

ARTICLES

Defensive Strategies in View of the Changing Patent Eligibility Landscape

By Nate Cassell and Jennifer Giordano-Coltart – June 16, 2015

In the past five years, the patent bar has witnessed a seismic shift in the way the U.S. Supreme Court approaches the issue of patent eligibility under [35 U.S.C. § 101](#). See [Bilski v. Kappos](#), 561 U.S. 593 (2010); [Mayo Collaborative Servs. v. Prometheus Labs., Inc.](#), 132 S. Ct. 1289 (2012); [Ass’n for Molecular Pathology v. Myriad Genetics, Inc.](#), 133 S. Ct. 2107 (2013); [Alice Corp. Pty. Ltd. v. CLS Bank Int’l](#), 134 S. Ct. 2347 (2014). This sea change in patent doctrine surrounding the judicial exceptions (i.e., abstract ideas, natural phenomena, and laws of nature) was perhaps foreshadowed by Justice Breyer’s suggestion that a patent claim involving a diagnostic correlation did not meet the requirement for subject matter eligibility because the claim did not add “anything more of significance.” [Lab. Corp. of Am. Holdings v. Metabolite Labs., Inc.](#), 548 U.S. 124, 137–38 (2006) (Breyer, J., dissenting). This suggestion has expanded to raise questions about the patent eligibility of many technologies.

Raising the Section 101 Bar

Both the U.S. Court of Appeals for the Federal Circuit (CAFC) and the U.S. Patent and Trademark Office (USPTO) have been grappling to understand the scope and depth of the Supreme Court’s recent and aggressive foray into section 101 jurisprudence. Unfortunately, these efforts have met with little success. The CAFC has continually been rebuked by the Supreme Court on section 101 issues, and the USPTO has been forced to publish a seemingly never-ending series of updated memoranda and guidelines explaining how patent applications will be examined in view of the section 101 judicial exceptions.

The trajectory of the Supreme Court’s activity is clear. Although the section 101 eligibility requirement was until recently understood to be a *coarse filter*, it has quickly become a *higher bar* that patentees must clear in order to maintain validity. To date, however, it is not clear just how much higher the Supreme Court intends to raise this bar.

This increasing uncertainty in the state of the law presents serious and profound challenges to both patent owners and applicants. For example, a patentee who obtains a patent from the USPTO today may have the validity of the patent severely compromised by the next Supreme Court decision. Relatedly, the recent Supreme Court cases have thrown the validity of thousands of previously issued patents into doubt. Hence, when evaluating the strength of these patents, or considering whether to assert them against an infringer, the patentee faces a daunting challenge. The patentee must not only deal with the uncertainty that is inherent in any litigation, but must also take into account the still evolving landscape of section 101 eligibility. As such, patent owners are finding it increasingly difficult to predict the defensibility of their patent portfolios, and to forecast the outcome of patent-related disputes.

Portfolio Audit

As a preliminary step, patent owners should perform an audit of their patent portfolio with an eye

toward section 101 eligibility issues. For example, the audit should identify high-value patent filings or those with significant commercial importance, including patents that cover the patentee's main products or services, areas of strategic competitive significance, as well as in-licensed and out-licensed technology. Furthermore, the audit should address any patents that helped secure early-stage funding, which may be particularly relevant for startup companies. Also, audits should be performed or updated in coordination with any merger or acquisition activity. In strategic terms, the audit should be designed to identify any particular applications, patents, or patent families that may be at risk under a section 101 challenge. Due to the quickly evolving patent-eligibility landscape, portfolio audits should be performed proactively and on a regular basis, along with an ongoing review of any new developments in section 101 case law and/or guidance provided by the USPTO.

An effective section 101 patent audit will include an analysis of each patent that covers the three judicial exceptions, namely abstract ideas, laws of nature, and natural phenomena. Furthermore, the audit should consider the life cycle of each patent, and identify any gaps or potential gaps in coverage. In some cases, the audit may identify patent filings that appear particularly vulnerable to the Supreme Court's recent trend of raising the section 101 bar, and the patentee may question whether it would be appropriate to allow those filings to lapse or go abandoned. On the other hand, it is helpful to keep in mind that the recent Supreme Court decisions may be indicative of a pendulum that has swung far against the interests of the patentee, and that over time the pendulum may swing back in favor of the patentee.

Defensive Strategies

The only means available to patent owners to strengthen their existing patent rights is through further prosecution before the USPTO. These means include ex parte reexamination, reissue applications, continuation applications, continuation-in-part applications, and new applications. Below we outline strategic considerations for each of these routes.

Ex parte reexamination. Ex parte reexamination remains an available mechanism for reinitiating examination of an issued patent under the America Invents Act (AIA). These proceedings may be filed anonymously by a patent owner (or a third party) to permit reexamination of issued claims at any time during the term of a patent. Requests for reexamination are filed on the basis of patents or printed publications and will only be granted if the prior art raises a substantial new question (SNQ) of patentability.

While the USPTO is not able to assess the patent eligibility of the claims, a reexamination proceeding may provide a patent owner with an opportunity to amend issued claims to address patent eligibility concerns. During the proceeding, claims can be amended, canceled, or confirmed but cannot be broadened. However, the patent owner may only make amendments and add new claims by right as part of the request for reexamination, or as part of the patent owner statement. Amendments during examination may only be made to distinguish cited art or to address claim rejections. In general, amendments to address patent eligibility will likely narrow claim scope in an effort to

ensure that a claim that is directed to a judicial exception contains significantly more than the exception alone. See [2014 Interim Guidance on Patent Subject Matter Eligibility](#), 79 Fed. Reg. 241 (Dec. 16, 2014) [hereinafter December 2014 Guidance]. For example, process claims may be amended to add additional steps or reference to components or devices, and product claims may be amended to recite additional properties. However, any modifications to claim language—particularly removal of claim language—should be assessed carefully to determine whether the claim is broadened as a result. The test for when an amended or new claim enlarges the scope of an original claim in a reexamination proceeding is the same as that under the two-year limitation for reissue applications adding enlarging claims. In addition, amendments and new claims must meet the requirements of [35 U.S.C. § 112](#).

A reexamination proceeding may be the best route for addressing patent eligibility concerns for an issued patent where the patent owner may also be aware of prior art over which it may be desirable to vet the issued claims. While not creating any legal estoppels, it is unlikely that prior art dismissed by the USPTO would provide a strong basis for challenging claims in a subsequent litigation or AIA post-grant proceeding. In addition, fraud, inequitable conduct, and duty of disclosure issues are not considered in a reexamination.

Reissue applications. Reissue applications provide a similar opportunity to reinitiate examination of an issued patent and, further, are examined on all grounds of patentability. The purpose of a reissue application is to correct defects in an issued patent. A reissue application may be filed “[w]hensoever any patent is, through error, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent.” [35 U.S.C. § 251](#). The error must be clearly identified and explained and, as a threshold matter, the USPTO must agree that a defect exists. For patent owners seeking to address patent eligibility issues, the error may be identified as claims that, under the current state of the law, are directed to a judicial exception (i.e., law of nature, abstract idea, product of nature) without amounting to significantly more than the exception. See December 2014 Guidance, *supra*. For reissue applications filed before September 16, 2012, the patent owner’s assertion of lack of deceptive intent is taken at face value in most circumstances, and no investigation will be conducted into fraud, inequitable conduct, and duty of disclosure issues.

While broadening reissue applications may only be filed within the first two years of issue, reissue applications in which the claims are narrowed may be filed at any time. As noted above for reexamination proceedings, amendments to address patent eligibility concerns generally result in narrowing claim scope. However, it is important to note that any amendment that removes a restriction from the claim will be considered a broadening amendment. This is true even if several additional restrictions are added to the claim at the same time. This is a key issue in part because a patent owner cannot recapture

claimed subject matter that was surrendered in an application to obtain the original patent. In addition, a patent owner cannot seek to recover unelected subject matter that could have, but was not, pursued in a divisional application. Unless the amended or new claims encompass both the subject matter of the issued claims and the unelected subject matter, the reissue claims will be rejected for lack of defect in the original patent and lack of error in obtaining the original patent. Thus, any claim amendments or new claims should be considered in view of the prosecution history of the patent before filing a reissue application. An added benefit of pursuing a reissue application is that the patent owner may then continue to file continuation and divisional reissue applications. This permits strategic flexibility in terms of the type of reissue claims pursued in view of both the legal and competitive landscapes.

Impact of reexamination vs. reissue application. As both reexamination and reissue applications are based on issued U.S. patents, patentees need to consider the impact of these routes in view of enforcement. As a first matter, the USPTO treats reexamination applications and reissue applications differently in view of concurrent litigation. The decision on whether to institute a reexamination proceeding must be made by the USPTO within three months of petition filing. If a reexamination is ordered, it will continue until a court decision has issued. In addition, in some instances, a reexamination proceeding is ordered, or sanctioned, by a district court, and a stay is ordered in the litigation until the reexamination is completed. In contrast, examination of a reissue application in which there is concurrent litigation will be suspended by the USPTO unless the litigation is stayed or terminated, a determination is made that there are no overlapping issues, or the applicant expressly requests that examination continue. For both reexamination and reissue applications, the patent owner is required to keep the USPTO informed of the status of the litigation and keep the district court apprised of the USPTO proceedings.

In addition, a patent owner that has successfully obtained a reexamined or reissued patent with amended or new claims that meet the patent eligibility requirements will need to reassess potential damages that may be recovered from infringing parties under the doctrine of intervening rights. The doctrine of intervening rights protects third parties who have made decisions based on the scope of the original patent in view of changes to the claims in a reexamined or reissued patent. Intervening rights for reissue proceedings arise under [35 U.S.C. section 252](#), while intervening rights for *ex parte* reexamination involve a two-step analysis under 35 U.S.C. section 252 and [307\(b\)](#). In *ex parte* reexamination proceedings, “[o]nly if the claim at issue is new or has been amended may the court proceed to the second step in the [intervening rights] analysis and assess the substantive effect of any such change pursuant to § 252.” [Marine Polymer Techs., Inc. v. HemCon, Inc.](#), 672 F.3d 1350, 1363 (Fed. Cir. 2012). Merely canceling claims, or presenting arguments to the examiner, is insufficient to trigger intervening rights, even if such actions “may have affected the remaining claims’ effective scope.” *Id.* Under section 252, a patentee may recover for all infringement that occurred since the date of the original patent if the respective claims are substantially identical. However, if the

reissued claims are not substantially identical to the original claims, the patentee cannot recover for any infringing activity prior to the date of the reexamined or reissued patent. [*Laitram Corp. v. NEC Corp.*](#), 163 F.3d 1342, 1346 (Fed. Cir. 1998). Thus, pursuing a reexamined or reissue patent may negatively impact the amount of damages that a patent owner is able to recover in litigation from an infringer. For patent owners who have portfolios including recently issued patents, filing an ex parte reexamination or a reissue application sooner rather than later will help maximize damages recovery.

New, continuation, and continuation-in-part applications. A different strategy for addressing patent eligibility issues in a patent portfolio that avoids many of the logistical issues associated with already-issued patents is to pursue new applications, including continuation applications, continuation-in-part (CIP) applications, and independent applications. In a new application, the applicant is unlimited in the nature of the claims presented, and the claims will be assessed on all grounds of patentability. In continuation applications, an applicant is limited to the disclosure as filed but can draw from the disclosure to draft claims to meet current patent eligibility requirements. If there have been improvements to the technology, or information relating to the invention was not included in the original application, a CIP application can be filed to incorporate new information that can help flesh out the patentability story for the invention and provide support for more varied claim language. However, in CIP applications, the priority date is determined on a claim-by-claim basis. Claims directed to new subject matter will not receive the benefit of the filing date of the parent application. In addition, the original patent application is prior art against claims directed to the newly added material. See [*Santarus, Inc. v. Par Pharm., Inc.*](#), 694 F.3d 1344 (Fed. Cir. 2012). Thus, in drafting claims for a CIP application, the applicant should consider what claim language can be limited to the originally disclosed information while still meeting the patent eligibility requirements. Other drawbacks associated with CIP applications include a shorter patent term tied to the priority claim of the parent application, and that arguments presented in the parent application will generally be applied to the CIP application and any patent issuing therefrom during examination and in claim construction during litigation. See, e.g., [*Trading Techs. Int'l, Inc. v. Open E Cry, LLC*](#), 728 F.3d 1309 (Fed. Cir. 2013). In some instances, it may be preferable to file a new independent application instead of a CIP application. This would result in a longer patent term for issued patents and a fresh prosecution history. However, depending on the relationship between information added to the new application and the prior disclosure, the original patent/application may present difficult prior art issues. The analysis of what type of application to file will need to be performed on a family-by-family basis to determine the best strategy forward. In addition, applicants should be aware that, depending on the scope of the claims, a new application may be examined under the AIA first-to-file patentability standards.

Regardless of the type of application filed, significant thought should be given when drafting to the story supporting patent subject matter eligibility. With the state of the law uncertain, the best strategy is to try to maintain as many options available for claim

language. In all instances, a good claim drafting strategy is to include claims that fall into various classes of inventions to provide more options for protecting the invention. If possible, claims should be drafted so as not to be “directed to” a judicial exception. Method claims should be drafted to include substantial steps instead of mental or abstract steps, steps that tie the judicial exception to physical aspects of the method, and/or specific application of a judicial exception. It is uncertain to what extent the narrow tailoring of such methods, so that others are not preempted from utilizing the underlying judicial exemption, will support subject matter eligibility. While the USPTO has shown support for this strategy, its application is variable based on anecdotal experience, and it is not certain whether the CAFC, or more importantly, the Supreme Court, will consider lack of preemption to be sufficient. For nature-derived products, the application should specify differences in the structure, function, or properties of the claimed products, and claims should be drafted to encompass the product itself, as well as methods of making and using the product. The specification of CIP and new applications should be drafted to provide substantial detail for the described methods and products, and applicants should avoid describing aspects of the disclosure as well-known in the art.

As the state of the law is still in flux, and likely will be for some time, it is difficult to identify the drafting strategies that will provide the strongest patent rights in the future. In view of this, maintaining a pending application in patent families of interest is strongly advised.

Future Considerations

As noted above, a key component of evaluating the strength of a patent portfolio involves staying abreast of the law as it develops in this area. There will continue to be a lack of uniformity and consistency in this area of the law as federal district courts and the CAFC continue to delineate the contours of the section 101 judicial exceptions. Relatedly, those who seek to challenge the validity of issued patents on the grounds of patent eligibility will continue to push the edges of the law due to the lack of any bright-line rules. Indeed, the district courts and the CAFC have seen a significant increase in the number of cases involving section 101, with the vast majority of decisions since the *Alice* decision finding all claims patent ineligible. In addition, not only has the analysis under section 101 been expanded to include issues that were previously within the domain of [35 U.S.C. section 102](#) and [103](#), there are preliminary indications that section 101 may be even further broadened to encompass section 112 issues such as enablement. See [Ameritox Ltd. v. Millennium Health, LLC](#), No. 3:13-cv-00832-wmc (W.D. Wis. Feb. 18, 2015). Given this dramatic progression, many patentees are experiencing the sensation of falling off a cliff with no answer to the question: “Where is the bottom?”

Patentees may find it most useful to identify litigations that present fact patterns that are particularly relevant to their portfolios (e.g., similar technologies). Monitoring these cases as they progress through the courts will inform the patentee’s evaluation of its portfolio and may provide guidance for prosecution arguments made before the USPTO for pending cases. Depending on the importance of ongoing litigations, patentees and other interested parties should

evaluate whether filing amicus briefs may help ensure that the Supreme Court, and, if permitted, the CAFC, are more fully informed as to the ramifications that their section 101 jurisprudence has on the innovation community.

While the courts are the current battleground establishing the requirements of patent eligibility, legislative action is also a possibility. Indeed, as the Supreme Court has set a high, though ambiguous, bar for patent eligibility and is the final arbiter on section 101 jurisprudence, attempts by the CAFC and USPTO to identify what subject matter remains outside of the judicial exceptions may be summarily drawn back in with the next Supreme Court decision. Patent reform bills are proposed each year and, in the future, may begin to address the existing legal uncertainty and, moreover, the dramatic economic uncertainty for many patentees that has occurred based on the Supreme Court's recent decisions. With this in mind, patentees should stay attuned to any new patent reform legislation and may wish to consider lobbying their representatives for legislation that clarifies the requirements of section 101 and brings more certainty to the market.

Keywords: litigation, intellectual property, patent eligibility, ex parte reexamination, reissue applications, intervening rights, new applications, continuation applications, continuation-in-part applications

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