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Phone: +1 646 783 7100 | Fax: +1 646 783 7161 | customerservice@law360.com

Eligibility Bill Gives Attys Relief, Even With 'Squishy' Terms

By **Dani Kass**

Law360 (June 28, 2023, 8:01 PM EDT) -- A bill introduced last week by Sens. Thom Tillis and Chris Coons aiming to press reset on patent eligibility law would provide important clarification on the muddled topic, though attorneys are concerned about some of its undefined language.

The Patent Eligibility Restoration Act of 2023, introduced by Sens. Tillis, R-N.C., and Coons, D-Del., would undo a decade of precedent allowing the invalidation of patents directed to abstract ideas or natural phenomena and replace it with more defined criteria of what can and cannot be patented. With a few exceptions, the bill would allow any "useful process, machine, manufacture, or composition of matter, or any useful improvement" to be patent eligible.

The more defined criteria from Thursday's bill nonetheless include some "squishy language" about exceptions for eligibility that will need to be ironed out, said Chris Johns, a partner at Finnegan Henderson Farabow Garrett & Dunner LLP.

The "squishy language" that caught attorneys' attention is an exception to patent eligibility, as well as an exception to the exception. The bill would bar patents for "a process that is substantially economic, financial, business, social, cultural, or artistic," unless "the process cannot practically be performed without the use of a machine or manufacture."

"Reasonable minds could differ" about what ''substantially" would mean for each item in the bill's list, said Samir Bhavsar, co-chair of Baker Botts LLP's patent prosecution group.

"It will leave room for interpretation and debate among examiners at the patent office, by patent practitioners, by the courts and by litigants," Bhavsar said.

The other term that has caught attorneys' eyes is "practically," which Lathrop GPM LLP partner Laura Labeots said was likely to cause debate given that it is presented vaguely, without a way to determine its bounds.

But even with the terminology question, Labeots applauded the move toward clarity in a law that has been "interpreted and reinterpreted and misinterpreted" for years.

Likewise, Johns said the stress of figuring out what the new terms mean is worth the addition of guardrails to Section 101 of the Patent Act.

"It's 'Whose Line Is It Anyway?' The points don't matter, and there's not a lot of rhyme or reason to it," he said of the current law, whereas the new bill would "at least bring some rhyme or reason. [It would be:] Here's this box. We don't exactly agree where the lines are. It's a little blurry. But you usually have some idea if you're in the box or not."

Tillis introduced a similar version of the bill in 2022, but that version did not include the disputed terms and instead had language that made attorneys fear "you'd never get a patent related to software again," Johns said.

The new version "is likely to be more patent-friendly for patentees in the software and business methods space," the Finnegan partner added.

The current state of patent eligibility involves standards and tests created by the U.S. Supreme Court and built on by the Federal Circuit that attorneys say often do not lead to predictable results.

The Supreme Court issued a series of decisions on patent eligibility about a decade ago, most notably Mayo in 2012 and Alice in 2014. Under those cases, patents directed respectively to laws of nature and abstract ideas could only be patent eligible if there was an added inventive concept.

But attorneys say how those decisions were put into practice has caused uncertainty. Year after year, the Supreme Court has received a significant number of petitions asking for further clarity and has refused all cases, despite pleas from the Federal Circuit, district court judges, solicitors general and other key players for review.

The justices rejected multiple petitions backed by the solicitor general's office this term, but they still have one more on their docket, filed on May 1, in a case over a patent directed to a method for testing transplanted kidneys.

Even the vaguer terms in the new bill have a chance of being more predictable than what courts are currently using, Johns said, noting that there has already case law on patent eligibility when inventions are performed on a machine, which could help develop an understanding.

For example, he pointed to the Federal Circuit's 2019 decision in SRI International Inc. v. Cisco Systems Inc. and 2010 decision in SiRF Technology Inc. v. International Trade Commission, which found inventions related to a computer and GPS receiver, respectively, to be patent eligible.

McKool Smith PC principal Nick Matich, who was acting general counsel at the U.S. Patent and Trademark Office in 2020, agreed that there are "some open questions" about the new bill, but he added that "most laws have gray areas."

In terms of what is considered eligible under the bill or not, Matich applauded the senators for how "carefully worded it is."

"You read it and think about the cases and see why each word and example is there," Matich said. "I think the kind of compromises that are likely to be made even by the whole committee or on the floor are not going to be tinkering with the language, but [seeing if they] could get it tacked onto another bill."

While the courts are working off an unclear sense of patent eligibility that often leads to invalidations,

the USPTO is more or less already doing what the senators are proposing, according to Knobbe Martens partner Mauricio Uribe.

The office uses guidance provided in 2019 by then-director Andrei Iancu — with some updates — to ensure examiners have a similar framework when deciding whether a patent application should be granted. The senators are "in essence codifying" what the agency is already doing, Finnegan's Johns said.

But courts have not adopted the guidance, meaning that while examiners are sticking close to what is proposed in the new bill, patents can still be invalidated in litigation under the less predictable case law, Uribe said. If the bill becomes law, that disparity could be eliminated.

"At that point, it's the same test: apples to apples from examination to litigation," Uribe said.

--Editing by Peter Rozovsky.
