BOSTON UNIVERSITY

Boston University School of Law

Paul R. Gugliuzza
Professor of Law

765 Commonwealth Ave.
Boston, MA 02215
Office 617.358.7123
Mobile [redacted]

Senator Lindsey O. Graham
Chairman, U.S. Senate Committee on the Judiciary
Washington, D.C. 20510

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RE: Response to written questions, hearing on the State of Patent Eligibility in America

Dear Chairman Graham:

Please find below my responses to the written questions submitted to me by members of your committee.

Questions from Senator Blumenthal

a. What impact will broadening the subject matter that can be patented have on industry?

b. What impact will broadening the subject matter that can be patented have on consumers?

c. Could the proposed reforms increase consumer prices? If so, in what industries or on what products?

The capacious view of the types of inventions eligible for patenting embraced by the Federal Circuit and the Patent Office during the 1990s and early 2000s was highly problematic for reasons recounted in my written testimony (see pages 1 3) and the law review article accompanying that testimony, *The Procedure of Patent Eligibility*, 97 Tex. L. Rev. 571, 582 (2019). Briefly, software and business method patents facilitated opportunistic patent assertions, often by so called patent trolls, against unsuspecting businesses who were merely using information technology. The worst patent owners blanketed the country with thousands of demand letters designed to intimidate recipients into purchasing a license for just below the cost of actually contesting the infringement allegations.

The Supreme Court's reinvigoration of the patent eligible subject matter requirement has helped solve that problem. The Supreme Court and the lower federal courts have used the eligibility requirement to invalidate patents that simply use computers to automate longstanding business practices, such as managing financial risk, setting prices, and sharing information. Moreover, eligibility is a question of law that can often be resolved based on the pleadings alone, saving parties significant litigation expenses. Broadening the subject matter that can be patented could increase litigation costs by removing courts' ability to quickly dismiss infringement claims that are based on patents that the Patent Office should never have issued. Those increased litigation costs will inevitably be passed on to consumers.

Questions from Senator Hirono

1. Does § 101 require a Congressional fix or should we let the courts continue to work things out?

As I mentioned during my oral testimony, it is important to remember that the *Mayo* and *Alice* decisions are less than a decade old. As with any common law rule, the courts will continue to refine the substantive test for eligibility as well as the procedures used to resolve that question. Continued judicial development of the law could provide the predictability that many observers currently find lacking, rendering a Congressional fix unnecessary.

2. The draft legislation includes the requirement that an invention be in a "field of technology."
    a. Do you consider this a clear, understood term? If so, what does it mean for an invention to be in a "field of technology"?
    b. The European Union, China, and many other countries include some sort of "technology" requirement in their patent eligibility statutes. What can we learn from their experiences?
    c. Is a claim that describes a method for hedging against the financial risk of price fluctuations like the one at issue in the *Bilski* case in a "field of technology"? What if the claim requires performing the method on a computer?
    d. What changes to the draft, if any, do you recommend to make the "field of technology" requirement more clear?

I am not sufficiently familiar with the laws of other countries that impose a "technology" requirement to opine on whether that term is clearly understood in those

jurisdictions. I surmise that the objective of adding a "field of technology" requirement would be to prohibit patents on mere ideas untethered to any tangible object. As your question suggests, however, there remain difficult questions about whether a process performed on a computer (which is indisputably a tangible object) is a "technological" invention. Indeed, any new term introduced into U.S. statutory law will almost certainly spur litigation over its precise meaning.

3. Sen. Tillis and Sen. Coons have made clear that genes as they exist in the human body would not be patent eligible under their proposal.

   Are there other things that Congress should make clear are not patent eligible? There are already statutes that prevent patents on tax strategies and human organisms. Are there other categories that should be excluded?

As my response to question 1 suggests, I believe the courts are doing an admirable (though certainly imperfect) job of implementing the implicit exceptions to eligibility (laws of nature, natural phenomena, and abstract ideas) articulated by the Supreme Court in *Mayo* and *Alice*. Though some observers have raised concerns that the *Mayo*/*Alice* eligibility test discourages innovation in medical diagnostics, the Federal Circuit has upheld diagnostic patents against eligibility challenges so long as those patents also contain a treatment step. *See Vanda Pharmaceuticals Inc. v. West Ward Pharmaceuticals Int'l Ltd.*, 887 F.3d 1117 (Fed. Cir. 2018). Though one might criticize the distinction between pure diagnostic patents (ineligible) and diagnosis plus treatment patents (eligible) as somewhat artificial, the reality is that developers of diagnostic tests can, in fact, still receive patent protection if they draft their patents in accord with Federal Circuit precedent. Thus, I am skeptical that there is an urgent need to abolish the three common law exceptions to patent eligibility that have been developed by the Supreme Court.

4. I have heard complaints that courts do not consistently enforce Section 112 with respect to claims for inventions in the high tech space.
   a. Are these valid complaints?
   b. Do the proposed changes to Section 112 adequately address those complaints and limit the scope of claims to what was actually invented?
   c. Are you concerned that the proposed changes will make it too easy for competitors to design around patent claims that use functional language?

In my article, *Early Filing and Functional Claiming*, 96 B.U. L. Rev. 1226 (2016), I show how the Federal Circuit has recently increased courts' discretion to constrain the

scope of patents drafted in functional terms. However, as I also explain in that article, it is remains relatively easy for applicants to draft patents to avoid the limits imposed by Federal Circuit law. The proposed legislation, which appears aimed to codify existing Federal Circuit doctrine, may present a similar dynamic.

5. There is an intense debate going on right now about what to do about the high cost of prescription drugs. One concern is that pharmaceutical companies are gaming the patent system by extending their patent terms through additional patents on minor changes to their drugs. My understanding is that the doctrine of obviousness type double patenting is designed to prevent this very thing.

   The Federal Circuit has explained that obviousness type double patenting "is grounded in the text of the Patent Act" and specifically cited Section 101 for support.

   Would the proposed changes to Section 101 and the additional provision abrogating cases establishing judicial exceptions to Section 101 do away with the doctrine of obviousness type double patenting? If so, should the doctrine of obvious type double patenting be codified?

As I understand it, the proposed legislation, by amending § 101, could be interpreted to repeal the doctrine of obviousness type double patenting a doctrine that, as your question notes, serves the important function of ensuring that two patents do not issue for the same invention.

6. In its *Oil States* decision, the Supreme Court explicitly avoided answering the question of whether a patent is property for purposes of the Due Process Clause or the Takings Clause.

   What are the Due Process and Takings implications of changing Section 101 and applying it retroactively to already issued patents?

I am not sufficiently familiar with the relevant constitutional doctrines on takings and due process to offer a firm opinion, though I will note that the Supreme Court's decisions on eligibility have frequently been applied to patents that were issued before the Court rendered those decisions.

Sincerely,

Paul R. Gugliuzza