technology for patent infringement, and has previously sued Microsoft in relation to its Windows Mobile 5.0 operating system. Both these suits are ongoing.

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