Can the Supreme Court's erosion of patent rights be reversed?

By Ron Katznelson, Ph.D. / March 2, 2017

The late Justice Scalia once said that he generally did "not like patent cases." It is all but certain that his vacancy will soon be filled by the conservative Judge Neil Gorsuch. Empirical evidence on Supreme Court decisions show that the more conservative a Justice is, the more likely he or she is to vote in favor of recognizing and enforcing rights to intellectual property.[i] However, for the reasons explained below, I believe that on his own, Gorsuch's joining the Court may at best have marginal effect on the Court's trajectory in patent law doctrines. It is important to explore this in the context of the historical trends of Supreme Court jurisprudence in patent law.

A common refrain in the realm of patent commentary, blogs, and symposia, is to beleaguer the Supreme Court to keep its hands off the patent law. This exhortation is not new. The predecessor to the Court of Appeals for the Federal Circuit, the national appeals court for patents, had on occasion viewed Supreme Court review as detrimental because of the risk that the Justices would misunderstand and misapply patent doctrine.[ii] Commentators have since criticized the Supreme Court's frequent failure to understand the patent law and craft effective doctrine.[iii] Donald Chisum, author of the leading treatise on U.S. patent law, has concluded that "the Justices seem to treat patent cases as second class citizens and write opinions that read as though they were dictated while standing waiting for the elevator."[iv]

Cause for some of this criticism can be traced to at least three factors. The first is the political preferences and attitudes held by the Justices.[v] The second is the Justices' lack of science and technology experience, never having been closely involved in discovery and invention. Lending support for this notion is the fact that Justices are nearly twice as likely to decide in favor of copyright owners as in favor of patent owners.[vi] All Justices are accomplished authors; none were inventors, scientists or

entrepreneurs. With this background, Justices may simply be more sympathetic to the claims of an author against a copier than they are to the claims of an inventor against a rival producer. Third is the fact that all Justices are generalists without prior patent law experience. Thus, they often seek to eliminate patent "exceptionalism," attempting to bring patent law in conformity with general legal principles.[vii] The resulting decisions reveal the Supreme Court's holistic outlook as a generalist court concerned with broad legal consistency rather than fidelity to patent law's underlying specialized and unique features moored in technology research, invention, and patenting processes. Unfortunately, as shown below, the adverse effects on patent rights due to the deviant patent doctrines arising out of the Court's decisions far exceed the benefits of assimilation and conformity of the patent law with the general law.

Recently, starting with the *Festo* decision in 2002,[viii] the Supreme Court has decided a sequence of cases that have incrementally weakened the force of patent rights. The case in *Festo* goes to the heart of patent law by limiting the doctrine of equivalents whenever the applicant made a narrowing amendment to the claims in prosecution at the Patent Office. The impact is most severe in the biotechnology field: because thousands of different analogs of a protein could be made by substituting a single amino acid, potential infringers would easily circumvent claims to a specific protein by substituting amino acids, thus placing an impossible burden on the applicant to specifically disclose and claim all potential analogs. Adverse consequences of *Festo's* limit on the use of the doctrine of equivalents are not only the narrower construction of claims in litigation; patent applicants now face the dilemma at the Patent Office when attempting to avoid amendments to the claims in order to preserve the protection of the doctrine of equivalence, only to increase the risk that the claims may later be found invalid.

With the landmark 2006 decision in *eBay*,[ix] the Supreme Court has fundamentally demoted the meaning of the constitutional term "securing … the exclusive right" for virtually all patentees that are non-practicing entities. The result of *eBay* for such patentees is the effective loss of injunctive relief – property rules are trumped by

liability rules, in which the patentee receives monetary damages from the infringer, effectively as a compulsory license.

In 2007, the Supreme Court made it easier to find a patent invalid for obviousness under 35 U.S.C. §103. In *KSR*,[x] the Court rejected the Federal Circuit's "rigorous approach" of requiring at least one of the established indicia of obviousness—*teaching*, *suggestions* or *motivation* (TSM) to combine known elements. The Supreme Court noted that TSM is but one of several factors that may be considered in evaluating whether a claimed combination is obvious. The Court removed the clarity of TSM by injecting other "several factors" with the circular definitions of "common sense" and "whether it would be obvious to try" – criteria that are prone to hind-sight subjective second-guessing of obviousness. Following this decision, unbound by any objective standard, judges and patent examiners would proclaim obviousness by "common sense" and by circular arguments that the combination is "obvious" because it is "obvious to try." As a result, many more patents were found invalid for obviousness and many more patent applications failed to overcome rejections based on obviousness.

The Supreme Court has issued other decisions that have incrementally weakened the force of patent rights in other ways. These include *Quanta,* [xi] upholding patent exhaustion doctrine and expanding scope of implied licenses, and *MedImmune*[xii] which expanded the circumstances under which a patent licensee may seek declaratory judgment that the licensed patent is invalid. Most dramatically, the Court issued decisions between 2012 and 2014 that cast serious doubt on the validity of hundreds of thousands of biotechnology, medical diagnostics, software, and business method patents in force.[xiii]

Case Name	Citation	Decision Date	Favors P/D/N	Vote
Festo Corp. v. Shoketsu Co., Ltd.	535 U.S. 722	28-May-02	D	9-0
The Holmes Group, Inc. v. Vornado, Inc.	535 U.S. 826	3-Jun-02	D	9-0
Merck KGaA v. Integra LifeSciences I, Ltd.	545 U.S. 193	13-Jun-05	D	9-0
Unitherm, Inc. v. Swift-Eckrich, Inc.	546 U.S. 394	23-Jan-06	D	7-2
Illinois Works, Inc. v. Ind. Ink, Inc.	547 U.S. 28	1-Mar-06	P	8-0
Ebay Inc. v. MercExchange, L.L.C.	547 U.S. 388	15-May-06	D	9-0
Labcorp v. Metabolite Laboratories, Inc.	548 U.S. 124	22-Jun-06	P	4-3
Medimmune, Inc. v. Genentech, Inc.	549 U.S. 118	9-Jan-07	D	8-1
KSR International Co. v. Teleflex Inc.	550 U.S. 398	30-Apr-07	D	9-0
Microsoft Corporation v. AT&T Corp.	550 U.S. 437	30-Apr-07	D	7-1
Quanta Computer v. LG Electronics, Ltd.	553 U.S. 617	9-Jun-08	D	9-0
Bilski v. Kappos	561 U.S. 593	28-Jun-10	D	9-0
Global Tech Appliances, Inc. v. SEB S.A.	563 U.S. 754	31-May-11	D	8-1
Board of Trustees of Stanford Univ. v. Roche Molecular Systems	563 U.S. 776	6-Jun-11	N	7-2
Microsoft Corp. v. i4i Ltd. P'ship	564 U.S. 91	9-Jun-11	P	9-0
Mayo Collaborative Servs. v. Prometheus Labs, Inc.	132 S. Ct. 1289	20-Mar-12	D	9-0
Caraco Pharm. Labs., Ltd. v. Novo Nordisk A/S	132 S. Ct. 1670	17-Apr-12	D	9-0
Kappos v. Hyatt	132 S. Ct. 1690	18-Apr-12	P	9-0
Gunn v. Minton	133 S. Ct. 1059	20-Feb-13	N	9-0
Bowman v. Monsanto Co.	133 S. Ct. 1761	13-May-13	P	9-0
Ass'n for Molecular Pathology v. Myriad Genetics, Inc.	133 S. Ct. 2107	13-Jun-13	D	9-0
FTC v. Actavis, Inc.	133 S. Ct. 2223	17-Jun-13	D	5-3
Medtronic, Inc. v. Mirowski Family Ventures, LLC	134 S. Ct. 843	22-Jan-14	D	9-0
Highmark Inc. v. Allcare Health Mgmt. Sys.	134 S. Ct. 1744	29-Apr-14	D	9-0
Octane Fitness, LLC v. ICON Health & Fitness, Inc.	134 S. Ct. 1749	29-Apr-14	D	9-0
Limelight Networks, Inc. v. Akamai Techns., Inc.	134 S. Ct. 2111	2-Jun-14	D	9-0
Nautilus, Inc. v. Biosig Instruments, Inc.	134 S. Ct. 2120	2-Jun-14	D	9-0
Alice Corp. Pty. Ltd. v. CLS Bank Int'l	134 S. Ct. 2347	19-Jun-14	D	9-0
Teva Pharm. USA, Inc. v. Sandoz, Inc.	135 S. Ct. 831	20-Jan-15	N	7-2
Commil USA, LLC v. Cisco Systems, Inc.	135 S. Ct. 1920	26-May-15	P	6-2
Kimble v. Marvel Entertainment, LLC	135 S. Ct. 2401	22-Jun-15	D	5-3
Halo Electronics, Inc. v. Pulse Electronics, Inc.	136 S. Ct. 1923	13-Jun-16	P	9-0
Cuozzo Speed Technologies, LLC v. Lee	136 S. Ct. 2131	20-Jun-16	D	7-2

The accompanying table above summarizes all patent law decisions issued by the Supreme Court since the *eBay* decision in 2002. It includes the Justices vote count and an indication whether the decision involved an interpretation of the law that tends to favor and enhance patent rights or whether it favors the user, an alleged infringer or licensee.[xiv] The table indicates that *Supreme Court decisions that weakened patent rights were 3.3 times more frequent than those favoring patent rights.*

Nothing like the Supreme Court's problematic jurisprudence on patent-eligible subject matter (the definition of the *types* of inventions that are protectable under patent law) demonstrates the urgent need to inject some serious technical patent law expertise to the Court. The 1952 Patent Act enumerates the *types* of patent-eligible inventions by conferring patent protection for "[w]hoever invents or discovers any new and useful

process, *machine*, *manufacture*, or *composition of matter*, or any new and useful *improvement thereof*" subject to *other* patentability requirements. 35 U.S.C. § 101 (emphasis added). However, the Supreme Court has long redefined the four enumerated statutory categories by barring patent protection for certain types of inventions or discoveries: "Laws of nature, natural phenomena, and abstract ideas are not patentable."[xv] Thus, for patent-eligibility of inventions involving elements from any of the three judge-made categories, the Court requires that the claims must be directed to an "inventive concept,"[xvi] or "something more."[xvii] By this, the Court conflates subject matter eligibility in § 101 with the patentability requirements for novelty and non-obviousness in §§ 102, 103. Moreover, for decades, the Court consistently declined to define the term "abstract idea" whenever the opportunity to do so arose.[xviii]

The spectacular failure of the Supreme Court to craft effective patent law doctrine in the most critical gateway to innovation – the type of subject matter eligible for patent protection – has been criticized by key thought leaders in patent law. In recent oral remarks, the former chief judge of the Court of Appeals for the Federal Circuit explained the problem created by the Justices:

> *How do you define an abstract idea? ... What limitations add significantly more to a claim that has in it one of these implied exceptions that the Supreme Court has pulled out of nowhere. It's not in the Patent Act, the four categories. Nothing in [the statute exists] by way of exceptions. Certainly nothing in there about abstract ideas, laws of nature, natural phenomena, etc. They just made it up.[xix]*

A technology field that is highly susceptible to the confusion and mischief arising out of the Justices' inability to effectively address substantive patent-eligibility law involves computer-implemented inventions and software related patents. The *Alice* case involved such claims and when the question before the Supreme Court arose, whether "claims to computer-implemented inventions – including claims to systems and machines, processes, and items of manufacture – are directed to patent-eligible subject matter," Donald Chisum wrote:

That this question warrants Supreme Court deliberation in 2013 is startling and disgraceful. How can such uncertainty exist in the 21st century about so basic a question as the patentability of computer software? Computers, software, and disputes about intellectual property protection for programming have been around since the 1960s. The statute at issue (Section 101) is unchanged since 1952.

The responsibility lies squarely at the feet of the Supreme Court. Its confusing statements about the patenting of "abstract ideas" have trickled down to the lower courts, understandably causing disagreements among judges. Regrettably, the result is one of the most serious diseases that can infect the legal system: similar cases are decided differently based solely on the identities of the judges." [xx]

The dearth in understanding technologies and related invention processes and the lack of prior expertise in patent law pertains to Justices across the political spectrum. Patent law raises questions that have the potential to divide conservatives and liberals alike, as it pits principles of liberty and property against one another. For example, the pillars of the recent problematic jurisprudence on patent-eligibility were authored by liberal Justice Breyer (*Mayo v. Prometheus*) and by conservative Justice Thomas (*Alice v CLS Bank*).

Computer-related inventions and software products powered the American economy and work force as it transitioned from automobiles, textiles, consumer products, steel and other industries that went offshore or simply changed due to technology or regulation. This is extremely significant because estimates from the Institute of Electrical and Electronics Engineers show that 44% of all U.S. patents in force are, in some way or another, software-related patents.[xxi]

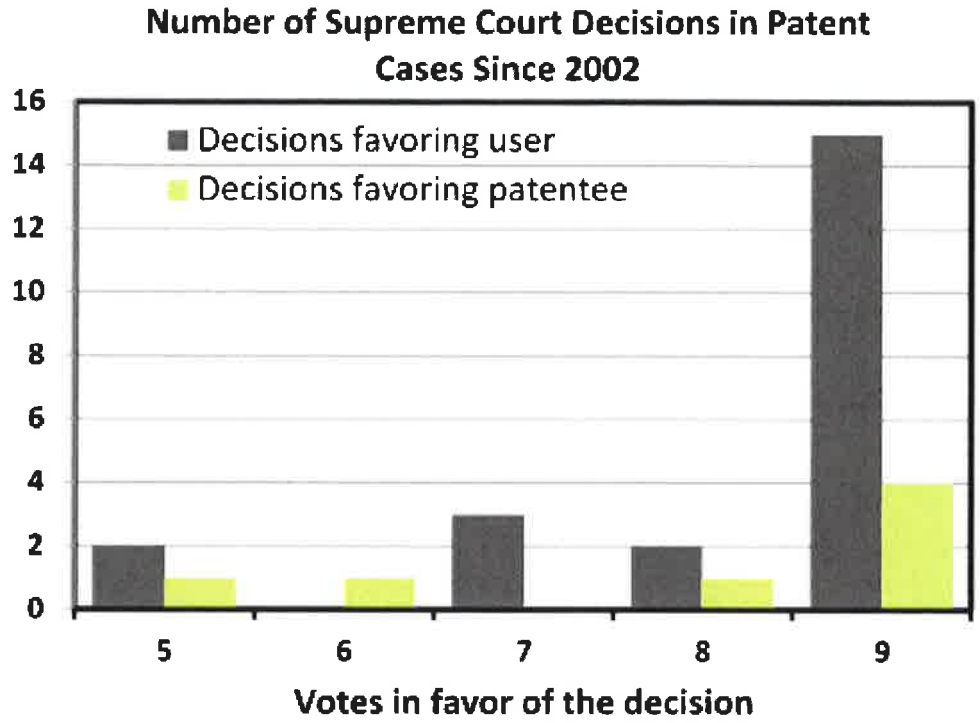
Patent-eligibility rulings that do not cohere with technological realities and modern scientific thinking can only distort the development of the patent law. Patent protection for the most advanced technologies is denied, thereby suppressing incentives for leading-edge domestic R&D investments that can bring back American jobs. In recent

testimony before Congress, Robert Stoll, the former Commissioner for Patents at the U.S. Patent Office explained that America is now

> *the narrowest subject matter patent-eligible country in the world. The effects of these decisions as they are being applied by the lower courts are limiting the availability of patents in core technologies—areas of computer implemented programs, diagnostic methods and personalized medicine—and thereby limiting the ability of innovators to provide value to consumers, build their businesses, and grow. These cutting edge fields are the very technologies in which the United States leads the world. In Europe, claims must have "technical character" and in China claims must have a "technical feature distinctive from the prior arts". So these other countries have broader subject matter eligibility than we do! [xxii]*

Finally, the eroding strength of patent rights is due not only to the decisions the Supreme Court has made or affirmed, but also to those it declined to make. A decision to deny certiorari results in a de-facto affirmance of a Federal Circuit decision, which, in some cases can be highly detrimental to patent rights. For example, in two recent landmark decisions, the Federal Circuit held that patent rights are not "private rights" (rights which arise in exchange for the inventor's private trade secret rights when those are disclosed in a patent) but are rather "public rights," i.e., rights that are created by the federal government. Thus the Federal Circuit held that Congress can delegate patent validity adjudications to administrative tribunals having neither Article III constitutional protections for patentees nor the right to a jury trial under the Seventh Amendment. The Supreme Court denied both petitions for certiorari,[xxiii] essentially opening the door for Congress to delegate *all* adjudications of patent validity from Article III courts to an administrative patent board at the U.S. Patent Office.

The bar chart below breaks down the decisions listed in the table above by the Justices' votes (excluding neutral decisions), showing that only a small fraction were closely decides by a majority of 5 votes.



It therefore appears that patent decisions will seldom be close decisions in the future. Thus, unless would-be Justice Neil Gorsuch demonstrates extraordinary persuasive effect on his future colleagues, even if he should arrive at opinions favorable to patentees, he would be unlikely to tip many decisions of the Court in favor of patent holders. Inevitably, it would still be up to Congress to legislatively undo the Supreme Court's harm to American patent rights.

Notes

[i] M. Sag, T. Jacobi, and M. Sytch. "Ideology and Exceptionalism in Intellectual Property: An Empirical Study." 97 *California Law Review*, 801-56 (2009).

[ii] *See, e.g.*, *Application of Bergy*, 596 F.2d 952, 966 (C.C.P.A. 1979), *aff'd*, 447 U.S. 303 (1980) (The Supreme Court's decision in *Parker v. Flook*, 437 U.S. 584 (1978) "may have unintended impact in putting an untimely and unjustifiable end" to long-standing propositions of patent law. "The potential for great harm to the incentives of the patent system is apparent.").

[iii] Donald S. Chisum, The Supreme Court and Patent Law: Does Shallow Reasoning Lead to Thin Law?, 3 *Marq. Intell. Prop. L. Rev.* 1, 4 (1999) (showing that quality of reasoning by the Supreme Court is often weak, illogical, ambiguous, and inconsistent); John F. Duffy, The *Festo* Decision and the Return of the Supreme Court to the Bar of Patents, 2002 *Sup. Ct. Rev.* 273, 329–32 (2002) (inventions often entail incremental

improvements: the details of such patent cases are likely to be difficult for generalist judges to understand, thus likely to seem so minor as to not be worth the effort to understand); John M. Golden, The Supreme Court as "Prime Percolator": A Prescription for Appellate Review of Questions in Patent Law, 56 *UCLA L. Rev.* 657, 672-700 (2009) (Justices have little to contribute as generalists after all, and the Supreme Court will, in fact, do worse in developing substantive patent law than the semispecialized Federal Circuit).

[iv] Chisum, *supra* note 2, at 16.

[v] Sag *et al.* (2009) *Supra* note 1; *See also* Oliver Wendell Holmes, Jr., *The Common Law,* 1, Boston: Little, Brown, & Co. (1881) ("The life of the law has not been logic: it has been experience. The felt necessities of the time, the prevalent moral and political theories, intuitions of public policy, avowed or unconscious, even the prejudices which judges share with their fellow-men, have had a good deal more to do than the syllogism in determining the rules by which men should be governed.")

[vi] Sag *et al.* (2009) *Supra* note 1 at 841.

[vii] Peter Lee, The Supreme Assimilation of Patent Law. 114 *Michigan Law Review,* 1413 (2016).

[viii] *Festo Corp. v. Shoketsu Co., Ltd.*, 535 U.S. 722 (2002).

[ix] *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006) (holding that, even if patent is found valid and infringed, injunctive relief against infringer not granted unless equitable four-factor test is met).

[x] *KSR Int'l Co. v. Teleflex, Inc.*, 550 U.S. 398 (2007).

[xi] *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617 (2008).

[xii] *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

[xiii] On biotechnology patents, see *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013) (denying patent-eligibility of certain isolated genetic sequences even though isolation does not occur naturally); on medical diagnostic patents, see *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289 (2012) (holding that claims directed to administering and determining an effective level of certain drugs in the treatment of autoimmune diseases were patent-ineligible); on software and business method patents, see *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347 (2014) (holding that the claims were directed to an "abstract idea" without "something more.").

[xiv] "P" means the decision results in an interpretation of the law that tends to favor the patentee in patent infringement suits (even if the patentee may not have prevailed in that particular suit). "D" means the decision results in an interpretation of the law that tends to favor the alleged infringer or licensee (even if they may not have

prevailed in that particular suit). "N" means the decision resulted in an interpretation of the law that does not clearly favor either side.

[xv] *Alice, supra* note, 10 at 2354 (citation omitted).

[xvi] *Mayo*, *supra* note 10, at 1294.

[xvii] *Alice, supra* note 10, at 2350 ("in applying the § 101 exception, this Court must distinguish patents that claim the building blocks of human ingenuity, which are ineligible for patent protection, from those that integrate the building blocks into something more, thereby transforming them into a patent-eligible invention.") (citing *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S.Ct. 1289, 1303 (2012)).

[xviii] *See, e.g., Alice, supra* note 10, at 2357 ("In any event, we need not labor to delimit the precise contours of the 'abstract ideas' category in this case.").

[xix] Hon. Paul R. Michel, Judicial Litigation Reforms Make Comprehensive Patent Legislation Unnecessary as Well as Counterproductive, 14 *Northwestern Journal of Technology and Intellectual Property*, 131,136-137 (2016) (emphasis added).

[xx] Donald S. Chisum, Patents on Computer-Implemented Methods and Systems: The Supreme Court Grants Review (CLS Bank) Background Developments and Comments, *Chisum Patent Academy* (December 10, 2013).

[xxi] IEEE-USA *Amicus Curiae* brief in the U.S. Supreme Court case *CLS v. Alice*, (January 28, 2014) (Appendix estimating that as of 2012, nearly 1 million software-related patents were in force, a substantial fraction of all 2.23 million utility patents in force).

[xxii] Testimony of Robert L. Stoll, Former Commissioner of Patents at the USPTO, Before the Senate Committee on Small Business & Entrepreneurship, 114th Congress, (February 25, 2016). *See* hearing video at 1:21:10 – 1:22:35.

[xxiii] Cert. denied: *MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 15-1330, 2016 WL 1724103, (U.S. Oct. 11, 2016); *Cooper v. Square, Inc.*, No. 16-76, 2016 WL 3856113 (U.S. Nov. 14, 2016).

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