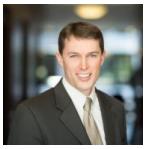
Legislative Developments in Patents: Prospects for the PREVAIL and RESTORE Acts and PERA in 2025



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IPWatchdog LIVE Moves to March in 2025:

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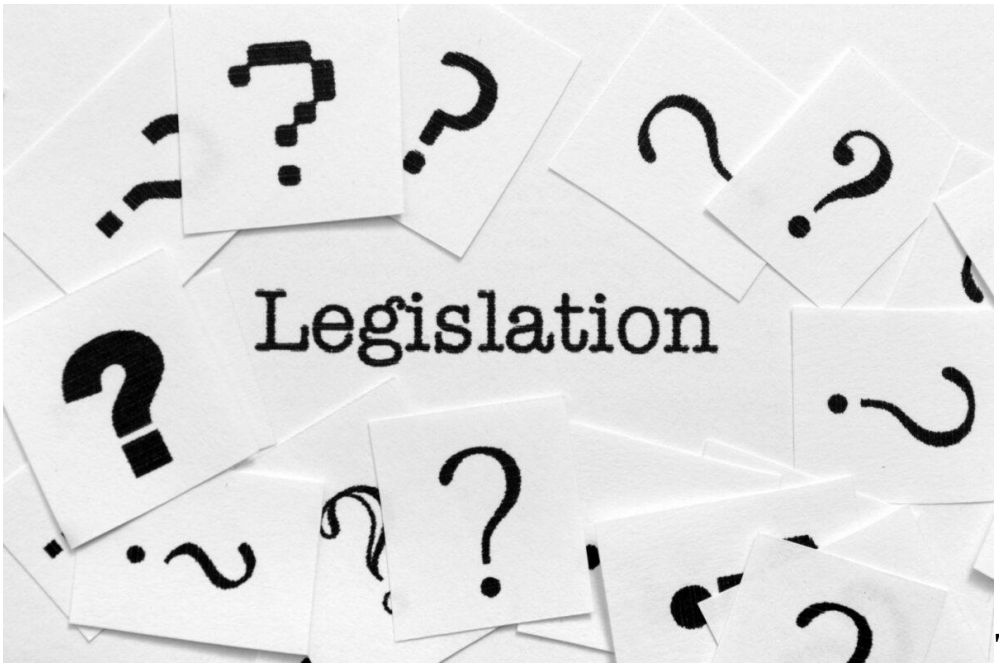

Three significant bills that would alter patent law were considered by U.S. legislators in 2024: the "Promoting and Respecting Economically Vital American Innovation Leadership Act" (PREVAIL Act); the Realizing Engineering, Science, and Technology Opportunities by Restoring Exclusive Patent Rights Act (RESTORE Act); and the "Patent Eligibility Restoration Act" (PERA). Each bill had bipartisan sponsors and was intended to benefit patent owners.

The PREVAIL Act (S. 2220) was introduced by Senators Chris Coons (D-DE), Thom Tillis (R-NC), Dick Durbin (D-IL), and Mazie Hirono (D-HI) in July 2023. Ken Buck (R-CO) initially sponsored the legislation in the House, and co-sponsors later joined from both parties. In November 2024, Senator Coons introduced a manager's amendment to the PREVAIL Act, and it passed out of the Senate Judiciary Committee on a vote of 11-10. The PREVAIL Act is now subject to debate before in the full Senate.

The RESTORE Act (S. 4840) was introduced by Senators Chris Coons (D-DE) and Tom Cotton (R-AR) in July 2024, with a companion bill in the House introduced by Nathaniel Moran (R-TX) and Madeleine

Dean (D-PA). When introduced, the bill was already cosponsored by Representatives Chip Roy (R-TX), Hank Johnson (D-GA), and Deborah Ross (D-NC). A hearing on this bill is scheduled for Wednesday, December 18, 2024.

PERA (S. 214), like the PREVAIL Act, was introduced by Senators Coons and Tillis. Representatives Kevin Kiley (R-CA) and Scott Peters (D-CA) introduced the bill in the House in September 2024 and it is scheduled for a vote in the Senate Judiciary Committee. By November 2024 it appeared not to have achieved sufficient committee support to advance for a Senate vote. However, PERA may eventually advance because it addresses concerns outlined by President Biden's Solicitor General in a petition for the U.S. Supreme Court to grant certiorari in *American Axle & Manufacturing, Inc. v. Neapco Holdings LLC*. Furthermore, bipartisan support, together with conservative scholars' tendency to support strong patent rights, may give PERA new life in 2025.

The PREVAIL Act

The America Invents Act of 2011 brought fundamental changes to the U.S. patent system, one of the most important being the creation of Inter Partes Review (IPR). Patents have always been subject to "examination"—where the U.S. Patent and Trademark Office (USPTO) researches prior inventions to determine if new proposed inventions are sufficiently novel, non-obvious, and adequately described to merit patent protection. However, the American Invents Act created IPR proceedings which effectively re-opened the examination process as to prior art patents and printed publications, and subjected issued patents to new, low-cost validity challenges.

Whereas patent validity had previously been subject to challenge in federal courts, usually as part of a patent infringement suit, IPRs

created mini-trials before a second set of USPTO employees at the Patent Trial and Appeal Board (PTAB). Panels of Administrative Patent Judges at the PTAB formed tribunals fully within the Executive Branch. Since its creation, the PTAB has regularly struck down patents and become recognized as a powerful tool for those accused (or potentially accused) of patent infringement. There is now debate about whether this tool is ***too*** powerful and has inordinately weakened patent rights.

The PREVAIL Act's sponsors assert that it will restore fairness to the PTAB and promote innovation and competition. The sponsors summarize the bill's features as follows:

- Standing Requirement. Only those sued or threatened by a patent could use IPRs to preemptively challenge that patent's validity.
- Limits to Duplicate Attacks. The act would prevent an entity from helping fund one IPR, then bringing a separate IPR challenge later. After challenging a patent using an IPR, challengers could not also seek to invalidate that patent in federal district court, the International Trade Commission, etc.
- Limits to Duplicate Arguments. To allow IPRs based on evidence or arguments previously presented to the PTAB, the act would require "exceptional circumstances."
- Higher Burden of Proof. The act would require that patents be proven invalid by "clear and convincing" evidence (not just by a "preponderance" of the evidence).
- End USPTO Fee Diversion. The act would allow fees paid to the USPTO to be used only for USPTO activities (rather than the current practice of distributing some of this money to other government entities).

The RESTORE Act

For almost two decades, the U.S. Supreme Court has shown a pattern of adjusting patent law. The rationale was typically to bring uniformity to the law and the project achieved agreement on the Court, but because patents had often enjoyed a special status, the effect was to weaken patent rights. For many years before, patent owners were allowed to insist, through "injunctions," that infringers stop infringing—e.g., by taking offending products or services off the market—based on the text of 35 U.S.C. § 283. This power was not unlimited, since the statute invokes "principles of equity" to enforce injunctions "as the court deems reasonable."

In a 2006 case, the Supreme Court signaled that patent injunctions should not be favored or applied by default. It cited a standard (non-patent law) four-part test for injunctions and held that despite infringing, eBay could be allowed to simply pay a license fee under a MercExchange patent—an injunction was not mandatory. *eBay Inc. v. MercExchange*, L.L.C., 547 U.S. 388 (2006).

The RESTORE Act would revert to the previous norm by adding clause (b) to the statute, a rebuttable presumption that an injunction would apply:

35 U.S.C. § 283

- In General.—The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.
- Rebuttable Presumption.—If, in a case under this title, the court enters a final judgment finding infringement of a right secured by the patent, the patent owner shall be entitled to a

> rebuttable presumption that the court should grant a permanent injunction with respect to that infringing conduct.

Although there has been debate about the practical effect of the eBay case, there is no doubt that patent holders would benefit from a more definitive enforcement path for U.S. Patents. At a Senate Subcommittee hearing held on December 18, witnesses on opposing sides of the topic debated whether RESTORE strikes the right balance.

PERA

As IP Watchdog has documented for over a decade, the U.S. Supreme Court's 2012 *Mayo* and 2014 *Alice* decisions made it more difficult to obtain and enforce many types of patents. The *Mayo* and *Alice* Courts altered the previously uncontroversial threshold test for patentability, as provided in 35 U.S.C. § 101 ("Inventions patentable"):

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Before *Mayo* and *Alice*, this statute had been generally viewed as a formal requirement, requiring inventions to be categorized as a "process" (for method claims), a "machine" (for system claims), or a "manufacture" (for apparatus claims). *Mayo* and *Alice*, however, held that there existed a "an important implicit exception" to the scope of patentable subject matter: claims that are too closely tied to "laws of nature, natural phenomena, and abstract ideas are not patentable." *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012).

After *Mayo* and *Alice*, courts began to find that these exceptions applied more broadly, and more often, especially in the software and medical diagnostic fields. The practical result has been that for the past decade, new, broad patents in these fields have been more difficult to obtain. This difficulty exists even where the invention is novel, non-obvious, and adequately described, thus satisfying the principle substantive statutory provisions of Chapter 10 of the Patent Act ("Patentability of Inventions"): 35 U.S.C. §§ 102, 103, and 112.

During this same period, general skepticism of patents expanded, perhaps due to internet fame for some of the strangest patents to issue, but also due to lobbying by large companies with established market shares. For such companies (many of which hold large patent portfolios), a single patent from a small inventor or startup poses a significant risk, leveling the playing field, and threatening its market position.

The U.S. Constitution expressly authorizes Congress to "promote the Progress of Science and useful Arts" through incentives for just such disruptive creativity: "by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." See U.S. Cont., Art. I, Section 8, Clause 8. Interestingly, both the Constitution and the Patent Act suggest that patents can and should be issued for ***discoveries***, as well as for ***inventions***.

In recognition of this constitutional system, the PERA seeks to limit confusion arising from the "judicial exceptions" relied on by the *Mayo* and *Alice* Courts. PERA's proposed text would eliminate the "judicial exceptions" to patent eligibility, discussed above, and would replace them with express statutory exceptions. Under PERA, the default would be that "useful" discoveries are eligible:

Any invention or discovery that can be claimed as a useful process, machine, manufacture, or composition of matter, or any useful improvement thereof, is eligible for patent protection.

Exceptions would be limited to:

- A mathematical formula standing alone (that is, if not claimed as part of a useful process, machine, manufacture, or composition of matter).
- A mental process performed solely in the mind of a human being.
- An unmodified gene as it exists in the human body.
- An unmodified natural material as it exists in nature.
- A process that is substantially economic, financial, business, social, cultural, or artistic (even if a step in this process refers to a machine or manufacture).

Recognizing the apparent breadth of the last exception, PERA would provide that if the process "cannot practically be performed without the use of a machine or manufacture" (e.g., a computer or other man-made device), it "shall not be excluded from eligibility."

PERA also further clarifies that "isolated, purified, enriched" or otherwise *human-altered genes* or natural materials *are* eligible for patenting.

Opponents of PERA include a group called U.S. Inventor, which argues that the bill did not go far enough to strengthen patents) and various other groups, which argue that PERA would create "more opportunities to obtain a patent which could be abused."

In view of their bipartisan sponsorship and support, the PREVAIL and RESTORE Acts and PERA have decent chances of becoming law. Stay

tuned during the lame duck session of Congress in late 2024, and as the calendar flips to 2025.

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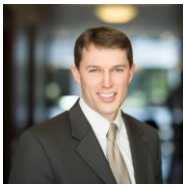

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