

USPTO Issues Action in eBay-Requested Re-Exam of MercExchange Patent

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eBay issued a press release stating, "the U.S. Patent and Trademark Office has initially revoked in its entirety the consignment fixed price patent which underlies the \$25 million judgment MercExchange obtained against eBay in 2003, and which was recently affirmed by the US Court of Appeals for the Federal Circuit."

"The rejection is entirely expected," according to Dennis Crouch, patent attorney at McDonnell Boehnen Hulbert & Berghoff LLP. "In fact, I have never heard of a case where a patent was not initially rejected during the reexamination process." Crouch publishes a Blog on patent issues at <http://patentlaw.typepad.com/patent>.

Hunton & Williams' Scott Robertson, who represented MercExchange in the patent lawsuit against eBay, said the Patent Office issued a first Office Action, the first of two or three, to which MercExchange can respond. He said eBay failed to inform the Patent Office of the Federal Circuit's binding decision. "We are confident once the Patent Office considers the Federal Circuit's binding decision, they will affirm that the claims are patentable," Robertson said.

eBay's interpretation of the Office Action appears to be radically different based on today's press release: "The Patent Office rulings have put a major cloud over MercExchanges's key patents," according to eBay Vice President of Intellectual Property, Jay Monahan. "eBay has maintained all along that the patents are not valid, and the Patent Office seems to agree," said Monahan.

Robertson said the press release indicates eBay is desperate. "They are trying to put a positive spin on this for their shareholders,"

he said, and added that rejections in first Office Actions are typical.

Robertson said once the District Court receives the mandate from the U.S. Court of Appeals for the Federal Circuit (<http://www.auctionbytes.com/cab/abn/y05/m03/i16/s00>), which might take up to a month, MercExchange will file for an injunction against eBay.

eBay has said an injunction would not affect the Buy It Now feature on their auctions because they have changed the business process after the jury verdict.

Robertson said they've been monitoring eBay's system, and it's unchanged in any material way.

Ignoring any court-issued injunction by claiming the technology has changed "could bring down the wrath of the court," Robertson said. "eBay defies the judge at their own peril."

When asked whether eBay sellers should be concerned about what the injunction might mean, Robertson said, "I can't give any comfort or assurances to eBay users that at the end of the day, eBay won't be enjoined. The ball is in eBay's court."