

## Report from the NYIPLA Section 101 Forum 2017

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On March 6, 2017, BPLA president Monica Grewal attended a President's Forum hosted by the New York Intellectual Property Law Association (NYIPLA) in New York City and moderated by former USPTO director David Kappos (now of Cravath, Swaine & Moore LLP) and immediate past NYIPLA President Dorothy Auth (Cadwalader, Wickersham & Taft LLP). The President's Forum was a closed-door event gathering thought leaders in intellectual property to discuss the status of the law of patentable subject matter, with a goal of building consensus in the intellectual property community for a legislative "fix" to clarify the scope of patent eligibility under 35 U.S.C. § 101.

Other attendees included the Honorable Katherine Forrest (J., SDNY), the Honorable John C. Lifland (J. Ret., D. NJ), U.S. Representative Hakeem Jeffries (NY-08), as well as Scott F. Partridge (Baker Botts LLP and Chair-Elect, American Bar Association Intellectual Property Law Section), James Crowne (Deputy Executive Director for Legal Affairs, American Intellectual Property Law Association), Hans Sauer (Deputy General Counsel for Intellectual Property, Biotechnology Industry Organization), and Kevin H. Rhodes (President, Intellectual Property Owners Association). Notably, this event included representatives from the three major national IP organizations, with the BPLA being one of only two regional bar associations invited to attend. BPLA's involvement was likely solicited based on its active history in providing substantive comments to the USPTO in response to published guidelines on examination related to patentable subject matter. *See, e.g., March 16, 2015 BPLA Letter to USPTO Office of Patent Legal Administration Providing Comments on 2014 Interim Guidance on Patent Subject Matter Eligibility*, [available here](#) (last visited April 24, 2017); *July 28, 2014 BPLA Letter to USPTO Office of Patent Legal Administration Providing Comments on Examination Guidance for Determining Subject Matter Eligibility of Claims Reciting or Involving Laws of nature, Natural Phenomena & Natural Products*, [available here](#) (last visited April 24, 2017). In addition, the BPLA membership has added to the scholarly debate on section 101 through commentary and newsletter publications. *See, e.g., Lampert, J. Alice: Making Step Two Work*, BPLA Spring 2016 Newsletter (Vol. 47, Issue 2), April 2016, [available here](#).

The event, titled "Section 101 is Broken. Is There a Legislative Fix?" came amidst pervasive questioning of the tests and guidance for the determination of what qualifies as patentable subject matter that have recently been laid out by the Supreme Court, the Federal Circuit, and the USPTO. The ensuing discussion was wide-ranging, with the participants not only noting the deficiencies of the two-step analysis laid out by the Supreme Court in the 2014 *Alice Corp. v. CLS Bank Int'l* decision, but also proposing creative ideas for addressing the determination of patentable subject matter and offering practical assessments of the current legislative environment and the concomitant reduced likelihood of a Congressional remedy at this time. Proposals discussed ranged from minimalistic approaches such as simply tweaking the second step of the test set forth in *Alice* to remove reference to "inventive concept," to a total repeal of section 101. In addition, noted was an exemplar procedural change previously implemented in the past by a senior examiner at the USPTO that held in abeyance determinations of eligibility

under section 101 until after confirmation of compliance with the remaining provisions of the patent code.

A common theme was the suggestion that *Alice* had strayed too far from existing jurisprudence by importing the requirements of obviousness into section 101 by requiring an assessment of the “inventive concept” of the claims. There was also general consensus that additional judicial tests would not be productive.

Notably, the event was shortly preceded and followed by the release of proposed amendments for section 101 from two of the national bar associations present at the meeting. *See February 7, 2017 IPO Proposed Amendments to Patent Eligible Subject Matter Under 35 U.S.C. § 101*, [available here](#) (last visited April 24, 2017); *March 28, 2017 Letter from the American Bar Association Section of Intellectual Property Law to Michelle K. Lee re: Supplemental Comments Related to Patent Subject Matter Eligibility*, [available here](#) (last visited April 24, 2017).

In preparation for the meeting, Ms. Grewal, with the assistance and support of the co-chairs of BPLA’s Patent Office Practice Committee (Sean Coughlin of Lathrop & Gage, Nicole Palmer of Lando & Anastasi and Jonathan B. Roses of WilmerHale), undertook a historic review of select Supreme Court cases related to patentable subject matter to determine if guidance might be present in those decisions that might suggest a path forward. The history of these cases, briefly summarized below, provides a useful illustration of the cases that led the Court to its *Alice* decision and the ensuing and ongoing debate.

In the 1853 case of *O’Reilly v. Morse*, the Supreme Court was tasked with a review of patent claims relating to Samuel Morse’s invention of the telegraph. 56 U.S. 62 (1853). There, the Supreme Court found Morse’s broadly worded claim 8 to be directed to unpatentable subject matter, based on concerns that the issuance of that claim would preempt the use of electric or galvanic current to mark characters at a distance in ways both known and unknown at the time. However, thirty-five years later, the Court reached the opposite conclusion regarding Alexander Graham Bell’s claim to a method and apparatus for transmitting vocal or other sounds telegraphically. *Dolbear v. Am. Bell Tel. Co. (The Telephone Cases)*, 126 U.S. 1 (1888). The Court found that Bell’s claim was not directed to electricity in its natural state, but instead to “putting a continuous current in a closed circuit into a certain specified condition suited to the transmission of vocal and other sounds, and using it in that condition for that purpose.” The majority contrasted *Morse* by explaining that the earlier claim explicitly claimed “the use of the motive power of the electric or galvanic current... however developed.” The divergent results in this pair of decisions can be justified based on an assessment of the risk of preemption posed by each claim – Morse’s claim represented overreaching that would preempt the use of electric or galvanic current, while Bell’s was more narrowly directed to the use of current under specified conditions, and did not pose a similar risk.

The Court later clarified this conclusion when it revisited these cases in dicta in the 1972 case of *Gottschalk v. Benson*. 409 U.S. 63 (1972). There, the Court explained that the difference between the *Telegraph* and *Telephone Cases* was that Morse purported to claim all telegraphic uses of electric or galvanic current, while Bell’s claim was limited to the methods and apparatus disclosed in his application for using electricity to transmit sounds. *Id.* at 69. The challenged claims at issue in *Benson* were directed to a method of converting binary-coded decimal numbers

into pure binary numerals by an algorithm that used minimal computer resources. In an opinion leary of the logistical challenges in USPTO examination of claims directed to software, the court found those claims unpatentable, stating that the failure of the Benson claims to transform or reduce an article “to a different state or thing,” was suggestive of the finding of unpatentability. Notably, the Court explicitly stated that action by Congress was needed to resolve the issue of the patentability of software.

Six years later, in *Parker v. Flook*, the Supreme Court found unpatentable a claim directed to the use of an algorithm to update alarm limits continuously for a process involving the catalytic chemical conversion of hydrocarbons. 437 U.S. 584 (1978). Perhaps foreshadowing later criticism that its analysis on section 101 improperly delves into subsequent sections of the patent code, the Supreme Court began its opinion by stating that “[t]he only novel feature of the method is a mathematical formula.” *Id.* at 585. The opinion further stated that conventional or obvious post-solution activity alone is insufficient to transform an unpatentable principle into a patentable process. *Id.* at 590.

Subsequently, in *Diamond v. Diehr*, the Court addressed what appeared on its face to be a similar case. 450 U.S. 175 (1981). In *Diehr*, the patentee claimed a process for molding raw, uncured synthetic rubber into cured precision products using an algorithm to calculate curing time. However, despite this apparent similarity, the Court reached the opposite conclusion as in *Flook*. In revisiting the earlier case, the Court stated that the patentee in *Flook* was effectively attempting to patent a mathematic formula, thereby preempting its use. *See Id.* at 186-87. In contrast, the inventors of the claims in *Diehr* were not seeking to preempt use of the recited equation in the claims *in toto*, but instead were only seeking to preempt others from carrying out the other particular steps in their claimed process.

The distinction the Court appeared to be drawing related to the specific language in the respective claims – while *Flook* referenced the catalytic chemical conversion of hydrocarbons, this language was only recited in the preamble, and no substantive steps related to any such process actually appeared in the body of the claim. By comparison, the *Diehr* claims included numerous limitations relating to particular physical actions and instrumentation, apparently convincing the majority that the claims were effectively limited to the relevant process. Nonetheless, Justice Stevens parted from the majority, filing a dissent (perhaps also foreshadowing future Supreme Court jurisprudence) and proposing a test for patentable subject matter of what “the inventors consider[s] his inventive concept to be.” *Id.* at 212-14. Nearly 30 years later, the Supreme Court dispensed with claims related to methods of protecting buyers against price changes by summarily stating that patentee “seek[s] to patent both the concept of hedging risk and the application of that concept to energy markets.” *Bilski v. Kappos*, 561 U.S. 593, 609 (2010). Expressly stating that the claims were directed to an abstract idea like in *Benson* and *Flook*, the Court explained that “[a]llowing risk hedging would preempt use of this approach in all fields, and would effectively grant a monopoly over an abstract idea.” *Id.* at 611-12.

Most recently, the Supreme Court decided *Alice*, finding that patentee’s claims to a computer-implemented scheme for mitigating “settlement risk” were directed to a patent-ineligible abstract idea. *Alice Corp. v. CLS Bank Int’l*. 134 S. Ct. 2347 (2014). While the holding of that case was

relatively unsurprising in view of the *Bilski* decision, the delineation of a new test for patent eligibility has been widely questioned and critiqued. Specifically, the majority laid out a two-step analysis for patentable subject matter: first, determine whether the claims at issue are directed to patent-ineligible laws of nature, natural phenomena, or abstract ideas; and second, consider the elements of each claim both individually and as an ordered combination, determining whether the additional elements transform the nature of the claim into a patent-eligible application. *Id.* at 2355. The majority explicitly termed the latter step as a search for an “inventive concept.” While the Court’s past jurisprudence had referenced an assessment of “inventiveness” in the context of the 101 analysis as early as *Flook*, *Alice* represented the first time that a test was explicitly set forth that mandated a consideration of “inventive concept.” *See Flook*, 437 U.S. at 592-93 (“We think this case must also be considered as if the principle or mathematical formula were well known. Respondent argues that this approach improperly imports into § 101 the considerations of ‘inventiveness’ which are the proper concerns of §§ 102 and 103. This argument is based on two fundamental misconceptions...”). The USPTO then wasted little time, issuing Interim Guidance on Patent Subject Matter Eligibility following *Alice* and mandating the use of the two-part test set forth therein just six months later. *See* 79 Fed. Reg. 74618 (Dec. 16, 2014).