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IP Cases To Watch In 2013

By **Ryan Davis**

Law360, New York (January 01, 2013, 4:24 PM ET) -- The U.S. Supreme Court and Federal Circuit are set to examine key issues in intellectual property law this year, including whether human genes and abstract ideas implemented on a computer can be patented, the reach of the patent exhaustion doctrine and how claim construction rulings should be treated on appeal.

Here are the cases that IP attorneys will be sure to keep track of in 2013.

Association of Molecular Pathology v. Myriad Genetics

When the Supreme Court agreed in late November to hear a challenge to a challenge to the patentability of breast cancer genes isolated by Myriad Genetics Inc., it set up the marquee patent showdown of the year, with sweeping implications for the biotechnology industry.

A group of doctors represented by the American Civil Liberties Union is appealing a ruling by the Federal Circuit that isolated DNA can be patented because it is a man-made composition different from naturally occurring DNA. The ACLU claims that human genes are products of nature that are not eligible for patents.

If the high court were to agree that human genes cannot be patented, thousands of patents could be invalidated. While the case involves isolated DNA, the outcome could have an "enormous reach" to other types of biotechnology patents as well, said S. Peter Ludwig of Fish & Richardson PC.

"If the basic reasoning holds, it could reverberate outside DNA and stem cells and other things could come under the gun as unpatentable," he said.

The case is of "huge interest" to the biotech and pharmaceutical industries because it could negate many patents in which companies have invested a great deal of money, said Erik Belt of McCarter & English LLP. But it also highlights the challenges the courts face in applying patent law to emerging technology like personalized medicine, he said.

"What is the relationship between patent law and cutting-edge technology?" he said. "That's the meta-question that cases like Myriad are really answering."

Myriad is represented by Jones Day. The plaintiffs are represented by the American Civil Liberties Union and the Public Patent Foundation.

The case is The Association of Molecular Pathology et al. v. Myriad Genetics Inc. et al., case number 12-398, in the U.S. Supreme Court.

Bowman v. Monsanto

This case at the Supreme Court involves the doctrine of patent exhaustion, which states that patent holders cannot control or prohibit the use of an invention after an authorized sale, and has the potential to eliminate a long-standing exemption to the rule, attorneys said.

Farmer Vernon Bowman is challenging a Federal Circuit ruling that he infringed the patents on Monsanto Co.'s Roundup Ready soybean seeds by planting second-generation seeds he purchased from a grain elevator.

According to Bowman, Monsanto's rights on the seeds should have been found to be exhausted by the first sale. The Federal Circuit's finding that he infringed because he created new seeds by planting the ones he purchased effectively created an exemption to patent exhaustion for self-replicating technologies like seeds, he claims.

If the Supreme Court focuses on how the exhaustion doctrine applies in that context, the ruling's impact may be limited to seeds and similar patents, attorneys said. However, Bowman is also challenging the "conditional sale" exemption to exhaustion, which the Federal Circuit held in 1992 allows patent owners to continue to assert their rights after an initial sale by placing conditions on the sale.

It's difficult to know how the court will approach the case, but if it chooses to rule on the conditional sale rule, the outcome would have a wide impact and apply to all patents, not just seeds, said Rick Rambo of Morgan Lewis & Bockius LLP.

The high court could establish precedent on the broad question of "to what extent a patent holder has control over a patented article after it enters the stream of commerce," he said.

If Bowman convinces the court that the conditional sale should be abolished and no restrictions after an authorized sale is enforceable by patent law, "it would wipe away 20 years of Federal Circuit precedent," said Jonathan Kagan of Irell & Manella LLP.

"There are a number of companies relying on that precedent to put conditions on sales of their products, and they are not going to be able to rely on it anymore," he said.

The high court, which took the case in October, has not yet set a date for arguments.

Bowman is represented by Frommer Lawrence & Haug LLP. Monsanto is represented by WilmerHale and Thompson Coburn LLP.

The case is Bowman v. Monsanto Co. et al., case number 11-796, in the U.S. Supreme Court.

CLS Bank v. Alice Corp.

After numerous panel decisions that reached conflicting conclusions on whether an abstract idea implemented using a computer is eligible for a patent, the full Federal Circuit agreed in October to address the issue en banc, with arguments set for Feb. 8.

The case involves Alice Corp.'s patents on a computerized trading platform, which a lower court ruled simply uses a general purpose computer to perform an unpatentable abstract idea. A Federal Circuit panel reversed in July, holding that Alice had claimed a practical application of a business concept that was eligible for a patent.

In other recent rulings, different Federal Circuit panels have held than an abstract idea implemented on a computer cannot be patented, creating "a huge amount of uncertainty" over whether software is eligible for a patent, said Peter Schechter of Edwards Wildman Palmer LLP.

"The issue is whether computer applications that provide some beneficial function to the user are eligible for a patent, or whether patents are limited to technological improvements in computer processes," said Irah Donner of Stroock & Stroock & Lavan LLP.

Attorneys are hoping that the en banc ruling will finally provide companies and attorneys with a clear set of rules for software patents that will lead to predictable results, Schechter said.

"Whatever the court says, as long as its clear, will be an improvement over the current situation," he said.

CLS is represented by Gibson Dunn & Crutcher LLP. Alice is represented by Williams & Connolly LLP and Sidley Austin LLP.

The case is CLS Bank International v. Alice Corp. Pty. Ltd., case number 2011-1301, in the U.S. Court of Appeals for the Federal Circuit.

Retractable v. Becton Dickinson

The Supreme Court has not yet decided whether to hear this appeal, in which Retractable Technologies Inc. is seeking review of the Federal Circuit rules on claim construction. While the solicitor general urged the court in November not to take the case, many attorneys are hoping the justices will weigh in to provide clarity to a murky area of the law.

Retractable is challenging two Federal Circuit rules on claim construction. The first is that claim construction should always be reviewed afresh, with no deference to the district court. The second is that courts are permitted to depart from the meaning of terms in a patent claim based on the language of the patent specification.

Having the Federal Circuit review claim construction rulings de novo leads to frequent reversals and "makes the whole process extremely costly, time-consuming and uncertain," said David Cross of Quarles & Brady LLP.

The Federal Circuit's high rate of reversal on claim construction rulings may be a deterrent to settlements, since the losing party knows there's a good shot the trial court's ruling may be reversed if they appeal, said Andrew Thomases of Skadden Arps Slate Meagher & Flom LLP.

"There's less certainty with the district court judgment than there would be if there was deference on claim construction," he said, adding that if the Supreme Court takes the case, "it will be the biggest case of the year."

Cross said he hopes the high court can craft a mixed standard of review, where some aspects of a trial court's claim construction ruling are given deference and others are not.

"Where to draw the line is not easy, but it would help if it weren't de novo review all the time," he said.

Becton is represented by WilmerHale. Retractable is represented by Covington & Burling LLP and Locke Lord LLP.

The case is Retractable Technologies Inc. et al. v. Becton Dickinson & Co., case number 11-1154, in the U.S. Supreme Court.

Kirtsaeng v. John Wiley

The Supreme Court heard arguments in October in this closely-watched copyright case, which will determine whether the first-sale doctrine applies to copies manufactured outside the U.S. The ruling, expected early this year, will impact how a wide array of goods are sold in the future.

The case involves a man found liable for infringing the copyrights of publisher John Wiley & Sons Inc. by reselling Asian editions of its textbooks online. The Second Circuit ruled that the first-sale doctrine, which holds that an item is out of the copyright holder's control once it is sold the first time, does not apply to goods manufactured abroad.

The defendant's position that the doctrine only applies to goods made in the U.S. has found support from companies like eBay, which argue that the Second Circuit's ruling will open them up to infringement actions for selling foreign-made goods. The film and publishing industries have urged the high court to affirm, claiming that allowing copies purchased abroad to be sold in the U.S. would undermine copyright protection.

The Supreme Court now has a chance to explicitly define the reach of the first-sale doctrine, which remains curiously unsettled despite decades of copyright law, Cross said. But it is such a contentious issue for major industries that the ruling may not be the final word, he said.

"Somebody needs to resolve the ambiguity," he said. "And Congress might step in once the courts makes its pronouncement."

Wiley is represented by Gibson Dunn & Crutcher LLP. Kirtsaeng is represented by Orrick Herrington & Sutcliffe LLP and Sam P. Israel PC.

The case is Kirtsaeng v. John Wiley & Sons Inc., case number 11-697, in the U.S. Supreme Court.

--Editing by Lindsay Naylor.