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Are Winds Of Change Finally Blowing On Patent Eligibility?

By **Ryan Davis**

Law360 (December 21, 2022, 10:37 PM EST) -- Although appellate courts, lawmakers and the patent office spent 2022 continuing to grapple with which inventions are eligible for patents, a major breakthrough on the contentious issue has yet to arrive, but developments suggest there may be growing momentum for change, attorneys say.

For over a decade, patent eligibility has been one of the hottest topics in intellectual property law, and in the last 12 months, the U.S. Supreme Court's continued interest in the topic, proposed legislation to overhaul the law, and actions by the Federal Circuit and patent office gave attorneys a great deal to scrutinize.

Nothing that has happened so far augurs any momentous shift or clarification in how patent eligibility law is interpreted, but the potential for important developments will keep observers on their toes in the coming year.

"When you take a retrospective look at the year, if on one side is no eligibility and on the other side is broad eligibility, have we moved the needle? I don't think we have," said Michelle Holoubek of Sterne Kessler Goldstein & Fox PLLC. However, she added that "you can tell that something is happening. There does seem to be some energy around this going into 2023."

Supreme Court

The year began with those seeking changes to the current patent eligibility regime pinning their hopes on a Supreme Court appeal by American Axle, which challenged a decision that its vehicle driveshaft patents are invalid under Section 101 of the Patent Act for claiming only a natural law.

But despite urging from Federal Circuit judges and the U.S. solicitor general, and a raft of amicus briefs arguing that eligibility law was never intended to invalidate patents on physical objects like car parts, the justices shot down the petition in June.

"I was shocked to see the Supreme Court decline to weigh in on American Axle," said Bill Barrow of Mayer Brown LLP, adding, "My general sense is you have a lot of folks who are upset and looking for more clarity."

Yet months later, the Supreme Court asked the solicitor general to again weigh in on not one, but two, different appeals of eligibility decisions that invalidated patents on media players and luggage locks. The

requests, which the government has not yet responded to, indicate the court could still be interested in tackling the issue.

American Axle "seemed to a lot of people like the best last shot," said Nate Kelley of Perkins Coie LLP. After the high court turned it down, he said, some observers started saying, "There's no hope in getting the Supreme Court to look at this. We've got to go to Congress." The justices' call for input on more cases soon after "just really surprised people," he added.

It's anyone's guess why the ballyhooed driveshaft case left the justices cold, but their interest was possibly piqued by the cases over media players and locks. Kelley noted that those cases are somewhat more narrowly focused than American Axle, where the briefing bled into other areas of patent law, like the requirement that patents describe the invention in a way that enables someone to make and use it.

The court's possible interest in the newer cases "suggests at least a desire to maybe tweak or improve tests that the court might think are flawed or confusing, as opposed to sort of rebooting Section 101," he said.

Even if the government says the high court should weigh in on one of the two cases, that's of limited predictive value at this point, attorneys said. In the past three years, the justices have denied two petitions dealing with eligibility that the solicitor general urged them to take up, including a decision in 2020.

But if the Supreme Court wades back into the threshold question of which inventions can and cannot be patented, the implications are potentially seismic and certain to draw a large volume of amicus briefs.

"Pretty much anything the Supreme Court says at this point on 101 is going to have a large impact, just because there are so many questions that have been circulating for years now," said Michael Ballanco of Fish & Richardson PC.

Congress

With the Supreme Court in a holding pattern on patent eligibility, Sen. Thom Tillis, R-N.C., sought to gain traction on the issue in the legislative branch by introducing the Patent Eligibility Restoration Act in August, which would limit the kinds of inventions that could be deemed ineligible for patents.

Tillis said the current state of the law is "confused, constricted and unclear," and the bill would solve the problem by "restoring patent eligibility to important inventions across many fields." His aides sought to temper expectations of the bill passing soon, noting in an interview that patent legislation often takes a decade or more to get through Congress.

It's still early in the process, but "with the introduction of this bill by Senator Tillis, I think we may see some further clarification on what constitutes [patent] eligible inventions," said Manita Rawat of Morgan Lewis & Bockius LLP.

"This is a nonpartisan issue, so maybe it will be one that our elected officials may find common ground on," she said, noting that the bill "clearly has some terms that are used that are going to be subject to interpretation."

For example, the bill states that "a non-technological economic, financial, business, social, cultural, or

artistic process" could not be patented, but doesn't define those terms.

The statute governing patent eligibility has remained the same for many years so "any attempt to try and at least get the law current with where the technology is, and to even try and make it a little forward-looking, I think is helpful," said Holoubek of Sterne Kessler.

Still, she noted that changing the law will inevitably lead to more legal disputes in the future.

"Lawyers love to use words to their advantage. Anyone looking at language that has not had the opportunity to go through the courts will probably look with glee upon a new statute, trying to be the ones who make the case law and interpretation," she said.

Tillis "has been doing yeoman's work trying to push this thing right for years," said Robert Rando of Greenspoon Marder LLP, referring to a series of hearings on possible patent eligibility legislation that stalled in 2019 amid disagreements between the tech and pharmaceutical industries over what the bill should look like.

Crafting legislation on the issue that could gain acceptance is "kind of like trying to thread a needle," but "I think it's a great start," Rando said of the latest bill.

Federal Circuit

Any major change on patent eligibility is likely going to have to come from the Supreme Court or Congress, but in the interim, at least one Federal Circuit decision in the past year provided some useful guidance to patent owners seeking to fend off eligibility challenges.

In a September ruling in a case called Cooperative Entertainment v. Kollective Technology, the appeals court reversed the dismissal of a suit over a peer-to-peer network patent by a judge who found it ineligible for covering only an abstract idea.

The Federal Circuit said the suit should have survived a motion to dismiss because Cooperative made plausible allegations that the claimed invention improved existing technology. While the lower court faulted the company for not providing evidence to support that claim, the appeals court said "such evidence is not always necessary" to defeat a motion to dismiss.

The decision "really provided a road map for patent owners avoiding an early dismissal of their case under Section 101," Kelley of Perkins Coie said.

The decision "clarified that it's a little bit harder to get around a [motion to dismiss] than maybe some defendants thought it should be," he said, by illustrating that patent owners can make plausible arguments that their patent contains an inventive concept "without having a rigorous development of the facts."

The court also held that improvements to computer networks can be patent eligible "regardless of whether the network is comprised of standard computing equipment," which is "a very useful statement to have to be able to support a case for eligibility in the software arts," Holoubek said.

However, the Federal Circuit has decisions on that point and others related to patent eligibility that say the opposite, so while "each one can offer nuggets of support," it doesn't necessarily mean the appeals

court's next decision will come out the same way, she said.

Given its conflicting decisions, repeated refusals to sit en banc to address patent eligibility, and **pleas** for lawmakers or the Supreme Court to tackle the issue, "I personally don't think there's much hope and additional clarity from the Federal Circuit, just because they've acknowledged they're sort of at an impasse," said Paul Browning of Finnegan Henderson Farabow Garrett & Dunner LLP.

USPTO and Beyond

The U.S. Patent and Trademark Office received a raft of public comments **in October** on its own patent eligibility policies, which are viewed as making it less likely that patent applications will be rejected, and the response reflected the stark divide on the issue.

Patent owners lauded the current rules as clear and predictable, while tech industry groups and others facing infringement suits said the office is flouting the law and issuing scores of invalid patents. The office will review the comments in the coming year, and if the latter argument is persuasive to new USPTO Director Kathi Vidal, she could decide to make changes.

"Is the patent office going to be issuing claims that will later be found not patent eligible because the courts are taking a different approach than the PTO?" Browning said. "That's a distinct possibility. So it's sort of an interesting area to watch."

Taking everything going on at the USPTO, the Federal Circuit, the Supreme Court and Congress, "the interesting thing is not one particular case ... but what is happening holistically within the patent world," Holoubek said.

"There does seem to be this trend shifting where there's some hint of movement for the future," she said. "A general recognition that something needs to change, of course, has been around in the patent bar for a while, but we're actually seeing some action."

--Editing by Jill Coffey.
