INTRODUCTION

Understanding the current Congress, such as who heads the key committees that regulate intellectual property and recent proposed intellectual property legislation, is fundamental knowledge for all business attorneys. The Senate Judiciary Committee has a specific subcommittee on Intellectual Property, and Senator Thom Tillis (R-NC) serves as chairman with Senator Coons (D-DE) as ranking member. The subcommittee includes 13 other members, and has jurisdiction over the Patent and Trademark Office, the Copyright Office, trade secrets, and oversees the functions of the federal government as they relate to intellectual property. The House of Representatives Judiciary Committee has a subcommittee on Courts, Intellectual Property, and the Internet and has jurisdiction over, among other things, patent and trademark law. Member Henry Johnson (D-GA) serves as chairman with Member Martha Roby (R-AL) as ranking member. The subcommittee includes 18 other members.

II. RECENT LEGISLATIVE ACTIVITY

A. SENATE SUBCOMMITTEE

Recently, members of the Senate subcommittee have introduced various proposed legislations relating to patent law. For instance, on May 22, 2019 Senators Tillis and Coons released a draft of proposed legislation that seeks to expand the definition of patent eligible subject matter. The draft removes the requirement that inventions be “new” and defines “useful” as any invention with a “specific and practical utility.” The proposal also includes language that
§ 101 “be construed in favor of patent eligibility,” and amends § 112(f) to broaden the types of inventions that would meet means-plus-function claiming. Notably, the draft legislation includes a provision that expressly abrogates caselaw that “abstract ideas,” “laws of nature,” or natural phenomena” are patent ineligible subject matter.

Senators Tillis and Coons have represented that this proposal is a draft meant to solicit feedback, and Senate Judiciary IP Subcommittee hearings were held in June 2019 regarding this draft legislation and patent eligibility generally. On June 24, 2019, Senators Tillis and Coons released a synopsis of their efforts and stated that they welcome further input as they continue to revise the proposed bill, but reaffirmed their ultimate belief that, “the U.S. patent system with regard to patent eligibility is broken and desperately needs to be repaired. The U.S. Supreme Court has confused and narrowed Section 101 of the Patent Act to the point that investors are reluctant to pursue the innovations that propel our country forward.”

Even more recently, on July 10, 2019 Senator Coons, with several co-sponsors, re-introduced the STRONGER Patents Act. The bill begins by limiting the availability and effectiveness of post-grant proceedings before the Patent Office. In particular, it limits potential petitioners for IPRs to those who have been sued for infringement or have standing to bring a declaratory judgment action of non-infringement. The requirement to be a petitioner in a PGR is slightly broader, as the proposal grants standing to those who demonstrate “a competitive harm related to the validity of the patent.” The proposal also places a higher evidentiary burden on the petitioner in both proceedings, requiring the PTAB to presume every claim is valid and requiring the petitioner to establish invalidity by clear and convincing evidence. Additionally, under the STRONGER Patents Act, the PTAB would be required to construe claims under the same standard as federal courts and must also consider any prior construction of the challenged terms.
The bill continues to broaden the definition of a real party in interest to include anyone who funds the petition, and provides that such is subject to discovery in an IPR and PGR.

The STRONGER Patents Act also amends provisions relating to ex parte reexamination, notably requiring identification of the real party in interest and thus eliminating the ability to a party to anonymously request reexamination. The bill additionally requires these requests to be filed within one year after the requestor is served with a complaint alleging infringement.

In addition to narrowing post-grant proceedings, the proposed bill amends 35 U.S.C. § 283 to add a presumption of injunctive relief upon a finding that a patent is both valid and infringed. That is, if a patent is found infringed and enforceable, it would be presumed that further infringement would cause irreparable injury and remedies available at law would be inadequate compensation. Finally, the bill provides for federal anti-troll laws, which would be enforced by the Federal Trade Commission.

Overall, the recent legislation from the chairman and ranking member of the Senate Judiciary Subcommittee on Intellectual Property shows that at least some of these members are advocates of broadening patent eligible subject matter and narrowing a challenger’s ability to contest patent validity before the PTAB.

B. HOUSE SUBCOMMITTEE

The House Subcommittee recently held a hearing on Lost Einsteins: Lack of Diversity in Patent Inventorship and the Impact on America’s Innovation Economy, which focused on recent findings by the United States Patent and Trademark Office on low numbers of female inventors in the United States.
III. CONCLUSION

As a business lawyer, thinking strategically is key to effectively advising your clients. Understanding the current legislative landscape is essential and will help you to see more than just the legal issue at hand. By understanding what legislation is in the pipeline, you can begin to think about how those laws may impact your companies’ business and implement changes in building and enforcing your companies’ intellectual property portfolio.
To strengthen the position of the United States as the world’s leading innovator by amending title 35, United States Code, to protect the property rights of the inventors that grow the country’s economy.

IN THE HOUSE OF REPRESENTATIVES

JULY 10, 2019

Mr. STIVERS (for himself, Mr. FOSTER, Mr. MCCINTOCK, Ms. VELAZQUEZ, Mr. BABIN, Mr. BURGESS, Mr. HILL of Arkansas, Mr. HUIZENGA, Mr. JOYCE of Ohio, Mr. KING of New York, Mr. NORMAN, Mrs. WATSON COLEMAN, Mr. SCUZZI, Mr. PETERS, Mr. GOSAR, and Mr. DAVIDSON of Ohio) introduced the following bill; which was referred to the Committee on the Judiciary, and in addition to the Committee on Energy and Commerce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned.

A BILL

To strengthen the position of the United States as the world’s leading innovator by amending title 35, United States Code, to protect the property rights of the inventors that grow the country’s economy.

1 Be it enacted by the Senate and House of Representa-
2 tives of the United States of America in Congress assembled,
3 SECTION 1. SHORT TITLE; TABLE OF CONTENTS.
4 (a) SHORT TITLE.—This Act may be cited as the
5 “Support Technology and Research for Our Nation’s
Growth and Economic Resilience Patents Act of 2019” or
the “STRONGER Patents Act of 2019”.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I—STRONGER PATENTS ACT

Sec. 101. Findings.
Sec. 102. Inter partes review.
Sec. 103. Post-grant review.
Sec. 104. Composition of post-grant review and inter partes review panels.
Sec. 105. Reexamination of patents.
Sec. 106. Restoration of patents as property rights.
Sec. 107. Elimination of USPTO fee diversion.
Sec. 108. Institutions of higher education.
Sec. 109. Assisting small businesses in the U.S. patent system.

TITLE II—TARGETING ROGUE AND OPAQUE LETTERS

Sec. 201. Definitions.
Sec. 202. Unfair or deceptive acts or practices in connection with the assertion of a United States patent.
Sec. 203. Enforcement by Federal Trade Commission.
Sec. 204. Preemption of State laws on patent demand letters and enforcement by State attorneys general.

TITLE I—STRONGER PATENTS

ACT

SEC. 101. FINDINGS.

Congress finds that—

(1) the patent property rights enshrined in the Constitution of the United States provide the foundation for the exceptional innovation environment in the United States;

(2) strong patent rights encourage United States inventors to invest their resources in creating new inventions;
(3) patent protection has led to patient cures, positive changes to the standard of living for all people in the United States, and improvements to the agricultural, telecommunications, and electronics industries, among others;

(4) the United States patent system is an essential part of the country’s economic success;

(5) strong patent protection improves the chances of success for small companies and increases their chances of securing financing from investors;

(6) intellectual property-intensive industries in the United States generate tens of millions of jobs for individuals in the United States;

(7) intellectual property-intensive industries in the United States account for more than one-third of the country’s gross domestic product;

(8) in the highly competitive global economy, the United States needs to uphold strong patent protections to maintain its position as the world’s premier innovative country;

(9) Congress last enacted comprehensive reforms of the patent system in 2011;

(10) unintended consequences of the comprehensive 2011 reform of patent laws are continuing to become evident, including the strategic fil-
ing of post-grant review proceedings to depress stock
prices and extort settlements, the filing of repetitive
petitions for inter partes and post-grant reviews that
have the effect of harassing patent owners, and the
unnecessary duplication of work by the district
courts of the United States and the Patent Trial
and Appeal Board;

(11) the Judicial Conference of the United
States has made significant revisions to rules gov-
erning pleadings and discovery in the Federal Rules
of Civil Procedure, which took effect in December
2015;

(12) the Supreme Court issued rulings in Oct-
tane Fitness, LLC v. Icon Health & Fitness, Inc.,
134 S.Ct. 1749 (2014) and Highmark Inc. v. Allcare
Health Management System, Inc., 134 S.Ct. 1744
(2014) that significantly reduced the burden on an
alleged infringer to recover attorney fees from the
patent owner, and increased the incidence of fees
shifted to the losing party; and

(13) efforts by Congress to reform the patent
system without careful scrutiny create a serious risk
of making it more costly and difficult for legitimate
innovators to protect their patents from infringe-
ment, thereby weakening United States companies
and the United States economy.

SEC. 102. INTER PARTES REVIEW.

(a) Claim Construction.—Section 316(a) of title
35, United States Code, is amended—

(1) in paragraph (9), by inserting after “sub-
stitute claims,” the following: “including the stand-
ard for how substitute claims should be construed,”;

(2) in paragraph (12), by striking “; and” and
inserting a semicolon;

(3) in paragraph (13), by striking the period at
the end and inserting “; and”; and

(4) by adding at the end the following new
paragraph:

“(14) providing that for all purposes under this
chapter—

“(A) each challenged claim of a patent, or
claim proposed in a motion to amend, shall be
construed as the claim would be construed
under section 282(b) in an action to invalidate
a patent, including by construing each such
claim in accordance with—

“(i) the ordinary and customary
meaning of the claim as understood by a
person having ordinary skill in the art to which the claimed invention pertains; and

“(ii) the prosecution history pertaining to the patent; and

“(B) if a court has previously construed a challenged claim of a patent or a challenged claim term in a civil action to which the patent owner was a party, the Office shall consider that claim construction.”.

(b) BURDEN OF PROOF.—Section 316(e) of title 35, United States Code, is amended to read as follows:

“(e) EVIDENTIARY STANDARDS.—

“(1) PRESUMPTION OF VALIDITY.—The presumption of validity under section 282(a) shall apply to a previously issued claim that is challenged during an inter partes review under this chapter.

“(2) BURDEN OF PROOF.—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability of a previously issued claim by clear and convincing evidence.”.

(c) STANDING.—Section 311 of title 35, United States Code, is amended by adding at the end the following new subsection:

“(d) PERSONS THAT MAY PETITION.—
“(1) Definition.—In this subsection, the term ‘charged with infringement’ means a real and substantial controversy regarding infringement of a patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court.

“(2) Necessary Conditions.—A person may not file with the Office a petition to institute an inter partes review of a patent unless the person, or a real party in interest or privy of the person, has been—

“(A) sued for infringement of the patent; or

“(B) charged with infringement under the patent.”.

(d) Limitation on Reviews.—Section 314(a) of title 35, United States Code, is amended to read as follows:

“(a) Threshold.—

“(1) Likelihood of Prevailing.—Subject to paragraph (2), the Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 show that there is a reason—
able likelihood that the petitioner would prevail with
respect to at least one of the claims challenged in
the petition.

“(2) Previous institution.—The Director
may not authorize an inter partes review to be insti-
tuted on a claim challenged in a petition if the Di-
rector has previously instituted an inter partes re-
view or post-grant review with respect to that
claim.”.

(c) Reviewability of Institution Decisions.—
Section 314 of title 35, United States Code, is amended
by striking subsection (d) and inserting the following:

“(d) No appeal.—

“(1) Nonappealable determinations.—

“(A) Threshold determination.—A
determination by the Director on the reasonable
likelihood that the petitioner will prevail under
subsection (a)(1) shall be final and nonappeal-
able.

“(B) Denials of institution.—A deter-
mination by the Director not to institute an
inter partes review under this section shall be
final and nonappealable.

“(2) Appealable determinations.—Any as-
pect of a determination by the Director to institute
an inter partes review under this section, other than
a determination described in paragraph (1)(A), may
be reviewed during an appeal of a final written deci-
sion issued under section 318(a).”.
(f) ELIMINATING REPETITIVE PROCEEDINGS.—Sec-
tion 315(e) of title 35, United States Code, is amended
to read as follows:
“(e) ESTOPPEL.—
“(1) PROCEEDINGS BEFORE THE OFFICE.—A
person petitioning for an inter partes review of a
claim in a patent under this chapter, or the real
party in interest or privy of the petitioner, may not
petition for a subsequent inter partes review before
the Office with respect to that patent on any ground
that the petitioner raised or reasonably could have
raised in the initial petition, unless, after the filing
of the initial petition, the petitioner, or the real
party in interest or privy of the petitioner, is
charged with infringement of additional claims of
the patent.
“(2) CIVIL ACTIONS AND OTHER PRO-
CEEDINGS.—A person petitioning for an inter partes
review of a claim in a patent under this chapter that
results in an institution decision under section 314,
or the real party in interest or privy of the peti-
tioner, may not assert either in a civil action arising
in whole or in part under section 1338 of title 28
or in a proceeding before the International Trade
Commission under section 337 of the Tariff Act of
1930 (19 U.S.C. 1337) that the claim is invalid
based on section 102 or 103 of this title, unless the
invalidity argument is based on allegations that the
claimed invention was in public use, on sale, or oth-
erwise available to the public before the effective fil-
ing date of the claimed invention.”.

(g) REAL PARTY IN INTEREST.—

(1) CLARIFICATION OF DEFINITION.—Section
315 of title 35, United States Code, is amended by
adding at the end the following new subsection:

“(f) PETITIONER.—For purposes of this chapter, a
person that directly or through an affiliate, subsidiary, or
proxy makes a financial contribution to the preparation
for, or conduct during, an inter partes review on behalf
of the petitioner shall be considered a real party in interest
of the petitioner.”.

(2) DISCOVERY OF REAL PARTY IN INTER-
EST.—Section 316(a)(5) of title 35, United States
Code, is amended to read as follows:
“(5) setting forth standards and procedures for
discovery of relevant evidence, including that such
discovery shall be limited to—

“(A) the deposition of witnesses submitting
affidavits or declarations;

“(B) evidence identifying the petitioner’s
real parties in interest; and

“(C) what is otherwise necessary in the in-
terest of justice;”.

(h) PRIORITY OF FEDERAL COURT VALIDITY DE-
TERMINATIONS.—

(1) IN GENERAL.—Section 315 of title 35,
United States Code, as amended by subsections (f)
and (g), is further amended—

(A) by redesignating subsections (e)
through (f) as subsections (d) through (g), re-
respectively; and

(B) by inserting after subsection (b) the
following new subsection:

“(e) FEDERAL COURT VALIDITY DETERMINA-
TIONS.—

“(1) INSTITUTION BARRED.—An inter partes
review of a patent claim may not be instituted if, in
a civil action arising in whole or in part under sec-
tion 1338 of title 28 or in a proceeding before the
International Trade Commission under section 337
of the Tariff Act of 1930 (19 U.S.C. 1337), a court
has entered a final judgment—

“(A) that decides the validity of the patent
claim with respect to section 102 or 103; and

“(B) from which an appeal under section
1295 of title 28 may be taken, or from which
an appeal under section 1295 of title 28 was
previously available but is no longer available.

“(2) STAY OF PROCEEDINGS.—

“(A) IN GENERAL.—If, in a civil action
arising in whole or in part under section 1338
of title 28 or in a proceeding before the Inter-
national Trade Commission under section 337
of the Tariff Act of 1930 (19 U.S.C. 1337), a
court has entered a final judgment that decides
the validity of a patent claim with respect to
section 102 or 103 and from which an appeal
under section 1295 of title 28 may be taken,
the Patent Trial and Appeal Board shall stay
any ongoing inter partes review of that patent
claim pending a final decision.

“(B) TERMINATION.—If the validity of a
patent claim described in subparagraph (A) is
finally upheld by a court or the International
Trade Commission, as applicable, the Patent
Trial and Appeal Board shall terminate the
inter partes review.”.

(2) TECHNICAL AND CONFORMING AMEND-
MENTS.—Chapter 31 of title 35, United States
Code, is amended—

(A) in section 315(b), by striking “sub-
section (e)” and inserting “subsection (d)”;

(B) in section 316(a)—

(i) in paragraph (11), by striking
“section 315(c)” and inserting “section
315(d)”;

(ii) in paragraph (12), by striking
“section 315(e)” and inserting “section
315(d)”;

(C) in section 317(a), by striking “section
315(e)” and inserting “section 315(f)”.

SEC. 103. POST-GRANT REVIEW.

(a) CLAIM CONSTRUCTION.—Section 326(a) of title
35, United States Code, is amended—

(1) in paragraph (9), by inserting after “sub-
stitute claims,” the following: “including the stand-
ard for how substitute claims should be construed,”;

(2) in paragraph (11), by striking “; and” and
inserting a semicolon;
(3) in paragraph (12), by striking the period at the end and inserting “; and”; and

(4) by adding at the end the following new paragraph:

“(13) providing that for all purposes under this chapter—

“(A) each challenged claim of a patent shall be construed as the claim would be construed under section 282(b) in an action to invalidate a patent, including by construing each challenged claim of the patent in accordance with—

“(i) the ordinary and customary meaning of the claim as understood by a person having ordinary skill in the art to which the claimed invention pertains; and

“(ii) the prosecution history pertaining to the patent; and

“(B) if a court has previously construed a challenged claim of a patent or a challenged claim term in a civil action to which the patent owner was a party, the Office shall consider that claim construction.”.

(b) BURDEN OF PROOF.—Section 326(e) of title 35, United States Code, is amended to read as follows:
“(e) EVIDENTIARY STANDARDS.—

“(1) PRESUMPTION OF VALIDITY.—The presumption of validity under section 282(a) shall apply to a previously issued claim that is challenged during a proceeding under this chapter.

“(2) BURDEN OF PROOF.—In a post-grant review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability of a previously issued claim by clear and convincing evidence.”.

(c) STANDING.—Section 321 of title 35, United States Code, is amended by adding at the end the following new subsection:

“(d) PERSONS THAT MAY PETITION.—

“(1) DEFINITION.—In this subsection, the term ‘charged with infringement’ means a real and substantial controversy regarding infringement of a patent exists such that the petitioner would have standing to bring a declaratory judgment action in Federal court.

“(2) NECESSARY CONDITIONS.—A person may not file with the Office a petition to institute a post-grant review of a patent unless the person, or a real party in interest or privy of the person, demonstrates—
“(A) a reasonable possibility of being—

“(i) sued for infringement of the patent; or

“(ii) charged with infringement under the patent; or

“(B) a competitive harm related to the validity of the patent.”.

(d) LIMITATION ON REVIEWS.—Section 324(a) of title 35, United States Code, is amended to read as follows:

“(a) THRESHOLD.—

“(1) LIKELIHOOD OF PREVAILING.—Subject to paragraph (2), the Director may not authorize a post-grant review to be instituted unless the Director determines that the information presented in the petition filed under section 321, if such information is not rebutted, would demonstrate that it is more likely than not that at least one of the claims challenged in the petition is unpatentable.

“(2) PREVIOUS INSTITUTION.—The Director may not authorize a post-grant review to be instituted on a claim challenged in a petition if the Director has previously instituted an inter partes review or post-grant review with respect to that claim.”.
(c) Reviewability of Institution Decisions.—
Section 324 of title 35, United States Code, is amended
by striking subsection (e) and inserting the following:

“(e) No Appeal.—

“(1) Non-Appealable Determinations.—

“(A) Threshold Determination.—A
determination by the Director on the likelihood
that the petitioner will prevail under subsection
(a)(1) shall be final and nonappealable.

“(B) Exercise of Discretion.—A deter-
mination by the Director not to institute a post-
grant review under this section shall be final
and nonappealable.

“(2) Appealable Determinations.—Any as-
pect of a determination by the Director to institute
a post-grant review under this section, other than a
determination described in paragraph (1)(A), may be
reviewed during an appeal of a final written decision
issued under section 328(a).”.

(f) Eliminating Repetitive Proceedings.—Sec-
tion 325(e)(1) of title 35, United States Code, is amended
to read as follows:

“(1) Proceedings before the Office.—A
person petitioning for a post-grant review of a claim
in a patent under this chapter, or the real party in
interest or privy of the petitioner, may not petition for a subsequent post-grant review before the Office with respect to that patent on any ground that the petitioner raised or reasonably could have raised in the initial petition, unless, after the filing of the initial petition, the petitioner, or the real party in interest or privy of the petitioner, is charged with infringement of additional claims of the patent.”.

(g) **REAL PARTY IN INTEREST.**—

(1) **Clarification of definition.**—Section 325 of title 35, United States Code, is amended by adding at the end the following new subsection:

“(g) **REAL PARTY IN INTEREST.**—For purposes of this chapter, a person that directly or through an affiliate, subsidiary, or proxy, makes a financial contribution to the preparation for, or conduct during, a post-grant review on behalf of the petitioner shall be considered a real party in interest of the petitioner.”.

(2) **Discovery of real party in interest.**—Section 326(a)(5) of title 35, United States Code, is amended to read as follows:

“(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—
“(A) the deposition of witnesses submitting affidavits or declarations;

“(B) evidence identifying the petitioner’s real parties in interest; and

“(C) what is otherwise necessary in the interest of justice;”.

(h) PRIORITY OF FEDERAL COURT VALIDITY DETERMINATIONS.—

(1) IN GENERAL.—Section 325 of title 35, United States Code, as amended by subsections (f) and (g), is further amended—

(A) by redesignating subsections (c) through (g) as subsections (d) through (h), respectively; and

(B) by inserting after subsection (b) the following new subsection:

“(c) FEDERAL COURT VALIDITY DETERMINATIONS.—

“(1) INSTITUTION BARRED.—A post-grant review of a patent claim may not be instituted if, in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), a court has entered a final judgment—

•HR 3666 IH
“(A) that decides the validity of the patent claim with respect to section 102 or 103; and
“(B) from which an appeal under section 1295 of title 28 may be taken, or from which an appeal under section 1295 of title 28 was previously available but is no longer available.
“(2) STAY OF PROCEEDINGS.—
“(A) IN GENERAL.—If, in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337), a court has entered a final judgment that decides the validity of a patent claim with respect to section 102 or 103 and from which an appeal under section 1295 of title 28 may be taken, the Patent Trial and Appeal Board shall stay any ongoing post-grant review of that patent claim pending a final decision.
“(B) TERMINATION.—If the validity of a patent claim described in subparagraph (A) is finally upheld by a court or the International Trade Commission, as applicable, the Patent Trial and Appeal Board shall terminate the post-grant review.”.
(2) Technical and conforming amendments.—Chapter 32 of title 35, United States Code, is amended—

(A) in section 326(a)(11), by striking “section 325(c)” and inserting “section 325(d)”;

and

(B) in section 327(a), by striking “section 325(e)” and inserting “section 325(f)”.

SEC. 104. COMPOSITION OF POST-GRANT REVIEW AND INTER PARTES REVIEW PANELS.

Section 6(c) of title 35, United States Code, is amended to read as follows:

“(c) 3-Member Panels.—

“(1) In general.—Each appeal, derivation proceeding, post-grant review, and inter partes review shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director.

“(2) Ineligibility to hear review.—A member of the Patent Trial and Appeal Board who participates in the decision to institute a post-grant review or an inter partes review of a patent shall be ineligible to hear the review.

“(3) Rehearings.—Only the Patent Trial and Appeal Board may grant rehearings.”.
SEC. 105. REEXAMINATION OF PATENTS.

(a) Request for Reexamination.—Section 302 of title 35, United States Code, is amended to read as follows:

“§ 302. Request for reexamination

“Any person at any time may file a request for reexamination by the Office of any claim of a patent on the basis of any prior art cited under the provisions of section 301. The request must be in writing and must be accompanied by payment of a reexamination fee established by the Director pursuant to the provisions of section 41. The request must identify all real parties in interest and certify that reexamination is not barred under section 303(d). The request must set forth the pertinency and manner of applying cited prior art to every claim for which reexamination is requested. Unless the requesting person is the owner of the patent, the Director promptly will send a copy of the request to the owner of record of the patent.”.

(b) Reexamination Barred by Civil Action.—

Section 303 of title 35, United States Code, is amended by adding at the end the following new subsection:

“(d) An ex parte reexamination may not be instituted if the request for reexamination is filed more than 1 year after the date on which the requester or a real party in interest or privy of the requester is served with a complaint alleging infringement of the patent.”.

•HR 3666 IH
SEC. 106. RESTORATION OF PATENTS AS PROPERTY RIGHTS.

Section 283 of title 35, United States Code, is amended—

(1) by striking “The several courts” and inserting the following:

“(a) IN GENERAL.—The several courts”; and

(2) by adding at the end the following:

“(b) INJUNCTION.—Upon a finding by a court of infringement of a patent not proven invalid or unenforceable, the court shall presume that—

“(1) further infringement of the patent would cause irreparable injury; and

“(2) remedies available at law are inadequate to compensate for that injury.”.

SEC. 107. ELIMINATION OF USPTO FEE DIVERSION.

(a) FUNDING.—Section 42 of title 35, United States Code, is amended—

(1) in subsection (a), by striking “All fees” and inserting “FEES FOR SERVICE BY PTO.—All fees”;

(2) in subsection (b)—

(A) by striking “All fees” and inserting “INNOVATION PROMOTION FUND.—All fees’”;

and

(B) by striking “Patent and Trademark Office Appropriation Account” and inserting
“United States Patent and Trademark Office
Innovation Promotion Fund’’;
(3) in subsection (c)—
(A) by striking ‘‘(c)(1)’’ and all that fol-
lows through the end of paragraph (1) and in-
serting the following: ‘‘(c) COLLECTION OF
FUNDS FOR PTO ACTIVITIES.—
“(1) IN GENERAL.—Fees authorized in this
title or any other Act to be charged or established
by the Director shall be collected by the Director
and shall be available to the Director until expended
to carry out the activities of the Patent and Trad-
mark Office.”;
(B) by striking paragraph (2);
(C) by striking ‘‘(3)(A) Any’’ and inserting
the following: ‘‘(2) USE OF FEES.—
“(A) PATENT FEES.—Any’’; and
(D) by striking ‘‘(B) Any fees that are col-
lected under section 31 of the Trademark Act
of 1946’’ and inserting the following:
“(B) TRADEMARK FEES.—Any fees that
are collected under section 31 of the Trademark
Act of 1946 (as defined in subsection (d)) (15
U.S.C. 1113)’’;
(4) by redesignating subsections (d) and (e) as
subsections (e) and (f), respectively;

(5) by inserting after subsection (e) the fol-
lowing new subsection:

“(d) REVOLVING FUND.—

“(1) DEFINITIONS.—In this subsection—

“(A) the term ‘Fund’ means the United
States Patent and Trademark Office Innovation
Promotion Fund established under paragraph
(2); and

“(B) the term ‘Trademark Act of 1946’
means the Act entitled ‘An Act to provide for
the registration and protection of trademarks
used in commerce, to carry out the provisions
of certain international conventions, and for
other purposes’, approved July 5, 1946 (15
U.S.C. 1051 et seq.) (commonly referred to as
the ‘Trademark Act of 1946’ or the ‘Lanham
Act’).

“(2) ESTABLISHMENT.—There is established in
the Treasury a revolving fund to be known as the
‘United States Patent and Trademark Office Inno-
vation Promotion Fund’.
“(3) Derivation of resources.—There shall be deposited into the Fund any fees collected under—

“(A) this title; or

“(B) the Trademark Act of 1946.

“(4) Expenses.—Amounts deposited into the Fund under paragraph (3) shall be available, without fiscal year limitation, to cover—

“(A) all expenses to the extent consistent with the limitation on the use of fees set forth in subsection (c), including all administrative and operating expenses, determined in the discretion of the Director to be ordinary and reasonable, incurred by the Director for the continued operation of all services, programs, activities, and duties of the Office relating to patents and trademarks, as such services, programs, activities, and duties are described under—

“(i) this title; and

“(ii) the Trademark Act of 1946; and

“(B) all expenses incurred pursuant to any obligation, representation, or other commitment of the Office.”;
(6) in subsection (e), as redesignated, by striking “The Director” and inserting “REFUNDS.—The Director”; and

(7) in subsection (f), as redesignated, by striking “The Secretary” and inserting “REPORT.—The Secretary”.

(b) EFFECTIVE DATE; TRANSFER FROM AND TERMINATION OF OBSOLETE FUNDS.—

(1) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on the first day of the first fiscal year that begins on or after the date of the enactment of this Act.

(2) REMAINING BALANCES.—On the effective date described in paragraph (1), there shall be deposited in the United States Patent and Trademark Office Innovation Promotion Fund established under section 42(d)(2) of title 35, United States Code (as added by subsection (a)), any available unobligated balances remaining in the Patent and Trademark Office Appropriation Account, and in the Patent and Trademark Fee Reserve Fund established under section 42(c)(2) of title 35, United States Code, as in effect on the date before the effective date.

(3) TERMINATION OF RESERVE FUND.—Upon the payment of all obligated amounts in the Patent
and Trademark Fee Reserve Fund under paragraph (2), the Patent and Trademark Fee Reserve Fund shall be terminated.

SEC. 108. INSTITUTIONS OF HIGHER EDUCATION.

Section 123(d) of title 35, United States Code, is amended to read as follows:

“(d) INSTITUTIONS OF HIGHER EDUCATION.—For purposes of this section, a micro entity shall include an applicant who certifies that—

“(1) the applicant’s employer, from which the applicant obtains the majority of the applicant’s income, is an institution of higher education as defined in section 101(a) of the Higher Education Act of 1965 (20 U.S.C. 1001(a));

“(2) the applicant has assigned, granted, conveyed, or is under an obligation by contract or law, to assign, grant, or convey, a license or other ownership interest in the particular applications to such an institution of higher education;

“(3) the applicant is such an institution of higher education; or

“(4) the applicant is an organization described in section 501(e)(3) of the Internal Revenue Code of 1986 and exempt from taxation under section 501(a) of such Code that holds title to patents and
patent applications on behalf of such an institution of higher education for the purpose of facilitating commercialization of the technologies of the patents and patent applications.”.

SEC. 109. ASSISTING SMALL BUSINESSES IN THE U.S. PATENT SYSTEM.

(a) DEFINITION.—In this section, the term “small business concern” has the meaning given the term in section 3 of the Small Business Act (15 U.S.C. 632).

(b) SMALL BUSINESS ADMINISTRATION REPORT.—Not later than 1 year after the date of the enactment of this Act, the Small Business Administration, using existing resources, shall submit to the Committee on Small Business and Entrepreneurship of the Senate and the Committee on Small Business of the House of Representatives a report analyzing the impact of—

(1) patent ownership by small business concerns; and

(2) civil actions against small business concerns arising under title 35, United States Code, relating to patent infringement.

(c) EXPANSION OF PATENT PILOT PROGRAM IN CERTAIN DISTRICT COURTS.—

(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Di-
rector of the Administrative Office of the United
States Courts shall designate not fewer than 6 of the
district courts of the United States that are particip-
pating in the patent cases pilot program established
under section 1 of Public Law 111–349 (28 U.S.C.
137 note) for the purpose of expanding that pro-
gram to address special issues raised in patent in-
fringement suits against individuals or small busi-
ness concerns.

(2) Procedures for small businesses.—
Not later than 2 years after the date of the enact-
ment of this Act, each district court designated
under paragraph (1) shall develop procedures for ex-
pediting cases in which an individual or small busi-
ness concern is accused of patent infringement.

(3) Participating judges.—

(A) In general.—In each district court
designated under paragraph (1), each district
court judge participating in the patent cases
pilot program established under section 1 of
Public Law 111–349 may appoint 1 additional
law clerk or secretary in excess of any other
limitation on the number of such employees.

(B) Education and training.—The
Federal Judicial Center, using existing re-
sources, shall prepare educational and training
materials to assist district court judges de-
scribed in subparagraph (A) in developing ex-
pertise in patent and plant variety protection
cases.

(4) FUNDS.—There are authorized to be appro-
priated such sums as may be necessary to carry out
paragraph (3)(A).

(d) FREE ONLINE AVAILABILITY OF PUBLIC SEARCH
FACILITY MATERIALS.—Section 41(i) of title 35, United
States Code, is amended by adding at the end the fol-
lowing new paragraph:

“(5) FREE ONLINE AVAILABILITY OF PUBLIC
SEARCH FACILITY MATERIALS.—The Director shall
make available online and at no charge all patent
and trademark information that is available at the
Public Search Facility of the Office located in Alex-
andria, Virginia, including, except to the extent that
licenses with third-party contractors would make
such provision financially unviable—

“(A) search tools and databases;
“(B) informational materials; and
“(C) training classes and materials.”.
TITLE II—TARGETING ROGUE
AND OPAQUE LETTERS

SEC. 201. DEFINITIONS.

In this title:

(1) BAD FAITH.—The term “bad faith” means,
   with respect to section 202(a), that the sender—
   (A) made knowingly false or knowingly
   misleading statements, representations, or omis-
   sions;
   (B) made statements, representations, or
   omissions with reckless indifference as to the
   false or misleading nature of such statements,
   representations, or omissions; or
   (C) made statements, representations, or
   omissions with awareness of the high prob-
   ability of the statements, representations, or
   omissions to deceive and the sender inten-
   tionally avoided the truth.

(2) COMMISSION.—The term “Commission”
   means the Federal Trade Commission.

(3) FINAL DETERMINATION.—The term “final
determination” means, with respect to the invalidity
or unenforceability of a patent, that the invalidity or
unenforceability has been determined by a court of
the United States or the United States Patent and
Trademark Office in a final decision that is
unappealable or for which any opportunity for ap-
peal is no longer available.

SEC. 202. UNFAIR OR DECEPTIVE ACTS OR PRACTICES IN
CONNECTION WITH THE ASSERTION OF A
UNITED STATES PATENT.

(a) In General.—It shall be an unfair or deceptive
act or practice within the meaning of section 5(a)(1) of
for a person, in connection with the assertion of a United
States patent, to engage in a pattern or practice of send-
ing written communications that state or represent that
the recipients are or may be infringing, or have or may
have infringed, the patent and bear liability or owe com-
pensation to another, if—

(1) the sender of the communications, in bad
faith, states or represents in the communications
that—

(A) the sender is a person with the right
to license or enforce the patent at the time the
communications are sent, and the sender is not
a person with such a right;

(B) a civil action asserting a claim of in-
fringement of the patent has been filed against
the recipient;
(C) a civil action asserting a claim of infringement of the patent has been filed against other persons;

(D) legal action for infringement of the patent will be taken against the recipient;

(E) the sender is the exclusive licensee of the patent asserted in the communications;

(F) persons other than the recipient purchased a license for the patent asserted in the communications;

(G) persons other than the recipient purchased a license, and the sender does not disclose that such license is unrelated to the alleged infringement or the patent asserted in the communications;

(H) an investigation of the recipient’s alleged infringement occurred; or

(I) the sender or an affiliate of the sender previously filed a civil action asserting a claim of infringement of the patent based on the activity that is the subject of the written communication when the sender knew such activity was held, in a final determination, not to infringe the patent;
(2) the sender of the communications, in bad
faith, seeks compensation for—

(A) a patent claim that has been held to
be unenforceable due to inequitable conduct, in-
valid, or otherwise unenforceable against the re-
cipient, in a final determination;

(B) activities undertaken by the recipient
after expiration of the patent asserted in the
communications; or

(C) activity of the recipient that the sender
knew was authorized, with respect to the patent
claim or claims that are the subject of the com-
munications, by a person with the right to li-
cense the patent; or

(3) the sender of the communications, in bad
faith, fails to include—

(A) the identity of the person asserting a
right to license the patent to, or enforce the
patent against, the recipient, including the iden-
tity of any parent entity and the ultimate par-
ent entity of such person, unless such person is
a public company and the name of the public
company is identified;
(B) an identification of at least one patent issued by the United States Patent and Trademark Office alleged to have been infringed;

(C) an identification, to the extent reasonable under the circumstances, of at least one product, service, or other activity of the recipient that is alleged to infringe the identified patent;

(D) a description, to the extent reasonable under the circumstances, of how the product, service, or other activity of the recipient infringes an identified patent and patent claim; or

(E) a name and contact information for a person the recipient may contact about the assertions or claims relating to the patent contained in the communications.

(b) AFFIRMATIVE DEFENSE.—With respect to subsection (a), there shall be an affirmative defense that statements, representations, or omissions were not made in bad faith (as defined in subparagraphs (B) and (C) of section 201(1)) if the sender can demonstrate that such statements, representations, or omissions were mistakes made in good faith. Evidence that the sender in the usual course of business sends written communications that do not violate the provisions of this title shall be sufficient
to demonstrate good faith. Good faith may also be demonstrated by other evidence.

(c) Rule of Construction.—For purposes of sections 203 and 204, the commission of an act or practice that is declared under this section to be an unfair or deceptive act or practice within the meaning of section 5(a)(1) of the Federal Trade Commission Act (15 U.S.C. 45(a)(1)) shall be considered to be a violation of this section.

SEC. 203. ENFORCEMENT BY FEDERAL TRADE COMMISSION.

(a) Violation of Rule.—A violation of section 202 shall be treated as a violation of a rule defining an unfair or deceptive act or practice prescribed under section 18(a)(1)(B) of the Federal Trade Commission Act (15 U.S.C. 57a(a)(1)(B)).

(b) Powers of Commission.—The Commission shall enforce this title in the same manner, by the same means, and with the same jurisdiction, powers, and duties as though all applicable terms and provisions of the Federal Trade Commission Act (15 U.S.C. 41 et seq.) were incorporated into and made a part of this title. Any person who violates section 202 shall be subject to the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act.
(c) Effect on Other Laws.—Nothing in this title shall be construed in any way to limit or affect the authority of the Commission under any other provision of law.

SEC. 204. PREEMPTION OF STATE LAWS ON PATENT DEMAND LETTERS AND ENFORCEMENT BY STATE ATTORNEYS GENERAL.

(a) Preemption.—

(1) In General.—This title preempts any law, rule, regulation, requirement, standard, or other provision having the force and effect of law of any State, or political subdivision of a State, expressly relating to the transmission or contents of communications relating to the assertion of patent rights.

(2) Effect on Other State Laws.—Except as provided in paragraph (1), this title shall not be construed to preempt or limit any provision of any State law, including any State consumer protection law, any State law relating to acts of fraud or deception, and any State trespass, contract, or tort law.

(b) Enforcement by State Attorneys General.—

(1) In General.—In any case in which the attorney general of a State has reason to believe that an interest of the residents of that State has been adversely affected by any person who violates section

•HR 3666 IH
202, the attorney general of the State may bring a
civil action on behalf of such residents of the State
in a district court of the United States of appro-
priate jurisdiction—

(A) to enjoin further such violation by the
defendant; or

(B) to obtain civil penalties on behalf of
recipients who suffered actual damages as a re-
sult of such violation.

(2) **MAXIMUM CIVIL PENALTY.**—Notwith-
standing the number of actions which may be
brought against a person under this subsection, a
person may not be liable for a total of more than
$5,000,000 for a series of related violations of sec-
tion 202.

(3) **INTERVENTION BY THE FTC.**—

(A) **NOTICE AND INTERVENTION.**—The at-
torney general of a State shall provide prior
written notice of any action under paragraph
(1) to the Commission and provide the Commis-
sion with a copy of the complaint in the action,
except in any case in which such prior notice is
not feasible, in which case the attorney general
shall serve such notice immediately upon insti-
tuting such action. The Commission shall have
the right—

(i) to intervene in the action;

(ii) upon so intervening, to be heard
on all matters arising therein; and

(iii) to file petitions for appeal.

(B) LIMITATION ON STATE ACTION WHILE
FEDERAL ACTION IS PENDING.—If the Commiss-
ion has instituted a civil action for violation of
section 202, no State attorney general may
bring an action under this subsection during
the pendency of that action against any defend-
ant named in the complaint of the Commission
for any violation of such section alleged in the
complaint.

(4) CONSTRUCTION.—For purposes of bringing
any civil action under paragraph (1), nothing in this
title shall be construed to prevent the attorney gen-
eral of a State from exercising the powers conferred
on the attorney general by the laws of that State
to—

(A) conduct investigations;

(B) administer oaths or affirmations; or
(C) compel the attendance of witnesses or
the production of documentary and other evi-
dence.

○
The State of Patent Eligibility in America: Part I

Testimony of:
Q. Todd Dickinson
Polsinelli, PC
Washington, DC

United States Senate
Committee on the Judiciary
Subcommittee on Intellectual Property
Tuesday, May 5, 2019
Washington, DC

1401 I St. NW
Washington, DC 20005
tdickinson@polsinelli.com
My name is Q. Todd Dickinson and I am Senior Partner with the Polsinelli law firm in Washington, DC.

I am the former Under Secretary of Commerce and Director of the U.S. Patent and Trademark Office ("USPTO") from 1999-2001, and held several other positions there. I have also served as the Corporate Vice President and Chief Intellectual Property Counsel of the General Electric Co., and the Executive Director of the American Intellectual Property Law Association. My understanding is that I have been invited here today to testify in my capacity as a former Director of the USPTO, and my comments are my own and not representing any clients or others affiliated with Polsinelli.

I come to this hearing, like I’m sure several of my colleagues on this panel do, with very serious concerns about where the U.S. patent system finds itself today. As I indicated, I do not come on behalf on any client; I have and have had clients on many sides of the question presented by this hearing. Rather, I am here as someone whose career’s work has been focused on doing what’s best for our patent system as a whole, both for stakeholders and the public. It is that background that gives rise to my concerns.

The primary question which we have been asked to address is the need to amend the Patent Act, 35 §101, concerning eligibility for a U.S. patent, and several other related sections. Based on my over 40 years’ experience in intellectual property law and public policy, as well my belief in the inherent strength of the U.S. patent system if we do things right, I believe that the time has come to actively consider legislative solutions to questions of patent eligibility.
Several times in our history, public policy leaders in IP confronted challenges and weaknesses in our patent system and its effect on the innovation vitality of our country; shortly after World War II and at the end of the recessionary period in the late 1970’s, for example. Blue ribbon commissions and study groups were appointed to study the system and make recommendations for improvements. But at the end of the day, it was up to the Congress to address these legislatively and the system was righted and improved.

Now we find ourselves in another period when the efficacy of our system is at risk, with public and stakeholder confidence in it at a low point. Since, the patent system is so critical to the economic well-being and the preservation of our traditional global leadership in innovation advancement, it is vital that we look again at where the challenges are coming from and what should be done to address them.

One specific challenge we face is coming from our Courts, particularly the Supreme Court, and its recent interpretation of §101 of the Patent Act which, until this recent series of cases, was thought to be the least critical and easiest to meet of the four basic statutory requirements to obtain a patent. Regarding the Supreme Court, and its views on the requirements for both patent eligibility in §101, and patentability, in Sections 102, 103, and 112 of the Patent Code, it is interesting to note several things.

First, as I will address in my brief recitation of the recent history of their patent jurisprudence, below, the Court has taken the opportunity to address §101, 102,
103, and 112 directly some 8 times in the last roughly 40 years. With only a single exception\(^1\), in not one of these cases did the Court uphold the validity of the patent or patents in question, including the four dealing with the specific section under review in this hearing, §101. Moreover, in the roughly 6 years since the last time the Court addressed §101 in its Alice opinion, despite the well-known and widely articulated challenges in interpreting that case faced by the CAFC, the USPTO and patent owners alike, the Court has denied petitions for certiorari, and so refusing to address those challenges, some 42 times.

As will be discussed further below, all four of the most recent §101 have been criticized for various reasons, but primarily as articulating eligibility standards or analytic frameworks that are ambiguous and difficult to apply consistently (Bilski, Alice and Mayo) or which have led to inequitable results for valuable and health-improving technologies (Mayo and Myriad).

While there was fairly widespread criticism just after Alice came down, there was also a generalized belief then that the district courts, the CAFC and the USPTO would be able to interpret and clarify Alice. That hope has faded. We are now faced with not only calls for legislative reform from major neutral stakeholder organizations with members on all sides of the question, but now judges of the CAFC itself, both in their opinions and even in public speeches. They have repeatedly stated that they cannot figure out what the Supreme Court meant in these cases or that they have led to inequitable results, and that Congress needs to exercise its Constitutional duty to legislate in this area. As I indicated above, I join that in that call.

\(^1\) J. E. M. Ag Supply, Inc. v. Pioneer Hi-Bred International, Inc., 534 U.S. 124 (2001). However, in J.E.M. the Court held that section 101 is a general and "dynamic provision designed to encompass new and unforeseen inventions." 534 U.S. at 135, 122 S.Ct. 593.
You will undoubtedly hear from organizations which prefer the status quo. Most of them will likely say that the Supreme Court’s recent jurisprudence, particularly the *Alice/Mayo* framework, is a positive thing. The ambiguity, difficulty in interpretation, and challenges to consistent application by the USPTO and the courts, have led to a significant increase in patent invalidation, and a significant difficulty in getting patents in a variety of technologies through the USPTO. These entities apparently feel that this is a positive thing, in the sense that it gives them what several have referred to as “a new tool” to invalidate patents which they believe may interfere with business models. This is cynical and short-sighted.

Furthermore, to restrict the patent eligibility of a category of innovation because of purported effects, such as “preemption” of a field, is tautological and contrary to broad and good intellectual property policy. All patents, by the very nature preempt some portion of their field, and the individual determination of which ones might “preempt” and how broadly, especially at the USPTO examination level, is to attempt to pick technological winners and losers, which, particularly at early stages of a new technology, is inequitable, contrary to a key basis of the patent system that all technologies be treated equally, and something of a fool’s errand.

To take an example, polymerise chain reaction (PCR) is one of the most important invention of the late 20th century, purportedly invented as the eventual Nobel Prize winner while driving up the Pacific Coast Highway during which it came to him and he stopped to write it down on a fast-food napkin. Did this ingenious and critically important new technology “preempt” its
technological field sufficient to warrant denying a patent and the chance to disclose, commercialize and license it? Who was capable of looking in their crystal ball and predict what the breadth of that field was or would become?

You may also hear that “loosening” the recent rules around patent eligibility will give renewed concern about patent assertion entities, the so-called “patent trolls”, to obtain or rely on patents to intimidate small businesses and force inequitable and costly settlements. This is not to say that they weren’t for a time a real problem – indeed they were. The reality of the experience, however, demonstrated that the actual litigation of these efforts were few and far between, given more than 2-3 million patents in effect at any given time. The most notorious of them, who sent out a great number of infringement notices, never actually filed a complaint until pushed by authorities, and then it was only one or two against major companies, and not mom and pop end users. As the FTC report on the topic makes clear, this represented a minority of actual likely litigants.

This distortion of the system was disappointing and rightly a cause of concern. However, at the end of the day, these were adequately dealt with by various forces other than changing the patent laws, such as state attorneys general, who brought consumer actions, and appropriately forced settlements with the genuine bad actors relying on often newly enacted state unfair competition laws to deal with this fairly contained actual problem.² Also, if problems specific to

---

² It should also be noted that the Director Iancu, the current Director of the USPTO has referred to this “troll” narrative as follows: “Remarkably, in what I believe amounts to Orwellian ‘doublespeak,’ those who’ve been advancing the patent troll narrative argue that they do so because they are actually pro-innovation. That by their highlighting, relentlessly, the dangers in the patent system, they actually encourage innovation. Right…”
the actual troll problems arise again and cannot be dealt with by actions already being used, we can consider other solutions, targeted more specifically at the problem, rather than using the expensive elephant gun of invalidation under §101.

You will likely also hear that this proposed legislation will inevitably lead to higher prices for drugs and diagnostic tests, presumably because it may become more difficult to invalidate patents of questionable quality. However, it seems equally possible, if the statute is drafted correctly, that it will actually lead to better, higher quality patents, since presumably the rules will be better known and easier to apply. This should result in improved drafting, more skilled and efficient examination and PTAB review, greater ability of the courts to differentiate the good from the bad, and increased ease of understanding of the metes and bounds by competitors and the public.

It is paradigmatic that most businesses highly value certainty, among other possible scenarios, primarily to facilitate their planning, budgeting and investment. This certainty of the rules, however, also benefits the public, who should value it, as well, allowing all to know what is in and what is out of the boundaries of patent eligibility. Unfortunately, the current rules are unnecessarily ambiguous and uncertain, and this uncertainty ends up serving no one at the end of the day, least of all the system as a whole, long considered the global “gold standard” of patent systems.

I applaud the Subcommittee members, especially Chairman Tillis and Ranking Member Coons, and their very talented and dedicated staffs, as well as members of the related Committees in the House, for their commitment to
taking on this issue, and for quality of the work product which the Subcommittee has promulgated. While not yet complete, and certainly and appropriately open to continued discussion and debate, it represents a very good step forward, which I and others look forward to continuing to work with you on it.

**Background**

The question of eligibility has been present from the very first patent statutes. For example, the 1793 Patent Act stated that a patent may be granted to any person or persons who:

> “allege[s] that he or they have invented any new and useful art, machine, manufacture or composition of matter, or any new and useful improvement on any art, machine, manufacture or composition of matter. . . .”

Over time, however, in their case law, the Supreme Court developed “exceptions” to patent eligibility, including, but variously worded, as “laws of nature”, “naturally occurring phenomena” and “abstract ideas. A leading case of that era exemplifying this is *O’Reilly v. Morse*, 56 U.S. (15 How.) 62 (1853), in which the Court interpreted the patent eligibility of Samuel Morse’s code for use on the telegraph.

---

3 Stat. 318, 319 § 1 (1793). The term “art” was eventually interpreted as “process” in 1952 Act legislative history. (See below).
This lasted generally until the 1952 Patent Act, usually cited as the most significant revision to the patent laws in our history. The 1952 Act, written by two of the most prominent patent experts of the day, Pasquale “Pat” Federico the Examiner-in-Chief of the USPTO, and Giles Sutherland Rich, the President of the New York Intellectual Property Law Association. Rich also went on to be the most famous and longest-serving judge dealing with patents, serving for 40 years on the Court of Appeals for the Federal Circuit (“CAFC”) and its predecessor court.

Among other things, Federico is credited for providing the quotation said to underlie the scope of patentable subject matter under United States law when he testified before a House subcommittee in 1951. At that hearing, he stated that "under section 101 a person may have invented a machine or manufacture, which may include anything under the sun that is made by man," so long as it satisfies the other requirements of the patent statute.⁴

As Rich, later Judge Rich, wrote about the importance of the 1952 Act to more rigorously defining the legal concept of “invention”, than the ones which various district and regional appellate courts had imposed up until that time:

“These standardless terms and tests created wildly disparate approaches to determine sufficiency for ‘invention,” and that "judges did whatever they felt like doing according to whatever it was that gave the judge his feelings — out of the evidence coupled with his past mental conditioning — and then selected those precedents which supported his conclusions.”⁵

⁴ The phrase is believed to have been derived from Ecclesiastes, 1:2-9, 14.
The 1952 Act specifically sought to cure by this problem by introducing the new §103, for the first time imposing a patentability requirement of “non-obviousness”. As CAFC Judge Lourie observed in his CAFC en banc opinion in CLS Bank International. v. Alice Corp⁶, in which he reviewed the history of the 1952 Act and the problems noted above by Judge Rich:

“The 1952 Act focused its central purpose on correcting this systemic problem. ‘One of the great technical weaknesses of the patent system’ prior to 1952 was ‘the lack of a definitive yardstick as to what is invention.’ Victor L. Edwards, Cong. Research Serv., Efforts to Establish a Statutory Standard for Invention, at 2 (1958) (Study on Standard for Invention)…. ‘The drafters of the present statute did their best to take out of the law the undefinable concept of “invention.” Whether lawyers will now take advantage of the terminology ... and stop talking nonsense is up to them.’⁷

“After deliberate effort, the 1952 Act replaced any need for an ‘invention’ or ‘inventiveness’ measure with an objective test for ‘obviousness’ in Section 103. See Dann v. Johnston, 425 U.S. 219, 225-26, 96 S.Ct. 1393, 47 L.Ed.2d 692 (1976)…Thus, the central thrust of the 1952 Act removed "unmeasurable" inquiries into "inventiveness" and instead supplied the nonobviousness requirement of Section 103.⁸

In the next decade, with the rise of such emerging technologies as the programmable computer and, more particularly it associated software, and biotechnology, in particular genomics such as genetically-modified organisms, the Court would turn to the issue of inventiveness, this time in the context of

---

⁶ 717 F.3d 1269 (2013). This was the appellate opinion which led to the Supreme Court’s own opinion in this case, discussed below.
⁸ CLS v. Alice Corp. at 1296.
eligibility, despite the belief that §103 was meant to cure issues of what constituted an invention.

With regard to computer-related inventions, the Court issued a series of cases between 1972 and 1981 often called the “Patent Eligibility Trilogy. These began to be considered in the early years of software development. For example, Microsoft has just been founded in 1975, and IBM had begun to deal with the issue at around the same time. The primary issue, as framed in these cases at the time, concerned whether mathematical algorithms as used in computers or used by computers to direct processes such as manufacturing were “abstract ideas”. The evolution in these cases generally mirrored development and economic importance of software.

_Gottschalk v. Benson_, 409 U.S. 63 (1972) concerned a method for converting binary-coded decimal numerals into pure binary numerals on a general purpose digital computer. USPTO had rejected and CAFC reversed. USPTO appealed to Supreme Court, which reversed and held ineligible. The Court stated that the case concerned a process claim directed to a numerical algorithm, as such. In their view, it was not patent eligible because "the patent would wholly pre-empt the mathematical formula and in practical effect would be a patent on the algorithm itself", and, therefore, would be allowing a patent on an abstract idea.

In _Parker v. Flook_, 437 U.S. 584 (1978), the question was whether an alarm limits process used in catalytic converters, which converters were generally known in the prior art, became patent eligible if it used a different algorithm from that in the art. Again, the USPTO had rejected, CCPA reversed and held the claims eligible under §101. And again, the Supreme Court reversed and held ineligible, the Court holding that the invention was patent eligible only if there is some other "inventive
concept in its application." The algorithm itself must be considered as if it were part of the prior art, and the claim must be considered as a whole.

Finally, in *Diamond v. Diehr*, 450 U.S. 175 (1981), the applicant claimed a process for curing rubber using which is computer-controlled and uses a specific algorithm to yield the desired specification of the rubber. Once again, the claims were rejected by the USPTO as ineligible, and were reversed by the CCPA finds them eligible. This time, however, the Supreme Court upheld patent eligibility, apparently recognizing the importance of protecting a now highly valuable technology.

The Court carefully avoided overruling *Gottschalk* and *Flook*, but criticized their methodology, in particular for not considering the claims as a whole, and only considering “new” elements. They also, sought to distinguish §101 eligibility from §§102/103 prior art patentability.⁹

In the biotechnology area, in *Diamond v. Chakrabarty*, 447 U.S. 303 (1980), decided the year before *Diehr*, the Court took up the question of the patent eligibility of genetically-modified living organisms, a much-debated issue at the time, in this case bacteria used for petroleum pollution remediation. As in software cases, the USPTO was reluctant to move forward and refused to grant patent, but the CCPA reversed.

---

⁹ Section 101 "was never intended to be a `standard of patentability,' the standards, or conditions as the statute calls them, are in 102 and 103". *Id*, at 450 U.S. at 189-90. This is why I draw the distinction between eligibility and patentability in this testimony.
In this case, the Supreme Court agreed with the CCPA, and found the claims to be directed to a patent-eligible, in a strict statutory reading of §101. Writing for the Court, Chief Justice Burger articulated the now-famous maxim:

“Congress ha[s] intended patentable subject matter to include anything under the sun that is made by man”.

He also expressed the Court’s view of the meaning of §101 eligibility and its scope:

“We have cautioned that courts "should not read into the patent laws limitations and conditions which the legislature has not expressed." United States v. Dubilier Condenser Corp, 289 U.S. 178 (1933)….In choosing such expansive terms as "manufacture" and "composition of matter" modified by the comprehensive "any", Congress plainly contemplated that the patent laws would be given wide scope.” (emphasis added).

During the “dot-com boom” of the mid-to-late 1990’s the confluence of information technologies and new financial service innovations led to the USPTO issuing patents on so-called “Business Method Patents” or “BMP’s”. In the seminal case, State Street Bank and Trust Company v. Signature Financial Group, Inc., 149 F.3d 1368 (Fed. Cir. 1998), the CAFC addressed the question of BMP and software patent eligibility.

The patent in question claimed a “hub and spoke” financial services process, in which the "spokes" were mutual funds that pool their assets in a central "hub". The USPTO had issued the relevant patent and this was appeal of an infringement action in which patent ineligibility was asserted as a defense.
In his opinion for a unanimous panel, Judge Giles Rich, who some 45 years earlier had helped right §101 in the 1952 Act, held that “software” is per se eligible, and that he finds no “business method exception” in §101. In doing so, he applies a test which came to be known as the “useful, tangible and concrete result” test to find eligibility. Notably, the Supreme Court did not take certiorari and let the opinion stand.10

After Diehr and Chakrabarty, the Supreme Court went quiet on §101, and accordingly, most stakeholders and patent professionals believed the state of patent eligibility articulated in those cases had generally settled the law in this area and could rely on it.

However, in the 2000’s several things began to occur. First, there was a significant increase in the number of software and BMP patents – albeit generally matching the increased economic importance of software. Secondly, the economic importance of patents increases significantly, causing corporate patent strategies in particular, to assume a greater role in a company’s overall strategic planning.

Additionally, in 2000, the National Academies of Science undertook an initiative which came to be known colloquially as the “Millennium Study”, whose mission was to review and make recommendations, including possible statutory changes, in the U.S. patent system. This led ultimately, and after many revisions, to the Leahy-Smith America Invents Act of 2009.

---

10 I was Director at the time, and in response the USPTO introduces Business Method Initiative (1999) to enhance the Office’s search and examine, and thereby further strengthen, the quality of BMP’s. This initiative included the so-called “second pair of eyes” or second level review of all BMP, and greatly enhanced examiner training and data base access in relevant classifications.
Also around this time, companies or groups which came to be known as “patent assertion entities” begin to assert their portfolios in certain ways, some highly criticized, and attracted attention of FTC and state attorneys general.

As one means to combat this, there was believed to have been funded an aggressive publicity campaign to promote idea that “patent trolls”, i.e. patent assertion entities, no matter the assertion method, were asserting “bad patents” in negative ways and needed to be reined in. However, there are those who also came to believe that a collateral reason for this campaign may have been an attempt to keep smaller patent-holding entities from troubling larger ones on core software related technologies.

**The Recent Supreme Court Jurisprudence and its Issues.**

Traditionally, since *Chakrabarty/Diehr*, the CAFC had referred to §101, and the major stakeholders and practitioners believed it to be, a "coarse filter", which standard was easy to meet and under which applicants were imposed very few USPTO rejections. See, e.g. *Research Corporation Technologies, Inc. v. Microsoft Corp*\(^\text{11}\).

However, by 2010, the Supreme Court decided to get back into §101 jurisprudence, and rendered four patent eligibility-related decisions between 2010 and 2014. These cases form the basis of the issues we are discussing today.

In *Bilski v. Kappos*, 561 U.S. 593 (2010), the Court considered the patent eligibility of a method for optimizing a fixed bill system for energy markets, as

\(^{11}\) 627 F.3d 859, 869 (Fed.Cir.2010).
well as the CAFC’s “machine or transformation” test, which they had substituted for the “useful, tangible or concrete result” test of State Street.

Unfortunately the Court was badly split and in its several opinions, reaching several somewhat contradictory conclusions. In his opinion for the Court, Justice Kennedy secured 5 votes for all sections but 2, which Justice Scalia opted out of, joining Justice Breyer’s concurrence on one section. Kennedy reviewed the Court’s opinions in Gottshalk and Parker v. Flook, and held that both cases refused to use the “machine or transformation test” as the only test of eligibility. However, he also rejected a categorical eligibility exclusion of business method patents, reasoning that the definition of "process" in § 100(b) includes the word "method," which appears to comprehend some forms of business method patents.

On the other hand, he held that this invention was ineligible as an “abstract idea” and stated that "this Court by no means desires to preclude the Federal Circuit’s development of other limiting criteria that further the Patent Act’s purposes and are not inconsistent with its text."

Finally, in his plurality opinion, which Justice Scalia did not join, he stated that strict adherence to only,

"the machine-or-transformation test would create uncertainty as to the patentability of software, advanced diagnostic medicine techniques, and inventions based on linear programming, data compression, and the manipulation of digital signals… [but]… the Court today is not commenting on the patentability of any particular invention, let alone holding that any of the above-mentioned technologies from the Information Age should or should not receive patent protection."
But he then went on to say that, despite his earlier comments on BMP’s, they might not be eligible if they were on the idea that purely abstract ideas are not patentable, without defining in either opinion what he meant by “abstract”.

Justice Breyer filed a concurring opinion, the second section of which also received 5 votes, Justice Scalia having joined this section, causing further confusion as to the Court’s rules on eligibility. In that section, he stated that "transformation and reduction of an article to a different state or thing is the clue to the patentability [sic] of a process claim that does not include particular machines", and "while the machine-or-transformation test has always been a 'useful and important clue,' it has never been the 'sole test' for determining patentability [sic]. (emphasis added.)

The Court next turned to life sciences technology eligibility, more specifically, medical diagnostic testing, a scientifically and financially important category of life science innovation. In the case of Mayo Collaborative Services v. Prometheus Laboratories, 566 U.S. 66 (2012), the patent claims were directed to a method of giving a drug to a patient, measuring metabolites of that drug, and knowing what the threshold for the efficacy of that drug, deciding whether to increase or decrease the dosage of the drug.

Prometheus was the exclusive licensee of these patents and sold diagnostic kits based on them. Mayo bought and used these kits until 2004, when it decided to offer its own diagnostic tests to its clients at the Mayo clinic and worldwide, without buying the kits from Prometheus, and so Prometheus sued for infringement and Mayo interposed a defense of ineligibility Reversing the CAFC, which had
held the claims eligible on remand in view of *Bilski*, the Court held unanimously that the claims were not patent eligible under §101.

The Court held that the claims encompassed an ineligible "natural law" and found the first two steps to be not "genuine applications of those laws[, but] rather ... drafting efforts designed to monopolize the correlations." The court said,

"Because methods for making such determinations were well known in the art, this step simply tells doctors to engage in well-understood, routine, conventional activity previously engaged in by scientists in the field. Such activity is normally not sufficient to transform an unpatentable law of nature into a patent-eligible application of such a law."

The Court also articulated its belief that, when a process involves a natural law or abstract idea, it must also contain an "inventive concept," which they defined as "other elements or a combination of elements ... sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the natural law itself." Id. at 1294.

Perhaps acknowledging the controversy this opinion would engender in the life sciences community, the Court stated: “We need not determine here whether, from a policy perspective, increased protection for discoveries of diagnostic laws of nature is desirable.”

However, perhaps inviting the review which you are undertaking today, he stated that “we must recognize the role of Congress in crafting more finely tailored rules where necessary....”
The next year, the Court confronted the controversial issue of the patent eligibility of genomic inventions, which had become significantly more important since the completion of the Human Genome Project a decade before. The USPTO had been issuing patents on these type innovations as “compositions of matter” under a very detailed set of utility guidelines and deposit requirements in place since the late 1990’s, so long as the genomic inventions claimed compositions which had been isolated and purified from their natural state. Accordingly, many patentees and their licensees had come to rely on these patents as they developed and grew their businesses, especially again in the field of diagnostics.

In *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576 (2013), the Court considered the eligibility of isolated DNA sequences, methods to diagnose propensity to cancer by looking for mutated DNA sequences, and methods to identify drugs using isolated DNA sequence. Relying heavily on *Chakrabarty*, the CAFC had held that isolated DNA that does not exist alone in nature and were isolated and purified can be patented and that the drug screening claims were valid, but that Myriad's diagnostic claims were unpatentable, and again reiterated that opinion on remand from the Supreme Court in view of *Mayo*.

Again, the Supreme Court reversed the CAFC. Justice Thomas, in essence, seemed to be trying to “split the baby”, basically holding that, despite almost two decades of practice to the contrary, "a naturally occurring DNA segment is a product of nature and not patent eligible merely because it has been isolated, but [so-called complementary DNA (cDNA)] is patent eligible because it is not naturally occurring." Tellingly, while Justice Scalia concurred in the result, he filed a concurrent opinion basically admitting that he basically did not understand
the science from his own knowledge, but relied on the teaching of various amicus briefs.

Several commentators faulted the science relied upon in the Court’s opinion, as well as perhaps one of the public policy arguments, i.e. preemption, which may have affected that decision, noting that while it might result in greater access and lower prices for the particular diagnostic at issue, it also had the significant potential to reduce the incentive to discover and develop alternative or additional genetic diagnostic tests.

Finally, in *Alice Corp. v. CLS Bank International*, 573 U.S. 208, 134 S. Ct. 2347 (2014), the Court brings us to where we are today. In *Alice*, the claims at issue concerned a process for facilitating computer-implemented, electronic financial-trading service transactions in which trades between two parties seeking to exchange payments, are settled by a third party in ways that reduce "settlement risk", i.e. the risk that one party will perform while the other will not. It also contained so-called “Beauregard”\(^1\) claims, i.e a tangible “article of manufacture”, and a computer-readable medium, such as a computer disk or other data storage device, coupled with a computer program, i.e. software, and computer-systems claims.

The CAFC fractured badly in their *en banc* opinions below, various groupings of judges finding some claims patent eligible or not, depending primarily on what category of invention they were drawn to.\(^1\) Significantly, Judge Moore, in her

\(^1\) In re Beauregard, 53 F.3d 1583 (Fed. Cir.1995).

\(^1\) The Chief Judge at the time, Randall Rader, has referred to the CAFC’s inability to command a majority opinion in *Alice* as “the biggest failure of his career” [https://www.reuters.com/article/us-usa-](https://www.reuters.com/article/us-usa-).
dissent joined by 3 other judges (another judge, Judge Newman, would have held all claims patent eligible, yielding the 5-5 tie on the systems claims \(^{14}\)), addressed the issue we address today:

“I am concerned that the current interpretation of § 101, and in particular the abstract idea exception, is causing a free fall in the patent system. The Supreme Court has taken a number of our recent decisions and, in each instance, concluded that the claims at issue were not patent-eligible. See Bilski, Prometheus, Myriad (under consideration)….holding that [all claims] are all patent-ineligible under § 101. Holding that all of these claims are directed to no more than an abstract idea gives staggering breadth to what is meant to be a narrow judicial exception. And let’s be clear: if all of these claims, including the system claims, are not patent-eligible, this case is the death of hundreds of thousands of patents, including all business method, financial system, and software patents as well as many computer implemented and telecommunications patents.\(^{15}\)

Chief Judge Rader went so far as to include a section entitled “Reflections” in which he expressed his belief that the Supreme Court (and several of his colleagues) had, among other things, strayed for the plain meaning of §101 in it interpretation of “abstraction” and represented a retrenchment on what he viewed as the settled law of *Diehr* and *Chakrabarty*, decided some twenty years before.\(^{16,17}\)

---

\(^{14}\) In her dissent, albeit from a 5-5 split, Judge Newman stated: “I propose that the court return to the statute, and hold that when the subject matter is within the statutory classes in section 101, eligibility is established. This conforms with legislative intent. See *Diamond v. Chakrabarty*, 447 U.S. 303, 308, 100 S.Ct. 2204, 65 L.Ed.2d 144 (1980) ("In choosing such expansive terms as ‘manufacture’ and ‘composition of matter,’ modified by the comprehensive ‘any,’ Congress plainly contemplated that the patent laws would be given wide scope.").” Id, at 1327.

\(^{15}\) Id at 1313.

\(^{16}\) Id at 1335.

\(^{17}\) The fracturing of the CAFC and the varying opinions on the scope of §101 and the Supreme Court’s exceptions are instructive for another reason: it highlights the debate we continue to have over the Supreme Courts holdings and analytical framework in this area. These CAFC judges see probably 100 patent cases a year. If they cannot reach consensus on the §101 scope, it only reinforces the need for Congressional intervention.
The Supreme Court upheld the plurality opinion of CAFC. In so doing, they set the course for the discussion we are having today.

Despite the *amici* almost begging the Court to set down a definitive rule, the Court in *Alice* basically declined. The basic holding of the Court was that adding a computer to an “abstract” idea was not patent eligible, a proposition on which few would disagree. Unfortunately, it did two additional things. First, it basically reduced it analysis of the invention to its most basic terms, the “gist” as it was sometime called, in this case an escrow performed on a computer. It then held that escrow was an abstract idea, in other words failing to consider the claims as a whole. In so doing, however, Justice Thomas declined to provide a working definition what the Court felt “abstract” meant:

“In any event, we need not labor to delimit the precise contours of the ‘abstract ideas’ category in this case. It is enough to recognize that there is no meaningful distinction between the concept of risk hedging in Bilski and the concept of intermediated settlement at issue here. Both are squarely within the realm of ‘abstract ideas' as we have used that term.”\(^\text{18}\)

Secondly, and more importantly for today’s discussion, the Court purported to set up an analytical framework for divining “abstractness”, relying particularly on their own decision in *Mayo*.

In the first step under *Mayo*, a court must determine whether the asserted patent claim contains an abstract idea, such as an algorithm, method of computation, or other general principle. If it does, that is the end of the analysis – the claim is not patent eligible. If it is not or does not contain an abstract idea, the claim is

\(^{18}\) *Alice*, 134 S. Ct. at 2357 (2014)
potentially patentable, subject to the other requirements of the patent code, and the court proceeds to the second step.

In the second step of the analysis, the court must determine whether the patent adds to the idea "something extra" that embodies an "inventive concept." ("We have described step two of this analysis as a search for an "'inventive concept—i.e., an element or combination of elements that is 'sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.'").

If there is no addition of an inventive element to the underlying abstract idea, the court should find the claim ineligible under § 101.

Criticism of the cases, in particular the so-called Alice/Mayo framework has been strong and on-going. The first criticism of Alice came very quickly, and focused on what it did not say, especially Justice Thomas’s punt on the definition of “abstract”, and his analytical framework. Among many critics of and commentators on the decision, the Washington Post probably said it the most succinctly:

“[W]hile the court struck down what was universally said to be a bad patent, it didn't do much to say what kinds of software should be patentable. In other words, the court decided the most basic conflict in the case, but more or less declined to offer guidance for other, future cases.”

Or as two well-known academics in this area, Prof. Robert Merges at Berkeley and Prof. John Duffy at UVA, neither usually seen as partisans on the topic said:

19 134 S. Ct. at 2355.
"To say we did not get an answer is to miss the depth of the non-answer we did get." and "[T]he Supreme Court has been remarkably resistant to providing clear guidance in this area, and this case continues that trend."

Other criticisms have pointed out that it has been hard to apply consistently. The CAFC jurisprudence since *Alice* has reinforced that, as have a number of district courts who have considered the issue. To get a flavor of that, please see the following exemplary CAFC opinions: *Enfish*\(^{20}\), *BASCOM*\(^{21}\), *McRO*\(^{22}\), *Thales*\(^{23}\), and *Visual Memory*\(^{24}\). An excellent and very complete listing of some 64 cases decided since *Bilski* and their outcome, which also highlights the challenge in interpretation and eligibility, can be found here. [https://www.bitlaw.com/patent/section-101-cases.html](https://www.bitlaw.com/patent/section-101-cases.html). Of those 64, in only 17 was eligibility upheld.

A second criticism the *Alice*/Mayo approach is that important and valuable technologies have been left unprotected, ultimately resulting in these technologies stunted. This is particularly true in the life sciences and biotechnology, which has been pointed out by the CAFC in several opinions.

In *Sequenom v. Ariosa*, the CAFC upheld the district court’s holding of ineligibility under *Mayo*. Unfortunately, the technology in this case was a critically important new technology the invention of which, is the basic invention is the discovery of a fetal DNA marker in the amniotic fluid of a pregnant woman using PCR technology and a diagnostic method for using that discovery. The previous method involved inserting a needle into the fetus itself, with the resulting pain and possibility of miscarriage.

---

\(^{20}\) *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016)  
\(^{21}\) *BASCOM Global Internet v. AT&T Mobility*, 827 F. 3D 1341 (Fed. Cir. 2016)  
\(^{23}\) *Thales Visionix, Inc. v. United States*, 850 F.3d 1343 (Fed. Cir. 2017)  
\(^{24}\) *Visual Memory v. NVIDIA Corp.*, 867 F.3D 1253 (Fed. Cir. 2017)
As Judge Linn said in his concurring opinion:

“I join the court’s opinion invalidating the claims of the ’540 patent only because I am bound by the sweeping language of the test set out in Mayo Collaborative Services v. Prometheus Laboratories, Inc., 566 U.S. ___ , 132 S. Ct. 1289 (2012). In my view, the breadth of the second part of the test was unnecessary to the decision reached in Mayo. This case represents the consequence—perhaps unintended—of that broad language in excluding a meritorious invention from the patent protection it deserves and should have been entitled to retain.”

He further criticized the actual analytical framework of the Supreme Court in *Mayo*:

“In applying the second part of the test, the Supreme Court in Mayo discounted, seemingly without qualification, any “[p]ost-solution activity that is purely conventional or obvious,” id. at 1299 (original alterations omitted). This was unnecessary in Mayo, because doctors were already performing in combination all of the claimed steps of administering the drug at issue, measuring metabolite levels, and adjusting dosing based on the metabolite levels, id.”

Many observers expected the Supreme Court to grant certiorari in this case, and revisit the effect of its Mayo decision; the CAFC opinions even seeming to tee that up. Once again, however, the Supreme Court declined.

In a similar recent case, *Athena Diagnostics v. Mayo*\(^{25}\), the CAFC again held a valuable, new and non-obvious medical diagnostic for certain previously-un diagnosable myasthenia gravis to be ineligible. However, this time it engendered a vigorous dissent:

“This court’s decisions on the patent-ineligibility of diagnostic methods are not consistent, and my colleagues today enlarge the inconsistencies and

---

exacerbate the judge made disincentives to development of new diagnostic methods, with no public benefit. I respectfully dissent. The claims are for a multi-step method of diagnosis, not a law of nature.”

In response, the majority replied in a footnote:

“The dissent states much that one can agree with from the standpoint of policy, and history, including that ‘the public interest is poorly served by adding disincentive to the development of new diagnostic methods.’ Dissent at 12. We would add further that, in our view, providing patent protection to novel and non-obvious diagnostic methods would promote the progress of science and useful arts.”

“But, whether or not we as individual judges might agree or not that these claims only recite a natural law, cf. Berkheimer v. HP Inc., 890 F.3d 1369, 1374 (Fed. Cir. 2018) (Lourie, J., concurring in the denial of rehearing en banc) (discussing traditional laws of nature such as ‘Ohm’s Law, Boyle’s Law, [and] the equivalence of matter and energy’), the Supreme Court has effectively told us in Mayo that correlations between the presence of a biological material and a disease are laws of nature.”

This jurisprudence has affected the CAFC in several negative ways. As seen in the cases discussed above, they illustrate the unfortunate result that the CAFC has ruled one way because of the Supreme Court cases, but stated the result was inequitable and should have held otherwise. As noted above, there are also sometimes inconsistent opinions. This has been particularly noted in the information technology and computer-related cases. It has also resulted in the related problem of apparent panel dependency, introducing additional significant uncertainty into the CAFC’s own jurisprudence. It has resulted in open criticism of the Supreme Court, further aggravating relations between the Courts, with very little ability to resolve the differences.
Additionally, the inability of certain innovations and the confusing nature of the jurisprudence have caused innovation investment moving to other jurisdictions. It has been widely noted that the U.S. biotechnology industry was jump started by *Chakrabarty* has waned under the recent series of §101 cases. However, now it is believed that it is easier to get software and life sciences patents in Europe and China, where previously the U.S. was the leader in expansive patent protection.

Finally, it seems certain that the uncertainty bred by the muddled jurisprudence has ultimately resulted in lowered public confidence in the patent system itself. Several recent studies by the U.S. Chamber of Commerce have evaluated the U.S. patent system against those of other countries. While in the last year, the U.S. has bounced back into the top 5, for a number of years before that our system was ranked in the mid-teens, similarly to Hungary, and eligibility uncertainty was cited as a major negative factor. (As for this year’s improvement, it’s possible that the recent changes introduced by Director Iancu in dealing with this uncertainty at the USPTO may be responsible.)

The uncertainty has also had a telling effect on the USPTO. It is forced to constantly reinterpret varying jurisprudence with resulting uncertainty during examination. Moreover, as most examiners are not lawyers, it results in non-lawyers applying sophisticated and complex legal concepts and standards (§101 is a matter of law), with and additionally costly and time consuming re-training being required.

Several recent Directors have attempted to look at and potentially ameliorate the impact of this uncertainty on the USPTO. In the Obama Administration, Director
Lee convened several hearings on §101, covering both suggestions for substantive reform generally and then-current USPTO interpretation and implementation. Moreover, she initiated hearings and guidance specially directed to interpreting *Mayo/Myriad* in light of certain life sciences technologies.

To his great credit, current Director Iancu has pursued this even further, having begun to implement new directives for use by the USPTO and, by extension, the public, to actually address some of the concerns expressed.

First, in his so-called “Berkheimer Memorandum”\(^{26}\), in which the Office was instructed on how to implement the holding in *Berkheimer v. HP, Inc.*,\(^{27}\) As stated in the Memorandum the intent was to specifically “provide clarification as to the inquiry into whether an additional element (or combination of additional elements) represents well-understood, routine, conventional activity…[following]…the Federal Circuit [holding] that ” [w]hether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination.”\(^{28}\)

Even more to the point, the USPTO has issued specific §101 and §112 Guidance\(^{29}\), representing a very positive and well-reasoned attempt to reconcile Supreme Court and CAFC jurisprudence in this area, particularly how to determine whether claims were in an excluded category and how to interpret what was meant by the phrase “directed to” in the *Alice/ Mayo* framework. Additionally, Director Iancu made it

\(^{26}\) [https://www.uspto.gov/sites/default/files/documents/memo-berkheimer-20180419.PDF](https://www.uspto.gov/sites/default/files/documents/memo-berkheimer-20180419.PDF)

\(^{27}\) 881F.3d1360 (Fed. Cir. 2018).

\(^{28}\) Id. at 1369.

clear that this Guidance applies to the entire USPTO, i.e. Patent Office and PTAB, which hopefully will now conform to single standard.

Tellingly, the USPTO’s recently-issued §101 Guidelines were premised on the current Director’s concern that he found the ability of the Office to apply Alice/Mayo consistently was compromised. Upon issue, Direct Iancu stated in announcing the Guidance:

“These guidance documents aim to improve the clarity, consistency, and predictability of actions across the USPTO,” said Under Secretary of Commerce for Intellectual Property and Director of the USPTO Andrei Iancu. “The USPTO will provide training to examiners and administrative patent judges on both documents to ensure that guidance is being properly administered.”

The “2019 Revised Patent Subject Matter Eligibility Guidance” made two primary changes to how patent examiners apply the first step of the U.S. Supreme Court’s Alice/Mayo test, which determines whether a claim is “directed to” a judicial exception.

The challenge the USPTO has and has had is clearly illustrated by his detailing of how they are to be applied.

To have some 10,000 examiners and 250 Administrative Patent Judges trained on this examination process, applying a legal standard effectively when the vast majority of examiners are not attorneys, and to do it consistently across all technologies is, to put it mildly, a very ambitious undertaking.
However, while an excellent step in the right direction of providing clarification and direction, this Guidance obviously has its limitations. Specifically, the USPTO is still interpreting a flawed and confusing jurisprudence and analytic frameworks. They are also hampered somewhat by their continued lack of substantive rule-making authority in this area.

**Need for legislative action**

Why is there a need for legislation right now? It should be remembered, that in light of *Alice*, there was a substantial increase in patent invalidation and a strongly heightened difficulty of getting applications in relevant classifications allowed. One study found that there were examiners and classifications which did not allow a single application over a two-year period because of *Alice*.

All of this initially led to a fairly wide-spread belief that clarity and relief was needed, but that the best way to achieve was waiting to see how the courts, and the CAFC in particular, would handle *Alice*, in the hope that they would bring this needed lucidity.

Fairly recently, however, it became clearer that the judicial route was not likely to yield a consistent result nor Supreme Court relief. As noted above, CAFC judges themselves criticized the current situation and stated that Congressional intervention was needed. Again, too, as noted above, the Supreme Court has had
some 42 certiorari opportunities itself since Alice was decided and has declined to take any of those cases.\textsuperscript{30}

There accordingly then developed a general agreement among major stakeholders and opinion leaders that the best way to achieve §101 reform would be legislatively, which in many ways, brings us to today.

There have been a number of developments along these lines recently:

- As you will no doubt hear from them, several major stakeholder organizations, i.e. AIPLA, IPO, and ABA IPL Section prepared draft legislation, and in the IPO and AIPLA’s case, a joint proposal was eventually adopted.

- Several prominent members of Congress, e.g. the Subcommittee’s Ranking Member, and Rep. Stivers of Ohio, indicated publically that they were open to the idea of legislative reform, albeit urging that there be general stakeholder consensus on a single version.

- There was a significant increase in conferences, speeches, resolutions, other public fora discussing the challenges in Alice and §101 generally.

- The reconstitution of the Intellectual Property Subcommittee in the 116\textsuperscript{th} Congress, the agenda of which was indicated that consideration of §101 reform would be a priority of the Subcommittee.

\textsuperscript{30} However, it should be noted that they have recently asked for the Government’s views in two cases, the Berheimer case noted above, and in the case now-titled, Hikma v. Vanda, originally cited as Vanda Pharmaceuticals, Inc. v. West-Ward Pharmaceuticals International Ltd, 887 F.3d 1117. It seems possible that the effort undertaken by the Congress may be influencing the Supreme Court to revisit the issues raised here, which is a positive reason to continue to review the issue and propose legislative reforms.
Finally, the convening of the four §101 Roundtables seeking stakeholder and IP leader input on §101 reform legislation and what it might look like, including the recent draft of potential legislation.

**Reactions to the Current Draft**

You have asked for our reactions and input, even at a granular level, to the current draft. Accordingly, I would note the following.

It is an excellent initial draft for its simplicity, structural reliance on the current statute, clarity, and success in achieving and reconciling a variety of sometimes competing goals or concerns. Specific positive developments include:

- A reversal of previous plan to have a “list” of various exclusions.
- The declared goal of elimination of the Supreme Court’s exclusion categories.
- Clear abrogation on all cases “establishing or interpreting” those exceptions.
- No apparent reliance on or use of pre-emption as a grounds for exclusion or invalidation under §101.
- Greater emphasis on “usefulness” in the §101 analysis.
- Elimination of “new” in the current §101.
- The rule of interpretation requiring that the provisions of §101 “shall be construed in favor of eligibility”.

There are a few questions, concerns or and suggestions for amendment or clarification that I would like to raise:
- The proposed revised §100 definition of “utility” uses the word “practical” in “specific and practical utility”. One question is whether “practical” implies the invention has to meet some undefined standard of practicality or even working. Will it simply be sufficient to have alleged what the utility is and of what practicality, or will some demonstration be needed? As a possible amendment consider using “substantial” from the Supreme Court’s Brenner or language from the USPTO “Utility Guidelines”.\(^{31}\)

- At the moment, the only technologies which are traditionally determined not to meet the current usefulness standard are those which are believed to violate physical laws, such as perpetual motion machines and inventions resulting in something exceeding the speed of light in practice. Will that still be considered roughly the same standard?

- In the same §101 definition of “useful”, the phrase “in any field of technology” is proposed. The meaning of this term has varied over time and in various contexts. For example, as the CAFC has noted the PTAB’s definition of “technology” for it CBM rules is tautological and not workable. Also, in Europe, there is a long-standing concept in their patent law of “technological effect”. It would be important to clarify the metes and bounds of this important word, perhaps in the legislative history, if not the statute.

- Regarding a specific issue on the question of “technology”, even Justice Kennedy allowed in Bilski that “business methods” were not per se ineligible, although he did urge the CAFC to apply a strict “abstract” test to them. He also acknowledged that the term is also used elsewhere in the

\(^{31}\) [https://www.uspto.gov/web/offices/pac/mpep/s2107.html](https://www.uspto.gov/web/offices/pac/mpep/s2107.html).
If “abstract” is no longer being applied, where is the boundary with regard to BMP’s, especially given their continuing growth in importance to financial services organizations. One possible approach would be to make clear that “technology” should be broadly interpreted and relate it the requirement for construing in favor of eligibility.

- With regard to “human intervention”, there may come a time with advanced artificial intelligence that those processes may result in innovation that would otherwise meet the novelty/non-obviousness standard. Will the “human intervention” requirement now in §101 via §100, result in these inventions be patent eligible, or would the fact that AI is a function or result of human intervention be sufficient? One suggestion might again be clarification in the legislative history and reliance on the broad construction requirement again.

- In the “Additional Legislative Provisions” section, the phrase “all cases establishing or interpreting those exceptions are hereby abrogated.” Several questions arise:
  
  o Use of the word “interpreting” the previous use of the exceptions is perhaps too broad. It could conceivably take in any cases where they are simply mentioned or references, including, for example Graham v. John Deere. An alternative phrase which might work better is “relying on” in place of “interpreting.” That would narrow and clarify that only it applies only to those cases that have used the exceptions to invalidate patents or disallow patent applications.
o Does this mean to it literally apply to all cases? Does that include the CAFC, the PTAB, the ITC, the district courts, the Court of Federal Claims, etc. If that’s what is meant, fine, but some additional consideration should be given to what might be the unintended consequences of that interpretation.

o Regarding the breadth of “abrogated”, do we have to articulate some exceptions, especially relating to aspects of patent prosecution to which this relates but is somewhat ancillary, such as obviousness-type double patenting, and certain interpretations of “utility”?

• This question, among others, also necessarily raised the question of retroactivity. I understand from the last Roundtable, that the staff is still considering the retroactive effect of the implementation of the new statute, and appreciate the arguments on either side. Perhaps a compromise might be to have it apply to all patent applications currently pending at the USPTO and all litigation for which there has not been a final, non-appealable determination, either in the federal courts, the PTAB, or the ITC.

• There has been concern voiced in the proposed revisions to §112 whether it affects certain technologies more than others. While the concerns of the high technology sector regarding over broad interpretations under current “means plus function” jurisprudence warrants attention, certain life sciences technologies may be more negatively affected due to the nature of their research and how its results are expressed in the patent application specification and examples, e.g. antibodies and certain diagnostics.
• Does it also mean that all method claims, for example in methods of treatment, are to be narrowed to just the text of the specification, the examples and their equivalents, especially considering that most stakeholders generally believe the doctrine of equivalents jurisprudence is currently overly narrow. Clarification would be helpful, perhaps including additional language.

• Regarding the first Additional Provision, that, as a matter of applied statutory interpretation, §101 shall be construed in favor of eligibility is a welcome addition. Others have suggested that how it is expressed or implemented may need to be discussed. Is it considered to be a matter of the burden of proof or applying the presumption of validity to the determination?

• Finally, in the last paragraph under Additional Legislative Provisions, it is very good to include, as you suggest, a provision that specifically points out that the issue of §101 eligibility is separate and distinct from issues of patentability, as specified in the Patent Act §§102, 103 and 112.

Conclusion.

In conclusion, I would like to reiterate my general support for this positive proposal that should go far in clarifying and resolving several major issues in the current Patent Act, particularly the interpretation and use of §101, and the great assistance this should give the USPTO in its work. My congratulations to the the Subcommittee, and especially the staff, for all their hard work to this point and
their cogent work product. Like others, I look forward to working with the Subcommittee as this project moves forward.

Q. Todd Dickinson
June 4, 2019
Mareesa Frederick

Mareesa Frederick focuses on complex, high-stakes intellectual property litigation, with a particular emphasis on Section 337 proceedings before the International Trade Commission (ITC). She was named by The Legal 500 U.S. as a Next Generation Lawyer for ITC patent litigation. Mareesa also has extensive experience counseling clients on pre-trial strategy, strategic licensing opportunities, and patent portfolios.
**Brief Bio of Q. Todd Dickinson**

Q. Todd Dickinson is Senior Partner at the law firm Polsinelli, PC, in Washington DC, where he heads the Intellectual Property Public Policy practice group. With almost 40 years of experience, Mr. Dickinson has a broad and unique background in all aspects of IP.

He previously served as the Undersecretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office under President Clinton. He was also Vice President and Chief IP Counsel of the General Electric Co., and most recently as the Executive Director of the American Intellectual Property Law Association (AIPLA), one of the largest IP organizations in the world.

He also served as Vice Chair of the IPL Section of the ABA, on the Executive Committee of the Intellectual Property Owners Assn., and is a Founding Board Member of the PTAB Bar Assn.

Having wide-ranging international IP experience, he is a frequent lecturer on IP topics and advisor to IP owners and policy makers around the world. Among many honors, Mr. Dickinson has been named to the IAM *Intellectual Property Hall of Fame* and has been listed a number of times as one of the “50 Most Influential People in IP”.
Dana Robert Colarulli is an attorney and senior government affairs professional with more than two decades of experience working on legal-related technology policy and intellectual property issues in and with the private sector, the Executive Branch and the U.S. Congress.

In various roles, he has served as a trusted advisor to corporate executives and government officials, managed and directed diverse teams that have led to the enactment of major intellectual property legislation, built coalitions to support policy positions and operational priorities, and proactively implemented strategic outreach and communications plans.

He most recently served as the Director of the Office of Governmental Affairs and served on the Executive Management team at the U.S. Patent and Trademark Office (USPTO). As the top legislative liaison at the Department of Commerce on Intellectual Property issues, Mr. Colarulli facilitated substantive patent, copyright and trademark and related policy discussions and advocated for USPTO operational priorities through two Administrations and nearly 10 years. Mr. Colarulli managed and grew a team at the USPTO to effectively engage Capitol Hill and build relationships with Members of Congress and other elected officials. Mr. Colarulli coordinated USPTO personnel to facilitate enactment of various legislative reforms including the 2011 American Invents Act (AIA), the Defend Trade Secrets act, and implementation bills for various trademark, patent and copyright treaties.

Prior to this role, Mr. Colarulli served as Director of Government Relations for the Intellectual Property Owners Association (IPO). He has worked in the U.S. Senate, in a DC-based Law Firm and at the U.S. Small Business Administration. He was born in Rhode Island and is a member of the Massachusetts Bar.

Revised: July 2019
Tom Stoll currently serves as Chief Counsel for the Minority to the House Judiciary Committee Subcommittee on Courts, Intellectual Property, and the Internet where he leverages decades of professional experience in government affairs, policy and litigation on behalf of the ABA, Boeing, PTO, law firm clients, the White House's IPEC office, and as a law clerk and staff attorney with the U.S. Court of Appeals of the Federal Circuit. Tom also served as a primary examiner at the PTO.