SUPREME COURT CONSIDERS INTELLECTUAL PROPERTY ISSUES IN CURRENT TERM


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During the current term, the Supreme Court has either heard or will be hearing oral arguments, and has either issued or will be issuing its ruling for three important intellectual property cases. In *Kirtsaeng v. John Wiley and Sons,* the Court issued its ruling regarding the "first sale" doctrine for copyrighted foreign works. In *Association for Molecular Pathology v. Myriad Genetics, Inc.,* the Court heard oral arguments about its determination of whether or not human genes are patentable. And finally, in *Bowman v. Monsanto,* the Court has heard oral arguments and will be issuing its decision with regards to patent exhaustion as it pertains to self-replicating technologies.

SUPREME COURT UPHOLDS FIRST SALE DOCTRINE FOR FOREIGN WORKS

On March 19, 2013, the U.S. Supreme Court issued its ruling in *Kirtsaeng v. John Wiley & Sons, Inc.,* upholding the application of Section 109(a)'s "first sale" doctrine, which allows for legally acquired copyrighted work to be resold by their owners, to works manufactured overseas.[1] In a 6-3 decision authored by Justice Breyer, the Court rejected the Second Circuit's attempt to geographically limit the scope of the words "lawfully made under this title" within Section 109(a).

The Court explained that §109(a)'s language in context with the common-law history of the "first sale" doctrine favored a non-geographical interpretation,[2] and that a contrary holding would expose normally germane business transactions involving copyrighted works to the disruptive threat of infringement suits.[3] Ultimately, the Court reasoned that the probable transaction costs arising from such a narrow interpretation of the "first sale" doctrine, requiring entities to procure authorization from copyright owners prior to the distribution and display of a work, would lead to "intolerable consequences" and an "absurd" perception "that copyright owners can exercise downstream control even when it authorized the import of first sale."[4]

The Court acknowledged that its decision would likely hinder the ability for Wiley and other publishers to maintain the preferred division between foreign and domestic markets, which allows publishers to charge different prices for the same items solely based on geography.[5] By contrast, resellers of copyrighted works, like Kirtsaeng, can take comfort in the Court's unwillingness to bestow on copyright owners the financial gain that previously accompanied the strategic segmentation of international and domestic markets.

The Court's interpretation of the "first sale" doctrine appears to be compelled by the stark reality of today's Internet-driven marketplace, which largely operates without geographical restrictions and makes business transactions between international markets more commonplace. Nevertheless, it remains to be seen whether the Court will extend the reasoning delineated in *Kirtsaeng* to the doctrine of patent exhaustion, thereby impacting the ability of a patent owner to control the resale of patented products made outside of the United States.

ARE HUMAN GENES PATENTABLE?

On November 30, 2012, the Supreme Court granted certiorari for the second time in *Association for Molecular Pathology v. Myriad Genetics, Inc.,* limiting their opinion to one question: "Are human genes patentable?"[6] In this case, medical organizations, researchers, genetic counselors and patients brought action against patentee, Myriad Genetics, Inc., and the Patent and Trademark Office (PTO), challenging the validity of patents for isolated

1. *Kirtsaeng v. John Wiley & Sons, Inc.* No. 11-697, 2013 WL 1104736, at *1 (2013).
2. *Id.* at *13.
3. *Id.* at *13.
4. *Id.* at *17.
5. *Id.* at *19.
6. *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.* No. 12-398, 133 S. Ct. 694 (November 30, 2012) (limited to the question: "Are human genes patentable?").

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deoxyribonucleic acid (DNA) sequences associated with predisposition to breast and ovarian cancers and for diagnostic methods of identifying mutations in those DNA sequences. Because these patents are directed towards breast cancer genes, the court's pending judgment is an important and politically-charged decision.

Originally, the case was heard before the Southern District of New York, which found the patents invalid under §101.[7] In its original decision, the Federal Circuit affirmed in part and reversed in part, holding that composition claims covering isolated DNA sequences were directed to patent-eligible subject matter; method claims for comparing or analyzing isolated DNA sequences were not patentable; and a method claim for screening potential cancer therapeutics via changes in cell growth rates was patentable.[8] The Supreme Court vacated and remanded the decision back to the Federal Circuit for further proceedings in light of *Mayo Collaborative Services v. Prometheus Laboratories*.[9]

The Court may provide further guidance regarding the patentability of molecules that are isolated from the state in which they exist in nature.

Following remand from the Supreme Court, the Federal Circuit largely upheld its earlier decision, concluding that claims directed to isolated DNA molecules were patent-eligible under 35 U.S.C. §101; that method claims directed to screening potential cancer therapeutics via changes in cell growth rates were patent-eligible; and that method claims directed to "comparing" or "analyzing" DNA sequences were not patent-eligible because they covered only abstract, mental steps.[10]

In view of the Supreme Court's renewed interest in this case, the Court may provide further guidance regarding the patentability of molecules that are isolated from the state in which they exist in nature. Oral arguments at the Supreme Court were heard April 15, 2013. In their decision, the Court may determine whether Myriad Genetics has a monopoly over a new technique for diagnosing the risk of breast cancer in women, or whether this field of study will be open to others for research and treatment.

BOWMAN V. MONSANTO

On February 19, 2013, the Supreme Court heard oral arguments in *Bowman v. Monsanto*. In this case, an Indiana farmer, Bowman, argued that purchaser's rights should trump patent rights. Monsanto sued Bowman for infringement of its patents when Bowman purchased commodity soybeans from a grain elevator and used these soybeans as seed to grow a new crop of soybeans that carried Monsanto's patented glyphosphate resistance trait (Round-Up Ready®). Bowman treated the soybean plants with Round-Up®, which eventually produced seed also carrying Monsanto's patented glyphosphate resistance trait.

Bowman lost at both the trial court and the Federal Circuit, where both courts concluded that Bowman "made" the claimed glyphosphate resistant soybeans by planting the purchased seeds and growing new infringing seeds that did not previously exist.[11] Bowman argued that when Monsanto sold its seed to farmers who grew soybeans and then sold them as commodities, Monsanto exhausted its rights in the invention as claimed, under the doctrine of patent exhaustion. Monsanto counter-argued that the sale exhausted its rights in the seeds that it actually sold, but did not exhaust all its rights under the patents, such as when unauthorized copies of the patented seeds are made. Monsanto further contended that if its rights in the patented invention were exhausted after the first sale and copies could be freely made, then it would have to recoup all its research and development costs from the first sale, which would be commercially untenable.

7. *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 702 F. Supp. 2d 181, 238 (S.D.N.Y. 2010).
8. *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 653 F.3d 1329, 1358 (Fed Cir. 2011).
9. *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, No. 11-725, 132 S. Ct. 1794 (2012) citing *Mayo Collaborative Services v. Prometheus Laboratories*, 566 U.S. ___, 132 S. Ct. 1289 (2012).
10. *Ass'n for Molecular Pathology v. U.S. Patent & Trademark Office*, 689 F.3d 1303 (Fed. Cir. August 16, 2012), *superseding* 653 F.3d 1329 (Fed. Cir. 2011), *cert granted*, 133 S. Ct. 694 (November 30, 2012) (limited to the question: "Are human genes patentable?").
11. *Monsanto Co. v. Bowman*, 686 F. Supp. 2d 834, 837 (S.D. Ind. 2009), aff'd, 657 F.3d 1341, 1348 (Fed. Cir. 2011).

During oral argument at the Supreme Court, the justices' opinion on this case seems to be summed up with the first question asked by Chief Justice Roberts: "Why in the world would anybody spend any money to try to improve the seed if as soon as they sold the first one anybody could grow more and have as many of those seeds as they want?"[12] Generally, throughout oral argument, the Justices seemed to be very well attuned to Monsanto's position, peppering Bowman with questions and correcting what they found to be misstatements of fact.

Monsanto drew analogies to live vaccines and bacteria, which are self-replicating, wherein these live vaccines and bacteria would have the same problem as seeds if the doctrine of patent exhaustion were applied as broadly as Bowman sought. The U.S. also argued in support of Monsanto and compared the self-replicating seeds to software that can be easily copied to make new infringing copies.

Overall, the Justices appeared to favor Monsanto's positions, which could indicate a favorable ruling for Monsanto and a negative ruling for Bowman. Specifically, the Justices seem to have the opinion that the sale of a single patented object should not carry with it the right to create new copies of that patented object, and the application of this rule is enough to decide this case.

12. Transcript of Oral Argument at 3, *Bowman v. Monsanto Co.* No. 11-796 (February 19, 2013).