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IP FRONTIERS

The patent pendulum swings

The start of a new year provides the opportunity for a highly subjective retrospective on 35 years of patent law — where we've been and where we might be going.

Supreme Court Justice Abe Fortas (1965-1969) was reputed to have said that a typical judge's reaction to a patent is like that of a man suddenly encountering a snake: His first instinct is to try to kill it. Justice Fortas' view reflected the general tenor of the courts throughout much of the mid-twentieth century; finding patents valid, enforceable and infringed was uncommon.

The first awakenings of a more pro-patent stance became discernible in *Diamond v. Chakrabarty* in 1980, when the Supreme Court ruled 5-4 that genetically engineered microorganisms were patentable. This was followed by Congress' creation in 1982 of the Court of Appeals for the Federal Circuit (colloquially known as the CAFC or "the Federal Circuit") as the only appellate-level court with the jurisdiction to hear patent case appeals.

The first chief judge of the CAFC was Howard Markey, a WWII pilot, recipient of the Distinguished Service Medal, the Legion of Merit and the Distinguished Flying Cross and, subsequently, a patent lawyer. He was an outgoing, genial, retired Air Force General who did not suffer fools gladly. His opinions remain both insightful and entertaining reading.

He was joined by Giles Sutherland Rich, who was born in Rochester, the son of a Kodak patent attorney. Judge Rich and Pasquale Federico had drafted the patent statute that took effect in 1953 as the first full revision of U.S. patent law since the Patent Act of 1870. Judge Rich's opinions were marked by the depth of his understanding of patent law. They, and the other nine judges, were joined in 1984 by Pauline Newman, a Ph.D. chemist from Yale who had worked as a research scientist for American Cyanamid for three years and for FMC Corp for 30 as a patent attorney and in-house counsel. Together, these three and the CAFC initiated the golden age of patent law.

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For the next 10 years, patents were upheld, and infringers were found to have infringed. Patents became valuable property. With lawsuits for infringement actually succeeding, litigation by patentees took off, and the practice of patent law went from a quiet, back-office operation to considerable prominence and profitability. The pro-patent era reached its high-water mark in 1998 with *State Street Bank v. Signature Financial Group*, in which the CAFC found business methods patentable.

But, as always, the pendulum swings.

In rushing forward into new territory, it is human nature to push the envelope, and patent applicants did so with vigor, enthusiasm and not much self-restraint. Compounding the effect of exuberant patent seekers, the U.S. Patent and Trademark Office (USPTO) initially had no expertise in examining patents in subject areas that had not previously come before them. The result was the issuance of patents that should not have issued.

Moreover, the mood of the public — to the extent that any portion of the public was aware of patents — began to swing. This was the dawn of the era for two burgeoning technologies: computers and biotechnology. It did not seem fair that someone could own the basic underpinnings of a new technology (either genetics or computers) and thereby block "the progress of science and useful arts" in that area. It also did not seem fair that a pharmaceutical company could, by virtue of its patent "monopoly," make life-saving drugs sickeningly expensive. The result of the confluence of over-reaching patent applicants and an aggrieved public was that the courts began to look for — and find — bases for invalidating patents.

In both the biotech area and the software area, 2010 was a watershed year. The tide began to ebb. In *Ariad v. Eli Lilly,* the CAFC discovered a basis for invalidating claims that hadn't been thought of in 57 years of patent law. This allowed the courts to invalidate — and the USPTO to reject — the broad claims of most biotech patents. Since the ruling was based on an interpretation of law and not on subject matter, it spilled over into other technology areas, where it continues to bedevil prosecution.

At the same time, *in Bilski v. Kappos*,

the Supreme Court began to circumscribe the recently expanded scope of subject matter that could be patented in computer science. The Supreme Court followed up in 2014 with *Alice v. CLS Bank*, in which patentable subject matter was further constrained. In the meantime, in 2012, Congress went so far as to create a whole new mechanism specifically to facilitate challenges to patents in general and business method patents in particular.

In 2013 the Supreme Court also reduced the scope of patent eligible subject matter in the biotech area with their decision in Association for *Molecular Pathology v. Myriad Genetics* (known colloquially as "Myriad"). Overturning years of patent practice, the court determined that an isolated segment of DNA was not patentable because its sequence was the same as a portion of a sequence embedded in native DNA — even though it did not exist in isolated form anywhere in nature. This decision too has spilled over into other technologies where purified chemicals from natural sources are no longer deemed patentable by virtue of their having been isolated, identified and purified.

In 2014, in *Gilead v Natco*, the CAFC promulgated a line of reasoning that allows a judicially created (i.e., non-statutory) doctrine to truncate the term of coverage of plural members of a patent family. The *Gilead* opinion and its proliferating progeny continue to generate uncertainty, particularly in the pharmaceutical industry, for whom the path to market is long and expensive, and the days at the end of a patent's life are its most valuable.

From the heady era at the turn of the century we have entered a more sober period in which patents, to be successful in protecting inventive advances "in science and the useful arts," will have to be more conservatively drafted, more astutely prosecuted and more judiciously asserted. Patents can still have significant commercial value and profound effect — as our U.S. Constitution intended — but they will be less expansive. We're going back to having to avoid anything that might provide the tool for a judge who wants to kill the snake.

The 12 CAFC judges — Sharon Prost (labor law), Pauline Newman (Ph.D. chemist, patent law), Alan David Lourie (Ph.D. organic chemist, patent law), Timothy B. Dyk (patent litigation but no technical background), Kimberly Ann Moore (MSEE from MIT, patent law), Kathleen M. O'Malley (patent litigation but no technical background), Jimmie V. Reyna (customs and trade law, but he is a UR graduate, so he gets a pass!), Evan Wallach (international law), Richard G. Taranto (AB in mathematics, no patent law), Raymond T. Chen (BSEE, patent law), Todd M. Hughes (commercial litigation), Kara Farnandez Stoll (BSEE, patent law) — sit on randomly assigned, three-judge panels to adjudicate patent cases.

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