Why the Federal Circuit is to Blame for the 101 Crisis

By Gene Quinn / February 25, 2019

"What should the Federal Circuit be doing? Distinguishing *Alice* and *Mayo* for what they *really* are would be a wonderful start…. It is time for the judges of the Federal Circuit to stand up and fulfill their Constitutional Oaths. They must interpret Supreme Court precedent—all of it—consistent with the statute and the Constitution."

The following remarks were delivered by Gene Quinn at the Utah IP Summit on February 22.

When the Supreme Court believes that the Federal Circuit has made an error, they will reverse and remand with broad guidance, but often are not able to determine what the proper test should be. The Supreme Court wants, and expects, the Federal Circuit to determine the proper test because, after all, it is the Federal Circuit that is charged with being America's chief patent court. But the Federal Circuit has become myopic. It is getting tiring to read in case after case— where *real* innovation is involved—the Federal Circuit saying that they are constrained, even forced by either *Alice* or *Mayo*, to find the *very real* innovation to be declared patent ineligible. This madness has to stop!

A *Bilski* Moment

"I would urge the court to reassess Supreme Court precedent and see if it is really that restraining," Director Iancu said at *Inventing America* on February 12 in Washington, D.C. He is, of course, correct. It is time for the CAFC to have—what I will refer to as— a "*Bilski* moment." You will recall in *Bilski v. Kappos* the Supreme Court explained that at least some business method patents must be patentable for a variety of reasons, including the fact that the statute actually refers to business method patents.

It is time for the Federal Circuit to return to first principles. At least some discoveries, for example, must be patentable.

We learn in our first semester of law school the importance of distinguishing cases based on the facts and applying the law and statutes to those facts. Somewhere along the way, the Federal Circuit has forgotten what we all learned as first year law students.

We must all recall that, in both *Mayo* and *Alice*, the Supreme Court explained the importance of treading lightly in construing exclusionary principles because there is real concern that exclusionary principles can "swallow all of patent law." That is because every invention starts with an idea or builds on a law of nature or natural phenomena.

Looking Beyond Bad Facts

So, what should the Federal Circuit be doing? Distinguishing *Alice* and *Mayo* for what they *really* are would be a wonderful start.

In *Alice Corp. v. CLS Bank* the Supreme Court was faced with patent claims that related to computerizing the function of what was essentially, in the view of the Supreme Court, a checkbook register. The Supreme Court during oral argument was even told—not once but twice—that the invention could have been coded by a second-year engineering student over a weekend. How trivial must the code be for that to be correct?

Obviously, as admitted by the attorney representing the inventor before the Supreme Court, the code was simplistic, and the invention was not at all revolutionary. In fact, it wasn't an invention at all. Indeed, if anything can be coded so that it actually works without bugs and is ready for release over a weekend, the code must necessarily be extraordinarily trivial. Second-year engineering students have taken, at best one, or maybe two coding courses, in languages that are very basic. And a single weekend of coding isn't even enough time to code a simple e-commerce website that does nothing at all new. Coding anything just takes time.

Consider that in *Mayo v. Prometheus* the Supreme Court was faced with patent claims that were extraordinarily broad and practically claimed a natural law. No one in the patent community thought that the patent claims at issue in that case were novel or nonobvious, or even that the patent adequately described the alleged innovation that was being claimed. Yet, the Supreme Court took the opportunity to invalidate the claims as being patent ineligible because the claims at issue added so little beyond observing the natural law that the defined claim couldn't possibly be worthy of a patent. Again, there was no invention present.

So, with these two central cases considered by the Supreme Court—*Alice* and *Mayo*—the alleged inventions, if they existed at all, were of a truly trivial magnitude. So, exactly what do these decisions say about innovations relating to artificial intelligence or machine learning? What do these decisions say about a life sciences invention where everyone acknowledges that the invention is one of the most important medical innovations of our time because it eliminates all risk for mother and unborn child? How can these decisions have any relevance with respect to any *real* innovation?

It is time to face the facts—the Supreme Court has considered only bad cases, with bad facts, where there was no innovation presented in the claims, or even in the patent application as a whole. These decisions have absolutely no meaning or proper application with respect to any inventions, let alone inventions of monumental complexity such as artificial intelligence, autonomous vehicles, or new medical diagnostics that allow risk-free testing of common ailments, where previously existing tests required potentially catastrophic risk.

This should be self-evident to any first-year law student who has completed legal analysis and legal writing.

Study the Statute

But let's not stop there. Let's actually look at the statute. The statute, which is all of one-sentence long, specifically lists discoveries as patent eligible. So why are discoveries being declared patent ineligible? We are repeatedly told by the Federal Circuit that they are mandated by Supreme Court precedent to find patent claims

invalid. But why? Is that true? Simply put, NO. To the extent decisions by the Federal Circuit find discoveries patent ineligible, they directly contradict both the statute and the Constitution. The Federal Circuit is wrong, period.

Perhaps they are so close to these cases and, and maybe a little myopic at times. But what is undeniable is that rulings that result in conclusions that discoveries are not patent eligible are wrong. We are told repeatedly that they are mandated by Supreme Court precedent. Obviously, that cannot be correct. The statute says: "Whoever invents or discovers… may obtain a patent…" Clearly, Congress wants discoveries to be patented.

And in our system of governance, Congress has supremacy over the Supreme Court with respect to setting the law unless the law is unconstitutional. 35 U.S.C. 101 has never been declared unconstitutional, so discoveries must be patent eligible, period. So, the Federal Circuit should be working backwards from any conclusion that is inconsistent with the statute. Figure out where the analysis goes awry, and adjust accordingly, because clearly, neither *Alice* nor *Mayo* can be inconsistent with the Constitution or the statute. Yet, somehow many CAFC decisions are.

Of course, another alternative would be to adopt the thoughtful Step 2A and 2B analysis Director Iancu has put forth for examiners. Having a single test applied by the courts and the USPTO would go a long way to creating certainty.

Having said that, I would encourage practitioners to start arguing in every fora that judicial exceptions no longer exist, period.

Henry Schein **Shines a Light**

Earlier this year, on January 8, in *Henry Schein, Inc. v. Archer & White Sales, Inc.*, Case No. 17-1272, the Supreme Court considered the Circuit split over whether the "wholly groundless" exception to a Federal Arbitration Act (FAA) provision requiring the arbitrator to decide issues the parties had agreed to arbitrate could be relied on to permit a district court to determine in the first instance whether a particular dispute

was arbitrable, notwithstanding that the parties had agreed arbitrability questions should be decided by the arbitrator.

The Supreme Court unanimously held that the exception to the statute does not apply and cannot exist. The reason is simple. As Justice Kavanaugh explained, acknowledging that the FAA had been adopted by Congress and signed by the President: "The short answer is that the Act contains no [such] exception, and we may not engraft our own exceptions onto the statutory text." *Henry Schein*, slip op. at 7. Hammering home this rather unambiguous principle, Justice Kavanagh noted: "Again, we may not rewrite the statute simply to accommodate [a recognized] policy concern." *Id.* at 8.

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Will citing *Henry Schein* work? Most think not, but it would create an obvious hypocritical moment. Perhaps a capitulation that Congress would need to pay attention to. The Supreme Court constantly tells the Federal Circuit that patent law is not different. If that is true, then the judicial exceptions to the statute should not exist. If judicial exceptions do exist to 101 that, means patent law is different. This would create an obvious pivot point that members of Congress could all understand.

Creating Chaos

Regardless, it is time for the judges of the Federal Circuit to stand up and fulfill their Constitutional Oaths. They must interpret Supreme Court precedent—all of it—consistent with the statute and the Constitution. The way judges of the Federal Circuit used to do this was to understand that the Supreme Court would address patent matters

only occasionally, and they would speak in broad language about very specific facts. However, the Federal Circuit has in recent years increasingly read deep into Supreme Court language, well past what was actually said, in search of some meaning that simply is not present in the language itself.

The Federal Circuit has been reversed so often by the Supreme Court it seems that at least some of the judges on the Court have simply decided the takeaway message is that the Supreme Court does not like patents. When faced with a decision about whether to find a patent valid or invalid, they simply err on the side of finding the patent invalid, which seems safer and in keeping with what the Supreme Court would do.

Such a level of subjectivity leads to chaos and needs to change.