

**WRITTEN TESTIMONY
OF DR. WILLIAM JENKS**

**ON BEHALF OF
THE INTERNET ASSOCIATION**

BEFORE THE

**SUBCOMMITTEE ON INTELLECTUAL PROPERTY
COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE**

**“THE STATE OF PATENT ELIGIBILITY
IN AMERICA: PART II”**

JUNE 5, 2019

I. Introduction

Chairman Tillis, Ranking Member Coons, and members of the Subcommittee.

Thank you for the opportunity to present the views of the Internet Association (IA). IA is the unified voice of the internet economy, representing the interests of America’s leading internet companies and their global community of users. IA is dedicated to advancing public policy solutions to strengthen and protect internet freedom, foster innovation, promote economic growth, and empower people through the free and open internet.

IA members bring expertise in software, computing, networking, data processing and display, and numerous other technical areas related to the internet. Every year, IA members collectively invest billions of dollars in research and development in these areas. They own tens of thousands of patents and rely on patents and other intellectual property to protect their investments.

IA members also have extensive experience with the application of the abstract-idea exception in patent examination, litigation, and post-issuance review proceedings. They have closely observed and frequently participated in the development of caselaw and administrative procedures involving patent eligibility. But they have not cut back on research and development in response to these developments.

IA appreciates the Subcommittee’s role in overseeing the Patent and Trademark Office (PTO) and in considering changes to the intellectual property laws when needed. Here, the proposed change to patent-eligibility law is unnecessary and will likely do more harm than good.

II. There is No Crisis in Patent-Eligibility Law

A. Section 101 caselaw is developing cogent categories of patent eligibility

The Alice/Mayo test has been applied primarily in cases involving computer technology: software, networking, data processing and communication, among others. In these areas, IA members have particular expertise. And in these areas, the Federal Circuit has generally applied the Alice/Mayo test.

A smaller though significant number of Federal Circuit cases have addressed medical diagnostic claims (likely ineligible) and method-of-treatment claims (likely eligible). We will not discuss these issues here, though we note that the Supreme Court has recently called for the views of the Solicitor General in a case in that area.¹

Reading the cases addressing computer technology, we see the development of distinct categories separating the eligible from the ineligible. Alice itself provides two examples that have been treated as eligibility safe harbors by the Federal Circuit. Claims that “improve the functioning of the computer itself” or “effect an improvement in any other technology or technical field” are generally patent eligible.² The Federal Circuit has applied these examples in multiple cases to hold eligible claims directed to improvements in computer or other technologies.³

There are also areas at the other end of the spectrum where the caselaw has made clear that claims directed to these areas (and failing to separately recite improved technology) will not be eligible for patenting. These include:

- Creation or manipulation of legal and financial obligations through software.⁴
- Tracking or making monetary transactions through computer networks.⁵

¹ *Hikma Pharm. Inc. v. Vanda Pharm Inc.*, No. 18-817, Order (Mar. 18, 2019).

² *Alice Corp. Pty. v. CLS Bank Int’l*, 573 U.S. 208, 225 (2014).

³ See, e.g., *SRI Int’l, Inc. v. Cisco Sys., Inc.*, 918 F.3d 1368, 1376 (Fed. Cir. 2019); *McRO, Inc. v. Bandai Namco Games Am. Inc.*, 837 F.3d 1299, 1314 (Fed. Cir. 2016); *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335-36 (Fed. Cir. 2016).

⁴ See, e.g., *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1355 (Fed. Cir. 2014); *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 717 (Fed. Cir. 2014); see also USPTO 2019 Guidance at 52, col. 2, *infra*.

⁵ See, e.g., *Alice Corp.*, 573 U.S. at 219–20; *Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 876 F.3d 1372, 1378 (Fed. Cir. 2017).

- Pure data-manipulation claims.⁶

These areas are established as ineligible for patenting. IA supports these results as distinguishing progress in the useful arts—the very purpose of the patent system—from the use of machines as those machines were intended to be used, which need not be specially protected.

To be sure, there are difficult cases between these established areas. But difficult cases are to be expected when applying a legal standard to different factual scenarios that vary across technologies. For example, similarly difficult cases may arise in the context of non-obviousness under Section 103, enablement under Section 112, or in claim construction. Any perceived schism in the Federal Circuit caselaw involves the difficult cases, not the established areas.

B. The PTO Director has issued new Section 101 Guidance to the examiners

In January 2019, the PTO issued new eligibility guidance and called for public comments on the same.⁷ The PTO Director recently testified before this subcommittee about this, saying that the “guidance is designed to increase the certainty and predictability of the patent-eligibility analyses and provide a more consistent analytical framework to guide inventors, practitioners, examiners, and the public in finding the appropriate lines to draw concerning patent-eligible subject matter.”

The Office has received comments from IA and most of the associations appearing today as well as many other organizations and individuals. The PTO has received over 2,400 comments in all.

In IA’s view, the new guidance is not a finished product, but it is a promising start that, with modification, will help PTO examiners do their job with more uniformity. We expect that the guidance in final form will come closer to fulfilling the Director’s goals and that increased uniformity and accuracy in PTO decisions will be good for the system overall.

C. Patent issuance continues unabated by Section 101

The majority of patent applications and patents in litigation never face a serious patent-eligibility challenge. If there were a crisis in patent-eligibility law, we should expect a radical reduction in the number of patents issued by the PTO. To the contrary, the PTO has been issuing record numbers of patents. According to the PTO’s Annual Performance and Accountability Report, the number of patents issued in fiscal 2010—the year *Bilski* was decided—was a then-record 207,915. The most recent of the decisions, *Alice*, issued in 2014. In the five years since,

⁶ See, e.g., *Univ. of Fla. Research Found., Inc. v. Gen. Elec. Co.*, 916 F.3d 1363, 1369 (Fed. Cir. 2019); *SAP America, Inc. v. InvestPic, LLC*, 898 F.3d 1161, 1167 (Fed. Cir. 2018).

⁷ 2019 Revised Patent Subject Matter Eligibility Guidance Dkt. No. PTO-P-2018-0053, 84 Fed. Reg. 50 (Jan. 7, 2019) (“2019 Guidance”).

the PTO has averaged over 300,000 patents per year, with each year setting a new record or coming second to only the immediately preceding year.

This may be seen in the following table, a modified version of table 6 from the PTO Performance and Accountability Report for FY 2018. The modified table sets the PTO’s annual output on the same timeline as Supreme Court developments in caselaw:

Fiscal Year	Issued Utility Patents	Supreme Court Decision
2010	207,915	Bilski v. Kappos (Decided Jun 28, 2010)
2011	221,350	
2012	246,464	Mayo v. Prometheus (Decided Mar 20, 2012)
2013	265,979	AMP v. Myriad Genetics (Decided June 13, 2013)
2014	303,930	Alice v. CLS Bank (Decided June 19, 2014)
2015	295,460	
2016	304,568	
2017	315,366	
2018	306,909	

The increased level of patent issuances since 2010 may have several reasons, but supposed uncertainty in law or increased difficulty in overcoming Section 101 rejections has not prevented a sizeable increase in issued patents since 2010. Admittedly, patent issuance has not gone up uniformly across every PTO art unit, but the PTO’s increase in eligibility rejections resulting from the recent case law has largely been confined to art units examining business methods and medical diagnostics.

Professor Colleen Chien and Jiun Wu, have published an analysis of the PTO database showing the impact of Alice and Mayo. They concluded that “the vast majority of inventions examined by the [PTO] are not significantly impacted by 101.”⁸

⁸ C. Chien and Wu, *Decoding Patentable Subject Matter*, 2018 PatentlyO Patent Law Journal 1, 17.

Table 1 in the same study shows that while most art units have seen only nominal increases in Section 101 rejections, the PTO art units examining business method inventions has significantly increased its rate of eligibility rejections. This increase is to be expected given that Bilski overturned Federal Circuit precedent favoring the patenting of business methods and that Alice provides a particular test for reviewing the same. Similarly, the increase in the diagnostics area is attributable to Mayo and its progeny.

III. The Proposed Changes to Section 101 Would Begin a Long Period of Uncertainty in Patent Law and May Render Eligible Claims Like Those in Alice and Bilski

The intent of the proposed statute is to change what is an eligible patent claim. That much is clear from the abrogation of caselaw, the introduction of a new definition of “useful,” and a rule-of-construction “in favor of eligibility.” But how eligibility law is intended to change, and to what extent, is far from clear. Where the intended consequences are unclear, the potential for unintended consequences rises.

The proposed definition of “useful” would require years of litigation to understand its meaning. The proposed Section 100(k):

The term “useful” means any invention or discovery that provides specific and practical utility in any field of technology through human intervention.

This formulation leaves open to debate the meaning of all the key terms. Depending on its interpretation, a “specific and practical utility in any field of technology through human intervention” could bring established cases discussed above into eligibility.

The new test for what is “useful” would, at least for a long period, be much less clear than the two-step Alice/Mayo test has been regardless of what balance is ultimately struck between the eligible and ineligible.

What was ineligible may become eligible. The owners of the Alice patent, for example, would be able to argue that their claimed invention was now newly eligible: that it has a “specific and practical utility”—making transactions faster than possible with a human intermediary; that it was in a “field of technology”—they use computers throughout; and that it was accomplished “through human intervention”—humans created the software and programmed the computers.

To the extent that Congress intends to render eligible claims that are clearly ineligible under current caselaw, IA opposes those changes as unnecessarily inhibiting innovation. The mere use of a computer, for example, should not render legal or financial transactions eligible for patenting.

Ultimately, the proposed changes to eligibility law would be a reset of law not to first principles but to a new principle that will have to be fought over in the courts for years. The abrogation of caselaw means that the courts will have no guidance to look to in interpreting this statute.

This change is not equivalent to the drafting of the obviousness requirement (Section 103) as some have argued. The new Section 103 did not replace all caselaw regarding what was then called the “invention requirement” with a new principle. Instead, it built on one hundred years of Supreme Court caselaw. The Supreme Court acknowledged this in *Graham v. John Deere*, explicitly linking its original 1851 formulation of the invention requirement in the *Hotchkiss* case to the “non-obviousness” requirement of Section 103.⁹

The intent of the then-new Section 103, according to the relevant Senate report was to “paraphrase[] language which has often been used in decisions by the courts” while having a “stabilizing effect” and minimizing “great departures” found in some cases.¹⁰ The Supreme Court took “departures” as a reference to its use of “the controversial phrase ‘flash of creative genius,’” in some cases, but overall it understood this to be “codification of judicial precedents embracing the *Hotchkiss* condition” without a change in “the general level of patentable invention.”¹¹

The intent of the new Section 101 is difficult to discern and the abrogation of caselaw means the courts will not have reliable guideposts when interpreting the new statute.

IV. The Proposed Changes to Section 112(f) Appear to Be a Restatement of Current Law with a Lessening of the Presumptions Regarding the Interpretation of Functional Claim Limitations

IA applauds Congressional efforts to increase clarity in the area of functional claiming.

Today, the construction of functional claims often begins with a dispute over the legal presumptions regarding patentee’s use, or not, of the word “means” in the claims. The use of “means” in a functional limitation is presumed to invoke Section 112(f)’s strictures—that the claims be limited “to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.” On the other hand, the failure to use “means” in functional limitations creates the opposite presumption—that the limitation is not bound by the specification.

⁹ *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17 (1966).

¹⁰ *Id.* at 15 (citing S.Rep. No. 1979, 82d Cong., 2d Sess. (1952)).

¹¹ *Id.* at 15, 17.

The proposed Section 112(f) appears to eliminate or lessen the effect of these presumptions:

Section 112 (f) Functional Claim Elements—An element in a claim expressed as a specified function without the recital of structure, material, or acts in support thereof shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.

Given the proliferation of functional claiming, and some patentees' desire to recite as little structure as possible, eliminating the presumption against applying 112(f) when the word "means" is missing makes sense. Removal of the presumption in both directions somewhat simplifies litigation by eliminating the initial conflict over the strength and applicability of the presumptions. But it leaves intact the larger conflict over whether functional claim limits should be construed under Section 112(f) or in a much broader way.

This issue—the difficulty that courts and the public have in determining the scope of functional claims and whether or not they are construed under Section 112(f)—is the more pressing issue underlying functional claiming. Addressing this issue would curtail the uncertainty caused by vague and potentially overbroad functional claims that have been the basis of a tremendous amount of non-meritorious litigation and litigation costs driven by claim scope uncertainty.

This could most simply be accomplished by clarifying that Section 112(f) was intended to apply to all functional claim limitations, not just those functional limitations devoid of structure.

Finally, the effect of the proposed changes to Section 112 will be minor compared to the enormous uncertainty caused in eligibility cases by the proposed changes in Section 101.

V. Conclusion

Chairman Tillis, Ranking Member Coons, members of the Subcommittee, thank you again for the opportunity to present the Internet Association's views; and for your continued careful consideration of issues across intellectual property law.