



FENWICK & WEST LLP

Litigation Alert

Supreme Court Dismisses LabCorp Appeal

JUNE 23, 2006

The U.S. Supreme Court yesterday opted to dismiss a case having potentially broad implications for the question of what constitutes patentable subject matter. The Court heard oral arguments in *Laboratory Corp. of America Holdings v. Metabolite Laboratories* on March 21, but decided to dismiss LabCorp's appeal as improvidently granted. Justice Breyer, joined by Justices Stevens and Souter, dissented.

At issue in the case was whether Metabolite's patent was invalid because one cannot patent "laws of nature, natural phenomena, and abstract ideas." See *Diamond v. Diehr*, 450 U. S. 175, 185 (1981); 35 U.S.C. § 101. The claim in dispute involves a method for diagnosing a vitamin deficiency, and includes only the steps of (1) measuring the level of certain amino acids, and then, (2) correlating an elevated level of the tested amino acids with a vitamin B deficiency. LabCorp argued that this claim amounted to a monopoly on a basic scientific principle (*i.e.*, the correlation step). Metabolite countered that its claim was directed to a practical application, and further that the claim met the criteria of having a "useful, concrete, and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, 1373 (Fed. Cir. 1998).

LabCorp's petition was troubled from the beginning. In the district court below, LabCorp never asserted section 101 as a defense. Moreover, even in the Federal Circuit, LabCorp only referred fleetingly to this argument, and the Federal Circuit opinion did not address the issue. It was the Supreme Court which thrust the "law of nature" issue to the forefront, asking for the Solicitor General's view on whether Metabolite's claim was patentable subject matter under *Diamond v. Diehr*. The Solicitor General recommended against granting certiorari because the issue of natural phenomenon as patentable subject matter was not sufficiently raised in the lower court. Despite these concerns, the Court agreed to hear the appeal.

The case has garnered attention because of its important implications. In particular, critics of *State Street* hoped that the Court would take this opportunity to limit patentable subject matter and accordingly stem the tide of business method patents. Others, particularly in the drug and biotechnology industries, were concerned that the Court would reach too far and potentially eliminate important diagnosis patents with similar "correlating" limitations.

While Justices Breyer, Stevens and Souter dissented from the dismissal, the dissent nonetheless addresses the merits and indicates support in the Supreme Court for limiting patentable subject matter—at least on the facts of that case. Justice Breyer opines that "this is not a case on the boundary" and that the claim would be invalid regardless of how one reads the "law of nature" case law. But the dissent goes further, specifically citing *State Street* and noting that the "useful, concrete, and tangible result" test from that case has never been adopted by the Supreme Court and, in fact, is contrary to precedent. It is not clear whether a majority of the Supreme Court would take this view, but it may be significant that 3 of the 8 justices believed that the case should be decided on the merits in spite of the significant procedural problems. It would not be surprising to see the Court address the "law of nature" issue in the near future, particularly as parties on both sides of the issue are now aware of the Court's high interest in this area.

For further information, please contact:

Michael J. Sacksteder, Litigation Partner
msacksteder@fenwick.com, 415.875.2450

Darryl M. Woo, Litigation Partner
dwoo@fenwick.com, 650.335.7139

Heather N. Mewes, Litigation Associate
hmewes@fenwick.com, 415.875.2302

THIS UPDATE IS INTENDED BY FENWICK & WEST LLP TO SUMMARIZE RECENT DEVELOPMENTS IN THE LAW. IT IS NOT INTENDED, AND SHOULD NOT BE REGARDED, AS LEGAL ADVICE. READERS WHO HAVE PARTICULAR QUESTIONS ABOUT THESE ISSUES SHOULD SEEK ADVICE OF COUNSEL.

© 2006 Fenwick & West LLP. All Rights Reserved.