

The Top Patent Cases Of 2017: Midyear Report

By Ryan Davis

Law360, New York (July 3, 2017, 10:36 AM EDT) -- The Federal Circuit indicated that the on-sale bar will still be useful in invalidating patents following America Invents Act changes, restricted the reach of the AIA's covered business method patent review program and delved yet again into the murky morass of patent eligibility.

Here's a look at the appeals court's most significant patent decisions so far this year.

Helsinn Healthcare SA v. Teva Pharmaceuticals USA Inc.

This highly anticipated May decision marked the first time the Federal Circuit interpreted the America Invents Act's revision to the on-sale bar rule, which holds that sales made before a patent application is filed can render a patent invalid. The decision indicates that despite the change, the rule remains an important way to invalidate patents.

Before revisions under the AIA took effect for patents filed after 2013, the on-sale bar held that patents are not available if the invention was in public use or on sale before a patent application is filed. The AIA amended the statute to say that the bar applies if the invention was sold, used "or otherwise available to the public."

That raised the question of whether everything about a sale now must be public for the bar to be triggered, but the Federal Circuit held that as long as the sale itself is public, it can render the patent invalid even if the details of the invention are not disclosed.

The decision means that "the on-sale bar is still a potentially strong defense, particularly in the pharmaceutical space," said Sailesh Patel of Schiff Hardin LLP.

Drugmakers often rely on outsourcing agreements to make products and other transactions that can implicate the on-sale bar. The Federal Circuit's ruling highlights the importance of including confidentiality provisions in such arrangements to keep the sale from becoming public and rendering the patent invalid, Patel noted.

Prior to the ruling, the U.S. Patent and Trademark Office had taken the position that all of the details of the invention must be public for the bar to be triggered. Patent applicants now need to be sure to conform to the Federal Circuit's contrary ruling, said Celine Crowson of Hogan Lovells.

"Those filing patents need to be careful and broaden the scope of what is disclosed to the patent office," to include any public sale where details of the invention remained confidential, she said.

Secure Axxess LLC v. PNC Bank NA

The America Invents Act's covered business method patent review program, otherwise known as CBM review, has proven to be a popular way to challenge patents, but this Federal Circuit decision from February restricted the program's reach.

The ruling came on the heels of a decision last year known as *Unwired Planet*, which held that the Patent Trial and Appeal Board was taking too broad a view of which patents are eligible for review under the program. The *Secure Axxess* decision limited the scope of the program even further, holding that only patents that mention financial activity in the claims are eligible for review.

"CBM reviews were cut back in *Unwired Planet*, and now with *Secure Axxess*, it looks like it's going to stick at the Federal Circuit," said Andrew Gray of Morgan Lewis & Bockius LLP. "We got a little bit more clarity on the scope of CBM reviews."

In June, the full Federal Circuit sharply split 6-5 on whether to review the *Secure Axxess* ruling en banc, with the dissenting judges saying that "severely limiting" CBM reviews frustrates the intent of Congress. The deadline to appeal both the *Unwired Planet* and *Secure Axxess* decisions to the Supreme Court is in September.

Unlike the more common *inter partes* reviews, CBM reviews are only available for certain business method patents related to financial services, but appeal to challengers because they allow for a greater array of invalidity arguments, including that the invention is patent-ineligible subject matter.

Cleveland Clinic Foundation v. True Health Diagnostics LLC

The Federal Circuit ruled that three Cleveland Clinic patents on cardiovascular disease tests are invalid because they claim only laws of nature, and held that a fourth patent was not infringed in this June ruling. The famed Ohio hospital's loss showcases the challenging terrain faced by patent owners in the field of personalized medicine.

Personalized medicine, in which treatment is tailored to individual patients, has been a burgeoning area of medical research, but the courts have found a number of patents in the field to be invalid for claiming patent-ineligible subject matter under Section 101 of the Patent Act.

The latest ruling came when the Federal Circuit held that three of Cleveland Clinic's test patents cover only the natural correlation between a certain enzyme and an increased risk of heart disease, and that it could not prove that True Health infringed a fourth.

"This decision highlights again the potential difficulty of enforcing patents directed towards what is commonly called personalized medicine," Crowson said.

Following other rulings holding that medical test patents invalid under Section 101, including a high-profile case involving Sequenom Inc.'s fetal DNA test, the decision makes clear that life sciences patents tied to natural correlations face an uphill battle when they are challenged on eligibility grounds.

In contrast, there are few decisions in which similar patents have survived eligibility challenges, meaning that there is little guidance on what applicants can do to ensure that their patents pass muster.

"You have to imagine how perplexing this is for folks in the life sciences industry," said Adam Kelly of Loeb & Loeb LLP.

The decision also held that one Cleveland Clinic patent involving administering a treatment was not infringed because doctors, not the testing company that was sued, performed that step. In addition to the eligibility ruling, that points to another challenge in enforcing medical patents, Crowson said.

"Companies generally do not want to sue doctors or hospitals, but it is proving difficult to sue commercial enterprises for infringing method of treatment patents," she said.

Thales Visionix Inc. v. U.S.

In another patent-eligibility decision from March, the Federal Circuit reversed a lower court's ruling that a helmet display system used by F-35 fighter jet pilots was invalid for claiming an abstract idea, providing guidance on how tech patents can survive eligibility challenges.

A Court of Federal Claims judge had granted summary judgment to the U.S. government that Thales' patent was invalid because it was based on mathematical equations involving the principles of motion. The Federal Circuit held that the patent actually covered the applications of physics to an unconventional configuration of sensors and was therefore patent-eligible.

"That a mathematical equation is required to complete the claimed method and system does not doom the claims to abstraction," the court wrote.

Scores of patents have been found invalid under Alice, which held that abstract ideas implemented using a computer are not patent-eligible, so whenever a patent survives, the decision gets close attention from attorneys to see how it can be applied to other patents.

"This decision provides a little bit of hope for patent owners," said Ashok Ramani of Kecker Van Nest & Peters LLP.

Dion Bregman of Morgan Lewis & Bockius LLP said that "this case provides a good example of when the use of mathematical equations and laws of physics in claims does not make the claims patent-ineligible."

Aylus Networks Inc. v. Apple Inc.

This May decision serves as a warning for patent owners that what they say during an AIA review can have negative consequences in subsequent district court litigation, as the court addressed an issue of first impression.

The court held that statements in a patent owner's preliminary response to an inter partes review petition can later be used to construe patent claims in infringement litigation. It affirmed a decision granting summary judgment of noninfringement to Apple in which the judge's claim construction was based on things patent owner Aylus told the PTAB to persuade it not to review some claims.

The appeal hinged on the doctrine of prosecution disclaimer, which holds that when a patent owner unequivocally disavows a certain meaning for patent claims before the U.S. Patent and Trademark Office, the meaning of the claims is narrowed accordingly. The Federal Circuit rejected Aylus' argument that the doctrine does not apply to AIA reviews and called it a "a fundamental precept in our claim construction jurisprudence."

The decision shows that "patent owners can make a mistake in their preliminary response that can come back and bite them in district court," Bregman said.

It also highlights a bind for patent owners. While making certain arguments in an AIA review can later lead to a noninfringement finding if the patent survives, not making them could result in the patent being reviewed and found invalid by the board.

"This case shows how carefully patent owners must juggle the positions they take in opposing IPR petitions," Gray said. "Even if the petition is defeated, there may be a price to pay."

--Editing by Katherine Rautenberg and Rebecca Flanagan.