How 2 Proposed Bills Could Transform Patent Law

By **Philip Nelson** (October 24, 2024)

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Two proposed laws affecting patents may come up for vote by the Senate Judiciary Committee after the election: the Patent Eligibility Restoration Act[1] and the Prevail Act.[2]

Both have bipartisan support.[3] Just before a September vote, later postponed, the American Intellectual Property Law Association expressed support for both of these bills,[4] along with the Idea Act addressing copyrights.[5]

If the votes on the bills during the lame duck session end up showing bipartisan agreement, it will be worth asking how it was achieved.

Background

In 2011, President Barack Obama signed the Leahy-Smith America Invents Act that provided new administrative ways[6] to reexamine whether issued patents were valid.[7]

By 2014, large U.S. Supreme Court majorities agreed that the lower courts had empowered patent owners too much and acted to curtail patent rights.[8]

But as lower courts applied the U.S. Supreme Court's 2014 Alice Corp. v. CLS Bank International and 2012 Mayo Collaborative Services v. Prometheus Laboratories Inc. cases,[9] inventors appeared to be subject to a two-tiered system.

Some novel inventions were allowed the benefits of patents, and some — especially in software and medical diagnostics — were deemed ineligible for this privilege. Understandably, this was frustrating to the inventors and companies developing these inventions. Why the different tiers?

The distinction arose because some judges believed that certain inventions are too universal or too abstract to warrant the multidecade exclusivity of a patent — even if these inventions meet the other legal requirements for receiving a patent, such as being new, useful and fully disclosed in the patent application. The underlying law interpreted by these judges, Title 35 of the U.S. Code, Section 101,[10] is relatively permissive, providing a threshold of four broad invention categories:

> Whoever invents or discovers any new and useful process, machine, manufacture or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

In the early days of the statute, this meant that patents could be granted for "everything under the sun made by man."[11] The statute's language reaches back to the 1793 Patent Act, but over time courts developed various nonstatutory exceptions to what inventions or discoveries are eligible for patenting, such as "laws of nature," and more controversially,[12] "abstract ideas."

Although it held patent claims too abstract — and therefore ineligible — in its Alice case, the Supreme Court invoked its earlier warning to "tread carefully in construing this exclusionary

principle lest it swallow all of patent law" and recognized that "[a]t some level, all inventions ... embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas."[13]

In 2022, President Joe Biden's solicitor general recognized that federal courts had not heeded this warning, even striking down an industrial process patent, manufacturing a car axle, that applied Hooke's law in a particular setting.[14] He thus urged support for stronger patent rights when asking the Supreme Court to take the U.S. Court of Appeals for the Federal Circuit's 2019 American Axle & Manufacturing Inc. v. Neapco Holdings LLC case.[15]

The concerns the solicitor general expressed are consistent with comments by former U.S. Patent and Trademark Office Director Andrei Iancu in the Senate's hearing on PERA.[16]

Their arguments draw from reasoning in the Supreme Court's Alice and Mayo cases[17] to emphasize that, "because all useful inventions that operate in the physical world depend for their efficacy on natural laws (whether known or unknown), such dependence by itself cannot render [them] patent-ineligible."[18]

Summary of PERA

PERA attempts to tackle the problems of the two-tiered system.

Among its many provisions, PERA would amend Section 101 to provide that "any process that cannot be practically performed without the use of a machine, including a computer, or manufacture shall be eligible for patent coverage."

This will likely be interpreted by the courts as allowing software and medical diagnostic patents that present law does not allow. A similar practicality standard was previously proposed[19] by Iancu,[20] referenced in previous guidance[21] from the USPTO to its examiners, and has roots in case law more than a century old:

> It is true that a patent can not be sustained for a mere principle. For instance, Sir Isaac Newton's discovery of the principle of gravitation could not be the subject of a patent. But it is equally true, that a principle may be embodied and applied, so as to afford some result of practical utility in the arts and manufactures, and that under such circumstances a principle may be the subject of a patent. It is, however, the embodiment and the application of the principle which constitute the grant of the patent.[22]

Proponents of PERA emphasize that enacting the law would restore Section 101 to its previous status as a basic threshold test, allowing patents to be further evaluated under the standard historical tests set forth in Sections 102, 103 and 112.[23]

Legislative Compromise

One reason PERA may have achieved bipartisan support is that it represents a compromise.

Some proponents of strong patents object that it codifies aspects of judge-made law, such as denying eligibility to any invention of "a process that is substantially economic, financial, [or] business," excluding, as patent ineligible, what are known today as "business method" patents. This is a change from historical patent law that permitted such patents.[24]

It also differs from previous patent statutes by categorically excluding patents on particular discoveries, such as the identification of a "gene [as it] exists in the human body," contrary to the affirmative statement of permitted categories in Section 101. These compromises have led some to believe PERA is a mistake.[25]

They argue that it removes incentives for development in future unknown fields, and that it will put the U.S. at a competitive disadvantage to other countries that have more permissive patent eligibility requirements.

Other arguments against PERA arise from a general hostility to patents, because they are perceived as being barriers to innovation rather than an integral part of our Constitution-based incentive system for encouraging innovation.

Summary of the Prevail Act

Similar to PERA, sponsors of the Prevail Act seek to strengthen patents by including the following.[26]

Standing Requirement

Only those sued or threatened by a patent could use inter partes reviews to preemptively challenge that patent's validity.[27]

Limits to Duplicate Attacks

The act would prevent an entity from helping fund one inter partes review, then bringing a separate IPR challenge later. After challenging a patent using an IPR, challengers could not also seek to invalidate that patent in federal district court, the U.S. International Trade Commission, or any other tribunal.

Limits to Duplicate Arguments

To allow IPRs based on evidence or arguments previously presented to the Patent Trial and Appeal Board, the act would require exceptional circumstances.

Higher Burden of Proof

The act would require that patents be proven invalid by clear and convincing evidence, not just by a preponderance of the evidence.

End USPTO Fee Diversion

The act would allow fees paid to the USPTO to be used only for USPTO activities, rather than the current practice of distributing some of this money to other government entities.

Support for the Proposed Legislation

Notwithstanding some objections and perhaps because the proposed laws represent compromise, AIPLA's statement expresses support for both PERA and the Prevail Act.

AIPLA states PERA would improve predictability, restore "clarity to patent eligibility," and "incentivize investment across various fields of technology, including emerging technologies."[28] It believes the Prevail Act would "improv[e] transparency," and it

applauds the provisions that would "apply[] a presumption of validity for challenged patents," and "chang[e] the burden of proof for petitioners to the clear and convincing evidence standard."[29]

Implications for Inventors and Patent Owners

Some have lobbied against the proposed laws by claiming they would empower patent trolls and open the floodgates for vague patents "that will be used to sue small companies and individuals."[30]

However, these criticisms are speculative and selective. The immediate beneficiaries of PERA will be all inventors and companies seeking to obtain and enforce patents. PERA will likely level the playing field by removing a patent handicap that has recently clouded the software and medical diagnostic fields. Such benefits are not confined to companies that do not practice their inventions.

For the Prevail Act, all issued patents will become slightly more difficult to invalidate through patent office procedures. Although this may lead to more patent enforcement activity, as the risk of losing patents is incrementally reduced, the effect is not reserved for patents of a certain type. The patent incentive structure outlined in the U.S. Constitution will benefit.

Interested parties should review the arguments from the Senate Judiciary Committee's hearing in January, and pay attention to the outcome of any votes in the lame duck session.[31] At least for protecting inventions consistently, perhaps bipartisan consensus has arrived.

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[1] S. 2140, the Patent Eligibility Restoration Act (https://www.tillis.senate.gov/services/files/4B41CBF2-57AB-4E8E-9E93-7D714A7AAB40).

[2] S. 2220, the PREVAIL Act (Text - S.2220 - 118th Congress (2023-2024): PREVAIL Act | Congress.gov | Library of Congress); see https://www.knobbe.com/blog/current-congressional-attempts-patent-reform.

[3] https://www.tillis.senate.gov/2023/6/tillis-coons-introduce-landmark-legislation-to-restore-american-innovation; https://kiley.house.gov/posts/representatives-kiley-peters-introduce-the-patent-eligibility-restoration-act.

[4] https://www.aipla.org/detail/news/2024/09/17/aipla-writes-letter-in-support-of-s.-2140-patent-eligibility-restoration-act-s.-2220-prevail-act-and-s.-4713-idea-act.

[5] S. 4713, the IDEA Act.

[6] See, e.g., https://www.uspto.gov/patents/ptab.

[7] E.g., through Inter Partes Review, or "IPR" (https://www.uspto.gov/patents/ptab/trials/inter-partes-review).

[8] https://guides.corporatelivewire.com/IntellectualProperty2014/html5/index.html?&locale=ENG&pn=50.

[9] Alice Corp. v. CLS Bank Int'l, 573 U.S. 208 (2014) (Alice Corp. v. CLS Bank Int'l | 573 U.S. 208 (2014) | Justia U.S. Supreme Court Center); Mayo Collaborative Services v. Prometheus Labs, Inc., 566 U.S. 66 (2012) (Mayo Collaborative Services v. Prometheus Laboratories, Inc. | 566 U.S. 66 (2012) | Justia U.S. Supreme Court Center).

[10] 35 U.S.C. § 101 (https://codes.findlaw.com/us/title-35-patents/35-usc-sect-101.html).

[11] Diamond v. Chakrabarty, 447 U.S. 303 (1980) (https://supreme.justia.com/cases/federal/us/447/303/).

[12] https://www.knobbe.com/news/2019/01/big-picture-software-patent-eligibility-forces-work.

[13] Alice, 573 U.S. at 217 (quoting Mayo, 566 U.S. at 71).

[14] https://www.supremecourt.gov/DocketPDF/20/20-891/226156/20220524150114156_20-891%20-%20American%20Axle%20CVSG.pdf; https://www.knobbe.com/blog/momentum-builds-supreme-court-review-american-axle-clarification-patent-eligibility-law.

[15] American Axle & Manufacturing, Inc. v. Neapco Holdings LLC (https://cafc.uscourts.gov/sites/default/files/opinions-orders/18-1763.Opinion.10-3-2019.pdf).

[16] https://www.c-span.org/video/?533127-1/senate-hearing-patent-eligibility-innovation-part-1;.https://www.judiciary.senate.gov/committee-activity/hearings/the-patent-eligibility-restoration-act_restoring-clarity-certainty-and-predictability-to-the-us-patent-system.

[17] Supra n. 9.

[18] Supra n. 14, p. 14 (citing Alice).

[19] https://www.knobbe.com/news/2018/11/usptos-director-iancu-discusses-options-%C2%A7-101-reform.

[20] https://www.judiciary.senate.gov/imo/media/doc/2024-01-23_-_testimony_-_iancu.pdf.

[21] https://www.knobbe.com/news/2019/01/new-101-guidance-uspto-%E2%80%93-what-does-it-change.

[22] Wintermute v. Redington, 30 F. Cas. 367, 370–371 (C.C.N.D. Ohio 1856).

[23] https://www.judiciary.senate.gov/imo/media/doc/2024-01-23_-_testimony_-_mossoff.pdf.

[24] https://www.property-rts.org/post/business-methods-patents-a-key-part-of-american-patents-from-1790-to-today.

[25] https://usinventor.org/wp-content/uploads/USI-Position-PERA.pdf.

[26] https://www.coons.senate.gov/imo/media/doc/prevail_act_fact_sheet.pdf.

[27] Supra n. 7.

[28] Supra n. 4.

[29] Supra n. 4.

[30] https://act.eff.org/action/tell-congress-we-can-t-afford-more-bad-patents.

[31] Supra n. 16.