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Congressional Research Service Issues Report on Patentable Subject Matter Under 35 USC § 101

On Sept. 8, 2017, the Congressional Research Service (CRS) published its first report addressing patentable subject matter following the Supreme Court's decision in *Alice v. CLS Bank*, 134 S. Ct. 2347 (2014): "[Patentable Subject Matter Reform](#)," by John R. Thomas, Sept. 8, 2017 (the Report). The Report primarily provides a factual accounting of post-*Bilski* jurisprudence but also highlights the side effects of the Court's ruling in *Alice*, by now familiar to patent practitioners.

The Report's analysis of the "state of the law" is notable as it seemingly stands in contrast to current practices of the USPTO and, to a somewhat lesser extent, federal courts. Specifically, the Report emphasizes that under so-called "step two" of the two-step patent eligibility analysis developed by the Supreme Court in *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66 (2012), lower courts (and presumably the USPTO) should analyze a patent claim to "determine if it preempts a field of activity." If a claim "covers every practical application of a fundamental concept," this would indicate a lack of patentable subject matter.

But while the Report's emphasis on preemption mirrors the Federal Circuit's decision in a small number of post-*Alice* cases, principally *McRO, Inc. v. Bandai Namco Games America Inc.*, 837 F.3d 1299 (Fed. Cir. 2016), preemption is rarely a deciding factor in the majority of post-*Alice* court decisions analyzed by the authors of this Alert. Similarly, the USPTO has issued [guidelines](#) that Patent Examiners must follow in examining patents for subject matter eligibility, yet these guidelines have yet to address the preemption issue in a meaningful way (despite the USPTO alluding to future guidance on the issue. *See* USPTO Memorandum, [Recent Subject Matter Eligibility \["SME"\] Decisions](#) (Nov. 2, 2016) at 3 ("the Office will be

addressing preemption in more detail in its forthcoming update to its SME guidance”)). This apparent disconnect is not discussed in the Report, but its effects certainly are.

In fact, the Report paints a stark picture of the eligibility landscape after *Alice*, noting that, in litigation, a moving party “enjoys a good probability of invalidating...challenged claims.” The Report notes that in the two years following the *Alice* decision: (i) federal courts have found 66.5 percent of challenged patents invalid; (ii) the Federal Circuit has an invalidation rate of 91.9 percent, and (iii) the USPTO has rejected 36,000 published applications post-*Alice*, 5,000 of which were ultimately abandoned.

The Report’s “Analysis” section states, regarding these statistics, that while they “do not suggest that approximately two-thirds of all issued patents do not comply with Section 101....they indicate that when an attorney asserts that a particular patent claim is invalid...they have a good chance at success.” *Report* at 12.

The “Analysis” ends by stating that “these statistics may be read to suggest that recent Supreme Court interest in patentable subject matter has animated a patent validity doctrine with implications for both information technologies and the life sciences” as it is these technology areas that have borne the brunt of rejections under Section 101. *Id.*

The Report then concludes with a brief summary of the options Congress may pursue with respect to patentable subject matter reform. While the Report acknowledges, in a single sentence, that Congress may do nothing, it spends considerable time highlighting various industry and bar association proposals for revising Section 101. Specifically, the Report focuses on legislative proposals drafted by the AIPLA, IPO, and ABA. While the details of these proposals differ slightly, each apparently attempts to rectify perceived ambiguities introduced by *Mayo* and *Alice* and likely would result in a re-balancing of invalidity determinations if adopted.

The AIPLA and IPO proposals include explicit language tying abstract ideas to inventions wholly existing in nature independent of and prior to human activity as well as inventions that “can be performed solely in the human mind.” On the other hand, the ABA proposal does not include such exceptions but rather focuses on an inquiry based on the question of preemption.

While the goal of the Report—and all CRS reports—is intended primarily intended to neutrally inform the legislative debate, the arguably pro-patentee tone of the Report could influence the direction of future reform of Section 101, provided such a reform movement actually gains momentum.

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