INTELLECTUAL PROPERTY
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PATENT REFORM BECOMES LAW

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As I write this letter, I am wondering where the year has gone. Many of us are reflecting on what we hoped to accomplish in 2011 and what we got done.

In my first IPT News Editor’s Column at the beginning of this year, I added a line wondering if 2011 would be the year patent reform was finally enacted. At the time, I little believed it actually would be, and I considered deleting the sentence. Well, I was wrong. As you all know, patent reform was signed into law on September 16, 2011, as the America Invents Act, marking the most significant change in US patent law in nearly 60 years. September and October flew by in a flurry of analyzing how the Act would affect clients and strategizing about how to deal with the myriad joint defendant lawsuits filed in the days before the Act became law. This issue includes an informative article by my colleague Kevin O’Scannlain on the America Invents Act.

This year also saw significant developments in the life sciences sector, with landmark rulings from the Court of Justice of the European Union on stem cell patentability and from the US Federal Circuit on patentability of genes. These developments and what they may mean to biotechnology companies are covered in this issue. Not to be outdone, the Federal Drug Administration issued new rules for dealing with medical device data systems and published draft guidelines for mobile medical devices. You won’t want to miss our article explaining these rules and how they might impact you, and your smartphone, in the years to come.

I hope you enjoy this issue of the IPT News. As always, I look forward to hearing any feedback or comments so that we may continue tailoring future editions toward your interests. From all of us at DLA Piper, we wish you a safe and happy holiday season.

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Kathryn Riley Grasso
Partner, Patent Litigation
The decision does not mean such processes or cell lines are not valuable or protectable. Research and innovation will go on and will likely be protected as trade secrets. This could mean that discoveries may be held closely, rather than shared in the scientific community.

There is concern in the industry that in the absence of patent protection, European companies and universities may find it harder to obtain funding for research, and investment may shift to markets that afford patent protection. Because Europe retains a significant knowledge base, it is likely research funding will go on; indeed, because of the Brüstle decision, activities enabling stem cell technologies, adult stem cells and iPS cell technologies may grow.

In the race toward cellular therapies, companies with pioneering processes using human embryonic stem cell lines will have to decide whether to apply for patent protection in such countries, with no prohibition on others reproducing their work in Europe, or decide not to file for patent protection anywhere, keeping their knowledge confidential and thereby keeping a competitive edge.

The CJEU decision has firmly placed protection of commercial rights in embryonic cell lines, the processes to derive such stem cells and the application of those lines in cellular therapy into the realm of contractual rights. It remains to be seen whether the Brüstle decision will affect stem cell research toward therapeutic applications in the EU.

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1. Formerly the European Court of Justice (ECJ).
2. Case C-341/10 Oliver Brüstle v Greenpeace e.V.

Imagine judges from the highest IP court in Japan and from the Federal Circuit sitting on a raised dais in front of 900-plus IP professionals from all over Japan, as well as from the United States, freely answering penetrating questions about each country’s IP laws.

Recently that vision came true, and I was a witness to it, at the first ever joint judicial conference between the US Federal Circuit and Japan’s IP High Court. Seated on one side was Chief Judge Randall Rader with five of his colleagues. Seated on the other was Chief Judge Tetsuhiro Nakano with five of his colleagues. It was a truly historic event.

Starting on October 25 with the one-day Innovation and Commerce conference, and then for the next two days at the Joint Judicial Conference, I joined 14 DLA Piper colleagues from London, Silicon Valley, Los Angeles, Paris, Shanghai, Washington, DC, San Diego and, of course, Tokyo to participate in one of the most impressive legal conferences I have ever seen.

Panels of lawyers brought their international perspectives to the interplay between innovation and commerce, looking at cutting-edge topics like damages, patent exhaustion and monetizing a patent portfolio (moderated by DLA Piper’s own Henry Koda).

And one saw that even though the legal systems of the US and Japan are very different, separated by a vast ocean and their own histories and cultures, the differences between us are not as stark as we would have thought. No one walked away from this conference without perceiving the close connection, and the spirit of cooperation, between the IP communities of these two great countries. My colleagues and I were fortunate to participate in this event. Read more about it on page 11.
**HIGHLY RANKED IN THE US**

DLA Piper is pleased to announce that two prestigious legal ranking publications give high marks to key DLA Piper IP and Technology practices.

*Chambers USA: America’s Leading Lawyers for Business* 2011 has ranked DLA Piper’s work in numerous areas among the leading practices in the US. Here are just a few samples of the publisher’s comments on our practices.

Chambers says of our US Intellectual Property practice, “This international force has a huge nationwide presence.” Praising our Section 337 patent litigation work, it notes that DLA Piper is ranked “in recognition of its stock of impressive ITC experts and work highlights. The group’s seasoned litigators are ably supported by the firm’s strong government affairs practice.” Chambers describes our Life Sciences practice as “one of the strongest life sciences IP teams in the country.” We are also ranked by Chambers in franchising, retail, outsourcing, privacy and data security, and numerous other practice areas. Additionally, more than 20 IPT lawyers are ranked by Chambers as leading individuals in the US.

*The Legal 500 United States* 2011 also ranks many of DLA Piper’s IPT practice areas as among the elite market leaders in the US. The publisher writes of our patent licensing and transactional work, “…with excellent technical knowledge and an almost unrivalled geographical reach, it is well placed to cater to wide-reaching multinational clients.” Of our patent litigation work, it comments that “DLA Piper has ‘subject matter expertise and trial experience’, and is backed by a strong international focus and reach.” *Legal 500* also notes that DLA Piper “has a notable track record handling cases before the ITC, with a good number of trial wins and the ability to handle multi-jurisdictional cases from start to finish.” As for Trademarks, *Legal 500* says, “The firm’s great geographical reach assists its ability to manage global portfolios for large multinational companies…” Like Chambers, *Legal 500* hails DLA Piper’s global blog on all things IP and technology practices.

Legal ranking publications give high marks to key DLA Piper’s IP and Technology practices.

Learn more about Chambers and Partners’ rating of DLA Piper and its lawyers in the US by visiting www.chambersandpartners.com/USA, and more about Legal 500’s rankings at www.legal500.com/c/united-states.

**RE:MARKS ON COPYRIGHT AND TRADEMARK**

DLA Piper’s global blog on all things trademark, copyright, advertising and social media is going strong. Log on for timely legal updates and share your own comments with the world. Among our recent posts:

- Keeping pace with social media in the workplace
- Cloud computing and how to use it
- Protecting jewelry and other accessory designs
- Parody sites and trademark dilution

Everyone is talking about “health IT” and “health tech,” “med apps” and “telemedicine.” The blogosphere predicts that in ten years our phones will tell us when our blood pressure is too high, our mirrors will call in prescriptions if we look jaundiced and our refrigerators will object if our groceries do not comply with the latest USDA nutrition recommendations.

The federal government has been slow to adapt, not only to the possible future but also to the actual present. Until this year, the FDA operated under a draft “Policy for the Regulation of Computer Products” written in 1989. In 1989, cell phones were only a year old and Tim Berners-Lee was still two years away from announcing a thing he was calling the World Wide Web. Twenty-one years later, in April 2011, the FDA observed — apparently without irony — that “[s]ince 1989…the use of computer products and software products as medical devices has grown exponentially.”

The disconnect between FDA policy and 21st-century technology has not been helpful. Manufacturers struggle with outdated requirements and regulators struggle to fit this century’s technology into last century’s rules. It is like trying to regulate hybrid vehicles as though they were Model Ts. Now the FDA is slowly catching up.

**FDA CATCHES UP WITH HEALTH TECH**

By Kimberly K. Egan and Rebecca Jones McKnight

Everyone is talking about “health IT” and “health tech,” “med apps” and “telemedicine.” The blogosphere predicts that in ten years our phones will tell us when our blood pressure is too high, our mirrors will call in prescriptions if we look jaundiced and our refrigerators will object if our groceries do not comply with the latest USDA nutrition recommendations.

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**NEW RULES FOR MEDICAL DEVICE DATA SYSTEMS**

Until this year, if a company marketed a medical device that managed sophisticated data such as radiographic images or heart rate information, the device would have been subject to stringent FDA requirements. For example, the company would have had to prove that its device was safe, the company would have been subject to specific controls and possibly conditions for approval, the device’s marketing might have been limited and the company might have had to run clinical trials.

In April, the FDA finally relaxed the rules for products designed simply to “transfer, store, convert from one format to another according to preset specifications, or display medical device data.” The FDA calls such products Medical Device Data Systems (MDDS devices), or devices that move medical data passively, without any processing, translation, characterization, categorization or analysis. An example is an out-patient product that collects data from a glucose meter for review by a physician. The FDA’s new rule classifies MDDSs as Class I devices, exempt from the FDA’s most onerous device regulations. The only requirements MDDS manufacturers must comply with now are general controls on medical devices, including basic
labeling requirements, and quality assurance and control through Good Manufacturing Practices.

The MDSS rule caused moderate panic when it came out because many believed the FDA was moving to regulate previously unregulated products, like smartphones. The confusion arose in part because the FDA had never enforced the medical device rules against MDSS manufacturers before, and in part because the definition of an MDSS is not easy to follow. In reality, the rule on a category of previously highly regulated devices is now looser.

If your device does not qualify as an MDSS, that means one of two things. Some data management devices that do not qualify remain Class III or Class II devices, subject to the FDA’s closest regulatory scrutiny. Such devices generate medical device data, change how medical data is displayed, diagnose conditions or monitor patients. A blood pressure monitor that sends an alarm to a nurse’s station is not an MDSS, but is still a regulated medical product.

Other data management devices do not qualify as MDSS devices because they are not medical devices in the first place. A medical device is an “instrument, apparatus . . . [or] machine . . . including a component part, or accessory” that is designed to diagnosis, cure, mitigate, treat or prevent disease. This means that things like laptops, most off-the-shelf software or hardware, all-purpose cameras, telephones, tablets and pagers are not covered by the MDSS rule. Generally speaking, such products are not regulated by the FDA at all.

**FDA’s Draft Guidance on Mobile Medical Applications**

The FDA’s policy disconnect meant that for years industry had no meaningful guidance for mobile apps and other handheld software tools. That also changed this year when the FDA released draft guidance for Mobile Medical Applications and announced it plans to exercise oversight over apps that, among other things:

- control a regulated medical device
- transform technology into a medical device by adding a feature, such as attaching a blood glucose strip reader to turn a product into a glucose meter
- produce patient-specific diagnoses or treatment recommendations, or
- calculate drug dosages and other medication-specific metrics

Even though the FDA does not consider smart phones, standing alone, to be regulated medical devices, software on those devices could be regulated.

This too caused momentary panic. Is the calorie counter on a smart phone a regulated medical device? Does an automated reminder for self-administered insulin need FDA approval? The answer is no. The FDA explained it has no plans to regulate apps that track nutrition, remind patients of appointments or perform other wellness-related functions. Nor does it plan to regulate apps marketed broadly for non-medical uses, such as dictation apps, or “general office operations,” such as billing, coding and scheduling.

The good news is the FDA is finally beginning to move forward from 1989 to 2011. Let’s see where we are in 2032.

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You may be interested in DLA Piper’s blog “Health Care Law Matters.” Find it here: www.healthcarelawmatters.com
PATENTING STEM CELL RESEARCH: EU VS. US

By Dr. Lisa Haile, Aaron Fountain, Philippa Montgomerie and Grant Strachan

The Court of Justice of the European Union (CJEU)\(^1\) has ruled in Brüstle v Greenpeace that processes involving the derivation of stem cells from a human embryo at the blastocyst stage, entailing the destruction of that embryo, cannot be patented. This article briefly sums up the CJEU decision of October 2011 and compares the different approaches to patentability of stem cells being taken in Europe and the US. We also consider the implications of these differences on the future of research involving human embryonic stem cells (hESC) in Europe and the US.
STEM CELL PATENTABILITY IN THE EU

Central to Brüstle was the interpretation given to Article 6(2)(c) of Directive 98/44/EC (the Biotechnology Directive), which excludes the patentability of inventions involving “the use of human embryos for industrial or commercial purposes.” The CJEU held that the concept of “human embryo” must be understood to encompass any ovum once fertilized, including whether created by transfer of a nucleus from another mature cell or stimulated to cell division by parthenogenesis. The court added that the exclusion from patentability concerning the use of human embryos for industrial or commercial purposes set out in Article 6(2)(c) of the Biotechnology Directive also covered the use of human embryos for scientific research.

However, the court did provide a carveout from this exclusion, stating that use of a human embryo for therapeutic or diagnostic purposes which were applied to the human embryo and were useful to it are prima facie patentable. This exception is narrow—for example, when the purpose is to correct a malfunction and to improve its chances of survival. In Brüstle, using human embryos for scientific research was indistinguishable from industrial and commercial use and was, thus, unpatentable.

Last, the court found that where an invention does not itself “use” human embryos, but relates to a product whose production necessitates the prior destruction of a human embryo or a process which requires a base material obtained from such destruction, that invention would not be patentable because it would constitute use within the meaning of Article 6(2)(c) of the Directive.

STEM CELL PATENTABILITY IN THE US

Efforts affecting stem cell research in the United States have focused largely on government funding rather than the legal scope of patentability. Since 1996, US federal appropriations bills have included the Dickey-Wicker Amendment, a rider explicitly prohibiting use of government funds to create human embryos or for research in which human embryos are destroyed or discarded. Human embryos are broadly defined to include “any organism...derived by fertilization, parthenogenesis, cloning, or any other means from one or more human gametes or human diploids.”

The National Institute of Health interpreted Dickey-Wicker as not applying to hESCs because hESCs are not organisms as defined in the Act. In 2009, NIH issued new guidelines for funding hESC research that distinguished between the destruction of human embryos to derive hESCs and the use of hESCs in research not involving embryos or embryo destruction.

Despite the events surrounding federal stem cell research funding, US patent law has long recognized the patentability of stem cells and stem cell research tools. In the recent Myriad decision, the Federal Circuit affirmed that biologically pure compositions that do not occur in nature are patentable. The USPTO’s official policy has been that stem cells and methods of making or using stem cells are patentable. Examples include US Patent No. 5,843,780 (issued 1998) directed to primate (including human) embryonic stem cells; US Patent No. 7,682,828 (issued 2010) directed to induced pluripotent stem cells; and US Patent No. 7,732,202 (issued 2010) directed to parthenogenetically derived stem cells.

THE FUTURE OF PATENTABILITY

Under current law, hESCs and parthenogenetic stem cells and methods of making or using such cells are patentable in the US, but not in the EU. This difference may require research institutions and companies to re-examine their IP, regulatory and commercial strategies on a jurisdictional basis.

In Europe, institutions may seek to protect hESC and parthenogenetic stem cell innovation through the non-disclosure mechanisms of confidentiality and trade secrets. These institutions will need to carefully evaluate the suitability of seeking patent protection in the US, where the disclosure requirements of the patent system stand in conflict to the non-disclosure principles of trade secret and confidentiality.

In the US, institutions seeking patent protection for these same innovations will have to consider the absence of prohibition on others reproducing that work in Europe. Thus, these institutions will also need to consider the potential for global protection afforded by confidentiality and trade secrets.

It remains to be seen whether investors will favor the potentially broad geographic protections of confidentiality and trade secrets or the geographically localized protections afforded by the public disclosures of the patent system.

Efforts currently under way in the US would redefine “embryo” under Dickey-Wicker so that technologies such as parthenogenesis would fall outside of the definition. Similar efforts in Europe may allow stem cell technologies aside from embryonic stem cells to gain patent protection.

Currently, only a limited number of companies are true stem cell players in the global market. However, the EU is an important market. If the EU decision holds, and stem cell R&D for hESCs, SCNT and parthenogenesis does not enjoy legal protections under EU patent laws, then companies and investors may be less likely to proceed with their research. This would affect the future of regenerative medicine on a global basis for years to come.

An earlier version of this article appeared in Genetic Engineering & Biotechnology News in December 2011. See a video of Dr. Lisa Haile discussing the hESC patent decision at http://bit.ly/lQDP4Z.

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1. Formerly the European Court of Justice, known as the ECJ.

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PATENT REFORM BECOMES LAW

By Kevin O’Scannlain

After six years of contentious debate, Congress has passed comprehensive patent reform legislation, signed into law by President Barack Obama on September 16, 2011. The Leahy-Smith America Invents Act (H.R. 1249; P.L. 112-29) represents the first substantive overhaul of the patent system since 1952.

The most significant changes to patent law include switching to a “first-to-file” system, enhancing post-grant opposition and abolishing interference proceedings. Notably omitted were damages reform—which some believe has been adequately addressed by several court decisions made during the debate on the legislation—and “forum shopping” reform, dropped from earlier drafts of the bill.

Though the impact of many provisions in the Act will be apparent immediately, others will not be clearly felt until the USPTO fully implements them. Practitioners should closely follow these implementations by checking the USPTO website.

A summary of some of the Act’s modifications follows.

FIRST INVENTOR TO FILE

Beginning with patent applications filed after March 16, 2013, the patent system will change from the current “first-to-invent” to a “first-to-file” system. The one-year grace period for disclosure by inventors remains. Applicants that do not publish their inventions prior to filing do not receive the benefit of the grace period. Priority is now based solely on filing date, so interference proceedings are eliminated. The law also creates a new “derivation proceeding” that would operate only when an original inventor alleges that a patent applicant derived the invention from the original inventor’s work. It is not clear how the law will treat a dispute between an unfiled invention, created prior to this change, and an application filed after the change.

POST-GRA nt REVIEW PROCEEDINGS

The Act creates a new post-grant review proceeding, during which a third party can petition for cancellation of a patent claim based on invalidity. Hearings will be conducted by a new Patent Trial and Appeal Board, replacing the Board of Patent Appeals and Interferences. A petition must be filed within nine months after issuance of the patent. The threshold showing to proceed is “more likely than not” that at least one of the claims is invalid. Post-grant review proceedings become effective one year after enactment and apply to patents issued before, on or after that effective date.

The law also establishes a new inter partes review, replacing the former optional inter partes reexamination, to be conducted by a new Patent Trial and Appeal Board within one year of the date the review is instituted. This review is available for the life of the patent; the threshold showing to proceed is a “reasonable likelihood” that the petitioner will prevail.

Neither post-grant review nor inter partes review are available if the petitioner previously filed a declaratory judgment action alleging invalidity.

USPTO FUNDING

Under the Act, the USPTO Director will bear fee-setting authority in order to cover operating and administrative costs. This authority is subject to a seven-year sunset clause. Fees in excess of appropriated amounts still require authorization.

SUPPLEMENTAL EXAMINATION

The Act allows a patent owner to request a supplemental examination of a patent to consider, reconsider or correct information relevant to a patent. An ex parte examination may be ordered upon a threshold finding of “substantial new question of patentability.”

INFRINGEMENT DEFENSES

Failure to disclose best mode for carrying out an invention is eliminated as a defense to infringement, beginning on the date of enactment (September 16, 2011). The Act also expands the prior commercial use defense to all areas of technology and to affiliates.

FALSE MARKING

The Act establishes virtual marking by posting patent information on the Internet, applicable to all pending and future cases. Civil suits concerning false marking are limited to persons who suffer a competitive injury. Only the US may sue for the statutory penalty. Importantly, the false marking provision is retroactive and became effective upon enactment of the Act, inspiring at least a few district courts to dismiss false marking cases sua sponte.1

TRANSITIONAL PROCEEDINGS

Under the Act, persons who have been sued for infringement of a covered business method patent (relating to data processing or other operations concerning financial products) may challenge the validity of the patent under a new transitional proceeding at the USPTO. This proceeding will likely be less expensive than challenging validity in a district court. Patents for technological inventions are not covered by this provision. These proceedings will become effective one year after enactment of the law, and apply to patents issued before, on or after that date. Notably, this provision sunsets eight years after enactment.

PRIORITY EXAMINATION

Under the Act, the USPTO may prioritize examination of patent applications that are deemed important to the national economy or national competitiveness.

PATENT EXTENSION FILING DEADLINE

The Act amends the Hatch-Waxman Act to begin the calculation of the 60-day patent term extension application period as the next business day after permission for such a filing is granted, if such permission was transmitted after 4:30 pm EST. Interestingly, a vote to strike this controversial provision from the bill failed by 47-51.

The USPTO’s summary of all 37 sections of the law can be found here: www.uspto.gov/AmericaInventsAct.

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FEDERAL CIRCUIT RULES THAT GENE PATENTS ARE VALID

By Dr. Lisa Haile

In a decision of landmark importance for the biotechnology industry, the Federal Circuit recently held that isolated genes remain patentable subject matter.1 The lawsuit, brought against the USPTO and patent owners Myriad Genetics and the University of Utah Research Foundation by the American Civil Liberties Union, the Public Patent Foundation and others,2 challenged patents on two human genes associated with breast and ovarian cancer.

The relevant patents are based on identifying mutations in two human genes, BRCA1 and BRCA2, which strongly increase the risk of breast and ovarian cancers. Plaintiffs contended the patents stifle research that may lead to important cures and treatments. They argued the patents are unconstitutional and invalid because “human genes are products of nature, laws of nature and/or natural phenomena, and abstract ideas or basic human knowledge or thought.” The Southern District of New York agreed.

In July 2011, the Federal Circuit affirmed in part and reversed in part. The decision reflects three key claim sets: genes; methods of diagnosis; and methods of screening for therapeutics.

GENES ARE PATENTABLE SUBJECT MATTER

According to the decision, genes can be considered patentable subject matter. Patents will continue to be granted to applicants who isolate nucleic acid sequences from their natural environment, sequence them and identify functions and uses for those sequences.

In its ruling, the court concluded, “It is undisputed that Myriad’s claimed isolated DNAs exist in a distinctive chemical form – as distinctive chemical molecules – from DNAs in the human body, i.e., native DNA . . . [i]t is the difference between knowledge of nature and reducing a portion of nature to concrete form, the latter activity being what the patent laws seek to encourage and protect.”

Interestingly, the court said if the law is to change, then Congress must change the law, not the courts. The court also noted that the issue may not be significant because many gene patents are expiring.

METHODS OF DIAGNOSIS CLAIMS – PATENTABLE OR UNPATENTABLE?

Regarding the second issue, the court ruled that patents covering methods of analyzing or comparing genes (diagnostics), per se, are not patentable because they claim “only abstract mental processes.” The court distinguished Myriad’s claims from the recently upheld Prometheus claims.

The Prometheus patents claimed methods for optimizing drug dosages to treat gastrointestinal disorders.3 In finding these claims satisfied Section 101, the Prometheus court concluded that in addition to the “administering” step being transformative, the “determining” step was both transformative and central to the claims’ purpose. Indeed, the court found the determining step required a transformation and the step was essential to the Prometheus claim.

The Myriad court explained that Myriad’s claims, in contrast, did not include the step of “determining” the BRCA genes’ sequence by, for example, obtaining a biological sample and isolating nucleic acid from it, then sequencing the nucleic acid. The claim only provided for comparing sequences by observation or inspection. Thus, the court said, Myriad’s methods failed to satisfy the machine-or-transformation test and were merely directed to an abstract mental process of comparison.

The court noted that even if the Myriad claims included transformations associated with isolating and sequencing DNA, these transformations would constitute no more than “preparatory data-gathering.” The method claim of “comparing” cellular growth rate, the court found, simply restated a basic scientific principle. Such method claims are therefore patent-ineligible under Section 101.

WILL PATENT DIAGNOSTIC METHODS BECOME PATENTABLE?

A close reading of Myriad suggests it may be possible to patent diagnostic methods by adding steps that include a transformative process. A further step indicating a therapeutic regimen would likely also be required to clarify the claim’s purpose. Because Myriad’s claims did not include any “transformative” language before the “comparing” steps and the court concluded that Myriad’s claims were merely observations, it does not appear the court dismissed the notion of diagnostic method claims. However, such claims must include a transformative process.

Drafting claims to include additional steps seems counter-intuitive to the idea that method claims should include as few steps as possible to capture infringers more easily. Adding steps to a diagnostic claim, while preserving the claim’s validity, could result in fewer infringement challenges.

METHODS OF SCREENING FOR THERAPEUTICS

Finally, the court held that methods of screening for cancer compounds based on the facts in this case and the claim language are patentable because the steps of growing cells containing these genes, and manipulating the cells in the presence or absence of a therapeutic, requires transformation of the cell culture rather than mere observation without intervention.

Whether isolated genes remain patentable will ultimately be a decision for the United States Supreme Court. Prometheus has been submitted to the Court. Myriad has not yet been submitted, but likely will be.

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The Delaware Court of Chancery is a nationally renowned business court that expeditiously deals with IP and technology issues. Vice Chancellor Donald F. Parsons, Jr., met with DLA Piper lawyers Denise Kraft and Aleine Porterfield to share his thoughts on the Delaware Court of Chancery and its role in handling technology-related disputes.

**IPT:** What is a “technology dispute” for purposes of the Court of Chancery’s jurisdiction and why was the Court of Chancery’s jurisdiction expanded to include them?

**Parsons:** To understand, it may help to review Chancery’s traditional, limited jurisdiction. Chancery hears disputes in which there is no adequate remedy at law. Historically, Chancery has been important for trade secret actions, which usually seek injunctive relief. Delaware enacted legislation in 2003 empowering the court to mediate and adjudicate technology disputes that arise out of agreements. The statute directs the court to liberally interpret “technology disputes” and to adopt rules that facilitate mediation and adjudication to provide an “expeditious and expert forum for the handling of technology disputes.”

The new 2010 arbitration statute provides another avenue for parties to resolve intellectual property or technology disputes. For arbitration, the parties can set their own ground rules and time frame. Absent a different agreement among the parties, the default provision calls for an arbitration hearing no later than 90 days following receipt of the petition – a useful benefit for business parties.

**IPT:** Are there any other requirements for litigating, arbitrating or mediating a technology dispute in the Court of Chancery?

**Parsons:** To invoke the court’s technology dispute jurisdiction for adjudication, mediation or arbitration, parties must satisfy the following requirements:

1. The parties must have consented to the jurisdiction of, or mediation or arbitration by, the Court of Chancery by agreement or stipulation
2. At least one party must be a “business entity”
3. At least one business entity must be formed or organized under the laws of Delaware or have its principal place of business in Delaware
4. No party may be a “consumer” in the context of the business dispute, and
5. For disputes involving solely a claim for monetary damages, the amount in controversy may not be less than $1 million
Almost 63 percent of Fortune 500 corporations and more than half the corporations with shares listed on the NYSE are Delaware corporations. Thus, many significant disputes likely involve at least one Delaware company. Each such dispute would be a potential candidate for adjudication, mediation or arbitration in the Court of Chancery.

**IPT:** What would you like potential litigants (both attorneys and their clients) to know about technology disputes in the Court of Chancery?

**Parsons:** Collectively, the Court of Chancery has a great deal of experience in business litigation as well as respect for the lawyers who come before us. For those who take advantage of our expanded jurisdiction for mediation or arbitration of technology and business disputes, it is a great opportunity to cut through the procedural formalities, cost and time associated with litigation and focus more quickly on the key issues. For example, they can get to a resolution without obstacles such as motions to dismiss or motions for summary judgment. Also, if parties decide to use mediation or arbitration, they may choose their mediator, including the Chancellor or one of the four Vice Chancellors. They can avoid unwanted publicity because there is no public record.

**IPT:** Do any of your four colleagues on the court have any background in technology disputes?

**Parsons:** Yes, several of my colleagues and I have adjudicated or mediated technology disputes and related intellectual property cases. Additionally, Vice Chancellor John W. Noble has a scientific background, holding a B.S. in chemistry from Bucknell University.

**IPT:** Is there a right of appeal to the Delaware Supreme Court and, if so, what is the standard of review?

**Parsons:** If the parties litigate the case, then there is an automatic right to appeal. The standard of review for legal issues is *de novo* and for factual issues it is abuse of discretion. In the case of arbitrations under Section 349, a party may apply to vacate, stay or enforce an arbitration order of this court in the Delaware Supreme Court in accordance with the Federal Arbitration Act. Furthermore, under 10 Del. C. § 351, parties may stipulate that a decision of the Court of Chancery shall be final and binding and not subject to appeal.

**IPT:** What is your favorite technology invention and why?

**Parsons:** The transistor comes to mind, in that it is simple, adaptable and a basic building block of modern microelectronics. Then again, the iPad runs a close second (big smile).

Read our full interview with Vice Chancellor Parsons at [www.dlapiper.com/Parsons-speaks](http://www.dlapiper.com/Parsons-speaks).

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1. On October 25, 2011, an open government group filed a federal suit alleging that the Delaware Court of Chancery’s arbitration jurisdiction violates the Constitution and principles of open government. On October 26, 2011, Chancellor Leo Strine of the Delaware Court of Chancery commented, “The courts of this state regularly mediate disputes among citizens, including businesses, and can only do so effectively if the confidentiality of the process is respected. Delaware Governor Jack Markell’s office commented, “The bill in question passed unanimously in both chambers and had broad, bipartisan support.”
When you have an IP dispute that can only be solved in the courtroom, DLA Piper has the trial experience, technical skills and savvy to get you through. That is why Corporate Counsel named us among its 2011 “Litigation Kings,”* ranking us #2 among law firms that America’s top 100 companies retain as courtroom counsel for IP litigation. When it matters to our clients, it matters to us.

* Corporate Counsel Who Reps 2011: Litigation Kings Report