GSR Inn of Court

The New §101 Landscape: Surviving in an Anti-Patent Climate

FEBRUARY 22, 2018

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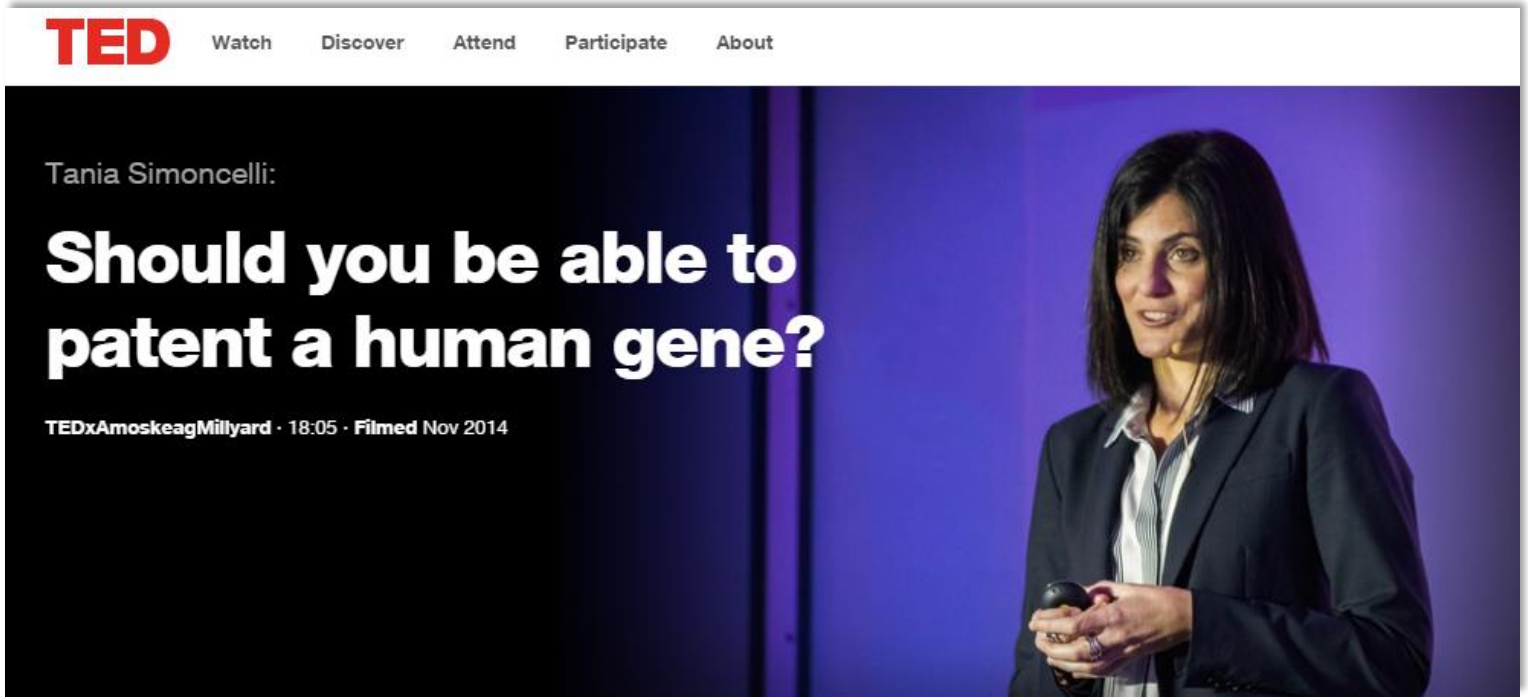
Policy Atmosphere Around 101

Continued Public Misperceptions

- **Should you be able to patent a human gene?**



Significant Curtailment of Biotech Patents

Mayo Collaborative Servs. v. Prometheus Labs., Inc.
566 U.S. 66 (2012)
(S. Ct. 2014) (Ginsburg, J.)

- **Claimed subject matter is <u>not</u> patent-eligible:**
  - If it is deemed "directed to":
    - a law of nature,
    - a natural phenomenon, or
    - an abstract idea
  - Unless the claim taken as a whole defines an "inventive concept" that is "significantly more" than the law of nature, natural phenomenon, or abstract idea itself.

- **Rationale for these exclusions is to prevent "improperly tying up the future use of these building blocks of human ingenuity".**

Significant Curtailment of Software Patents

Alice Corp. v. CLS Bank Int'l (S. Ct. Jun. 2014)

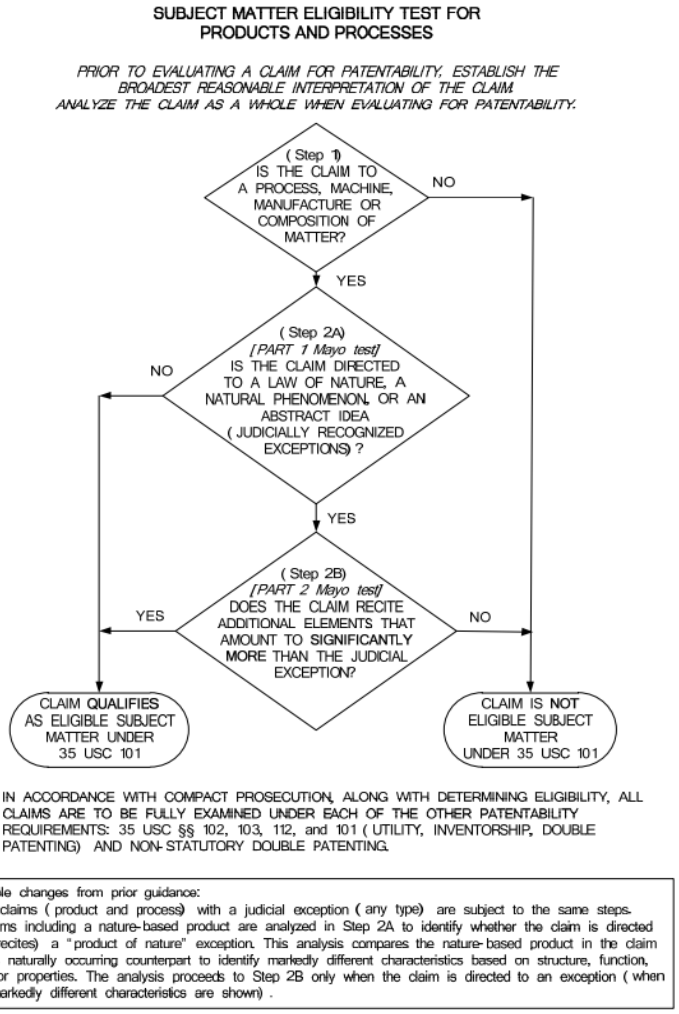
- **Held that operating a process on a generalized computer does not transform an abstract idea into a patentable invention.**
- **Relied on a two-step abstract idea test for subject matter eligibility:**
  1. Determine whether a claim is directed to an abstract idea; if yes, then
  2. Determine whether the additional elements of the claim are sufficient to transform the nature of the claim into a patent-eligible application.

35 USC § 101 – Inventions Patentable

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

The Two-Step Test is Not in the Patent Act

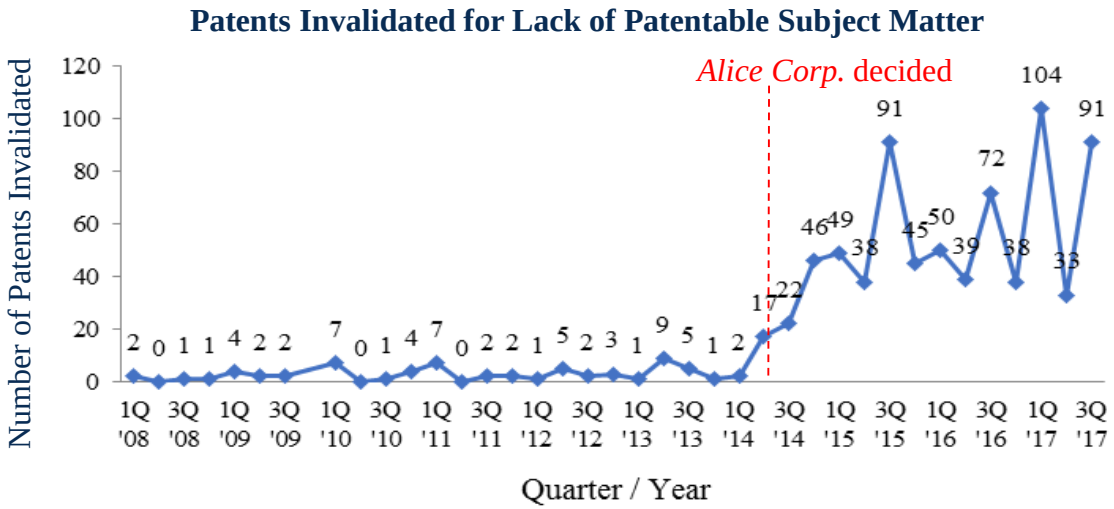
- **Section 101 of the Patent Act makes patent-eligible "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof".**
- **The Supreme Court says that its two-step test is based on an "implicit exception" to the Patent Act.**
- **So inventions that are eligible under section 101 are ineligible according to the Court.**



Alice Aftermath

Alice Corp. v. CLS Bank Int'l (S. Ct. Jun. 2014)

- **Despite an express warning in *Alice* to "tread carefully" in construing the exclusionary principle of unpatentable abstract ideas, lower courts and the USPTO have relied on *Alice* to a remarkable extent in order to invalidate software patents.**



Source: BilskiBlog.com by Robert R. Sachs, Fenwick & West LLP; Lex Machina

Weakening U.S. Patent System

U.S. TIED FOR 1ST PLACE IN RANKING OF PATENT SYSTEM STRENGTH *2016 Chamber Index*	U.S. FALLS to 10th PLACE IN RANKING OF PATENT SYSTEM STRENGTH *2017 Chamber Index Marks First Time U.S. Has Not Ranked #1*	U.S. FALLS to 12th PLACE IN RANKING OF PATENT SYSTEM STRENGTH *2018 Chamber Index*
CATEGORY 1: Patents, Related Rights, and Limitations	**CATEGORY 1: Patents, Related Rights, and Limitations**	**CATEGORY 1: Patents, Related Rights, and Limitations**
1. United States	1. United Kingdom	1. Singapore
2. United Kingdom	2. Switzerland	2. France
3. Switzerland	3. Sweden	3. Germany
4. Sweden	4. Germany	4. Ireland
5. Singapore	5. France	5. Japan
6. Germany	6. Japan	6. Netherlands
7. France	7. Spain	7. South Korea
8. Japan	8. Singapore	8. Spain
9. Italy	9. Italy	9. Sweden
10. Australia	**10. United States**	10. Switzerland
11. South Korea	11. Hungary	11. UK
12. Israel	12. South Korea	12. Italy
13. Taiwan	13. Taiwan	**12. United States**

Seven Way Tie

Leaky Life Rafts from the Federal Circuit

- ***Finjan, Inc. v. Blue Coat Systems, Inc.*, *Visual Memory LLC v. NVIDIA Corp.*, *Rapid Litig. Mgm. Ltd. v. CellzDirect, Inc.*, *DDR Holdings, LLC v. Hotels.Com, LP*, *Enfish, LLC v. Microsoft Corp.*, and *Bascom Global Internet Services, Inc. v. AT&T Mobility LLC*, found patent-eligible subject matter.**

- **But in a sea of cases holding just the opposite:**
  - As of March 31, 2017, 90.9% of the Federal Circuit's decisions affirmed patent-ineligibility determinations based on *Prometheus*, *Myriad* and *Alice*.

Upsurge in Push-Back on Competiveness Grounds

THE HILL

New patent subject-matter eligibility test hurts US competitiveness

Concerns Regarding District Courts' Approach to 101

Sequenom

Planet Blue

Cleveland Clinic Foundation

- **Indisputably important inventions**
- **Invalidated based on "litmus test"**

Court Confusion

Comparing *Finjan* & *Content Extraction*: Is There Rhyme or Reason?

Finjan (Eligible)**:**

Computer security system and method for providing computer security by identifying and protecting against potential malware produced by a "behavior-based" virus scan.

Content Extraction v. Wells Fargo (Ineligible):

Receiving output representing hard copy documents from an automated digitizing unit and storing information about the documents, recognizing portions of the documents corresponding to a first data field, and storing information from the portions into memory locations for the first data field.

"As many courts have noted, invalidity under 35 U.S.C. § 101 (even post *Alice*) is a difficult question for the courts that turns upon malleable tests constantly evolving in application at the Circuit court."

EMG Tech., LLC v. Etsy, Inc., No. 6:16-CV-00484-RWS, 2017 WL 1513110, at *2 (E.D. Tex. Apr. 26, 2017)

Concerns Regarding PTO Approach to 101

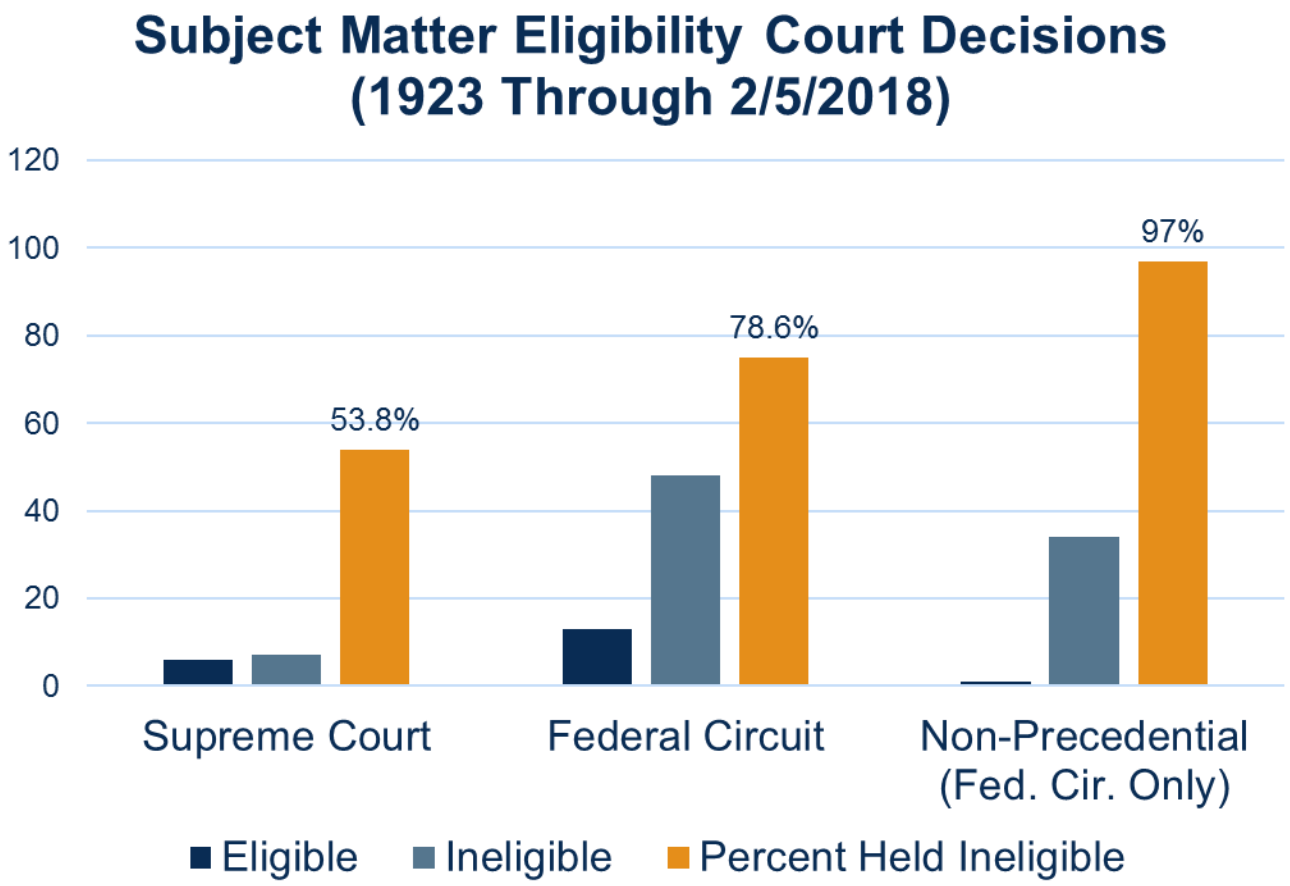
- **Biotech and software court decisions misapplied**
- **Attempt to weave court decisions together doomed by incoherence/conflicts among cases**
- **Despite the Supreme Court's warning in *Alice* in 2014 that lower courts should "tread carefully in construing this exclusionary principle lest it swallow all of patent law[,]" lower courts and the USPTO have nonetheless allowed the fish to swallow the whale.**

Patent Applications for Software and Biotech Inventions—Granted in China, Granted in EU, Denied in U.S.

- We began compiling applications that were declared unpatentable in the US in the two years following *Alice* and its progeny, but were granted patents in China and Europe.
- The results were staggering, particularly in the biotech and software fields, **with over 100 valuable patent applications found ineligible in the U.S. but granted abroad.**
- Here is a condensed sample of just a *few* of our numerous results

Pub. No.	Pub. Date	App. #	Title	Assignee – Current US	China Patent	EP Patent	Continuation Filed	EP & CN Patent #	Section 101 Rejection	Gen. Notes

Clear Trend Among the Courts



Source: USPTO

Note:

- Cases that had claims ruled both ineligible *and* eligible were counted in each category.
- There has yet to be a single Supreme Court case since the 1981 *Diehr* decision where all claims were held patent eligible.

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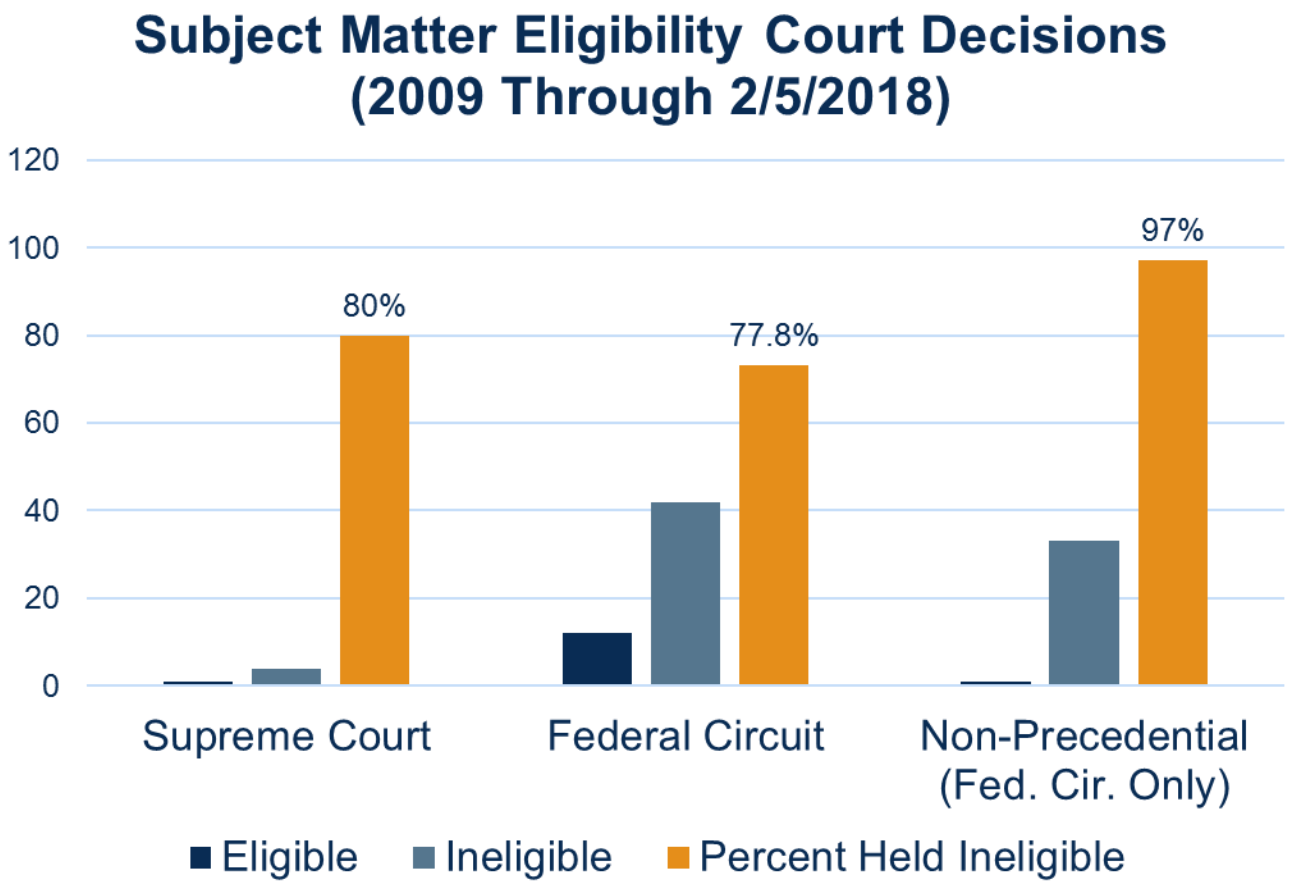

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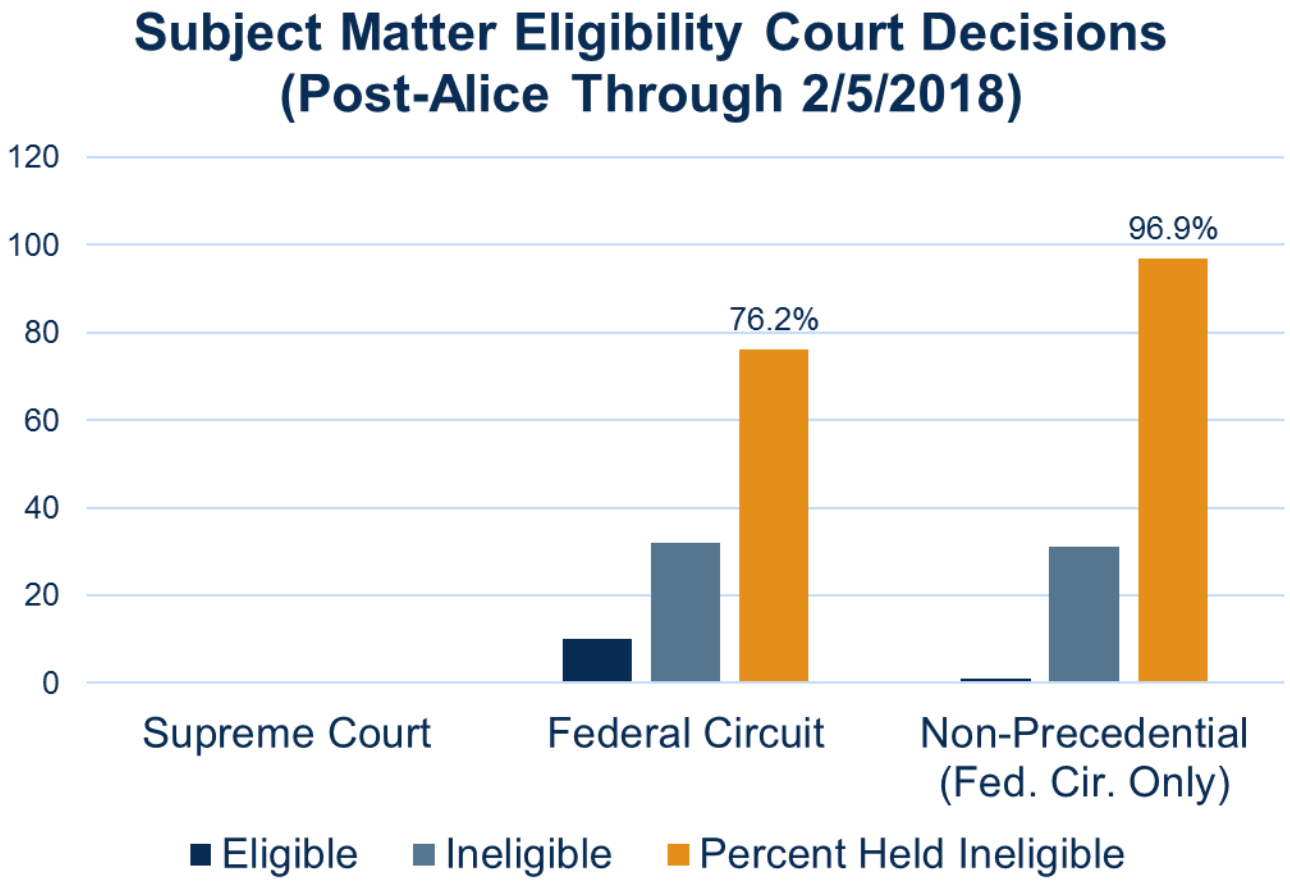

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Potential Solutions from PTAB and Courts

Potential Legislative Fixes for 101

1. **Delete Section 101.**
2. **Require application of 102, 103, 112 before application of 101.**
3. **Require 101 analysis targeted to "invention as a whole".**
4. **Incorporate PHOSITA into 101 as standard for analysis.**
5. **Move to "industrial applicability" standard for patentability.**
6. **Codify "useful, concrete, tangible result" requirement.**
7. **Codify "anything under the sun made by man" as subject matter standard.**
8. **Clarify that presence of law of nature, abstract idea, natural phenomenon is not an impediment to patentability.**
9. **Clarify that presence of law of nature, abstract idea, natural phenomenon must wholly preempt, to render claim unpatentable under 101.**
10. **Expand definitions of "process", "machine", "manufacture", "composition of matter".**
11. **Create safe harbors for discoveries, isolated/purified substances, synthetic copies of naturally occurring substances.**

101 Legislative Proposals from Industry Associations

- **ABA – IPL**

  Removing "new" from § 101(a);
  Adding § 101(b) "Exception"

- **AIPLA**
- **IPO**

  Highly similar proposals focused on:

  - Removing "new" from § 101(a);
  - Adding § 101(b): "Sole Exception(s) to Subject Matter Patentability";
  - Adding § 101(c): "Sole Eligibility Standard"

AMERICAN BAR ASSOCIATION
Section of Intellectual Property Law

ipo

AIPLA

Restoring America's Leadership in Innovation Act of 2018

- **Adds Two Provisions to 35 U.S.C. 101, Closely Follows IPO's Proposal**
- **Leaves 101(a) Unchanged**
- **Adds 101(b) "Exception"**
  - A claimed invention is ineligible patent subject matter if the claimed invention as a whole, **as understood by a person having ordinary skill in the art**, exists in nature independently of and prior to any human activity, or exists solely in the human mind.
- **Adds 101(c) "Eligibility Standard"**
  - Eligibility under § 101 determined without regard as to the requirements of § 102, §103 and §112, or the claimed invention's inventive concept.

101 Legislative Interest in Congress

- **Growing Awareness**
- **Growing Concern**
- **Awaiting Industry Association Consensus**

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