Justices Should Back Off Patent Eligibility, Michel Says

Law360, New York (July 25, 2014, 8:31 PM ET) -- Recent U.S. Supreme Court rulings on what is patent-eligible have "created chaos" in the law, and the patent system would be better off if the justices stepped back and avoided the contentious issue for a few years, former Federal Circuit Chief Judge Paul Michel said in an exclusive interview with Law360.

As a result of decisions like **one in June** holding that abstract ideas implemented using a computer are ineligible for a patent, it has become difficult for lower court judges and litigators to know where the line is drawn on what can be patented, Judge Michel said Thursday.

The uncertainty has thrown the value of scores of patents into question, so the lower courts should be given the chance to sort out and clarify the high court's holdings, he said.

"The Supreme Court has created a big problem and then made it worse with each successive decision," Judge Michel said. "In a way, the best thing could happen to the patent system would be for the Supreme Court to take a breather for a couple years, ... then, in light of the factual record that's evolved in the meantime, the Supreme Court could get back into patent-eligibility."

Over the past few years, the high court has invalidated patents on computerized trading methods, **isolated human DNA** and **medical diagnostic tests** after finding that they covered patent-ineligible abstract ideas or products of nature.

However, the rulings often "provide no predictability and no clarity at all" in

terms of how they will apply to other patents, said Judge Michel, who retired from the Federal Circuit in 2010.

"No one knows what's eligible and what's ineligible until 10 years later, when some court says so," he said.

It may be time for Congress to step in and amend Section 101 of the Patent Act, which covers patent eligibility, to more explicitly specify what is and is not eligible for a patent, Judge Michel said, since that would reduce the risk that many patents may be rendered worthless by the recent decisions.

"I wouldn't presume where to tell Congress exactly where to draw the line, but I'm sure that Congress in just a few sentences or paragraphs could draw some clear lines," he said. "The very fact that they'd be clear, unlike the Supreme Court cases, would be an enormous benefit to the inventive community, the business community and the investment community."

The Supreme Court has taken many patent cases in recent years, but Judge Michel said he was mostly critical of the way it has handled eligibility, which he said stands in "sharp contrast" to its decisions on other patent law issues.

For instance, rulings this term **relaxing the test** for proving that a patent is indefinite and **giving deference** on appeal to district court decisions on fee shifting, he said, "are excellent decisions that will greatly improve the functioning of the patent system."

Though he said Congress was best suited to bring clarity to patent-eligibility issues, Judge Michel said he had been disappointed with efforts on Capitol Hill over the past year to pass legislation aimed at cracking down on so-called patent

trolls, which he has been "based on lobbying power and PR spin and propaganda."

The hearings over the bill, which **stalled in the Senate** this spring, were dominated by large technology companies seeking aggressive measure to make patent litigation more difficult for nonpracticing entities, without much input from other industries or from judges or litigators that handle patent cases, he said.

As a result, "Congress got a very distorted picture of what goes on in typical patent trials, and of course that influences their sense of what the best remedies would be for what problems exist," he said.

Some of the representatives of the technology industry lobbying for patent reform made claims that "just aren't true," such as that most suits brought by nonpracticing entities are frivolous, Judge Michel said. He said he had judged several thousand patent cases in his time on the bench, and his sense was that only about 3 percent were frivolous.

"There's been a huge amount of exaggeration and distortion that has badly skewed the debate and confused the Congress, and that needs to get clarified," he said.

Many of the measures Congress was considering imposing by legislation in order to address abusive patent litigation, such as raising pleading standards and placing limits on discovery, amount to ill-advised micromanaging of court dockets, Judge Michel said. Moreover, many of the concerns that drove calls for such measures are already being addressed by judges and do not need to be imposed by statute, he said.

For instance, the Judicial Conference of the U.S. has **called for eliminating** a rule that allows plaintiffs to base patent complaints on a model form that requires only a brief statement alleging infringement, a move that would effectively raise pleading standards.

In addition, several courts have imposed local rules for managing patent cases or are participating in a pilot program aimed at enhancing the expertise of judges in patent issues, which would address some of the case management issues the bill was aimed at addressing.

"I don't see much of an assessment by the Congress of what the judiciary has been doing, and in fact I don't see much knowledge being acquired by Congress about the judiciary is doing along these many lines," Judge Michel said.

Just as the Supreme Court would do well to hold off ruling on patent eligibility, Judge Michel said it would be a good idea for Congress to resist calls to quickly enact patent reform and take the time to get input from a wider variety of stakeholders about the proposals and learn more about the steps being taken by judges.

For both Congress and the Supreme Court, "a couple of years of relative quiescence would be very constructive and very welcome, I think," he said.

--Editing by Elizabeth Bowen and Chris Yates.