

FICPI CONGRESS, TORONTO

SESSION 4.2 6 JUNE 2018

S101. Is there a coordinated move in B+ and elsewhere?

Outline of presentation by Judge Paul Michel

Between 2010 and 2014, the US Supreme Court decided four landmark cases concerning eligibility for patenting of various broad areas of inventive subject matter. In each case, it said it was interpreting Section 101 of the Patent Act which broadly makes eligible four categories of inventions: 'processes, machines, compositions of matter and manufactures.' Although the statute does not contain any exceptions, the court drew on ancient cases of its own to create what it called 'implied exceptions.' The court seemed to suggest it was merely repeating such exceptions in line with various precedents, including Gottshalk, Flook, and Diehr. In fact, it was greatly expanding such exceptions and doing so with vague, subjective and utterly undefined terms. They include 'abstract concept, law of nature, product of nature, and phenomenon of nature.'

The four fateful cases are, in shorthand, known as Bilski, Mayo, Myriad and Alice. Bilski and Alice concerned computer-related inventions, while Mayo concerned a diagnostic test and Myriad an isolated gene fragment. Of these, Mayo is the most important because it set forth a method of analysis involving two steps: first, is the claim 'directed to' an exception, and second, if so, does the claim add 'significantly more?'

The method has caused great concern and consternation among large segments of the US patent community, including the lower courts and the Patent Office. In practice, it has proven nearly impossible to apply in a way that is predictable and produces consistent results. Rather, outcomes seem essentially random, with the answers to the two questions merely reflecting the 'eye of the beholder.'

Many hoped for clarification from the high court, but it has declined every request for the past four years. Nor has the Federal Circuit be able to reduce the harmful impacts which include thousands of patents invalidated and many thousands more put under a cloud of uncertainty that make them of little or no value. In addition, business leaders contemplating new products cannot know if patents can protect them or will be invalidated in court or in post-grant reviews which the America Invents Act of 2011 authorized the new Patent Trial and Appeal Board to conduct. These

reviews can be compared to a declaratory judgement action in court, but without discovery and live testimony as would occur in court.

The combined effect of the AIA reviews and the quartet of eligibility cases has destabilized the US patent system, depressing patent values and investment incentives. When neither the courts nor the USPTO provided relief, patent leaders began to meet quietly to consider possible legislative solutions. Several groups formed, often with substantial overlap of membership. In addition, the leading organizations took action. The Intellectual Property Owners Association(IPO), the American Intellectual Property Law Association(AIPLA) and the American Bar Association's Intellectual Property Section(ABA) all developed proposed legislation. Recently, efforts were undertaken to have a unified proposal, as legislators had suggested. This has yet to succeed.

Although the IPO and AIPLA bills are similar, the ABA bill is very different. All three proposals would amend Section 101 to spell out and define clearly several exceptions and suggest that no other exceptions were appropriate. Other leaders, however, favored amending Section 112, instead, to require claim constructions that would implement the exceptions. Still others, suggested simply rescinding Section 101, altogether. To date, no legislator has introduced any bill on eligibility.

Meanwhile, the harms continue to mount. The situation has so deteriorated and stagnated that the new Director of the USPTO has hinted that he may issue guidelines to the examiners and Board members to provide the needed clarification. Often, patents have been invalidated in court under the Mayo/Alice regime on preliminary motions without any claim construction or prior art evidence. Examiners routinely reject application under 101, although they cannot explain why.

Congressional staff indicate a lack of interest on Capitol Hill in addressing the 101 chaos, partly, I surmise, because some powerful companies like the status quo which they find a convenient way to fend off infringement suits.

The chaos has international ramifications because now many inventions eligible in the Europe are not eligible in the US. In Asia, including China, the same disparity now exists. Flows of investment funds are beginning to follow the wider eligibility criteria in such jurisdictions. Finally, some may argue that the US is discriminating against certain technologies in a manner prohibited by TRIPS.