Congress Must Overhaul Patent Eligibility Law, Experts Say

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Law360, New York (September 13, 2016, 10:49 PM EDT) -- Recent U.S. Supreme Court decisions limiting patent-eligibility risk are crippling the patent system, and the time has come for Congress to amend the law to protect patents, experts including the former director of the U.S. Patent and Trademark Office said Tuesday.

Rulings like Mayo, Myriad and Alice have cut back on patent protection for biotechnology and computer inventions so much that companies in fields like cancer research may lack the necessary financial incentive to pursue groundbreaking research, former USPTO director David Kappos said at the Intellectual Property Owners Association's annual meeting in New York.

"The U.S. is setting a terribly bad example for the rest of the world and shooting critical industries like biotech and pharma not just in the foot, but in another, more important appendage, maybe the head," said Kappos, now a partner at Cravath Swaine & Moore LLP.

The Supreme Court has set arbitrary standards that are extremely difficult for courts and the patent office to apply, Kappos said. He suggested that Congress should amend the Patent Act to set new rules on patent eligibility that will ensure patent protection for important inventions and effectively undo the Supreme Court's decisions.

The growing sense in the patent community that legislative action is needed has emerged only recently, and "I don't think you would have heard about it two years ago or even one year ago," he said.

Previously, the worry was that getting Congress involved in redefining patent eligibility could make things worse or would be too complicated to accomplish, but those concerns have waned after scores of recent court decisions invalidating patents under Alice and Mayo, Kappos said.

"The different tone now is born out of desperation, and it's also born out of the idea that things are so bad, it's hard to imagine them getting a lot worse than they are now," he said.

It is now easier to get patents on software and biotechnology inventions in China and Europe than it is in the U.S., "hands down," he added.

Decisions like Mayo, which found a medical diagnostic test was not patent-eligible under Section 101 of the Patent Act because it claims a natural phenomenon, and Alice, which reached the same conclusion about abstract ideas implemented using a computer, have left many companies at a loss, other members of the panel said.

Paul Golian, vice president and assistant general counsel at Bristol-Myers Squibb Co., said that

he is “very afraid that the patent system is not doing what it needs to do” and added that people must recognize "that what’s happening with the patent system is a major problem.”

“If I could go back in time in a DeLorean with a flux capacitor, I’d go back to just before Bilski and wipe out all of the case law since then,” he said, referring to a 2010 Supreme Court decision invalidating a patent under Section 101. “I think that’s the fix. Unfortunately, there’s no time machine, so we’re looking at a legislative fix.”

Citing research by Kappos that found that patent applications covering largely similar inventions around the world are being granted by patent offices in Europe and Asia but denied by the USPTO, Marian Underweiser, senior counsel for IP policy and strategy at IBM Corp., said that businesses and attorneys tell Congress that the U.S. is falling behind because of the patent-eligibility rulings.

“We’re making ourselves less competitive and going backwards in fields where we used to be world leaders,” she said. “We have to be able to make that argument to Congress.”

Kappos has **called for** Section 101 governing patent eligibility to be abolished altogether so that patent decisions would be based only on sections concerning novelty and nonobviousness.

He said Tuesday that other alternatives are possible, including finding a way to keep the statute while stripping away the judge-made law that he said has distorted patent eligibility or mandating that eligibility only come into play after all other patentability factors are considered.

“If we treat 101 the way it should be treated, as a backstop rather than a threshold, we’d find that we resort to 101 rarely,” he said.

Underweiser agreed that 101 should come up rarely and added that she would be uncomfortable with legislation that carved out types of inventions that are categorically excluded from patent eligibility since there is no way to predict where technology will go in the future.

“If we draw too many bright lines and create too many categories, we run the risk of foreclosing categories of innovation that will be developed that we don’t yet know how to refer to,” she said, adding that any law outlining specific inventions that are not patent-eligible “runs the risk of being obsolete as soon as it is enacted.”

Although it will be difficult to craft new legislation on patent eligibility, it is crucial to protect innovation, members of the panel said.

“We have to see the light, and the force needs to be with us because we need an innovative economy and a strong patent system,” Golian said.

--Editing by Christine Chun.