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## The Top Three Patent Cases of 2012

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## The Top Three Patent Cases of 2012

Prof. James Gibson, University of Richmond School of Law

January 3, 2013

New Year's Day prompts us to reflect on what the last 12 months have brought, so I've taken the opportunity to think back on 2012's intellectual property developments. It's been a busy year, with patent reform, new technologies, multilateral treaties, and more. To make my task more manageable, I'm going to focus on three important patent law cases – one at the Supreme Court level, one at the appellate level, and one at the trial court level. I'll conclude with an extra-special bonus: the Case To Watch for patent law in 2013. Then, in my next entry in this series, I'll do the same for copyright.

My choice at the Supreme Court is [Mayo Collaborative Services v. Prometheus Laboratories, Inc.](#), in which the Court confronted the issue of patent-eligible subject matter. That's an issue the Court ignored for almost 30 years. It resurfaced in 2010, when the Court decided [Bilski v. Kappos](#). *Bilski* was mostly about software and business-method patents, and it relied on the long-standing restriction on patenting "abstract ideas." In *Prometheus*, the Court addressed another important industry – medicine and biotech – and it did so by relying on another categorical exclusion: "laws of nature."

The *Prometheus* patents covered the process of administering certain drugs to treat autoimmune diseases. In essence, the patents instructed doctors to give a patient the medication and then measure the resulting metabolites in the patient's blood. Such a measurement would help determine the proper dosage of the medicine for that particular patient; if it fell below a certain concentration the dosage should be increased, and if it fell above a certain concentration, the dosage should be reduced.

The Court unanimously ruled that the patents represented an impermissible attempt to patent a "law of nature." To allow such a patent would be to allow *Prometheus* to control all use of the natural, preexisting correlation between metabolite levels and the efficacy of drug dosage. Nor were the other steps in the process sufficient to transform the patents into something other than a law of nature. In other words, the patents did no more than "simply state the law of nature while adding the words 'apply it.'"

The *Prometheus* decision puts some more meat on the bones of patent's subject-matter requirement, a task that the Supreme Court began (somewhat tentatively) in *Bilski*. So after the two cases, we now know something about the categorical exclusion on patenting both "abstract ideas" and "laws of nature." The third and final such exclusion, "physical phenomena," may be at the center of the Court's next subject-matter case, [Association for Molecular Pathology v. Myriad Genetics, Inc.](#), to be decided later this year.

My greatest hit of 2012 among the appellate courts is the Third Circuit's [In re K-Dur Antitrust Litigation](#). The issue in *K-Dur* was whether the owner of a pharmaceutical patent could settle an infringement suit against generic drug manufacturers by paying the generics to stay out of the market, in what is known as a "reverse payment" settlement. The legal details are arcane, involving an intricate drug approval process, but at its core the claim by the Federal Trade Commission and others is that reverse payments are an antitrust violation because they allegedly

delay the entry of the generics into the market. (Thus the other term that has arisen to describe these settlements: “pay for delay.”)

The Third Circuit agreed with the FTC, finding reverse payments to be *prima facie* evidence of an antitrust violation – in other words, a presumptively unlawful arrangement. This ruling created a split with at least three other circuits, which doubtless played a part in the Supreme Court’s decision last month to address the issue in a 2013 case, [\*Federal Trade Commission v. Watson Pharmaceuticals Inc.\*](#) Look for oral arguments in that case soon.

My trial court case of choice is [\*Eolas Technologies Inc. v. Adobe Systems Inc.\*](#), out of the Eastern District of Texas. In *Eolas*, a jury found invalid two web-browser patents that Eolas had been using to extract licensing fees from a number of well-known tech companies, including Microsoft. This case is less significant in its holding than in its demonstration of a rare achievement: finding good evidence of “prior art” in the software industry.

You see, in order to grant patent protection, the Patent and Trademark Office must determine that the invention is novel and non-obvious in light of the prior art – *i.e.*, in light of previous advances in the field. But prior art is hard to find in the software industry, for several reasons. Patent law did not fully embrace software until the late 1990s, so there is a much shallower reservoir of historical patents to consult. Nor is there any tradition in the software industry of publishing innovative developments in trade journals; on the contrary, software’s source code is often jealously guarded as a trade secret. So when the patent examiner is trying to determine whether a software invention is novel and non-obvious, he or she often lacks the necessary resources on the state of prior art.

The *Eolas* defendants managed to overcome this obstacle, but only because they were famous companies – *e.g.*, Adobe, Amazon, Google, Yahoo – with deep pockets, and because the case attracted a lot of attention; among those testifying against the patents was Tim Berners-Lee himself, the inventor of the World Wide Web. These are advantages few defendants will have. There are some promising developments in this area, such as defensive publication of software innovations, the growth of the [\*Software Patent Institute\*](#) (a nonprofit that collects and shares prior art in the industry), and various crowdsourcing efforts, but the problem still remains a serious one.

Finally, the Case To Watch in 2013? It’s got to be [\*Association for Molecular Pathology v. Myriad Genetics, Inc.\*](#), mentioned above. *Myriad* will mark yet another effort by the Supreme Court to define the scope of patentable subject matter – this time by ruling on the patentability of human genes. Look for it atop next year’s list of patent’s greatest hits.

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