

Testimony of  
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Before the

Subcommittee on Intellectual Property  
U.S. Senate Committee on the Judiciary

Hearing on  
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Dirksen Senate Office Building

"The State of Patent Eligibility in America: Part I"

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

## SUMMARY

Thank you for holding this important set of hearings and allowing me to present my observations on how best to amend the Patent Act to eliminate the present uncertainty and to clarify the law of patent eligibility. Doing so will encourage increased investment in new inventions. The Subcommittee's discussion draft, I submit, is a very good starting point and represents an enormous improvement over the present, intolerable chaos.

It was precisely to participate in such policy debates that I retired in 2010 as Chief Judge of the U.S. Court of Appeals for the Federal Circuit—America's patent court. In the 9 years since then, I have spoken with numerous business leaders, economists, think tank analysts, scientists, inventors, investors, and many others. All of them decry the lack of certainty on eligibility. Because court decisions are so unpredictable, they view patents as unreliable. Therefore, patents no longer sufficiently incentivize the large investments in research and development in new technologies our nation needs. Yet such investments are vital to competing successfully with global rivals, particularly China, and creating good-paying jobs. Unless this problem is resolved, our nation's innovation economy will weaken and our world leadership in science and technology will decline. Therefore, I urge the Congress to pass legislation generally modeled on the Subcommittee's discussion draft.

As a former staffer in this body for nine years, I know the path from initial draft to enacted legislation is often long and difficult. But the Subcommittee's leaders have provided a brilliant start. They and their staff deserve commendation, cooperation and support from all of us concerned with America's main innovation engine, the U.S. patent system. They can rely on getting all the assistance I can provide.

But act Congress must, for recent changes to patent case law have produced unending chaos. Uncertainty, unpredictability, inconsistent results and undue and harmful exclusions of new technologies abound. Consequently, patents are considered unreliable by the very people -- business executives and innovation investors like venture capital firms -- who make the necessary, but risky, investments. The results point to decreased formation of start-ups, flight of investments to less risky sectors than science and useful arts, migration of innovation investments to foreign jurisdictions with broader eligibility, and many other harms. Together these dynamics threaten our

economic growth, productivity increases, job creation, global competitiveness, scientific leadership and even national security.

I have a unique perspective not only as a patent judge but as one completely unhindered by any economic affiliations or interests. I do not represent parties, practice law, own stocks or bonds, serve as an employee of any entity or belong to any lawyers association or trade group. The only exception is unpaid service on the Board of the Intellectual Property Owners Education Foundation, which seeks to educate the public about intellectual property. I receive a Federal pension for 36 years of service. Although I also consult, assignments are diverse as to owners and accused infringers and as to industries, technologies and companies. Therefore, I can be as objective as humanly possible, since I am totally independent.

Sitting judges are prohibited from policy advocacy, and practicing lawyers may hesitate to criticize the Supreme Court's eligibility cases for fear of adverse consequences. I can afford to be completely candid because for me there are no such constraints or consequences. I am a frequent speaker at conferences, where my criticisms are enthusiastically received and I am frequently -- but privately -- told by lawyers and business leaders that they appreciate my speaking out. What most say privately, I can and do say publicly.

Finally, because many witnesses will follow, I confine my observations to the fundamental facts of our situation, leaving to others the more detailed exposition.

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### ANALYSIS

It is important for me, as a retired judge, to acknowledge that the courts alone created this problem. In my view, recent cases are unclear, inconsistent with one another and confusing. I myself cannot reconcile the cases. That applies equally to Supreme Court and Federal Circuit cases. Nor can I predict outcomes in individual cases with any confidence since the law keeps changing year after year. If I, as a judge with 22 years of experience deciding patent cases on the Federal Circuit's bench, cannot predict outcomes based on case law, how can we expect patent examiners, trial judges, inventors and investors to do so?

Despite having caused the uncertainty, courts have failed to clarify their judge-made law. The U.S. Supreme Court has been particularly unhelpful. In past decades it

injected what it called "implied exceptions" into the four categories of eligible subject matter in Section 101, as enacted by Congress two centuries ago: processes, machines, manufactures, and compositions of matter. Then, in the present decade the Supreme Court's four decisions -- Bilski, Mayo, Myriad and Alice -- greatly expanded these exceptions, excluding important inventions, especially in advanced technologies of the future, as well as creating massive uncertainty. It did so by employing vague language drawn from its own cases going back over 100 years to render ineligible 4 broad categories: abstract ideas, laws of nature, phenomena of nature, and products of nature. None of these categories had clear boundaries, none were defined, and indeed, I suggest, such terms cannot be meaningfully defined. They are inherently undefinable.

Nor do they find a basis in any word Congress put into Section 101. No statutory term is being interpreted in these decisions. Nor is the U.S. Constitution's language being construed. Instead, the Court simply decreed the existence of such exclusions, assuming that otherwise patents would more retard than promote innovation. These exclusions exist because the Court said so.

To make matters even less clear, the Court then added layers of additional terms of equally unclear and unbounded meaning, including what a patent claim is "directed to," what is "significantly more" than an exception, whether something extracted from nature and then altered is "markedly different", and whether an invention represents a "practical application" of an exclusion.

The high court trapped itself, the lower courts, the US Patent & Trademark Office, and everyone else by employing such subjective language. In the 9 years since Bilski and the 5 years since Alice, the Court has declined every petition to revisit its indefinite case law. I understand that the Court has asked for the views of the Solicitor General on two pending eligibility petitions, but given how recent the quartet of decisions is, even if the Court granted review in one of these two cases or a different eligibility case, its adherence to *stare decisis* would likely mean those four cases would not be overruled.

At the most fundamental level, national innovation policy—of which patent eligibility is an integral part—should not be made by the Supreme Court. It should be made by Congress. In a democracy, unelected judges must limit themselves to interpreting the words of the Patent Act. Elected legislators must set patent policy. Indeed, that is what the Founders instructed with Article I, Section 8, Clause 8 of the U.S. Constitution,

which empowered the Congress “[t]o promote the progress of science and useful arts.” It is the only place in the original Constitution where the word "right" appears. In the sequence of clauses it is even listed before the power to establish an army and navy. Its placement reflects the framers' recognition of the importance of strong patent rights. The framers saw patents as the key to economic development, independence and security for the new nation. Two centuries of progress proved them right.

In Bilski, however, the Court claimed its prior eligibility case law creating the implied exceptions was settled law, what it called "statutory *stare decisis*." I find that term baffling. Does it suggest that unless Congress expressly overrules the Court's decisions, they properly stand because Congress has apparently acquiesced? I propose Congress expressly abrogate all these cases.

The Congress has done so in the past. For example, it nullified the Court's decision in Haliburton in the 1940s by legislating Section 112(6), now (f). In 1984, it abrogated the Court's decision in Deep South, enacting Section 271(f). It has every reason and right to do so again.

Attempts to make sense of the Court's indefinite terms have proven difficult, if not impossible. For example, "directed to" has been equated by the Federal Circuit with "focused on." But that implies some limitations are to be ignored and the claim is then said to focus on the remaining ones. This wars with patent law fundamentals, which posit that every claim limitation counts, for together they define the scope of the claim, both for infringement and invalidity purposes. If an accused product meets all but one of 10 limitations, it does not infringe. Similarly, claim scope provides the measure for assessing eligibility, as for other types of validity analyses. Logically, therefore, no limitation can be ignored or discounted. As patent lawyers know from Diehr, such "claim dissection" is legally as well as logically impermissible.

Even worse, the Mayo/Alice regime conflates eligibility with novelty and non-obviousness, the "conditions of patentability" referred to in Section 101 and contained, respectively, in sections 102 and 103. This conflation creates impossible confusion. But it is the result of old Court case law that failed to distinguish eligibility from patentability.

Frankly, judicial activism has long been evident in the Court's case law. For example,

for more than half a century, the Supreme Court misunderstood Congress' 1952 revision of the Patent Act, which inserted the requirement of "non-obviousness" compared to the prior art. Although that statutory innovation was clearly intended to overcome decisions of the high court demanding "synergy" or "flash of genius," the Court later stated, in the 1966 Graham v. John Deere case, that the 1952 Act was enacted "merely as a codification of judicial precedents." Nothing could more inaccurately describe Section 103 and the reason it was added.

So the Court has persisted in treating patent law, not as statutory law, but rather as common law, substituting their own inclinations for your decisions. Out of respect for the Court, Congress stayed silent on the substantive requirements for patentability. One important action was creating the Court of Appeals for the Federal Circuit in 1982. This new court was tasked with "reduc[ing] the widespread lack of uniformity and uncertainty of legal doctrine that exist[ed] in the administration of patent law." For decades, the Federal Circuit did so by hewing to the statute and affording the appropriate weight to older Supreme Court rulings and dicta that were inconsistent with the text of Section 103. As a specialized court steeped in the administration of the patent law, it has a depth of understanding the Supreme Court lacks. Interestingly, in Germany, final decisions on patents are made by a specialized appeals court; the German equivalent of our Supreme Court lacks jurisdiction over such cases. In Japan, when its Supreme Court unintentionally ruined the doctrine of equivalence, it took 10 years to restore it.

Then in 2010 in the Bilski decision, the Court sharply expanded its prior judge-made law on the separate question of the meaning of Section 101. That section contains no exceptions at all, expressly qualifying "any" "invention" or "improvement thereof" that fits into one of the 4 statutory categories: "process, machine, manufacture, or composition of matter."

The current state of eligibility must be characterized as chaotic. Massive uncertainty pervades all determinations, whether by 8,300 patent examiners, 1,000 federal trial judges, or 18 Federal Circuit judges. Numerous decisions by the Federal Circuit and district courts have expressly acknowledged the "uncertainty" associated with the Supreme Court's patent-eligibility rulings. Supreme Court decisions have so undermined Congress' choices, embedded in statute, as to create an unseemly Constitutional competition over which Branch is the law-giver. Is it the Court or the

Congress? The unelected judges or the democratically elected member of Congress?

I would have thought the text of Article I, Section 8, Clause 8 had settled these questions. The Constitution expressly empowers Congress to secure exclusive rights in inventions and discoveries to their creators. Congress did so by passing the Patent Act. Nothing I see in Article III empowers the Court to contravene the statutory scheme or to make economic and innovation policy for our huge, diverse and complex nation.

But because enforcement of these exclusive rights can only occur in courts, they assess patent eligibility whenever it is challenged. This process provides courts with endless opportunities -- case-by-case and year-by-year -- to rewrite Section 101, and the Supreme Court has done so for over a century. Congressional acquiescence surely should cease.

Fundamentally, courts apply statutory law, Congress makes it. It is not for the courts to alter such law even if justices or judges believe they are improving it. Congressional inaction then is what is to be feared. Failure to clarify the law would only perpetuate the current chaos. So, the Subcommittee deserves praise and support for stepping up to this crucial task. The bold and sound leadership shown by Chairman Tillis and Ranking Member Coons is a shining example of the bipartisan cooperation needed to repair America's main engine of innovation, the US patent system. While refinements in the draft language would make it better and clearer, it is a much-welcomed proposal.

Finally, in today's global innovation economy, policy-makers must be mindful of the international scene. Money is mobile and so are inventors. While the Supreme Court narrowed eligibility here, European and Asian nations, including China, broadened eligibility beyond their prior scope and beyond ours. There is risk that with certain inventions eligible overseas but not here, American investment funds will flow away from America.

Both during judicial service and since, I have remained involved in monitoring foreign courts and meeting with foreign judges. As a Member of Honour of the International Federation of Intellectual Property Attorneys (FICPI), I confer with practitioners of all countries as well. Most tell me they are aghast at the narrowing of eligibility imposed by the Supreme Court.

## RECOMMENDATIONS

I urge two modifications that would remove ambiguity. And because any legislative ambiguity is a potential opportunity for a court to assert its own policy preference, only by removing the ambiguity can Congress ensure that its policy choices are accurately correctly applied by the courts.

First, if I were drafting the bill, I would delete from Section 100(k) the phrase "in any field of technology." Neither the Constitution nor reasoned innovation policy supports that limitation. It is precisely the type of phrase that will reintroduce uncertainty and cause many years of costly litigation over its breadth and boundaries. Indeed, 8 years later parties are still litigating the meaning of "technological invention," as that term is used in Section 18 of the America Invents Act, in the context of Covered Business Method Review.

Second, I see no infirmity in the present version of Section 112(f) that would justify expanding its scope, as the proposed language does. Presently, applicants can choose to define inventions by structure or by function. If they choose the latter, they get both the benefits and the limits of that provision. But all functional terms cannot be entirely avoided, particularly in method claims and health sciences. The discussion draft's alteration of 112(f) automatically pushes all such inventions into that provision. In my judgment, it is unnecessary and unwise.

The Subcommittee leadership also deserves praise for pursuing a process of careful development of legislation by iterative drafts. Like others, I look forward to the opportunity to advise and assist as the process advances.

I thank the Subcommittee for the opportunity to share these views.