**Statement for the Record of**

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**Before the**
**Subcommittee on Intellectual Property**

**Committee on the Judiciary**
**United States Senate**

**Hearing on**
**The Patent Eligibility Restoration Act, S. 2140**

**January 23, 2024**

Chairman Coons, Ranking Member Tillis, and Members of the Subcommittee,

On behalf of the Innovation Alliance, I want to thank you for your leadership in introducing the Patent Eligibility Restoration Act (S. 2140) and for convening this hearing on this legislation that is so critical to U.S. technology leadership. Repairing more than a decade of Supreme Court jurisprudence that has eroded the eligibility of key inventions for patent protections is essential to maintain U.S. global technology leadership and incentivize R&D and commercialization of critical and emerging technologies in the United States. As a coalition of research and development-based technology companies that believe maintaining a strong patent system is critical to supporting innovative enterprises of all sizes, the Innovation Alliance is committed to working collaboratively with the members of this Subcommittee and your colleagues to enact this important legislation.

**The U.S. Patent System is Critical to U.S. Global Innovation Leadership and Competitiveness**

The U.S. patent system forms the foundation of our innovation leadership. The process of invention requires substantial investments in the form of time, human capital, and financial resources, all with the risk of failure constantly looming. By granting inventors—whether individual inventors or companies—property rights in their inventions, allowing them to control who makes, uses, sells, or imports their patented ideas or products for a limited period of time, patent rights incentivize inventors to engage in risky, resource-intensive R&D. This is because patent rights ensure that future licensing fees will allow the inventor to recoup the investment they made in their R&D enterprise. This system also incentivizes further innovation and accelerates consumer access to innovative inventions. Intellectual property protections thereby unlock a vast innovation economy in the United States that, according to the USPTO, accounts for about $8 *trillion* in economic activity, or more than 40 percent of U.S. GDP.

Innovation Alliance member companies innovate across a wide range of industries, including audio compression, wireless communications, advanced video communication, vehicle transmission and drive train technology, and semiconductor technology. Our member companies include, among others, Dolby Laboratories, Inc.; Qualcomm, Inc.; enviolo; and Adeia. Despite the wide range of industries Innovation Alliance companies are involved in, each member shares a deep commitment to innovation and dissemination of their research efforts through patent licensing. Innovation in these industries requires substantial investments in R&D before an innovation can be commercialized.

**The Supreme Court's Section 101 Jurisprudence Creates Uncertainty in Patent Eligibility that Limits U.S. Innovation and Disadvantages U.S. R&D**

For nearly 150 years, patent law has offered patent protections to broad categories of subject matter under Section 101 of the Patent Act, 35 U.S.C. § 101. Yet in recent years, patent eligibility determinations under Section 101 have become hopelessly confused, with the courts and the United States Patent and Trademark Office (USPTO) struggling to make eligibility determinations in a manner that is both consistent and predictable. As result, it has become difficult for inventors and businesses to reliably and predictably determine what subject matter is patent eligible, thereby creating risks and disincentives to invest in research and development. What is more, recent Section 101 jurisprudence has undermined important innovations that deserve patent protection, carving out important inventions from the scope of subject-matter eligibility.

The Supreme Court's recent Section 101 jurisprudence has had corrosive effects on the patent system, leaving the scope of patent-eligible subject matter unsettled and unpredictable. Judges, for example,

have repeatedly expressed frustration at the difficulty of applying the Supreme Court's *Alice/Mayo* test, with one Federal Circuit judge calling patent eligibility law "incoherent," and explaining that "[t]he law . . . renders it nearly impossible to know with any certainty whether the invention is or is not patent eligible." *Interval Licensing v. AOL*, 896 F.3d 1335, 1348 (Fed. Cir. 2018) (Plager, J.) (dissenting). Another Federal Circuit judge observed that the law of Section 101 "needs clarification by a higher authority, perhaps by Congress, to work its way out of what so many in the innovation field consider are § 101 problems." *Berkheimer v. HP, Inc.*, 890 F.3d 1369, 1375 (Fed. Cir. 2018) (Lourie, J.). And former Federal Circuit Chief Judge Paul Michel has observed that, "in scores of appeals, [the Federal Circuit] has struggled to make sense of the opaque Supreme Court decisions," and has "introduced its own confusing notions and language."[1]

The USPTO has also struggled to apply the *Alice/Mayo* framework. As the USPTO has explained, "[t]he growing body of precedent has become increasingly more difficult for examiners to apply in a predictable manner, and concerns have been raised that different examiners within and between technology centers may reach inconsistent results."[2] As a consequence of the Supreme Court's Section 101 jurisprudence, the USPTO has had to repeatedly revise its subject-matter-eligibility guidance.

This confusion in the courts and at the Patent Office has taken a heavy toll on the patent system. Reliability and predictability are essential to an effective, strong patent system. When a patent system fosters confidence in the reliability of patents, inventors are encouraged to invest in new technologies and bring their innovations to market. By contrast, lack of predictability and uncertainty over patent rights makes it risky to develop and invest in new technology, thereby deterring innovation. If left unfixed, the current language of Section 101 as interpreted by the Supreme Court will further stifle innovation as investors and companies become less willing to take the large risk to invest in important technologies, given the unpredictability as to whether they are able to obtain patent protection for their inventions. As uncertainty about whether subject matter is patent eligible increases—and the likelihood of return on investment decreases—the incentives to innovate will wane.

Moreover, denying patent protections to U.S. researchers and inventors threatens U.S. leadership in global technology innovation, as well as our national security. China, Europe, Korea, and other countries continue to grant patents for inventions the United States has deemed ineligible, ensuring that innovative companies and inventors that operate and patent in those jurisdictions have a competitive edge in global innovation.

Foreign dominance of any critical technology presents significant national security concerns, as competitors, many with ties to hostile governments, control wireless networks, computer hardware, medical devices, and other technologies used by individuals, businesses, and governments in the United States. China is "increasing its lead over the U.S. in [artificial intelligence] patent filings," according to data from the World Intellectual Property Organization (WIPO), potentially providing China with a competitive advantage in the further development and control of AI technology.[3]

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[1] Judge Paul Michel, *Is 2019 the Year Clarity Returns to Section 101? Judge Paul Michel Is Hopeful*, IPWATCHDOG INSTITUTE, Jan. 24, 2019, https://www.ipwatchdog.com/2019/01/24/2019-year-clarity-returns-section-101-judge-paul-michel-hopeful/id=105566/.

[2] *See* 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50, 52 (Jan. 7, 2019).

[3] *See* Bloomberg News, *China Widens Lead Over US in AI Patents After Beijing Tech Drive* (Oct. 24, 2023), https://www.bloomberg.com/news/articles/2023-10-24/china-widens-lead-over-us-in-ai-patents-after-beijing-tech-drive.

In one study, scholars at George Mason University examined nearly 18,000 patent applications filled in the United States, Europe, and China that were rejected in the United States on Section 101 grounds. The study found that of the almost 18,000 applications rejected and abandoned in the United States, nearly 1,700 were granted in Europe, China, or both.[4] These findings are alarming, especially in light of recent trends in American patent-eligibility jurisprudence. If U.S. companies and universities cannot obtain patent protections at home for groundbreaking technologies, they will be driven overseas to create, obtain patent protection for, and commercialize their new technologies.

**PERA Would Restore Clarity and Predictability to the U.S. Patent System**

The Innovation Alliance strongly supports PERA and applauds Ranking Member Tillis and Chairman Coons for taking on this important problem. The bill would make several significant reforms to the current law of patent eligibility that would ensure critical and emerging technologies remain patentable in the United States and that would avoid ceding leadership in key technologies to our foreign adversaries and competitors.

***Elimination of judicial exceptions to patent eligibility*.** PERA's proposed reforms to Section 101 are simple and straightforward, and they will address a number of the problems with the current patentability jurisprudence. Specifically, PERA would eliminate all implicit or judicially created exceptions to subject-matter eligibility—including abstract ideas, laws of nature, or natural phenomena—noting that no exceptions shall be used to determine patent eligibility under Section 101. We believe that this is a helpful change to the law because, as noted above, the judicial exceptions have caused tremendous confusion, resulting in anomalous and unpredictable results.

PERA instead would adopt an exhaustive list of categories specifically excluded from patent eligibility. This change would remedy the confusion introduced to section 101 jurisprudence while addressing concerns about the patenting of mere ideas, discovery of naturally occurring phenomena, and other processes and articles that are generally accepted as not appropriate subjects of a patent. The proposed definition of "useful" in section 3 of PERA will also further prevent things like pure theorems and scientific observations from being patented, because they would not have "specific and practical utility."

***Eliminating the conflation of subject-matter eligibility with novelty/inventiveness.*** PERA also provides that eligibility of a claimed invention under Section 101 shall be determined without regard to the manner in which the claimed invention was made; whether claim elements are known, conventional, routine, or naturally occurring; the state of the art at the time of the invention; or any other considerations relating to Sections 102, 103, or 112 of Title 35.

This change leaves the determination of inventiveness within the province of Sections 102 and 103—where such determinations properly belong. Those provisions are well-equipped to address considerations of inventiveness; they allow patent holders to develop a full record as to why their invention is innovative, enable courts to make more fully informed decisions, and avoid outcomes in which true innovations are deemed to be *not* inventive. By contrast, Section 101 is not well-equipped to address questions of inventiveness, and application of the "inventive concept" test proffered by the courts has produced under-informed and divergent results.

[4] *See* Kevin Madigan & Adam Mossoff, *Turning Gold into Lead: How Patent Eligibility Doctrine Is Undermining U.S. Leadership in Innovation*, 24 Geo. Mason L. Rev. 939 (2017).

***Prohibiting claim dissection.*** PERA helpfully prohibits the troubling practice of claim dissection—the practice discussed above in which courts make subject-matter eligibility determinations upon consideration of only certain claim elements, while ignoring others. The bill so by providing that eligibility under Section 101 section shall be determined "by considering the claimed invention as a whole and without discounting or disregarding any claim element."

These changes are essential to U.S. global innovation leadership and ensuring cutting edge technologies are invented and commercialized in the United States.

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Thank you again for holding this important hearing and for the opportunity to submit these comments for the record. The Innovation Alliance looks forward to continuing to work with the Members of the Subcommittee to maintain a patent system that rewards innovative R&D in the United States.