10 Years After Alice, Predictability Debate Lingers

By **Dennis Abdelnour and David Thomas** (April 16, 2024)

Dennis Abdelnour

David Thomas

The U.S. Supreme Court's Alice Corp. v. CLS Bank International decision,[1] which announced an analytical framework for assessing the subject matter eligibility of patented inventions, turns 10 years old this year.

Alice was not the case that first made subject matter eligibility a requirement of patentability — that dates back to Supreme Court precedent from the 1800s.

But Alice was a watershed moment in patent law because it elevated Section 101 from a rarely-used doctrine — and the baseline established by the Supreme Court's 1980 Diamond v. Chakrabarty ruling that "anything under the sun that is made by man" is patentable[2] — to a sharp weapon for invalidating and denying patents on a claim-by-claim basis.[3]

Negative reaction to Alice was swift and resounding among certain quarters of the patent bar, and that sentiment remains today. The central, long-held criticism is that Alice is an "incoherent doctrine"[4] that yields "[u]ncertainty, unpredictability, [and] inconsistent results."[5]

But after 10 years of application, the data out of the court system disproves the contention that Alice is unpredictable and inconsistent.

Rather, Section 101 has come "to be more predictable than other areas of patent law," with the U.S. Court of Appeals for the Federal Circuit affirming Section 101 decisions at a rate approaching 90%, according to a 2023 University of North Dakota School of Law study.[6] Compare this, for example, to claim construction, which once had a reversal rate approaching 50%.[7]

Affirmance of Section 101 decisions out of district courts is even higher than the affirmance rate of decisions by the Patent Trial and Appeal Board, affirmed a healthy 73% of the time, where the issues are primarily novelty and obviousness, and where the substantial-evidence standard of appellate review is more stringent than the de novo standard of review for Section 101.

There has also been little disagreement among Federal Circuit judges about application of Alice, with dissenting opinions entered in only 6.5% of Section 101 cases.[8]

If predictability is not the true problem, then why does widespread condemnation of Alice persist today? It seems that criticisms that center on uncertainty and unpredictability actually reflect a deeper and more fundamental concern: that Section 101 is a filter for patentability at all.[9]

U.S. Circuit Judge Paul Michel recently testified that, in his view, Alice is problematic because it results in the "undue and harmful exclusions of new technologies."[10] This concern is not about the predictability of applying Alice, but rather questions any use of

Section 101 as a threshold filter for patentability.

Indeed, Alice's greatest detractors have long sought to remove Section 101 as an independent standard for patentability. They argue that the conditions and requirements of Sections 102, 103, and 112 are sufficient safeguards to prevent bad patents from issuing, and that the current application of Alice largely overlaps with those same conditions and requirements.[11]

But this very position has already tried and failed.

The federal government argued in its brief to the Supreme Court in Mayo Collaborative Services v. Prometheus Laboratories Inc. in 2012[12] and Alice that Section 101 is not a separate ground for assessing patentability, and that the other statutory criteria — Sections 102, 103 and 112 — should serve as the sole safeguards to patentability.[13]

But the Supreme Court expressly "declined the Government's invitation to substitute [Sections] 102, 103, and 112 inquiries for the better established inquiry under [Section] 101."[14]

Despite that rejection, many continue to believe that Alice was wrong and that Section 101 should return to its pre-Alice state. Calls for Supreme Court review of Alice, although premised on fixing Alice by making it more predictable, really sound in a hope to overturn Alice.[15]

So far the Supreme Court has steered clear, even declining to review cases that the solicitor general recommended taking.[16]

That may well be a good thing. Unless the Supreme Court decides to overturn Alice cleanly, which is unlikely to happen, Supreme Court review of a hard Section 101 case could do more damage than good.

Given the current state of relative predictability in Section 101 — as measured by its high affirmance rate — any Supreme Court review will almost certainly focus on a close case at the margin.

But controversial cases that are, by definition, outliers should not be the pillars upon which Section 101 law is universally refined. Supreme Court review of a hard case on a unique set of facts would sow confusion, not clarity. Hard cases make bad law, especially in patent law.

To that end, patent law is unique in the sense that it must be applied across all industries and technological fields, including those yet emerging and in their infancy. The lower courts have applied Alice's broad standard over these last 10 years, slowly and methodically developing it through a common law approach.

No Supreme Court case can accelerate that process, and much worse, if the Supreme Court changes the standard mid-stream, it may throw into disarray years' worth of common law decisions that today guide Alice's consistent application.

At 10 years old, Alice has matured. In the first few years, Alice disposed of low-hanging "'bad' patents [that] were in the pipeline" that never should have issued in the first place, according to a World Intellectual Property Review article published in 2017.[17] The invalidity rate under Section 101 was initially high but has tapered off.[18]

At the same time, the patent office has sharpened its examiner guidance and honed the way it examines patents under Alice and Section 101, keeping out of enforcement many bad patents that may have otherwise issued.[19]

The result is that today we are on the path toward an equilibrium, with a majority of nonexpired patents issued by the patent office with Alice guidance, and with district courts applying Alice under a developed body of common law guidance across the spectrum of technology fields and industry sectors.

As that equilibrium continues to develop, what we may see in the next 10 years is a return to jurisprudence resembling pre-Alice, where Section 101 resides in the background for the vast majority of patents, while the other statutory requirements of patentability regain their place at the forefront.

In the meantime, Section 101 can still be improved. But improvement requires a better understanding of how well Alice and Section 101 work in the context of specific fields and technologies.

Life sciences and software are two areas where Section 101 has an outsized influence on patent eligibility.[20] Whether and to what extent inventions in these fields — like software code and complementary DNA — should be subjected to Section 101 challenges is an important issue that should be answered as a matter of policy.

And the legislative branch — not the judicial — is best situated to dig in to identify and enact the policy changes that work best.[21]

The guide for any reform should be the constitutional mandate that the patent system "promote the Progress of Science and useful Arts."[22] Policy research should look to assess "whether limits on patent eligibility increase or decrease innovation," according to a 2021 patent eligibility jurisprudence study from the U.S. Patent and Trademark Office.[23]

Proponents of reform contend that the current state of patent eligibility law undermines the U.S. patent system, will have serious negative implications for our economy in the future, and put U.S. innovation at a competitive disadvantage against others in the world economy.[24]

These are serious questions that should be answered by thorough research on an industry-specific basis. How is Section 101 law affecting U.S. innovation and levels of research and development? Is it providing the right incentives for innovative companies to stay or relocate here in the U.S.?

Is Section 101 law putting U.S. innovation and technology behind that of other world economic powers? It may be that application of Section 101 has little impact in one sector, a beneficial impact in another and a detrimental impact in yet another. If so, legislative reform can and should be narrowly tailored.

Numerous legislative proposals concerning subject matter eligibility since Alice have been proposed but none have gained serious momentum. It remains to be seen whether the latest one — the Patent Eligibility Restoration Act of 2023, proposed by Sens. Thom Tillis and Chris Coons[25] — will fare any better.

No matter the proposal, any legislative reform should be measured by its ability to satisfy the Constitutional mandate to promote innovation and stimulate the U.S. economy, and that

should be tested and measured by rigorous research on an industry-by-industry basis.

This country's patent system has long contributed to making the U.S. the most innovative country in the world. Section 101 reform, if done right, can and should reinforce that status.

Dennis J. Abdelnour and David J. Thomas are partners at Honigman LLP.

[1] Alice Corporation Pty. Ltd. v. CLS Bank International, 573 U.S. 208 (2014).

[2] Diamond v. Diehr, 450 U.S. 175, 182 (1981).

[3] John V. Biernacki et al., Alice Corp. v. CLS Bank: Did the Supreme Court Sign the Warrant for the "Death of Hundreds of Thousands of Patents"?, Jones Day Insights, June 2014, https://www.jonesday.com/en/insights/2014/06/ialice-corp-v-cls-banki-did-the-supreme-court-sign-the-warrant-for-the-death-of-hundreds-of-thousands-of-patents.

[4] Interval Licensing LLC v. AOL, Inc., 896 F.3d 1335, 1355 (Fed. Cir. 2018) (Plager, J., concurring-in-part and dissenting-in-part).

[5] The State of Patent Eligibility in America: Part I, Hearing Before the Subcomm. on Intellectual Property of the S. Comm. on the Judiciary, 116th Cong. at *2 (2019) (June 4, 2019 Testimony of Judge Paul R. Michel (Ret.)).

[6] Jason Rantanen, The Predictability of the Mayo/Alice Framework – A New Empirical Perspective, Patently-O (Nov. 15, 2023), https://patentlyo.com/patent/2023/11/predictability-framework-perspective.html.

[7] J. Jonas Anderson and Peter S. Menell, Informal Deference: A Historical, Empirical, and Normative Analysis of Patent Claim Construction, 108 NW. U. L. REV. 1, 5–6 (2014) (internal citations omitted); see also Christian A. Chu, Empirical Analysis of the Federal Circuit's Claim Construction Trends, 16 Berkeley Tech. L.J. 1075, 1104 (2001) (reporting a 44% reversal rate).

[8] Rantanen, supra n.6.

[9] See, e.g., Randall Rader, Rader's Ruminations – Patent Eligibility II: How the Supreme Court Ignored Statute and Revived Its Innovation-Killing Two-Step, IPWatchdog (Mar. 24, 2024), https://ipwatchdog.com/2024/03/24/raders-ruminations-patent-eligibility-ii-supreme-court-ignored-statute/id=174539/ ("Section 101 requires little more for eligibility than a showing that an invention has applied natural principles to achieve a concrete purpose within the expansive categories articulated by Thomas Jefferson in 1793.").

[10] Michel Testimony at *2.

[11] Rader, at *2.

[12] Mayo Collaborative Servs. v. Prometheus Labs., Inc., 566 U.S. 66 (2012).

[13] See, e.g., Brief for the United States as Amicus Curiae Supporting Neither Party, Mayo Collaborative Services v. Prometheus Laboratories, Inc., 566 U.S. 66, 91 (2012); see also Brief for the United States as Amicus Curiae in Support of Respondents, Alice Corporation Pty. Ltd. v. CLS Bank International, 573 U.S. 208 (2014).

[14] Mayo, 566 U.S. at 91.

[15] See Anthony J. Fuga, Section 101 Patent Eligibility Roundup: A Senate Hearing, A New Cert Petition and More, Holland & Knight (Jan. 23, 2024), https://www.hklaw.com/en/insights/publications/2024/01/section-101-patent-eligibility-roundup-a-senate-hearing-a-new-cert (Those who disagree with Alice do so not because of a "functional disagreement, but [as] a policy disagreement … and the status quo is practicable, manageable and serving the country well.").

[16] See, e.g., Dani Kass, High Court Rejects American Axle's Patent Eligibility Bid, https://www.law360.com/articles/1368023/high-court-rejects-american-axle-s-patent-eligibility-bid (June 30, 2022).

[17] David Krinsky, The impact of Alice: a swinging pendulum, World Intellectual Property Review (Oct. 5, 2017) (quoting Robert Sachs, former partner at Fenwick & West), https://www.wc.com/portalresource/lookup/poid/Z1tOl9NPluKPtDNIqLMRVPMQiLsSwWpDm83!/document.name=/WIPR_The%20Impact%20of%20Alice_%20A%20Swinging%20Pendulum_October%202017_David%20Krinsky%20.pdf.

[18] Id.

[19] See Manual of Patent Examining Procedure (MPEP) at § 2106.

[20] See Athena Diagnostics, Inc. v. Mayo Collaborative Services, LLC, 927 F.3d 1333, 1352–53 (Fed. Cir. 2019) (Moore, J., dissenting) ("None of my colleagues defend the conclusion that claims to diagnostic kits and diagnostic techniques, like those at issue, should be ineligible."); see also Patenting Software: A Case Study in Overcoming Alice, Fish & Richardson (Feb. 5, 2020) https://www.fr.com/insights/thought-leadership/blogs/defeating-alice/# (Alice "make[s] obtaining software patents significantly more challenging.").

[21] Michel Testimony at *4.

[22] U.S. Const. Art. I, § 8, Cl. 8.

[23] Patent Eligibility Jurisprudence Study, United States Patent and Trademark Office, PTO-P-2021-0032 (2021), Maya Durvasula, Lisa Larrimore Ouellette & Heidi Williams Comments at 1.

[24] Patent Eligibility Jurisprudence Study, United States Patent and Trademark Office, PTO-P-2021-0032 (2021), American Bar Association Intellectual Property Law Section Comments at 3; id. American Intellectual Property Law Association Comments at 12; Judge Paul Michel & John Battaglia, Flaws in the Supreme Court's § 101 Precedent and Available Ways to Correct Them, IPWatchdog (Apr. 27, 2020) https://ipwatchdog.com/2020/04/27/flaws-supreme-courts-%C2%A7101-

precedent/id=121038/#.

[25] Patent Eligibility Restoration Act of 2023, S. 2140, 118th Cong. § 2(3) (2023) https://www.congress.gov/118/bills/s2140/BILLS-118s2140is.pdf.