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An Abdication of Collective Responsibility by the Federal Circuit

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The Court that has been charged to make sense of it all, the Federal Circuit, seems to be abdicating its collective responsibility by refusing to settle on a repeatable test that results in predictable outcomes.

Over the last four years, various decisions from the Federal Circuit related to patent eligibility under 35 U. S. C. § 101 have not only failed to provide guidance to inventors and industry but have walked the patent system in the wrong direction when no consistency can be found at all. No one can understand the existing body of case law. Not examiners, not Administrative Patent Judges, not the district courts and not the community of patent lawyers.

There is no single decision from the Federal Circuit that is not contradicted by another decision.

For example, in *Electric Power Group v. Alstom*, 830 F.3d 1350 (2016) and *SAP America v. Investpic* the Federal Circuit announced a categorical rule that a claim that did nothing more than gather data, process data and display data cannot be patent eligible, which cannot be reconciled with no less than a half-dozen other decisions.

Did any judge or clerk associated with *Electric Power Group* or *Investpic* read *Bilski*, which expressly states that "categrical rule[s] denying patent protection for 'inventions in areas not contemplated by Congress . . . would frustrate the purposes of the patent law.'" *Bilski v. Kappos*, 561 U. S. 593, 605 (2010). Or *Alice*, where even the Supreme Court acknowledged that an overly expansive view of what constitutes an abstract idea would swallow all of patent law because every invention must necessarily begin with an idea.

At the tail-end of the *Investpic* decision, the Federal Circuit announced that "[a]n innovator who makes such an advance lacks patent protection for the advance itself. If any such protection is to be found, the innovator must [look to] the law of trade secrets, whose core requirement is that the idea be kept secret from the public."

Favoring trade secrets over patents frustrates the fundamental Constitutional purpose of encouraging disclosure. It is by and through disclosure that the great minds of today are capable of standing on the shoulders of those who came before them. It is the disclosure that benefits society and is the Constitutional purpose of a patent system. Burying innovation frustrates that purpose. The Court charged with unifying patent law lecturing innovators that they need to hide their innovations rather than participate in the Constitutional process of applying for a patent is rather unconscionable.

In another recent case, *In re Bhagat*, the Federal Circuit rubber-stamped a PTAB rejection that entirely wrote out claim limitations and announced that a product-by-process claim was not a process because there was no appropriate "transformation" required by the claim citing *Funk Brothers*. However, a mere eight years ago, the Supreme Court announced that there is no known definition of the terms "'process, art or method' that would require these terms to be tied to a machine or to transform an article." *Bilski*, 561 U.S. at 603. In light of this decree from the Supreme Court, did it occur to anyone at the Federal Circuit that the 1952 Patent Act just might have made *Funk Brothers* moot and inapplicable (or at the very least limited) by adding the word "process" to § 101, and replacing the vague concept of "invention" with § 103?

Has anyone at the Federal Circuit read anything by Giles Sutherland Rich?

In *In re Villena*, the Federal Circuit abrogated the evidentiary rule it recently adopted in *Berkheimer*, *Aatrix* and *Exergen* while dispensing with the pesky requirement to analyze claims as a whole. That seems to be violative of the Administrative Procedures Act and is no doubt why the Federal Circuit is taking seriously the request for reconsideration in the case. Indeed, in response to Villena's combined petition for rehearing and rehearing *en banc* filed September 7, 2018, the Federal Circuit invited the USPTO to respond, "on or before September 28, 2018."

The Federal Circuit has often demanded some technical advantage under § 101 when none is required by U.S. patent law. The Federal Circuit has also made § 101 more burdensome, unpredictable and subjective than an obviousness determination under § 103, and § 101 is supposed to be a threshold test that acts to weed out only the most egregious attempts to patent fundamental principles. § 101 was never meant to weed out whole new areas of technology, particularly not nascent technologies. But that is exactly what is happening and the Court that has been charged to make sense of it all, the Federal Circuit, seems to be abdicating its collective responsibility by refusing to settle on a repeatable test that results in predictable outcomes.

Can anyone explain why it took the Federal Circuit nearly six years to acknowledge that determining whether something is "well understood, routine and conventional" is

an issue of fact, not law? It is as if the Federal Circuit has become paralyzed by fear or crippled by an inability to have disparate views harmonized and applied in an even-handed way. Now more than ever the make-up of a Federal Circuit panel matters a great deal. Have the wrong judges assigned and you have no chance. That isn't what the Federal Circuit was created to do.

How much longer will it take the Federal Circuit to realize that determining whether a particular business practice is or is not a "fundamental economic practice long prevalent in our system of commerce" is an issue of fact, not of law? Meanwhile we must assume that judges are such experts in business that they just know when something is "a fundamental economic practice long prevalent in our system of commerce" without evidence?

The catastrophe the Federal Circuit has caused for individual inventors and industry is inexcusable. Such catastrophe was caused not by following the patent law, but by ignoring the very mandate of the Court to harmonize patent laws. With panel make-up dictating outcomes and tests wholly incapable of achieving repeatable results, the Federal Circuit is failing.

The words of Donald W. Banner, one-time Commissioner of Patents and Trademarks, found in the preface of *Nonobviosness – the Ultimate Condition of Patentability* (page v) are particularly relevant:

"[I]nventors and businessmen will be interested in the patent system only so long as they can reasonably understand the patent laws and rely on their stability. Indeed, when the government grant of a patent cannot reasonably be relied upon throughout the nation, then the patent system becomes a cruel hoax. An increase in trade secrecy and a decrease in innovation would be the result.

The prevention of such a result has seldom been more important. There is no doubt that we must now encourage innovation. The reliability of patents has an important role to play in achieving that result. . . . . While a reliable patent system is not the whole answer, it is, nevertheless, a vitally important part of the answer."

Commissioner Banner's preface also criticized the "judicial gloss and creative embellishments which seem periodically to become associated with the rather clear, two-sentence test provided by Section 103[.]" No doubt, Commissioner Banner would be unhappy by today's "judicial gloss and creative embellishments" associated with the rather clear, one-sentence test of § 101. Of course, his admonition is correct: stakeholders will only be interested in the patent system if the laws are reliable and stable. It has been quite some time since either could be said about U.S. patent law.