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Bill To Broaden Patent Eligibility Spurs Clash At Sen. Hearing

By **Ryan Davis**

Law360 (June 4, 2019, 11:05 PM EDT) -- A bill to expand patent eligibility drew highly divergent reactions from former patent officials, professors and industry groups at a Senate hearing Tuesday, with proponents praising it as a needed clarification that will bolster innovation and detractors warning that it will spark waves of abusive lawsuits.

The draft bill, **unveiled last month** by Sens. Thom Tillis, R-N.C. and Chris Coons, D-Del., would undo U.S. Supreme Court decisions that have held that abstract ideas, laws of nature and natural phenomena are not patent-eligible, and would also mandate that the law "shall be construed in favor of eligibility."

Tillis and Coons led Tuesday's three-hour hearing, the first of three slated to feature 45 witnesses in all. The two senators, who were the only lawmakers to speak, began by saying they believe the high court's restrictions on eligibility have undermined the patent system but that they are open to suggestions on reworking their proposal.

Coons said the categories of inventions that cannot be patented — created by decisions like 2014's Alice v. CLS Bank — are unclear and have "clouded the waters about exactly what types of inventions merit protection, even if these inventions are groundbreaking, revolutionary and useful."

He said he is worried that the lack of clarity has reduced investment in innovation and is a "key factor in eroding America's long-perceived status as having the gold standard for patent protection."

Tillis said that he and Coons invited people with diverse views to the hearing because "we want to know what you like, what you don't like and what we can do better to accomplish our shared goals. We want to make this bill better and we want to produce a product that represents a broad consensus."

There was no shortage of feedback in the hours that followed as 15 witnesses variously said the current state of the law is a crisis that demands congressional intervention and that the proposed legislation would allow for patents that shouldn't be issued and would fuel frivolous lawsuits.

Former Federal Circuit Chief Judge Paul Michel told the senators that the high court's limits on eligibility and its "excessively incoherent, inconsistent and chaotic" case law on what is excluded from patent protection are "the No. 1 problem in our patent system today."

He said that under the current law, he is unable to tell with any certainty whether an invention will be deemed by a court to be a patent-ineligible abstract idea or law of nature, even with his decades of patent experience, so it is even more difficult for banks or executives and investors deciding whether to fund research.

"The bill, in my opinion, correctly abrogates entire case law of the Supreme Court, and there's no other way to solve the problem," Judge Michel said, adding that if the legislation were enacted it has the potential to "unleash an enormous continuing wave of investments in science and technology."

Likewise, former U.S. Patent and Trademark Office Director David Kappos said the current state of the law on patent eligibility "truly is a mess" and that courts "are all spinning their wheels on decisions that are irreconcilable, incoherent and against our national interest."

The case law means that many inventions cannot be patented in the U.S. but can be patented in China or Europe, undermining investment in U.S. innovation, he said. He called the proposal to legislatively undo those decisions an "effective, simple and creative solution."

Opponents of the bill said overturning the prohibition on patents of abstract ideas and laws of nature would lead to a resurgence of overbroad patents on basic concepts implemented on a computer that have regularly been found invalid under Alice.

Electronic Frontier Foundation staff attorney Alex Moss said that the Alice decision lets courts discard such patents early in a case and has "given people who are wrongly accused an opportunity to clear their name without risking their livelihood or their business." She said her organization has helped many small businesses defeat frivolous suits by so-called patent trolls by arguing that the patents fail under Alice.

"Congress should not dismantle long-standing principles of patent law based solely on the faith of patent owners," she said.

Before the Supreme Court made clear that abstract ideas implemented using a computer are not patent-eligible, "the problem of patent trolls and nuisance value lawsuits grew to epic proportions, and one of the things that brought it under control in the last few years was the Alice case," said Stanford Law School professor Mark Lemley.

Professor Paul Gugliuzza of Boston University School of Law said that if the bill were enacted, it would bring the law back to a place where anything under the sun is patent-eligible and heighten "the risk that the worst abuses of the 1990s and early 2000s will return."

Robert Armitage, an intellectual property consultant and former general counsel of Eli Lilly and Co., said that viewing the Supreme Court's eligibility decisions as a tool to defeat frivolous litigation is the wrong way to approach the issue, since the uncertainty they have created casts doubt on the eligibility of many legitimate inventions.

"If we had a housing shortage, we wouldn't talk about the bubonic plague being a solution. We'd build more houses," he said. "What we're really doing here is building the houses. Alice was not a solution for the troll problem; it was a tragedy in its own right."

One contentious topic at the hearing was whether the bill would allow patents on human genes. Since the draft would abrogate all court decisions on patent eligibility, that would appear to include the high court's 2013 decision in Association for Molecular Pathology v. Myriad Genetics, which held that human genes are patent-ineligible products of nature.

The American Civil Liberties Union, which represented those challenging Myriad's patent on genes that raise the risk of breast cancer, has opposed the bill, arguing that "genes are not a commodity that should be controlled by any one corporation." But Coons said at the hearing that he and Tillis do not want to allow gene patents.

"Our proposal would not change the law to allow a company to patent a gene as it exists in the human body," he said. "We do not intend to overrule that holding of the 2013 Myriad decision, which establishes that genes as they exist in nature are not eligible for patent protection."

But some witnesses said that despite that assurance, the wording of the draft bill appears to allow for patents on genes and other natural products and basic scientific research.

"I understand the committee intends not to overrule the Myriad decision, but I can imagine a court reading the statute as doing just that by eliminating the prohibition against patenting products of nature," Lemley said.

However, Sherry Knowles of Knowles Intellectual Property Strategies said that she is a breast cancer survivor and believes Myriad should be overturned. Patent protection is needed to promote research on natural material that can be used to create chemotherapy drugs and other treatments, she said.

"I think your proposal does overturn the Myriad decision, and I hope it does, because there has been a dead stop is research in the United States on isolated natural products," she said. "Nature sometimes is the best source of products that heal us and save our lives."

At the end of the hearing, Tillis said that there were "very valid points from witnesses across the spectrum" and that lawmakers will take those views into consideration to "really try to create a balanced approach."

"We can talk about ultimately what the scope of our proposed legislation would look like, but I do think that there's an opportunity for us to weigh in and promote innovation and protect the hard work of the innovators out there," he said.

The other two hearings are scheduled for Wednesday and for June 11.

--Editing by Alanna Weissman.