

Intellectual Property Law – A Look Ahead to 2013

Part I - Patents

It seems there is never a dull moment in the world of intellectual property law. 2013 will be a standout year for major changes in various IP laws and will also see several important cases, including from the Supreme Court, potentially change major aspects of the IP landscape. In this article I will highlight some of the most significant of these upcoming developments in the area of patents.

President Obama signed the Patent Reform Act of 2011 into law on September 16, 2011. The most significant aspect of this law is that, effective March 2013, the U.S. patent system will change from a first-to-invent to a first-to-file system. This will finally place the U.S. in the mainstream of the rest of the world. The U.S. has for a very long time been the only country in the world where patents are granted to the first person to conceive of the invention rather than the first person to both conceive of and file a patent application for it. This means that if two people make the same invention and there has been no public disclosure of the invention, and both describe and claim that invention in separate patent applications, the inventor that filed the patent application first gets the patent. Accordingly, early filing will be more critical than ever before. The first-to-file provision will have no effect on existing patents or applications filed before March 2013.

One change that has already taken effect in September 2012 is that third parties can challenge the validity of patents within nine months of issuance in the Patent Office in a Post-Grant Opposition Review proceeding. Any basis for a validity challenge will be considered, including issues of novelty and obviousness, as well as challenges based on non-patentable subject matter or an improper written description or other formalities. This is a much improved and streamlined process from the old Re-Examination proceedings.

The U.S. Supreme Court and Federal Circuit are set to take on key issues in patent law this year, including whether human genes and abstract ideas implemented on a computer can be patented and whether self-replicating products are subject to the first sale doctrine.

The Supreme Court agreed in late November to hear a challenge to the patentability of breast cancer genes isolated by Myriad Genetics Inc. (Association of Molecular Pathology v. Myriad Genetics). This case has far-reaching 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 are not patentable, thousands of patents could be invalidated. The case could have a major bearing on other types of biotechnology patents as well. The case is of great interest to the biotech and pharmaceutical industries because it could invalidate many patents in which companies have much interest as a competitive asset.

In yet another case dealing with patentable subject matter, this one in the area of business

methods implemented on a computer (CLS Bank v. Alice Corp.), the Federal Circuit will hear arguments on Feb 8 from the parties. 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 that an abstract idea implemented on a computer cannot be patented, creating great uncertainty over whether software is eligible for a patent. The issue is whether an idea that is novel can be patented merely because the implementation of that idea on a computer happens to be novel even though there is nothing new about how the computer works to implement the idea in existing software using existing hardware. Some would limit software patents to truly new ways of operating a computer (for example, new ways of using software to operate the computer itself as opposed to simply new applications for existing software). Again, this will have huge ramifications for industries that rely heavily on the use of software such as the financial, insurance and health care industries.

Lastly, in a somewhat strange and futuristic feeling case (Bowman v. Monsanto), the question is whether the first sale doctrine (sometimes called patent exhaustion) applies to self-replicating products. The doctrine of patent exhaustion states that patent holders cannot control or prohibit the use of an invention after an authorized sale. This case has the potential to eliminate this long-standing exemption to the rule in many situations.

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 (from plants grown with the original seeds) that he purchased from a grain elevator. According to Bowman, Monsanto's rights on the seeds should have been found to be exhausted after the first sale to the grain elevator owner. The Federal Circuit ruled that he infringed because he created new seeds by planting the ones he purchased. This created an exemption to patent exhaustion for self-replicating technologies like seeds.

Bowman is also challenging the "conditional sale" exemption to patent exhaustion. Monsanto placed conditions on the sales of the patented seeds that it sold to others in order to circumvent the exhaustion rule. The Federal Circuit held in 1992 that patent owners may continue to assert their rights after an initial sale by placing conditions on the sale. Because of this aspect of the case, the outcome could have a very wide impact and apply to all types of patents, not just seeds. The Court could establish precedent on the broad question of the extent that a patent holder has control over a patented article after it enters the stream of commerce. If the Court agrees with Bowman that broad restrictions of further sales of products is at odds with patent law policy, a great number of companies that place conditions on the use and/or further distribution of the products they sell will be affected.

Next month we will look at upcoming developments in the world of copyright and design law.

