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# U.S. Patent Eligibility Muddle Sets It Apart From Other Countries

By Matthew Bultman

Deep Dive
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- Disconnect between U.S. patent office, courts
- Attorneys unsure how to advise clients

Ericsson Inc. has patented a media coding invention in more than 90 countries—but in the U.S., patent examiners needed some convincing it was eligible for protection.

Ericsson's application was rejected multiple times, with questions about whether it met eligibility criteria in U.S. patent law. Its patent attorneys had to rework the claims and wrangle with the agency.

According to Ericsson, an examiner eventually allowed the patent, but suggested it was a coin flip whether the patent would survive an eligibility challenge in court.

Ericsson's experience, which it described in response to a request by the patent office for comments on eligibility law, highlights how some companies struggle with eligibility requirements in the U.S. in ways they say are different than other parts of the world. A patent office spokesperson said the office is reviewing the comments.

While many other major IP jurisdictions have clear and predictable standards about what is eligible for patent protection, companies and attorneys say the U.S. system involves more uncertainty and a disconnect between the patent office and courts.

Those issues have driven investors away from companies developing new technologies, like artificial intelligence, some argue. Meanwhile, companies and universities are turning from U.S. patents to other forms of protection, including trade secrets and copyright, attorneys say.

“The long-term consequences are going to be to essentially depress the rate of innovation because there’s not going to be the building upon other people’s inventions,” said Barbara Fiacco, a Foley Hoag LLP attorney and past president of the American Intellectual Property Law Association.

**Fresh Looks at Eligibility**

Section 101 of the Patent Act sets the baseline for what is eligible for patent protection in the U.S., and is the subject of debate over its interpretation.

The U.S. Supreme Court has created exceptions to eligibility: laws of nature, natural phenomena, and abstract ideas. But how to distinguish unpatentable ideas still isn’t clear.

The justices asked the federal government in May for input as the court considers whether to review a ruling that invalidated a patent on a driveshaft because it was found to be directed to a law of physics.

Kathi Vidal, President Joe Biden’s pick to lead the patent office, could help shape the agency’s eligibility approach if confirmed by the Senate. Several senators have asked the patent office to collect information on patent eligibility as they consider legislative changes.

Many that submitted comments, including companies like Ericsson and IBM Corp., along with groups like AIPLA and the New York Intellectual Property Law Association, described deep uncertainties around U.S. subject matter eligibility.

Sweden-based Ericsson reported spending about $5 billion a year on research and development, and earns significant sums from intellectual property royalties. The company said it was “extremely frustrating” to be awarded patent claims in other countries, but face continued eligibility challenges in the U.S.

The patent application process can also take much longer in the U.S., and companies may be forced to accept more narrow protections or, in some cases, abandon applications, because of eligibility rejections, Ericsson said.

Others agree. NYIPLA, for example, said it can be easier to overcome eligibility rejections in places like Canada.

In Europe, once eligibility is dealt with by the examiner, it tends not to resurface during enforcement, Leason Ellis LLP attorney Robert Isackson, the president of the NYIPLA, said. That sets Europe apart from the U.S., where eligibility can be a focal point in litigation.

“Even when everyone agrees that whatever is disclosed is not at all in the prior art, and everyone agrees that it is very novel, there is still 101 uncertainty for some of those inventions,” said Nicholas Matich, an attorney at McKool Smith PC and former acting general counsel of the PTO.

“That, as far as I’m aware, is not a feature of any other country’s patent system,” Matich said.

**Countries Aligning**

The legal frameworks of many major patent offices, including those of Europe, Korea, and Japan, have become more aligned in how eligibility is assessed, particularly for computer-implemented inventions, according to AUTM, which represents university technology transfer offices.

Citing confusion over eligibility standards in the U.S., the PTO issued guidance for agency examiners in 2019. Matich, who was at the office then, said part of the goal was to align with other countries.

AUTM and others say the move helped. The U.S. and European patent offices have converged on eligible subject matter, Caelia Bryn-Jacobsen, a Kilburn & Strode LLP attorney, said during a recent IP conference hosted by the University of Texas School of Law.

But U.S. courts don't have to follow the patent office's approach.

"The problem we run into in the U.S., as compared to the other major offices, however, is that the courts here flat out ignore or are downright hostile to the PEG," AUTM said in comments to the patent office, referring to the agency's guidance.

**Limits of Guidance**

In a 2019 decision, *Cleveland Clinic v. True Health*, the U.S. Court of Appeals for the Federal Circuit said it respects the "PTO's expertise," but the court isn't "bound by its guidance." The court emphasized that point a year later, saying the guidance can't supplant the Supreme Court's eligibility law.

"At the end of the day, it doesn't matter if the PTO grants you a patent and there's still a big question mark about whether the thing is enforceable out in court because that's what ultimately matters," Matich said.

The Federal Circuit hasn't done much recently to clear things up. It's "really hard to tell in the IT space whether or not your claim's going to survive," Stanford Law School professor Mark Lemley said at the UT event.

Sean Leach, an attorney at Mathys & Squire LLP in London, said he can predict with a reasonable degree of certainty what eligibility issues, if any, might arise with a particular patent application at the European Patent Office.

"I don't know how to give that advice at the borderline of practice in the U.S.," Leach said, observing that the unpredictabilities seem to go "all the way through the system."

Fiacco said the patent eligibility remains a "huge concern" among AIPLA's members, who are intellectual property practitioners. The NYIPLA said those concerns extend beyond the traditional fields of technology and biopharmaceuticals.

“People in the mechanical and avionics are calling up the examiner to find out ‘what can we do to avoid this mess?’” Isackson said. “They end up having to narrow the scope in ways that make it easier for other people to avoid infringement.”

**Affecting Company Decisions**

There isn’t universal agreement that the U.S. needs to change. Google LLC told the patent office the current patent eligibility jurisprudence hasn’t affected its ability to get patents on artificial intelligence or quantum computing.

The Internet Association, a lobbying group for companies like Twitter Inc., Facebook Inc., and Amazon.com Inc., agreed, saying current eligibility laws encourage more complete disclosure and accurate drafting of patent claims.

But many companies said the uncertainty around U.S. patent eligibility affects strategic decisions. IBM, which has routinely led companies in the number of U.S. patents received annually, told the patent office that without changes, it may direct research into other areas or seek alternative protections.

“To the extent IBM and others rely more on trade secret and copyright protection, new breakthrough ideas will be withheld from public view and other entities will be unable to learn from or improve upon them, undermining the fundamental bargain upon which the patent system is based,” it said.

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