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Is 2019 the Year Clarity Returns to Section 101? Judge Paul Michel Is Hopeful



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1

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“Director Iancu has carefully and logically synthesized the case law on eligibility in the Section 101 Guidance. Congress and courts alike would do well to use it as a model.”



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For almost ten years, U.S. patent law has experienced extraordinary confusion and uncertainty about what types of inventions and discoveries are patent eligible. The U.S. system changed from offering strong protection for novel and nonobvious inventions to questioning whether groundbreaking technologies are even the type the Founders thought would promote the progress of the “Useful Arts.” But recent developments, including the USPTO’s [2019 Revised Patent Subject Matter Eligibility Guidance](#) (Section 101 Guidance), suggest that winds of change may clear the fog and bring back some clarity to U.S. patent law.

A Decade of Uncertainty

As I’ve explained in detail elsewhere, the confusion about what inventions are patent eligible began with [Bilski](#). The Supreme Court in *Bilski* resurrected non-statutory “judicial exceptions” to Section 101. Rather than stay true to the statutory text, the *Bilski* Court viewed the wording of Section 101 as not controlling. The result: “Any” did not mean “any” with respect to the categories of “process, machine, manufacture or composition of matter.” It meant only those the Supreme Court thought important enough. *Bilski* also applied a rigid view of *stare decisis*, invoking old precedents such as *Funk Brothers*, which confused patent eligibility with novelty and nonobviousness.

The *Bilski* Court also avoided any attempt to define “abstract.” The scope of patent-ineligible “abstract” inventions was left adrift, at the mercy of the subjective interpretative efforts of thousands of federal judges, administrative patent judges, and patent examiners. This caused complete chaos in the vast world of computer-implemented inventions, which are incorporated into nearly all technologies.

The Supreme Court confronted Section 101 after *Bilski*, and each time the innovation and business communities were left with more questions than answers. [Mayo](#) involved a medical diagnostic claim having an awkwardly-worded “wherein” clause that added little, if anything, to the claimed method. The *Mayo* Court set the stage for a two-step process for deciding patent eligibility under Section 101. First, a court determines whether the claims are directed to a patent-ineligible concept. In the context of the diagnostic claim, patent eligibility now depended on whether the claim elements “transform the nature of the claim” into a patent-eligible application and whether the claimed invention had an “inventive concept,” *i.e.*, something “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.”

Next came [Myriad](#), which dealt only with the “product of nature” exception in the unique situation of information-conveying genes. *Myriad* suggested nothing about the

meaning of “abstract concept” or otherwise enlightened the eligibility of computer-implemented inventions.

Alice is the most recent Supreme Court pronouncement on Section 101, and with it the Court reiterated that the test of eligibility was not non-preemption, but “inventive concept”—and that, after eliminating the implied exception from the analysis and looking to see if the remaining limitations of the claim contained “something more” that was sufficient “to transform” it into an eligible invention. As with “abstract concept,” no definition was provided for what “something more” meant. And like “abstract,” it was explicitly described as a relative notion because both opinions acknowledged that all inventions can be reduced to abstractness if one went far enough.

The ensuing invalidation rates in the trial courts, the Patent Trial and Appeal Board (PTAB), and the International Trade Commission (ITC) increased to very high rates. Just as problematic was the too-often superficial analysis of claim language. Invalidity decisions focused on the gist of the invention, instead of the claim language. Section 101 morphed into a nebulous, undisciplined proxy for novelty and non-obviousness. The rigor of evidentiary proof required to prove anticipation or obviousness was supplanted by subjective conclusions of what should be patentable.

More can be said about the current limitations, and I’ve written more elsewhere. Suffice it to say, our patent system can and should do better. Many hoped that, with time, the Federal Circuit or the Supreme Court itself, would have resolved the problem. But in the over eight years since *Bilski*, over six years since *Mayo*, and over four years since *Alice*, the high court has declined all of the many cert petitions seeking clarification. What then of the Federal Circuit? Unlike the Supreme Court, it must decide every case appealed to it. In scores of appeals, it has struggled to make sense of the opaque Supreme Court decisions hamstrung by outdated precedent. But in addition to seemingly inconsistent results in like cases, it has introduced its own confusing notions and language.

For example, in some cases, the Federal Circuit starts the analysis by determining what the claim “focuses on”—an apparent attempt to define what the Supreme Court meant when it said one must determine whether a claim is “directed to” an ineligible concept such as an “abstract idea.” But does a patent claim focus on anything other than what is included within the scope of protection defined by all the limitations? The “focus on” notion seems inconsistent with the axiom of patent law that every limitation is presumed meaningful and none may be ignored in assessing either validity or infringement. Worse, it conflicts with the command of *Mayo* and *Alice* that eligibility must be judged in view of all the limitations as “an ordered combination.”

Beyond those issues, the courts are struggling with Section 101 judgments at the pleading stage. The Federal Circuit's decisions in [Berkheimer](#) and [Aatrix](#) sought to require part of the Section 101 analysis to rest on a proper evidentiary record. Now, the Supreme Court signaled possible interest in *Berkheimer* when it called for the views of the Solicitor General in response to the cert petition that's been filed. Inventors and innovators will have to wait longer to know whether *Berkheimer* and *Aatrix* are the correct approach.

In short, the courts have left us with two undefined, undescribed notions of patent eligibility. They are not real legal "tests," in the usual sense. Whether viewed under the "rule" versus "standard" terminology, the current Section 101 law is inherently unclear and therefore could not be consistently administered by patent examiners and judges, much less juries. As I've [stated](#) before, patent eligibility has been reduced to Justice Stewart's test for obscenity: "I know it when I see it."

The USPTO's New 101 Guidance

Accepting all that, the question is "how can the Section 101 problem be solved?" If not the courts, then maybe Congress? But thus far, Congress has been hesitant to take up meaningful reform. And Congress has enough on its plate, negotiating with the President to reopen the federal government.

So that leaves us with the USPTO itself. And, thankfully, we have seen some positive developments that leave me cautiously optimistic. [Director Andrei Iancu](#) has instituted new procedures with the PTAB that should make the process more equitable for inventors and innovators.

More specific to the patent-eligibility chaos is the Section 101 Guidance announced in early January. Much [has already been written](#) about the Guidance, and much more will come. It's too soon, of course, to accurately prognosticate all effects, but I have reasons to be optimistic.

From a high level, the Section 101 Guidance is a reasoned effort to synthesize existing case law and impart a more reasoned analytical framework to the notoriously nebulous 101 inquiry. The USPTO recognized that "[p]roperly applying the *Alice/Mayo* test in a consistent manner has proven to be difficult, and has caused uncertainty in this area of the law." To address this uncertainty, the USPTO revised how examiners should apply the *Alice/Mayo* judicial exception test: "The procedure set forth herein (referred to as 'revised Step 2A') changes how examiners should apply the first step of the *Alice/Mayo* test, which determines whether a claim is "directed to" a judicial exception."

In Prong Two, examiners should evaluate whether the claim as a whole integrates the recited judicial exception into a practical application of the exception. A claim that integrates a judicial exception into a practical application will apply, rely on, or use the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception. When the exception is so integrated, then the claim is not directed to a judicial exception (Step 2A: NO) and is eligible. This concludes the eligibility analysis. If the additional elements do not integrate the exception into a practical application, then the claim is directed to the judicial exception (Step 2A: YES), and requires further analysis under Step 2B (where it may still be eligible if it amounts to an inventive concept), as explained in Section III.B of the 2019 Revised Patent Subject Matter Eligibility Guidance.

The Section 101 Guidance incorporates a careful consideration of current Federal Circuit case law, to the extent general rules can be extracted from those cases. In doing so, the USPTO compiled a list of specific considerations and exemplary claims that will be deemed patent eligible under Section 101.

Without doubt, the Section 101 Guidance will restore at least some of the much-needed clarity to patent eligibility. The PTAB itself quickly [took notice](#) of the Guidance by ordering additional briefing in related covered business method (CBM) review proceedings. The PTAB permitted the parties to file short supplemental briefing on the Guidelines, in advance of the scheduled hearing.

An important question is whether the courts will follow or be persuaded by the Guidance. USPTO guidance on substantive issues of patent law is not controlling, and the courts will not be bound by it, as it may not be correct in all instances. But the courts should find the Guidance persuasive, at least. Given the years of jurisprudential confusion, the courts ought to give serious weight to the USPTO's careful consideration of these issues.

Director Iancu has carefully and logically synthesized the case law on eligibility in the Section 101 Guidance. Although some practitioners will not agree with or favor it, many will. At the very least, the Guidance grapples with the contradictory case law and intolerable vagueness and unadministrability of the underlying doctrinal notions created by the Supreme Court. The USPTO Guidance is the best articulation available, and Congress and courts alike would do well to use it as a model.

It may be that the Federal Circuit and the Supreme Court have to acknowledge that some of their prior work was deficient. But that need not, in all instances, be seen as error in the first instance. Technology changes quickly—computer technology even faster these days. And legal doctrines must keep up with the times. Old case law about

mixtures of bacteria may have only limited importance when deciding if claims to complex computer algorithms are patent eligible. The USPTO Guidance is a first positive step in filling the gap in the Section 101 analytical framework and restoring some clarity to the U.S. patent system.