Iancu: USPTO Guidance Gets 101 Right; Time for Courts to Follow Suit

By Gene Quinn / May 7, 2019

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On Monday, the International Intellectual Property Commercialization Council (IIPCC) gathered patent office and Federal Circuit experts, including current USPTO Director Andrei Iancu and former Federal Circuit Chief Judge Randall Rader, at the Capitol Building to discuss "The State of Innovation in the Union." The panel was moderated armchair style and resulted in some poignant questions and answers from a few of the best-known players in the patent world.

Rowing the Right Way

I attended the event, and at the end of the panel on which he participated I had the opportunity to ask Iancu what he thought about the current roundtables taking place in Congress and the efforts to reform Section 101. I reminded him that, at this time last year, he was giving speeches and testifying to Congress, saying to anyone who would listen that 101 should be something that we are all talking about and considering from a variety of angle. Then, as a newly minted Director, Iancu would tell Congress that if and when they were interested in engaging on 101 reform he and the Office would be ready to offer any assistance necessary. Congress seems to be working on the precursor to what will soon become legislative language. So, where does the Director stand on the issue today?

His response was both correct, and something of a wake-up call. The final takeaway I think was that Iancu's the only hope we've got, at least for the foreseeable future.

“In the end, all three branches need to be rowing in the same direction on something like 101,” Iancu said. An obvious if seemingly cautious statement, but he did not stop there.

“Let’s assume there’s legislation passed tomorrow; it will immediately be challenged, subject to interpretation, and years of litigation and debate will ensue about what each and every new word means. If the courts continue to think that it’s their job to say diagnostics are not patent eligible in the United States, or that certain computer algorithms are not eligible, you can almost always find ways to interpret almost any words. I suppose you could eliminate 101 completely or something, but I suspect that, no matter what the new statute says, you’re going to have a long period of debate, so it’s important for the courts to go in the same direction.”

As Iancu noted, none of that is going to happen anytime soon. “In the meantime, we have a patent system,” he added. “Every day we have to make decisions, and patent owners have to make business decisions now, today, tomorrow, next week, next month; what do we do now? It would be great if the courts would just let us do what we are doing. That’s not to say that legislation isn’t needed—it may be.”

If the courts do not adjust, and Iancu says he says sees no reason to suggest they will, the only hope will be legislative reform. But still, because of the USPTO efforts to create standards, Iancu believes the Office has turned the corner on 101. “I cannot imagine going back to a world where we were prior to our guidance,” he said.

And frankly, neither can I. The Federal Circuit dismantling the USPTO guidance as it applies to Step 2A and Step 2B would return the industry to a place where the patent eligibility inquiry is purely subjective. So much of what is abstract and what is innovative is by its very nature subjective, even with the layering of objective criteria. To remove the objective criteria would be unthinkable, but the Federal Circuit hasn’t exactly operated as a rational actor post-*Alice*. If the Federal Circuit wants to distinguish *Alice* and *Mayo* they can. The fact that these highly regarded, eminently qualified jurists do not distinguish the non-innovations present in *Alice* and *Mayo* from discoveries of great renown and paradigm shifting innovation is a choice.

I followed up my initial question by asking Iancu what people like us – patent practitioners and innovators on the front line – should be doing from a practical perspective in this uncertain time? He said, in a nutshell, follow the guidance. "I believe our guidance is fully compliant with case law today. If it's followed, I believe a patent will issue that should be sustained by the courts, applying the court cases to date."

While others will disagree, I share Iancu's belief that the guidance is fully compliant with the case law—at least what the Supreme Court has actually decided. The problem is the Federal Circuit has continued to ignore the Supreme Court caution that an expansive reading of *Alice* and *Mayo* would swallow all of patent law. A second problem of equal importance is the irreconcilable nature of Supreme Court precedent. While the Supreme Court likes to say that all of its prior patent eligibility precedents remain good law, that is an impossibility. But the fact that it is an impossibility to reconcile all of the Supreme Court's precedent into a coherent singular test is precisely why the guidance is faithful to the cases. Everyone has to pick and choose which cases they give the most weight to when deciding an issue, so as long as the USPTO guidance is true to the holdings of the cases – which the guidance is – then the guidance represents the best hope for a sensible objective approach.

As far as the larger policy debate, Iancu urged practitioners to stay involved. "It's really important for everyone to hear how important this issue is for industry, inventors, and for the public to understand what patents are out there to invest in or invent around. We need all voices to be heard." I refrained from mentioning that my particular voice was excluded from that debate, at least publicly.

Figure it Out or Face the Consequences

As the Director pointed out earlier in the event, it's is especially urgent that we resolve the problems one way or another, and soon. "Where will we be in five years?" Iancu asked. "We know, just look at the trends." He explained that, each year for the last decade, American companies have filed 3% more patent applications than the year prior in the technical fields that China identifies in its Made in China 2025 initiative—

- robotics, AI, biotech, etc. In China, that figure is 24% growth year over year, which Iancu pointed out, when compounded, tells the tale of where we will be if trends remain uninterrupted.

Former Federal Circuit Chief Judge Randall Rader reiterated this point in closing remarks reflecting on the issues, and the event. Rader asked attendees to compare the era in which the Bayh-Dole Act and the Federal Circuit were created, and the Supreme Court's response to those developments with cases like *Chakrabarty* and *Diehr*, to the last decade or so.

> *"In the legislative arena, we had to focus most on the creation of the PTAB, which prides itself on eliminating some 60% to 80% of the patents that are important enough to be in litigation. In the judicial arena, you have cases like eBay, Lexmark, Alice, Mayo, and Myriad, all of which have severely handicapped the innovative capacity of the United States.*
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> *And now, compare the current era to the great challenge we face, according to our panel, with China. In just the last three weeks to a month you see the creation in China of an appellate court like the CAFC; an announcement by the country's Standing Committee of a revision to their trade secrets law to enhance civil penalties; a revision of their trademark law to focus on actual use; and you've seen in their judicial arena statistics which show that China is the nation with the best chance of winning as an alien litigator in the world, not the United States.*
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> *Looking at those two comparisons, don't we have an even greater imperative to take some of the advice we've been given today in both the judicial and legislative arenas and see if we can't revive the spirit of the [19]80s?"*