Sterne Kessler
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Patent eligibility continues to be a hot topic in intellectual property law, and in our April issue of the *Global Patent Prosecution* newsletter, we look at three of the major forums impacting this area of IP. In our first article, we take a look at pending legislation in Congress. In our second entry, Sterne Kessler Director Jeremiah Frueauf weighs in on *Law360*'s coverage of the Federal Circuit's recent ruling on the USPTO's guidance on patent eligibility. And of course, central to both articles is the USPTO itself.

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THREE TAKEAWAYS FROM CONGRESS'S PROPOSED §101

FRAMEWORK

By Michelle K. Holoubek and Ali Allawi

On January 7, 2019, the United States Patent and Trademark Office (USPTO) issued new guidance on patent eligibility, seeking to improve the overall clarity, consistency, and predictability of patent-eligibility analysis as performed by the Office. Action by the United States Congress could make the USPTO's efforts moot.

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FED. CIRC. RULING SHOWS LIMITS OF USPTO ELIGIBILITY GUIDANCE

Sterne Kessler Director Jeremiah B. Frueauf is quoted in this *Law360* article published on April 3, 2019, that explores recent developments related to the USPTO's guidance on patent eligibility.

Law360 -- By emphasizing that it isn't bound by U.S. Patent and Trademark Office guidance on patent eligibility, the Federal Circuit has given a stark reminder that patent owners can't rely on the office's views about what can be patented, and patents the office issues may be at risk in court.

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THREE TAKEAWAYS FROM CONGRESS'S PROPOSED §101 FRAMEWORK

By Michelle K. Holoubek and Ali Allawi

On January 7, 2019, the United States Patent and Trademark Office (USPTO) issued new guidance on patent eligibility, seeking to improve the overall clarity, consistency, and predictability of patent-eligibility analysis as performed by the Office. Action by the United States Congress could make the USPTO's efforts moot. Earlier this month, Senators Tillis (R-NC) and Coons (D-DE), and Representatives Doug Collins (R-GA-9, Ranking Member of the House Judiciary Committee), Hank Johnson (D-GA-4), and Steve Stivers (R-OH-15) released a bipartisan, bicameral framework on §101 patent reform. This effort follows this past February's revival of the Senate Judiciary Subcommittee on Intellectual Property to provide added clarity and predictability within the patenting process.

Congress's §101 reform framework appears aspirational in nature, and includes seven high-level bullets. While most of the framework refers to generic terminology and concepts, there are some key takeaways from the reform that patent owners and stakeholders should pay particularly close attention to.

1. **Continuity may be maintained for certain aspects of the eligibility framework developed by the courts.**

The reform proposes to "keep existing statutory categories of process, machine, manufacture, or composition of matter, or any useful improvement thereof." This is a continuation of the existing standard (e.g. Step 1 of the Alice/Mayo test). Moreover, the reform also proposes to "make clear that eligibility is determined by considering each and every element of the claim as a whole and without regard to considerations properly addressed by 102, 103, and 112," (e.g. Step 2B of the Alice/Mayo test). On the one hand, these two proposals may be seen as a mere continuation of existing standards which do not offer sweeping changes. On the other hand, these changes may signal Congress's intention to remove an analysis of what is "routine, conventional, or well-known" from the present §101 analysis, in order to improve the overall consistency, clarity, and predictability of the patenting process.

2. **Some proposed modifications need clarification lest they introduce a risky subjective standard.**

The reform wants to "ensure that simply reciting generic technical language or generic functional language does not salvage an otherwise ineligible claim." However, it is not clear

what constitutes generic technical or generic functional language. Similar subjective guidance is currently responsible for disparities in examination at the USPTO, and is also a source of much disagreement between patent owners and patent challengers, so Congress would need to define the metes and bounds of the term "generic" to bring clarity to such a statutory change.

Likewise, the reform proposes creating "a 'practical application' test to ensure that the statutorily ineligible subject matter is construed narrowly." A "practical application" test is also part of the recent eligibility guidance from the USPTO. Yet, it is unclear what such a "practical application test" would look like if codified, as this element is still fairly subjective in the current USPTO guidance. Given that the patent laws must anticipate innovations in technologies that may not even exist today, it is important for Congress to balance specificity with an openness such that innovation in new areas is not hindered by patent laws developed to constrain application to older technology.

3. **The reform aims to codify certain subject matter exceptions, although room for subjectivity remains.**

This third takeaway provides both risk and opportunity to stakeholders, especially patent owners and patentees. The reform proposes to "statutorily abrogate judicially created exceptions to patent eligible subject matter in favor of exclusive statutory categories of ineligible subject matter." On the one hand, narrowly-defined categories may benefit some stakeholders by clarifying what kind of innovation is eligible, such that stakeholders can appropriate resources accordingly. On the other hand, while the framework proposes to eliminate the existing, often subjective judicially-created eligibility exceptions , the proposed exclusive statutory categories are equally vague and subjective. For example, the categories proposed by the reform include: fundamental scientific principles, products that exist solely and exclusively in nature, pure mathematical formulas, economic or commercial principles, and mental activities. But at what point does a scientific development become a "principle," and at what point does such a "principle" become "fundamental?" Similarly, the reform proposes making "economic or commercial principles" a statutory exception to eligibility. Without further insight from Congress, it is unclear whether a claim that recites financial subject matter, or which can be practically applied to the financial services industry, would constitute an economic or commercial principle. Congress should recognize the confusion that similar language has caused in the battle over Covered Business Method Review (CBM) eligibility and ensure that any statutory exclusion more clearly defines the bounds of the exclusion.

Accordingly, Congress should take caution not to codify the current ambiguity – or worse, introduce new ambiguity – with its efforts to define subject matter exclusions more clearly. For reference, the USPTO has issued an interim guidance on subject matter eligibility in 2014, and has subsequently issued more than six revisions/updates since then, all attempting to make sense of the present categories of statutory subject matter as explained by the courts. If Congress codifies the categories of ineligible subject matter at an ambiguous level, this gives leave to the courts to revert back to square one and redefine a potentially different version of the "judicial exceptions." Moreover, the current political climate and challenging environment for getting legislation passed would make it very difficult for Congress to make revisions and amendments to such laws when necessary, so great care is needed if Congress is to get it right the first time.

As the saying goes, the devil is in the details, and how Congress implements the goals outlined by the framework is sure to shape the dialog going forward. But the time is right for Congress to identify the hurdles presented by the current subject matter eligibility standard and should be applauded for outlining its efforts to improve clarity and predictability in our patent system.

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