Observations on § 101

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Three major constituencies in the patent world—

- Biotech / life sciences:
  - Strong patent protection is a *sine qua non*—without recovery of high fixed cost for the "first pill," no investment
- A dozen market-dominant computer/tech companies:
  - Google, Cisco, Intel, Oracle, Adobe, Dell, HP, Apple, Micron, SAP, Symantec; to a lesser degree, Microsoft
  - Patent system not important: markets protected by "network externalities" (e.g., an operating system only has value if it runs *every* application, bug-for-bug compatible, with Windows or IOS—what would it cost to recreate a perfect competitor?)
  - For some of these companies, primary business is integration of IP developed by others, not innovation.
  - But these companies legitimately irritated by cost of defending troll suits.
- Everybody else:
  - On a spectrum
  - Startups, disruptive new technology, those with venture capital funding, others that invent to license, join life sciences at the strong patent end—e.g., universities, Qualcomm, Interdigital (that license cell technology for others to implement)

Statutory amendments that won't work—

- Several committees considered and decided against abrogating the statutory exceptions:
  - They are so embedded in the law (at least the Supreme Court's thinking about the law) that if the exceptions were removed by statute, many committee members fear that the Supremes would reinstate the exceptions as a matter of Constitutional law—and then we're *really* screwed.
  - Instead, *define* and *bound* them as they were in 1990s (pre-*Bilski*)
    - It's about ***the claims***, no "could have been" rewriting
    - A "law of nature" claim is eligible if at least one limitation requires human action, intervention, precursor state
    - An "abstract idea" is eligible under the "machine or transformation test" (the "post-solution activity" rule is bogus)

Statutory amendments that won't work—

- What about simple language like:
  - "practical application of a law of nature or abstract idea"
  - "may not claim or preempt a law of nature, abstract idea"
  - claim "considered as a whole"
- These terms don't mean what we patent lawyers think they mean. They mean what the Supreme Court says they mean
  - *Alice* and Mayo say that "practical application" and "preemption" are synonyms of "inventive concept."
  - *Alice* and *Mayo* and *Myriad* tell us that "as a whole" means "pick the claim apart into a few individual words, and ignore the interconnections."
- These simple phrases are the problem, not the solution.

Statutory amendments that won't work—

- Interpretive common law precedent survives statutory amendment, unless the statute itself speaks directly to the contrary. *E.g.*, *United States v Texas*, 507 U.S. 529 (1993) (citations omitted):

  Just as longstanding is the principle that "[s]tatutes which invade the common law . . . are to be read with a presumption favoring the retention of long-established and familiar principles, except when a statutory purpose to the contrary is evident." In such cases, Congress does not write upon a clean slate. In order to abrogate a common-law principle, the statute must "speak directly" to the question addressed by the common law.

- When a statutory amendment directly borrows wording from the common law, the statute incorporates the full common law meaning. For example, *Beck v. Prupos*, 529 U.S. 494 (2000) explains:

  [W]hen Congress uses language with a settled meaning at common law, Congress "presumably knows and adopts the cluster of ideas that were attached to each borrowed word in the body of learning from which it was taken and the meaning its use will convey to the judicial mind unless otherwise instructed. In such case, absence of contrary direction may be taken as satisfaction with widely accepted definitions, not as a departure from them."

Statutory amendment drafting concerns

- Proposed statute should avoid all language that has prior adverse interpretation from the Supreme Court:
  - *E.g.*, to define "abstract idea," "at least one claim limitation that requires [something] outside the human mind" (rather than "application of an abstract idea" or "not preempted")
  - *E.g.*, to define "law of nature" or "natural phenomenon," "at least one claim limitation that requires human agency"
  - "at least one claim limitation" rather than "as a whole"
- Analogy: 1952 Act introduced the term "obvious at the time the invention was made"
  - No amount of statutory redefinition of the term "invention" would have eradicated the principles underlying prior common law.

Today's § 101 process could be much more consistent and efficient if PTO honored Administrative Law

- To bind the public, an agency must act by *regulation*, not guidance. Administrative Procedure Act, 5 U.S.C. § 553. (Exception: guidance may *interpret* to resolve ambiguities in agency regulations or statutes. Guidance may not create wholesale new requirements, obligations, or duties.)
- Vis-à-vis agency employees, agency guidance *is* binding. "Housekeeping Act," 5 U.S.C. § 301; *Vitarelli v. Seaton*, 359 U.S. 535 (1959); *Service v. Dulles*, 354 U.S. 363 (1957); *Accardi v. Shaughnessy*, 347 U.S. 260 (1954).
- Guidance is asymmetric. in the MPEP and § 101 guidance, when an examiner "must" make a showing, that "must" is binding. The correctness is testable by appeal, but the obligation to *explain* (as opposed to silence, or explanation on grounds other than set by agency guidance) is enforceable at examination time. "Must" is entirely hortatory when applied to applicants or the public.

Good Guidance Bulletin (1 of 2)

- *Bulletin for Agency Good Guidance Practices*
  - Executive Office of the President, *Final Bulletin for Agency Good Guidance Practices*, OMB Memorandum M-07-07, http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf (Jan. 18, 2007), 72 Fed. Reg. 3432 (Jan. 25, 2007)
  - Issued by OMB with same authority as a Presidential Executive Order
- Requirements (horn book administrative law):
  - Agencies employees have no independent discretion to self-waive requirements "without appropriate justification and supervisory concurrence" (typically by asking for a formal amendment that applies agency wide).
  - Agencies are to remove all mandatory requirements vis-à-vis the public from guidance documents (that is, since 2007, the PTO should have eradicated all statements that "the applicant must…" unless restating statutory or regulatory requirement, or interpreting an ambiguity). *E.g.*, MPEP Chapter 800.

Good Guidance Bulletin (2 of 2)

- Requirements (Presidential authority to police agencies):
  - Agencies should issue clarifying guidance to "channel the discretion of agency employees, increase efficiency, … enhance fairness, [and] ensure equal treatment of similarly situated parties"—nobody wins when agency employees are free agents.
  - Amendments to "economically significant guidance documents" (over $100MM, like the MPEP and § 101 Guidelines) require notice-and-comment, and a "robust response to comments."
  - On web site, agency must list guidance documents currently in effect, and clearly specify which old guidance documents (or portions thereof) are withdrawn, obsolete or superseded.
  - Appoint a "good guidance officer" and advertise contact information on agency's web site, so public can seek enforcement.

Good Guidance Bulletin and § 101 Guidance

- Compliance?
  - The § 101 Guidelines are so wishy-washy they provide no "channeling" (perhaps excusable in view of chaotic case law)—no attempt to extract the common law principles of what facts and analogies are relevant and which not, just a bucket of fact patterns for examiners to find their own analogies
  - Examiners feel free to depart and improvise—PTO management's abdication of enforcement guarantees no consistency.
  - MPEP has never been given notice-and-comment.
  - PTO requests comments on § 101 Guidelines (first *Bilski* guidelines in 2010 required a republication because first publication did *not* commit to notice and comment, and I phoned OMB to complain) but PTO has never published a "response to comments."
  - No way to know which portions of old guidance still in effect, which superseded, which obsolete.
  - No "good guidance officer" contact information on PTO's web site.

Long History of PTO defiance against directives from President

- The PTO has never implemented the *Good Guidance Bulletin*—remarkable defiance of Presidential authority
- Several petitions have been filed by multiple parties, or requested implementation in Notice and Comment letters. PTO response has been:
  - Either refusal to implement, "if you don't like it go complain somewhere else:"
    - "Any person may bring issues of alleged non-compliance on the part of the USPTO with Executive Order 12866 or the Final Bulletin for Agency Good Guidance Practices to the attention of the Department of Commerce or the Office of Management and Budget"
  - Brazen baloney signed by high USPTO officials, "The USPTO has fully implemented the Bulletin"

Opportunity in 2017

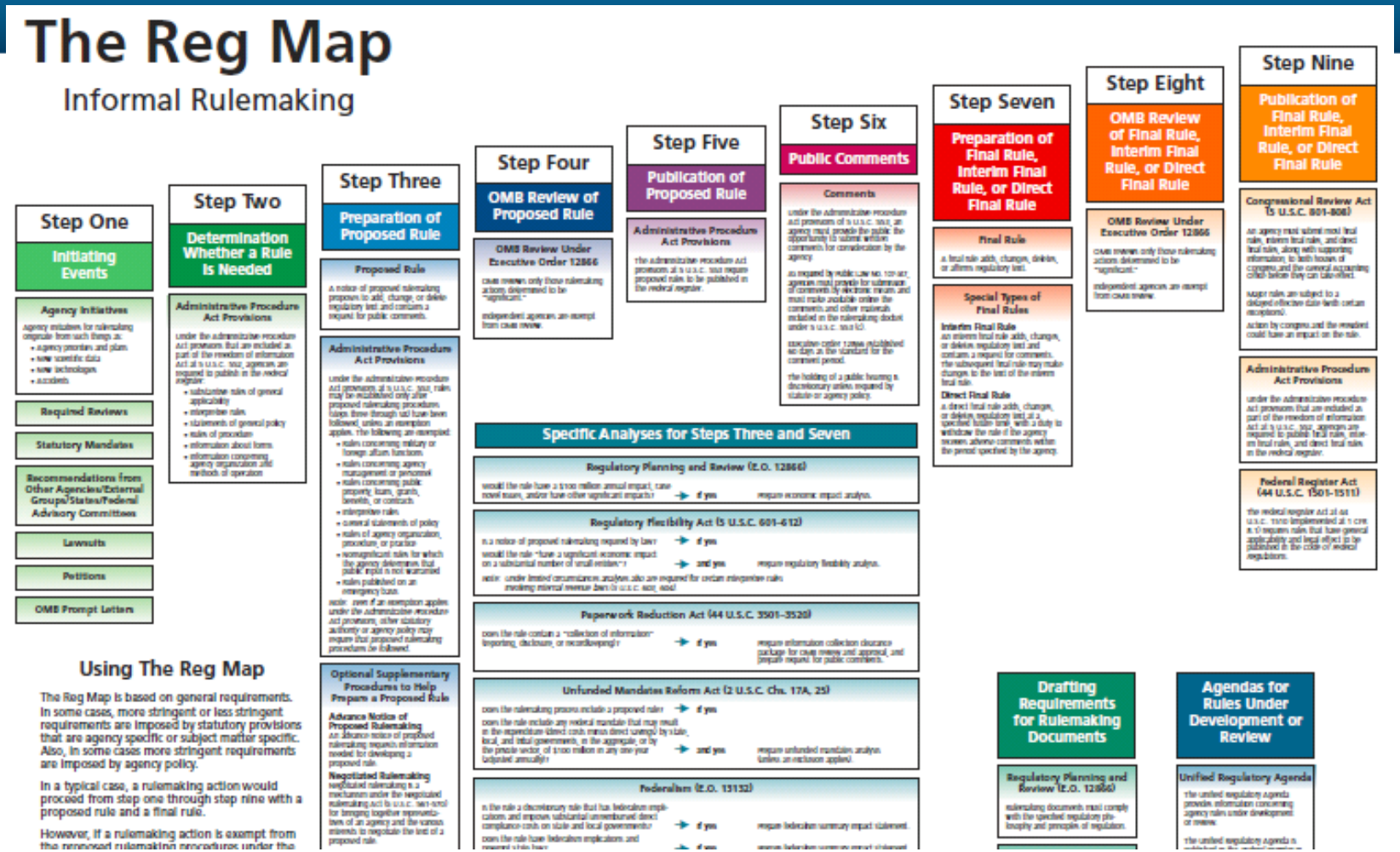
- *Good Guidance* reiterated by President Trump in Executive Order of Jan. 30, 2017

  https://www.whitehouse.gov/the-press-office/2017/02/03/interim-guidance-implementing-section-2-executive-order-january-30-2017

- The Patent Office has formed a "Working Group on Regulatory Reform"—however, all members are internal. The Paperwork Reduction Act and other laws require public participation to accurately estimate and reduce regulatory burden.

- If the Patent Bar will familiarize itself with the administrative law, and be vocal about requesting compliance, this is the year that the White House is primed to intervene with the Patent Office.

Lasciate ogne speranza, voi ch'entrate



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