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The top 10 IP cases and happenings of 2013

By: Kirk Testa January 16, 2014

As is customary this time of the year, the following is a list of the top 10 intellectual property cases of 2013. One common theme that emerged: continuing patent reform by lawmakers and in the courts.

1. Genes are not patentable

Despite the Patent Office's practice for many years allowing patents for genes, in June a unanimous U.S. Supreme Court reversed the Court of Appeals for the Federal Circuit and held that human genes, even if isolated and constituting a "ground breaking, innovative, or even brilliant discovery," are not patent eligible since they are products of nature. The extent to which synthetically created genes or strands thereof are patentable remains unclear. *Association for Molecular Pathology v. Myriad Genetic, Inc.*, 133 S.Ct. 2107 (2013).

2. Supreme Court continues to reverse the Federal Circuit

The *Myriad* case continues a trend by the Supreme Court reversing the Federal Circuit in patent cases. Another area ripe for Supreme Court review is software patents. In one case in which the Federal Circuit upheld a software patent, the Supreme Court ordered reconsideration — but the Federal Circuit stood by its earlier ruling. *Ultramercial, Inc. v. Hulu, LLC*, 722 F.3d 1335 (Fed. Cir. 2013). The same thing happened in *Myriad*. Now the Supreme Court has agreed to hear another software patent case: *CLS Bank International v. Alice Corporation Pty. LTD.*, 717 F.3d 1269 (Fed. Cir. 2013) (en banc). There has been severe criticism of software patents over the years, so it will be interesting to see how the Supremes rule in 2014.

3. Functional and other broad patent claims take a hit

The Federal Circuit and the Patent Office have recently taken issue with patents claiming protection for what an invention does rather than how it does it, and with broad patent claims with only a few specified examples of how to implement the invention. Important cases in this area are *Wyeth v. Abbott Laboratories*, 720 F.3d 1380 (Fed. Cir. 2013); *Ex parte Cardaso*, 107 USPQ 2d 2113 (P.T.A.B. 2013); *Ex parte Smith*, 108 USPQ 2d 1198 (P.T.A.B. 2013); and *Ex parte Erol*, 107 USPQ 2d 1963 (P.T.A.B. 2013). Maybe in 2014 the Supreme Court will address functional patent claim language and the extent to which broad patent claims must be supported in the patent specification.

4. Patent reform

Although the America Invents Act passed in 2011, a key provision regarding the change to the first-to-file from the first-to-invent system for patent applications became effective in 2013. Other reform measures are in the pipeline. For example, on Dec. 5, the House passed a new patent reform bill called the Innovation Act (HR 3309), which attempts to curtail patent trolls. Trolls are a definite problem, but the concern is throwing the baby out with the bathwater.

5. The Evil Empire

The damn Yankees just stole yet another Red Sox player, Jacoby Ellsbury. In early 2013, the Yankees admitted, and the Trademark Office agreed, that the Yankees really are "The Evil Empire" in a case in which an enterprising person attempted to register the trademark "Baseball's Evil Empire" for various merchandise items. The Yankees objected, arguing it alone had the legal right to the phrase. The Trademark Office agreed. *New York Yankees Partnership v. Evil Enterprises, Inc.*, Opposition No. 91192764 (T.T.A.B. 2013).

6. Patent valid, not valid

See if you can follow this one: Baxter International has a patent for a hemodialysis machine and sued Fresenius USA for patent infringement. Fresenius, like all infringement defendants, asserted the Baxter patent was invalid. A jury agreed, but a federal District Court judge decided Fresenius failed to prove the Baxter patent was invalid. Fresenius appealed to the Federal Circuit, lost, and so Fresenius had to pay Baxter damages. Round 1: Baxter's patent is valid.

Fresenius next had the Baxter patent re-examined back at the Patent Office, which ruled the Baxter patent was invalid. Baxter then appealed to the Federal Circuit, which, careful now, affirmed. Round 2: the Baxter patent is invalid.

So, the same patent, reviewed twice by the Federal Circuit, is first held valid and then held invalid. If you look at it another way, a federal agency (the Patent Office) effectively overruled a court decision. Crazy, right? Right. *Fresenius USA, Inc. v. Baxter International, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013).

7. Patent exhaustion

When you buy a patented product, the patent is not usually implicated — otherwise you'd have to license numerous patents owned by Apple when you purchase an iPhone®. That's the concept behind "patent exhaustion." Patent exhaustion also means you can sell your iPhone® without permission from Apple. What you can't do is "make" your own iPhone® — that would infringe Apple's patents. Samsung learned that the hard way.

The U.S. Supreme Court recently decided a patent exhaustion case in which what was "made" was seeds. Monsanto owns patents on genetically altered soybeans, which, when planted, grow into herbicide-resistant soybean plants. In that way, farmers can use a weed killer on the weeds near the soybean plants without killing the soybean plants.

A farmer purchased the Monsanto soybeans, which are both a commodity feed product and also serve as seeds that can be planted to grow new soybeans. The purchase gave him authorization to plant the seeds and grow one soybean crop. The interesting question is whether the farmer could legally replant soybeans from that crop and grow another crop (and thus not have to purchase any more soybeans from Monsanto). Has the farmer "made" another soybean and thus infringed Monsanto's patent? Yes, held the Supreme Court in *Bowman v. Monsanto Co.*, 133 S. Ct. 1761 (2013). The issue may come up in the future with other self-replicating technology.

8. Reverse settlement agreements in jeopardy

In *Federal Trade Commission v. Actavis Inc.*, 133 S. Ct. 2223 (2013), the FTC complained that "reverse payment" settlement agreements violated the antitrust laws. In such cases, a pharmaceutical company with a patent pays a generic company to stay out of the market for the term of the patent and to not challenge the patent. The 11th U.S. Circuit Court of Appeals had dismissed the FTC's complaint, but the Supreme Court ruling allows it to now proceed.

9. NCAA lawsuits

College athletes are suing the NCAA, which makes money from video games featuring the athletes. Billions of dollars may be at stake. Meanwhile, a Rutgers University quarterback has sued one video game company directly for a violation of his right of publicity. The 10th Circuit ruled that his case survives summary judgment. *Hart v. Electronic Arts, Inc.*, 717 F.3d 141 (3rd Cir. 2013).

The outcome of these cases will be interesting since NCAA college athletes are prohibited from making money from endorsement deals. The NCAA makes a lot of money using the names and likenesses of athletes, but if it gives that money to the athletes, the athletes would be violating NCAA rules. One idea is to place the NCAA's money made off athletes in a trust for them after they graduate college. There's also a movement afoot to change the rules for NCAA athletics.

10. First sale doctrine

In 2013, the Supreme Court decided the copyright "first sale doctrine" case of *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013). Under copyright law, if you purchase a book, you can't copy it — but you can resell your physical copy of the book at will. Previously, the Supreme Court held that if the book was initially manufactured in the United States and then sold abroad, a purchaser of the book could resell it back into the U.S. without liability under the copyright law's first sale doctrine. But what if the book first was manufactured abroad? Can someone outside the United States buy the book and then sell it here without liability? Here's why it matters factually:

John Wiley manufactures and sells textbooks overseas at a much cheaper price than the same textbooks are sold in the United States. So one enterprising college student had his relatives in Thailand buy Wiley's textbooks there and mail them to him here, where he resold them to his classmates at a price less than the U.S. versions of the same textbooks. Held the Supreme Court: The first sale doctrine protects such activities.

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