



Patent Experts Sound Off on New Bills to Fix Eligibility and the PTAB

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Last week was a big one for the potential future of the U.S. patent system. The deadline for comments on the U.S. Patent and Trademark Office's (USPTO's) Advance Notice of Proposed Rulemaking (ANPRM) on "Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings before the Patent Trial and Appeal Board [PTAB]" was Tuesday, June 20. As of Tuesday, June 27, 14,530 comments had been submitted, though many of these are form submissions carrying an identical message: [don't subject small inventors to the PTAB](#). But 1,480 comments [have now been posted](#).

Then, on Thursday, Senators Thom Tillis (R-NC) and Chris Coons (D-DE), with some help from their colleagues, introduced two new bills that would have major implications for patent eligibility law and PTAB practices, respectively. The [Patent Eligibility Restoration Act of 2023](#) would eliminate all judicially-created exceptions to U.S. patent eligibility law, while the [Promoting and Respecting Economically Vital American Innovation Leadership \(PREVAIL\) Act](#) would significantly overhaul current PTAB practice.

Overlap and comparisons between the bills and the ANPRM [have been noted](#), demonstrating that there is a strong push for many of the ideas being floated from multiple branches of government. But Retired U.S. Court of Appeals for the Federal Circuit Chief Judge, Paul Michel, [weighed in on the two bills yesterday](#), calling the ANPRM proposals "confused and ineffectual" and characterizing the needed changes as "the business of congress".

Below are some other perspectives from a range of IP stakeholders.

Alden Abbott, Mercatus Center at George Mason University

Patent Eligibility Restoration Act: A Good Though Imperfect Reform Measure

"The Patent Eligibility Restoration Act of 2023 (PERA) is a good (albeit imperfect) step forward in the long slog of U.S. patent reform.

PERA commendably eliminates judicially-created exceptions to section 101 patentable subject matter, and sends a strong signal to the courts that they should focus solely on the other parts of the Patent Act in dealing with patentability issues not related to subject matter. This has long been needed, because of the Supreme Court's surprising refusal over the last decade to apply a textualist approach to section 101 (which has been the lodestar for the Supreme Court majority on other federal statutory issues).

One nit, however – judges are likely to read the PERA exclusion for "a process that is substantially economic, financial, [or] business" as limiting if not eliminating the patentability of business methods. As [Professor Dan Spulber has explained](#), "patents for business method inventions are important for entrepreneurship and for the commercialization of many scientific and technological inventions. . . . [They] increase dynamic, allocative, and transaction efficiencies in the market for discoveries because they facilitate the commercialization of invention." Professor Spulber's book [The Case for Patents](#) further analyzes the importance of business methods to innovation and economic growth.

James Edwards, Conservatives for Property Rights

"The PREVAIL Act could finally make PTAB more like the sales pitch of the America Invents Act: a faster, cheaper alternative to Article III litigation. Codifying the harmonized Phillips claim construction and 'clear and convincing evidence' standards helps immensely, as does placing limits, such as a standing requirement and reduced parallel and serial proceedings.

“As Conservatives for Property Rights put it, ‘The PREVAIL Act properly calls for PTAB to defer to Article III judicial and ITC determinations of patent validity, ensuring that those bodies’ adjudicatory decisions settle validity questions.’ PTAB’s furtherance of the Administrative State and PTAB’s encroachment on judicial powers have always dismayed me. Putting PTAB in its constitutional place should bring constructive results in practice and on principle.

“Closing loopholes used for weaponizing PTAB—reforms to joinder, estoppel, and forestalling re-examination after failed PTAB challenges—are welcome changes. Requiring a code of conduct for APJs should help prevent the kinds of conflicts of interest that no self-respecting Article III judge would countenance, while such questionable conduct is far too routine at PTAB.

“All in all, Eagle Forum Education & Legal Defense Fund summed it up well that the PREVAIL Act’s reforms ‘are reasonable, focused, and constructive.’”

Jeff Hardin, InventorRights.com

I appreciate the Senators introducing legislation to address issues recognized with the America Invents Act of 2011 (“AIA”). Indeed, unintended consequences are hurting inventors, ironically the entities Congress set out to protect against “predatory behavior” in the AIA’s very [Sense of Congress \(Section 30\)](#).

Unfortunately, *the PREVAIL Act contains a loophole, codifying a pathway for multiple forums when an inventor holding a patent seeks to protect her rights in court.*

“In determining whether to institute ... the Director may not reject a petition requesting an [IPR] on the basis of the [patent challenger] filing or maintaining a claim, a counterclaim, or an affirmative defense challenging the validity of the applicable patent in any civil action ... or proceeding before the [ITC].” (See [bill text](#) at 10:6-18.)

Two forums will result: 1) in district court to determine infringement and damages, and 2) at the PTAB to determine validity under section 102/103. Also, appeals for each.

Sure, defendants may not opt for the PTAB because, under the bill, a) the evidentiary standard of “clear and convincing” would be the same at both the PTAB and Article III, and b) they would forego filing/maintaining section 311(b) patent validity challenges in civil actions and ITC proceedings upon institution. (See [bill text](#) at 9:20-10:5.) However, *defendants choosing the PTAB will increase costs for the patent owner* with multiple trials and legal teams and delayed results, thus giving defendants leverage.

So, Congress’ “solution” for ending duplicative proceedings actually divides a single proceeding into two, and is not a “less costly, more efficient alternative to litigation.”

Simple fix: If the underlying civil action or ITC proceeding hasn’t provided for stay pursuant to a petition at the PTAB, institution should be denied. Because the evidentiary standard is the same, Congress should be indifferent on which forum. If they truly care about inventors and fairness, they will provide this fix.

[Nick Matich](#), McKool Smith

“Passing the Patent Eligibility Restoration Act would be a boon to innovation in the United States. The number and variety of patents that have been found ineligible under section 101 is astonishing. Patents on everything from electric car chargers, axels, new diagnostic methods, and garage door openers have been held to be ineligible “abstract ideas” or “laws of nature.” The ever-changing law on 101 makes it extremely difficult for patent practitioners to advise clients about what they can patent and which patents will survive litigation. Worse, the uncertainty of patent rights created by the current state of 101 law makes it difficult for US innovators to protect their inventions and attract the capital they need to build their businesses. We will never know what medicines, diagnostics, and products that were not brought to market, because their inventors couldn’t build a business or were never invented in the first place, because of an unstable legal regime. That is the real problem with section 101. There are hard cases

under every statute and almost no bill that passes Congress leaves everyone happy, but Senators Coons and Tillis have labored to create an outstanding bill that can and should be passed.”

Scott McKeown, Ropes & Gray

Patent Eligibility Restoration Act

“The Patent Eligibility Restoration Act jettisons over a half century of 101 jurisprudence. That sounds quite extreme — unless of course, you have tried to make any sense of that jurisprudential hairball. The only way to fix this food fight mess is to hit the reset button. While the proposed scope of eligibility might be argued as unduly expansive, a starting point that erases the current morass of conflicting opinions and failed rubrics is the most logical way out (sorry academics). With further refinement, this effort can bring much needed clarity and predictability to subject matter eligibility determinations.”

PREVAIL Act

“The legislative justification for the PREVAIL Act is that winning the technology race with China race is imperative. But this political platitude bears no relation to the actual content of the Bill. The proposals in the Bill aren’t new. The bulk were previously homed in the text of the former STRONGER Patents Act, which despite reintroduction every year for the last five, failed to gain traction. But at least the STRONGER Act was honest in its intention. Patent litigation in this country is not driven by battles with unscrupulous communists. Rather, it is overwhelmingly driven by those seeking to tax U.S. industries to the tune of hundreds of millions, if not billions of dollars. Oftentimes, these assertion campaigns include impropiously granted patents. Naturally, it is U.S. companies – not China– that also overwhelmingly rely on the PTAB for protection from such abusive litigation. The PREVAIL Act isn’t fooling anyone.”

Adam Mossoff, Antonin Scalia Law School, George Mason University

“The Patent Eligibility Restoration Act of 2023 and the PREVAIL Act are fantastic developments in shifting the policy discussions to real reform of the patent system, as opposed to the barrage of legislative proposals over the past 10-15 years that have only weakened or outright eliminated patent rights. The U.S. once had a widely recognized “gold standard” patent system that spurred the creation and commercialization of new inventions, driving growth in the U.S. innovation economy for over 200 years. If the U.S. is to sustain its global leadership in biopharmaceutical and high-tech innovation, and if it is to counter the threats from 21st-century global competitors like China, it must restore its gold-standard patent system. These bills are a vital step toward accomplishing this important goal. Thank you to Senators Thom Tillis and Christopher Coons for their leadership on innovation policy and national security.”

Wendy Verlander, Verlander LLP

“This is precisely what is needed on both fronts. Regardless of which side you’re on, there is no question that patent eligibility and IPRs have done real damage to innovation in this country.

Patent eligibility, as modified by *Alice* and its progeny, has become such a confused and inconsistently-applied doctrine, particularly as to so-called “abstract ideas.” The Patent Eligibility Restoration Act’s delineation of excluded categories provides much needed clarity. And, while people will haggle over the meaning of “substantially economic, financial, business, social, cultural, or artistic,” the proposed bill makes clear that any process requiring a machine, such as a computer, would be patent eligible.

IPRs similarly stifle innovation and devalue patents by allowing a never-ending series of validity challenges by any party at any time. The PREVAIL Act goes a long way toward curbing that practice. A standing requirement would eliminate third parties profiting from IPRs and also prevent litigation opponents from hiding behind third party IPRs. Aligning the burden of proof with district courts would reduce the PTAB’s ability to more easily invalidate a patent. That the PTO is able to avoid the presumption of validity resulting from its own review never made sense.

Both proposed bills would provide inventors, investors and companies with much-needed assurance that patents have actual value.”