

## Questions for Sean Reilly

1. What do you think of our 112(f) language? Do you think it will be able to help weed out overbroad business patents?

Thank you for your questions. As drafted, the 112(f) language is insufficient to weed out overbroad business method patents. Section 112, even beyond 112(f), is an inadequate alternative to Section 101 for dealing with abstract claims. Section 112 analysis focuses on the precision of the claim language and whether it is adequately supported by the rest of a patent. Section 112 cannot be used to invalidate patents on mental processes or basic principles, like the invalid patents on hedging and escrow in *Bilski* and *Alice*. These types of patents, which Section 101 has historically addressed, have caused significant harm. The proposed legislative revision of Section 101 heightens the risk that these patents will again proliferate.

2. If not, what changes would you suggest we make to our 112(f) language in order to more effectively weed out overbroad business method patents?

Thank you for your question. As discussed above, 112(f) as drafted is insufficient to address concerns regarding proposed changes to Section 101 tilting it in favor of patentability. The abrogation of *Bilski* and *Alice* would leave wide swathes of the economy vulnerable to costly litigation involving low quality patents. In order to address this concern, Congress must ensure that there are effective tools available to defendants to address low quality business method patents asserted in litigation. Accordingly, Congress should make Sections 101 and 112 available—along with evidence of prior use or sale—in IPR proceedings or modify and make permanent the CBM program. In addition, Section 112 should be improved as follows:

- Claims that relate to mathematic formulas, human activity, and mental steps are indefinite under Section 112.
- Clarify that the courts have discretion to adjudicate indefiniteness at an early stage of litigation.

3. Outside of Section 101, are there any other sections of the patent act we could potentially amend in order to address overbroad business method patents?

Thank you for your question. Because it is critical for defendants to have effective tools to address low quality business method patents asserted in litigation, as noted above, Congress should make Sections 101 and 112 available—along with evidence of prior use or sale—in IPR proceedings or modify and make permanent the CBM program. While the most elegant solution is to level the playing field by closing the IPR loophole and creating a uniform review proceeding available to all parties, making CBM permanent is a logical and equitable approach to address a material portion of low quality patents asserted in our industry. In the event Congress chooses to make CBM permanent, it should also address the inappropriate narrowing of the scope of patents eligible for CBM review by the Courts beyond the intent of Congress.

**Questions for the Record for Sean Reilly  
From Senator Mazie K. Hirono**

1. Last year, Judge Alan Lourie and Judge Pauline Newman of the Federal Circuit issued a concurring opinion to the court’s denial of *en banc* rehearing in *Berkheimer v. HP Inc.*, in which they stated that “the law needs clarification by higher authority, perhaps by Congress, to work its way out of what so many in the innovation field consider are § 101 problems.”

**Do you agree with Judges Lourie and Newman? Does § 101 require a Congressional fix or should we let the courts continue to work things out?**

Thank you for your question. We believe that courts have done an excellent job of clarifying Section 101. The cases which the Tillis-Coons draft abrogates—specifically *Bilski* and *Alice*—reflect the most important work of the courts. These decisions have been instrumental in improving patent quality and lessening litigation involving low quality patents. For this reason, we believe that these cases should not be disturbed.

2. The Federal Circuit rejected a “technological arts test” in its *en banc Bilski* opinion. It explained that “the terms ‘technological arts’ and ‘technology’ are both ambiguous and ever-changing.” The draft legislation includes the requirement that an invention be in a “field of technology.”

**a. Do you consider this a clear, understood term? If so, what does it mean for an invention to be in a “field of technology”?**

Thank you for your question. We agree that the terms referenced in your question are subject to interpretation and that definitions are likely to evolve as technology continues to develop. The reference to “field of technology” in the draft will almost certainly be the subject of future litigation.

For financial services companies, the patenting of mental steps with recitation of known technology (which may be interpreted under the draft to fall under the “field of technology” definition) has resulted in a glut of low quality patents and the assertion of those patents in demand letters and district court litigation.

**b. The European Union, China, and many other countries include some sort of “technology” requirement in their patent eligibility statutes. What can we learn from their experiences?**

Thank you for your question. From our standpoint, the “technology” requirements in the EU are not as problematic because the EU generally does not allow for the patenting of business methods. We do not have significant experience in China on which to draw.

**c. Is a claim that describes a method for hedging against the financial risk of price fluctuations—like the one at issue in the *Bilski* case—in a “field of technology”? What if the claim requires performing the method on a computer?**

Thank you for your question. As mentioned in previous answers, the financial services sector is beset by litigation asserting low quality method patents that recite basic technology, like a computer.

In the legislative history of the American Invents Act, Senator Schumer touched on this issue when he stated that the technological exception to the covered business method patent (CBM) program “is not meant to exclude patents that use known technology to accomplish a business process or method of conducting business – whether or not that process or method appears to be novel.” Senator Schumer continued as follows:

The technological invention exception is also not intended to exclude a patent simply because it recites technology. For example, the recitation of computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, specialized machines, such as an ATM or point of sale device, or other known technologies, does not make a patent a technological invention. In other words, a patent is not a technological invention because it combines known technology in a new way to perform data processing operations.

The Schumer legislative history not only informed congressional intent around the gate-keeping functions of the CBM program, but was also necessary to address years of clever drafting by applicants who received patents tying a computer or piece of technology to a series of mental steps.

**d. What changes to the draft, if any, do you recommend to make the “field of technology” requirement more clear?**

Thank you for your question. It is likely not possible to fix the issues caused by abrogating key court decisions in favor of a fixed definition of “field of technology.” What is certain is that substantial changes would need to be made to other areas of patent law to rebalance equities if the draft goes forward.

3. Sen. Tillis and Sen. Coons have made clear that genes as they exist in the human body would not be patent eligible under their proposal.

**Are there other things that Congress should make clear are not patent eligible? There are already statutes that prevent patents on tax strategies and human organisms. Are there other categories that should be excluded?**

Thank you for your question. At this time, we have not identified other categories.

4. I have heard complaints that courts do not consistently enforce Section 112 with respect to claims for inventions in the high tech space.

**a. Are these valid complaints?**

Thank you for your question. A more concerning issue than inconsistent enforcement of Section 112 is that Section 112 is a less efficient tool than Section 101 for addressing poor quality

patents because it generally involves questions of fact, or underlying issues of fact, and therefore is often left to juries.

**b. Do the proposed changes to Section 112 adequately address those complaints and limit the scope of claims to what was actually invented?**

Thank you for your question. To the extent Section 112 does not already appropriately limit the scope of claims to what was actually invented, the proposed changes to Section 112 do not seem to solve any such concerns.

**c. Are you concerned that the proposed changes will make it too easy for competitors to design around patent claims that use functional language?**

Thank you for your question. As previously stated, we believe that substantial improvements would need to be made to Section 112 in the draft to begin to rebalance the equities disturbed by the changes to Section 101.

5. There is an intense debate going on right now about what to do about the high cost of prescription drugs. One concern is that pharmaceutical companies are gaming the patent system by extending their patent terms through additional patents on minor changes to their drugs. My understanding is that the doctrine of obviousness-type double patenting is designed to prevent this very thing.

The Federal Circuit has explained that obviousness-type double patenting “is grounded in the text of the Patent Act” and specifically cited Section 101 for support.

**Would the proposed changes to Section 101 and the additional provision abrogating cases establishing judicial exceptions to Section 101 do away with the doctrine of obviousness-type double patenting? If so, should the doctrine of obvious-type double patenting be codified?**

Thank you for your question. Double-patenting is not currently a priority issue for the financial services industry as defendants in meritless patent litigation.

6. In its *Oil States* decision, the Supreme Court explicitly avoided answering the question of whether a patent is property for purposes of the Due Process Clause or the Takings Clause.

**What are the Due Process and Takings implications of changing Section 101 and applying it retroactively to already-issued patents?**

There are clear takings implications with any retroactive changes to the patent law. The Congressional Budget Office has written on this in connection with previous Congressional efforts on patent reform.