Portfolio Media. Inc. | 111 West 19th Street, 5th Floor | New York, NY 10011 | www.law360.com
Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Fed. Circ. Judges' Plea To Reps Shows Patent-Eligibility Angst

By **Ryan Davis**

Law360 (June 4, 2018, 7:47 PM EDT) -- An unusual opinion by two Federal Circuit judges urging Congress to clarify the law on patent eligibility echoes widespread frustration in patent circles with the muddled jurisprudence on the subject and adds to a growing push for a legislative solution, attorneys say.

In an opinion Thursday concurring with an order denying en banc rehearings of two patent-eligibility cases, Judge Alan Lourie, joined by Judge Pauline Newman, wrote that U.S. Supreme Court decisions like Alice and Mayo have left uncertainty in the law about what is and is not patent-eligible under Section 101 of the Patent Act.

“I believe the law needs clarification by higher authority, perhaps by Congress, to work its way out of what so many in the innovation field consider are Section 101 problems,” Judge Lourie wrote. He added that individual patent cases are not ideal for setting broad principles, so the issues “certainly require attention beyond the power of this court.”

Many businesses, patent officials, lawyers and other experts have expressed similar concerns about the confusing state of patent-eligibility law in recent years, but it was striking to see sitting appellate judges make such a statement, and their opinion could help spur legislative action, attorneys say.

"It is unusual for a court to call on Congress to change the law, but with 101, this reflects the Federal Circuit’s frustration with the position it’s been put in due to the lack of clarity in the Supreme Court’s guidance," said Michelle K. Holoubek of Sterne Kessler Goldstein & Fox PLLC, who added that the opinion "underscores how desperate the 101 situation has become."

The Supreme Court held in the Alice and Mayo cases that abstract ideas and laws of nature are not patent-eligible, but it declined to set clear guidelines about what falls into those categories and what types of features make an invention eligible for a patent. That has stymied judges and resulted in no clear consensus in the law.

“For a well-respected Federal Circuit judge to suggest that the Supreme Court’s jurisprudence is unworkable and requires legislative attention is a matter of courage,” said Edward R. Reines of Weil Gotshal & Manges LLP. “Judge Lourie’s questions about the analytic test are widespread among the bar. Even patent skeptics have a hard time defending the reasoning of Mayo and the Supreme Court’s 101 analysis.”

The text of Section 101 is straightforward, stating only that patents are available to "whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof."

All the eligibility debates over abstract ideas and whether inventions go beyond what is routine and conventional stem from court decisions that have provided little guidance about where to draw the line on eligibility. Some patents may be found ineligible when similar patents are not, "and there's often not any rhyme or reason for why these distinctions are occurring," Holoubek said.

Reflecting the views of many critics of the high court's rulings, Judge Lourie wrote that the current state of law, where it is not clear what constitutes an abstract idea or what makes something patent-eligible, has meant that "an increasing amount of inventive research is no longer subject to patent."

In both cases that were denied rehearings, the panels held that lower courts acted too soon in finding the patents at issue claimed only abstract ideas and are invalid under Alice.

Judge Lourie added that the Federal Circuit is "bound to follow the script that the Supreme Court has written for us" and that "resolution of patent-eligibility issues requires higher intervention, hopefully with ideas reflective of the best thinking that can be brought to bear on the subject."

That statement shows that the judges believe that "this isn't something that should be done by a few judges on the Federal Circuit or the Supreme Court by applying the facts of a specific case," said Matthew J. Rizzolo of Ropes & Gray LLP. "It's a complicated issue, and it deserves a deliberative approach."

He noted that Judge Lourie, who is viewed as more skeptical of patents, and Judge Newman, a strong proponent of patent rights, "end up on opposite sides of an issue a lot of the time, but here they both agree."

Congress has the power to rewrite Section 101 and clearly delineate what is and is not patent-eligible. The Federal Circuit judges are the latest high-profile figures in patent law calling on lawmakers to do just that, so "you could see this be somewhat of a catalyst to provide momentum for congressional action," Rizzolo said.

Others who have urged Congress to act in the past year include former Federal Circuit Chief Judge Paul Michel, who has said the patent system is in "crisis mode," and former U.S. Patent and Trademark Office Director David Kappos, who has described the current standards as "total chaos."

In addition, new USPTO Director Andrei Iancu has said that the high court's eligibility precedent is "difficult to follow" and that the office is looking for ways to simplify the analysis when it reviews patent applications.

The USPTO has crafted patent-eligibility guidelines for its examiners, but any substantive change in the law would need to come from Congress. Iancu told a Senate panel in April that if Congress wants to pass legislation to clarify patent eligibility, "we would be very happy to work with you."

Adding to the chorus of calls for Congress to weigh in, several major intellectual property groups have released proposed legislation over the past year, suggesting possible ways Congress could rewrite Section 101 to bring more clarity to the patent-eligibility analysis.

The American Intellectual Property Law Association has proposed adding an exception to the statute that would bar patents when the invention as a whole exists in nature or can be performed entirely in the mind. The plan would also prevent the eligibility analysis from looking at how the invention was made or whether it includes an inventive concept.

That would "provide a clear, objective test that will result in appropriately broad eligibility," the group said last year.

Despite the growing interest for legislation to tackle patent eligibility, no member of Congress seems to have yet embraced the issue and expressed an interest in working on it. Many lawmakers have strong views on patents and have proposed bills on other issues like overhauling inter partes reviews, but eligibility doesn't yet appear to be on anyone's agenda.

The Federal Circuit judges "are asking for more bright-line rules [on eligibility], but I haven't really seen Congress trying to do that," said Fabio E. Marino of Polsinelli PC.

That is likely because tinkering with such a fundamental issue in patent law as what can be patented at all is certain to open up a Pandora's box as various industries lobby for language that suits their interests.

The pharmaceutical industry and others that depend on strong patents are sure to push for legislation that makes it difficult to invalidate patents as ineligible. But the technology industry, which is often the target of infringement suits, will be loath to relinquish current standards that often allow patents to be axed quickly.

"Certainly, rewriting or redefining 101 is something that is much more complicated than the words on the page make it seem like," Rizzolo said. "Different stakeholders have different ideas."

No one should be holding his breath for patent-eligibility legislation in the near term, Reines said, and even if lawmakers were ultimately to pass legislation, "the confidence that Congress will improve the situation rather than make it worse is not great."

Nevertheless, with the various legislative proposals and calls for action from patent luminaries, now including two sitting Federal Circuit judges, the idea of Congress taking a look at the issue no longer seems as far-fetched as it did in the immediate aftermath of the Supreme Court rulings a few years ago.

"I think there's generally optimism that something is happening, but it remains to be seen where it ends up," Holoubek said.

The cases are Berkheimer v. HP Inc., case number 17-1437, and Aatrix Software Inc. v. Green Shades Software Inc., case number 17-1452, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Jill Coffey.
