

Post Limelight, Could Patent Act Be More User-Friendly?

Law360, New York (August 21, 2015, 6:51 PM ET) -- On Aug. 13, in *Akamai Technologies Inc. v. Limelight Networks Inc.*, the Federal Circuit overruled its prior narrow interpretation of divided infringement under 35 U.S.C. §271(a). In the *Limelight* decisions on direct and indirect infringement, and rulings on patent-eligibility since the U.S. Supreme Court decision in *Alice Corp. v. CLS Bank*, the courts appear to be struggling with how those aspects of the Patent Act apply to modern technology. How could Congress revise the statute to make it clearer?

Barry S. Goldsmith, Miles & Stockbridge PC

With regard to the post-*Alice* patent-eligibility issues, Congress should simply delete Section 101. The courts, starting with the Supreme Court, have made a total mess of Section 101 jurisprudence. Section 101 is increasingly being abused and treated as a narrow filter instead of a coarse filter as was its original intent.

Section 101 is not needed because almost all Section 101 decisions are actually being decided using principles based on other sections of the Patent Act, albeit without the evidence or rationale that those sections require. For example, many claims are invalidated under Section 101 because they “merely recite conventional steps,” which should be a prior art rejection under sections 102 or 103, with required evidence of prior art. Other claims are invalidated because they claim more than what is disclosed or are not clear, which should be a rejection under Section 112, and require some type of expert-based evidence to prove. Instead, courts are free to make “I know it when I see it” types of rejections without a shred of evidence.

Can Congress merely revise the statute instead of deleting it? As long as Section 101 exists, courts will continue to make a mess of it.

Dr. Mary K. Murray, Hamilton Brook Smith & Reynolds PC

Various decisions by the Federal Circuit and Supreme Court, such as those in *Limelight* and *Alice*, have led to speculation on the views of courts regarding the rights of nonpracticing entities. For example, the Federal Circuit’s recent decision in *Limelight* concerning the standard for direct infringement may raise for some the prospect of an increase in the assertion of patents by nonpracticing entities. In contrast, the Supreme Court’s decision in *Alice* has fueled speculation that the Supreme Court is disfavoring nonpracticing entities. These varying results may be a consequence of courts struggling with applying and interpreting patent statutes as technology advances. Nonetheless, many proposed revisions to the patent statute, such as specifying the award of attorney fees or mandating details in an initial complaint, to curtail activities of nonpracticing entities will not clarify the rights of patent owners. Further, in response to *Alice*, Congress should not amend the patent statute to craft a brightline of patent eligibility. In some instances, however, such as following the *Limelight* decision, Congress should

consider amending Section 271(f) to include method claims, regardless of the perceived benefit to nonpracticing entities.

Steven Wong, The Home Depot Inc.

The courts do appear to struggle with applying the Patent Act to modern technology. While there have been some changes to the original 1952 law over the years, the pace of amendments to the Patent Act greatly lags behind the advances of modern technology and the evolution of the patent litigation landscape. Unlike years past, courts now appear to be more willing to expand their reading of the Patent Act. This presents a challenge for patent holders and defendants alike as they need to be nimble to quickly adjust strategy in light of new court decisions. At the very least, any amendments to the Patent Act should expressly and clearly define the patentability of software and any emerging technology that does not involve a physical good. Such amendments should also consider infringement in the context of a world where the physical location of people and things is no longer a practical limitation to performing an action.

Robert Stoll, Drinker Biddle & Reath LLP

With more than a handful of Supreme Court decisions dealing with patents over the past few years, patent issues are becoming front page articles in the mainstream media. But not all issues are equal. In the remand from the high court of *Akamai v. Limelight*, the Federal Circuit broadened the interpretation of 35 USC 271(a). As a result, when a single actor directs or controls the acts of one or more parties, direct infringement can be found. In addition, when two or more actors form a joint enterprise, all can be charged with the acts of the others. While it had seemed that legislation could be helpful to resolve the issue of divided infringement, this decision is a step in the right direction and we should probably see how it plays out.

On the other hand, we have seen some terrible decisions limiting subject matter eligibility. Just this summer, the Federal Circuit handed down *Ariosa v. Sequenom*. The invention relates to method for determining fetal genetic abnormalities by analyzing a sample of the mother's blood, replacing risky and painful amniocentesis. While the procedure was lauded as revolutionary in numerous medical journals, the court found that the process was not patentable as the fetal cells were naturally in the mother's blood. If the courts continue to deny patents for new and useful technology, we may need a legislative fix in this area.

Jeff Van Hoosear, Knobbe Martens Olson & Bear LLP

More than 60 years ago, the language of Section 101 was modified to replace "art" with "process." This change was to address how courts were interpreting and justifying the interpretation of "art" in view of the advent of modern technology of the era. Unfortunately, the accelerating pace of technology has again resulted in a similar framework in which courts are forced to interpret once meaningful terms of a bygone era. Suggesting further changes, or additional terms, that positively recite eligible subject matter would likely lose meaning in a similar way in a very short time. Perhaps the language of Section 101 should be revisited by Congress to expressly limit the subject matter that cannot be patented, e.g., laws of nature, physical phenomena, nontangible abstract ideas. In this regard, Section 101 would again function as a filter that only limits well-defined subject matter and goes back to the former approach of "including anything under the sun that is made by man."

Dr. Scott Kamholz, Foley Hoag LLP

Congress certainly could act, but why should it? No consensus has emerged on eligibility or divided infringement or on any of a host of other hot topics in patent law. The problem with, say, eligibility is not really how Section 101 could be rewritten to embrace intangible modern technology but rather whether that's something society wants to do. Though it may seem sacrilegious for a patent attorney to

say, there is nothing intrinsically wrong with a patent system that excludes inventions lacking physicality. Companies will adjust to that reality by removing patent protection from their business decision-making calculus. We are feeling the pain right now not from confusion or the courts' "struggles," but instead from the violence the courts' decisions inflicted on countless stakeholders whose business decisions were based on patents that were vaporized right out from under them. The same is true for the question of whether direct infringement should embrace principles of vicarious liability. It takes time for settled expectations to re-settle following a change in the law. The angst during that time is normal and does mean the courts have led us astray.

Mark Duell, Honda Patents & Technologies North America LLC

I am greatly concerned by the current state of Section 101 jurisprudence. Through Alice, the courts have turned Judge Giles Rich's wide open gate to patentability of "anything under the sun made by man" to a hodgepodge of premature analyses under sections 102, 103 and 112. Rather than perpetuating a confusing mashup of the traditional legal standards of patent eligibility, Congress would be best served by eliminating Section 101 and directing the patent office and courts to judge patentability on whether an invention is new and nonobvious. There is no reason that the traditional views on patentability cannot apply to inventions in the computer and information age if the patent office and the courts would faithfully apply sections 102, 103 and 112. A hedge fund risk avoidance patent should not be invalid because of patent ineligibility, it should be invalid for not being new. Looking for markers on a gene for disease susceptibility should not be invalid because of patent ineligibility; it should be invalid for being obvious. The courts, from *Bilski* to *Alice*, have so confused eligibility standards with the novelty and obviousness standards that it is time to eliminate Section 101 and return to a simplified and more traditional approach to applying patentability standards.

D. Bartley Eppenauer, Shook Hardy & Bacon LLP

Congress should not intervene and attempt to modify the patent statute to address concerns around recent case law developments on infringement and patent eligibility. Such action could lead to even more uncertainty than currently exists. With regard to the *Limelight* decision, many commentators speculate that the Federal Circuit's new approach to direct infringement of method claims under Section 271(a) will lead to a wave of new lawsuits and further increase patent litigation abuse. While it is possible that could prove true, it is simply too early to tell. We need to allow time for the district courts and the Federal Circuit to apply and further refine this new test. As for the numerous post-Alice decisions on Section 101, while the high percentages of patents being found invalid legitimately seems cause for concern, the reality is that the vast majority of those decisions involved overly broad business method or e-commerce patents. We need to see more decisions from the Federal Circuit involving actual software technology patents. The upcoming *Planet Blue v. Activision* decision will be an interesting case to watch in that respect. Meanwhile, a deeper look at U.S. Patent and Trademark Office data reveals that the rejection rates for software technology patents has actually dropped post-Alice. There is no guarantee that involvement by Congress will improve the situation, so let's give the courts and the USPTO more time to work through these issues.

John A. Dragseth, Fish & Richardson PC

The courts are looking for a standard that will punish intentional, culpable conduct that is a meaningful part of the infringement, and that will not hit accidental conduct that has a minor role in practicing a patent claim. Congress could reach this same result by noting that existing concepts of inducement and contributory infringement apply where multiple parties cooperate to perform the steps of a claim. In such a situation, a party would not be guilty for selling a general purpose device (e.g., a computer operating system) or for independently practicing one step of a patent claim. But parties that bond together to infringe (a form of bilateral inducement) or that encourage others to help infringe would be liable, and would also be in position to stop their liability. At the same time, the courts have to be

careful to punish only “active” inducement — actual affirmative activity that encourages others to infringe — and to avoid inferring that a large company knew about a patent simply because the patent was cited in one of the company’s pending applications.

Hiroyuki Hagiwara, Ropes & Gray LLP

I do not think Congress should jump in now to define or reinterpret the scope of Section 101 or 271(a) with new legislation. The recent Federal Circuit Akamai decision is a positive step toward clarifying joint infringement of a method claim. At the Supreme Court’s invitation, the Federal Circuit revisited the question of joint direct infringement of a method claim when two or more actors perform claimed method steps. The Federal Circuit applied the Supreme Court’s standard of vicarious liability in *Grokster*, the well-known copyright infringement case, in addition to reaffirming its own direction and control test. Similar to a pattern of reversals in previous cases like *eBay*, *KSR*, *Bilski* and *Alice*, the Supreme Court is guiding the Federal Circuit to defer to the Supreme Court precedent, rather than creating its unique patent law inconsistent with other areas of law. The area is traditionally assigned to the judiciary, in particular the Supreme Court, and over time the judiciary has successfully sorted out this type of issue. It would be a wholly different debate, however, if you ask whether Congress should dramatically broaden or narrow the scope of patent protection, i.e., patent-eligible subject matter, and overrule *Alice*.

Mark A. Klapow, Crowell & Moring LLP

It would be extremely challenging to revise Section 101 in a manner agreeable to both the pharma/biotech and high-tech sectors. Compromise will be necessary in order to preserve the best features of our patent system.

Gary Morris, Morris & Kamlay LLP

The present statute is perfectly clear about what is patentable and needs no revision other than to clean up the mess created by nonsensical interpretations promulgated by the judiciary. Perhaps adding “abstract idea” to “any new and useful process, machine, manufacture, or composition of matter” would deter the courts from further disturbing the well-founded and wise interpretation of Justice Warren Burger in *Diamond v. Chakrabarty* to the effect that Congress had intended patentable subject matter to “include anything under the sun that is made by man.” The courts would do far more good by giving their attention to improved standards of disclosure under Section 112 and obviousness under Section 103. The *Limelight* decisions require no changes to the statute. The courts should not bend the statute to compensate for a fundamental error in claim drafting that could easily have been avoided.

Mark Scarsi, Milbank Tweed Hadley & McCloy LLP

For a time, divided infringement under Section 271(a) was a settled area of patent law that imposed liability when all the steps of a method claim were performed by or attributed to a single entity. In the past, the actions of one party could be attributable to another party if there was an established and defined relationship such as principal-agent or contractual arrangements. However, the Federal Circuit’s ruling in *Limelight* now adds a joint enterprise relationship that appears broader than the previously recognized threshold relationships. The joint enterprise relationship will likely give rise to new claims of divided infringement and may cause additional ambiguity in the law as its boundaries will need to be defined over time. While Congress could revise the statute to specifically define and limit the types of relationships covered by Section 271(a), there is a simpler solution. Leave the issue to be more efficiently addressed by precise claims drafting. Experienced and creative patent prosecutors should know to draft method claims so that all steps are performed by a single actor.

Andrew W. Stroud, Hanson Bridgett LLP

The increase in patent litigation and the advent of new technology have led many to believe the patent laws are outdated. Yet, in actuality, the increase in the number of patent actions filed in the last five years directly correlates to the increase in the number of patents granted over the same period. More patents means more litigation. In addition, as new technologies are invented a spate of litigation and significant uncertainty about the application of the patent laws is to be expected. The real problem Congress should address is not the increase in patent litigation but the quality of the patents being awarded. More specificity should be required in order to satisfy definiteness requirements. Concrete standards for determining whether an invention covers a business method should be adopted. Congress should work with the USPTO to make certain patents comply with the laws as they now exist, rather than rewriting the patent laws yet again.

Jaime A. Siegel, Cerebral Assets LLC

The world has substantially changed since Section 271(a) was last revised 21 years ago. The commercial Internet was only in its infancy in 1994. However, that does not mean that statutes need to be revised to reflect modern technology. Statutes set out the laws. It is up to the courts to interpret those laws. Courts must understand and appreciate how modern technology operates so that it can interpret the statutes to determine the most rational way to apply the law. Unfortunately the courts have not always done a good job with keeping up with modern technology, and unnecessary delay ensues and inconsistent case law arises. As a consequence, tremendous value in patents gets destroyed while the courts grapple with applying laws to modern technology. However, in the most recent *Limelight* decision, the Federal Circuit followed the directive of the Supreme Court and thoroughly modernized the application of Section 271(a). The en banc decision finally makes clear how Section 271(a) should be applied today. Regardless of what side your clients are on, the clarity was needed to allow business decisions to be made. There was and is no need to change the statute.

Aaron Cooper, Covington & Burling LLP

One of the most difficult aspects of drafting IP legislative language is balancing (a) the need for specificity to achieve a policy objective, with (b) maintaining enough flexibility to survive changes in technology. Often, even if the statutory language is sufficiently adaptable, the doctrines that courts have applied to interpret the language may take time to adjust to new issues presented by emerging technology and business models.

Congress should be engaged on these issues because the patent laws should ultimately be applied in a manner that achieves the constitutional imperative of promoting the useful arts. Statutory changes are not always needed — or even advisable — to make course corrections in how the law is applied. But Congress's involvement through oversight and, where necessary, legislation, is key to the dialogue that occurs among the branches of government.

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