



Statement before the Senate Committee on the Judiciary  
Subcommittee on Intellectual Property  
On the State of Patent Eligibility

# Testimony of Michael M. Rosen

**Michael M. Rosen**  
Adjunct Fellow

June 4, 2019

Good afternoon, Chairman Tillis, Senator Coons, and Members of the Subcommittee on Intellectual Property. Thank you for the opportunity to appear before you today to discuss the state of patent eligibility. It is an honor.

My name is Michael Rosen. I am an intellectual property attorney who has been in private practice for 15 years with a focus on patent litigation.

I serve as an adjunct fellow at the American Enterprise Institute, where I cover legislative and judicial developments in the intellectual property (IP) space. I have studied the legal and economic effects of issues such as patent eligibility, and for each of the past six years, I have convened panels of distinguished experts and keynote speakers, such as Sen. Cornyn, to address these pressing issues.

In my private practice, I am of counsel in the Tel Aviv office of Kobre & Kim, a global litigation firm, where I focus on assisting Israeli and other technology companies with their cross-border IP disputes, including patent litigation, in particular in US courts. I am also the founder and principal of Rosen Technology Law, which assists clients worldwide with their IP issues. Before moving to Israel with my family, I served as an adjunct professor of law at the University of San Diego School of Law, where I taught a course on patent litigation.

It is a great privilege to appear before the subcommittee today. As an intern 23 summers ago in the office of Sen. Daniel Coats (R-IN), I recall spending as much time as possible attending hearings like these. I consider it a great honor to sit here today and share my thoughts about issues like patent eligibility that bear

such a direct influence on American innovation in particular and the economy in general.

My testimony reflects my perspective on these issues as both a longtime practitioner and an analyst of the broader system. Although I speak only for myself, my testimony is consistent with the views of a broad swath of the IP world, including numerous colleagues in private practice, think tanks, and the academy. Given that perspective, my suggestions to improve the state of patent eligibility law, which I believe the current bipartisan, bicameral framework reflects, revolve around three key, distinct, but related elements: *clarity and certainty, compartmentalization, and preemption*.

Ever since the Supreme Court's 2012 decision in *Mayo v. Prometheus* and its 2014 decision in *Alice v. CLS Bank*, it is no exaggeration to say that patent practice has been thrown into tumult. In *Mayo*, the high court articulated a two-part test for assessing the eligibility of patent claims: (1) whether the claimed invention appears to claim a law of nature or a natural phenomenon and, if so, (2) whether it claims something significantly more than that law or phenomenon. And in *Alice*, the Supreme Court extended its *Mayo* ruling to cover abstract ideas. In both cases, the court underlined the importance of preemption—that is, assessing whether a claim “forecloses more future invention than the underlying discovery could reasonably justify.”<sup>1</sup>

The impact was immediate. Between June 2014, when the *Alice* decision was issued, and 2018, district courts invalidated roughly two of every three patent claims challenged on eligibility grounds.<sup>2</sup> By some counts, between 2014 and 2017

alone, 16,340 issued patent claims fell off the judicial chopping block.<sup>3</sup> The distribution of those decisions has varied across different district courts and the Federal Circuit, but the trend has been unmistakable: patent eligibility challenges in litigation, especially challenges to business method and software patents, have been largely successful since *Alice*.

In parallel, patent examiners in the wake of *Alice* began rejecting claims on eligibility grounds at a much higher rate, most prominently among business method claims. According to IP Watchdog, “In the six months after *Alice* was decided, the percentage of office actions including an eligibility rejection from business method art units increased by 258%.”<sup>4</sup> Software patent claims fared better, but their rejection rates in December 2017 were still more than double what they were before *Alice* (29.3 percent versus 12.3 percent).<sup>5</sup> Thus, *Alice* significantly restricted the number of patent claims allowed in the first place.

There can be no question that thousands, maybe tens of thousands, of so-called “bad” patent claims have been purged from the system, thanks to *Alice* and *Mayo*. But have those benefits outweighed the cost of doing so, measured not so much in the number of deserving patents that have been held ineligible but instead in the uncertainty that the decisions has wrought? I am skeptical. The limited, and occasionally contradictory, guidance emanating from district courts, the Federal Circuit, and the Patent Office itself has been only partially helpful to inventors and practitioners seeking to determine what inventions are eligible for protection.

As Patent Office Director Andrei Iancu himself stated in his keynote address at AEI last year, “The [patent] system must be first and foremost predictable and reliable. . . . Folks need to know within a reasonable band of certainty what subject matter is and is not patentable.”<sup>6</sup> Most importantly, the director said, “It is less likely that inventors and investors will devote the effort and resources needed to create new technology if they do not know with reasonable predictability what [in] the field they are working in is available for a patent in the first place.”<sup>7</sup>

So therefore, it is crucial that Congress, the courts, and the Patent Office do their best to articulate a *clear* policy that promotes *certainty* among innovators. To be sure, it will never be possible to provide absolute clarity and precision across all technology areas. But we must do our best to draw lines somewhere, anywhere, that will provide greater certainty to inventors, patent applicants, universities, and tech companies big and small that are contemplating filing or defending against patent litigation.

To this end, I was gratified to see the subcommittee’s attempt to define specific statutory categories that would be excluded from eligibility, such as fundamental scientific principles, products that exist solely and exclusively in nature, pure mathematical formulas, economic or commercial principles, and mental activities.<sup>8</sup> This is a good start. I would add natural phenomena to this list, and I would also encourage the committee to provide concrete but non-limiting examples of each category to provide guidance to courts, examiners, and practitioners as to how to interpret them, especially for something as general as “mental activities.” It now appears that the categorical exclusions recited in the

outline were omitted from the draft statutory language circulated last week,<sup>9</sup> but I would encourage the committee to reconsider identifying, as before, specific areas that alone would be ineligible.

Another way to provide such clarity involves *compartmentalization*. The 101 inquiry must remain distinct from the 102, 103, and 112 inquiries. Novelty and obviousness play a crucial role in the processes of examining, challenging, and reviewing patents, but those roles must remain independent of eligibility. The Supreme Court's *Mayo* and *Alice* requirement that the claimed invention must transcend a "well-understood, routine, conventional activity," which the Federal Circuit in *Berkheimer v. HP* declared was a factual inquiry, has unfortunately led examiners and courts down the primrose path of conflating novelty, obviousness, and eligibility.

Make no mistake: Well-understood, routine, conventional activities do *not* deserve patent protection, and they should be weeded out as early as possible in litigation. (In this regard, incidentally, the Federal Circuit moved *away* from early resolution in its decision last year in *Berkheimer*, when the court held that the factual "well-understood, routine, and conventional" question is more appropriately resolved at trial.) But early resolution should be appropriate because such activities are not novel or obvious (or both), *not* because they claim ineligible subject matter. Thus, finding the third-party settlement risk mitigation patent in *Alice* itself obvious, rather than ineligible, might have saved considerable heartburn.

I am encouraged to see that the blueprint and draft statutory language that has emerged from this committee includes separate rooms for 101, 102, and 103. I hope to see the legislation that ultimately emerges clearly cabin the eligibility inquiry separately from the novelty, obviousness, and 112 analyses. I am also pleased to see the framework seek to eliminate the “newness” requirement from the Section 101 statutory language.

Third, with respect to *preemption*, it is important that examiners and courts clearly understand and appreciate that only those claims that would effectively preempt *every* use of an abstract idea, natural law, or natural phenomenon should be ineligible. At my previous law firm, Fish & Richardson, we were on the losing side of the *Mayo* case, but this was the principle we tried to articulate back in 2012. Thus, for instance, in the life sciences field, purely diagnostic claims with no treatment step at all would be ineligible, as would software claims that recite only the most generic idea with no hint of how it might be implemented.

Here, this subcommittee’s suggestion of restoring the “practical application” suggestion, which originated in the Federal Circuit’s 1998 *State Street Bank* case, goes a long way in this direction. Codifying that phrase into the statute would significantly help decision makers—examiners, judges, patent prosecutors, litigators, and innovators—attain a measure of certainty in how they proceed. It is a substantial but supple doctrine that can accommodate the future development of technologies and their applications of which we currently are unaware, such as the exploding fields of artificial intelligence and machine learning.

I will conclude by invoking Maimonides, the celebrated 12th-century Jewish legal scholar and neo-Aristotelian philosopher. In his seminal work the *Mishneh Torah*, his codification of Jewish Law, Maimonides stressed the importance of the middle way, the *Midah Beinonit*. He cautioned against veering too far in any direction, whether being too angry or too stoic, too joyous or too despondent, but instead to embrace moderation. I would urge the committee, and the Congress, to exercise caution in formulating a revised patent eligibility statute, to avoid veering too far toward unduly loosening (or tightening) the eligibility standard, and instead to adopt a middle way that ensures balance in our patent system.

Mr. Chairman and Members of the Committee, this completes my testimony. I look forward to answering any questions you may have.

---

<sup>1</sup> *Mayo*, 132 S. Ct. at 1301.

<sup>2</sup> See, for example, Christopher P. King, “#ALICESTORM: August 2018 Update,” Bilski Blog, August 13, 2018, <https://www.bilskiblog.com/2018/08/alicestorm-august-2018-update/>.

<sup>3</sup> See, for example, Robert Sachs, “#AliceStorm: April Update and the Impact of TC Heartland on Patent Eligibility,” Bilski Blog, June 1, 2017, <https://www.bilskiblog.com/2017/06/alicestorm-april-update-and-the-impact-of-tc-heartland/>.

<sup>4</sup> Samuel Hayim and Kate Gaudry, “Eligibility Rejections Are Appearing in Greater Frequency Across All Computer Related Technology Centers,” IP Watchdog, May 24, 2018, <https://www.ipwatchdog.com/2018/05/24/eligibility-rejections-greater-frequency-uspto/id=97615/>.

<sup>5</sup> Hayim and Gaudry, “Eligibility Rejections Are Appearing in Greater Frequency Across All Computer Related Technology Centers.”

<sup>6</sup> American Enterprise Institute, “Patent Issues in 2018: A Conversation with US Patent and Trade Office Director Andrei Iancu,” June 21, 2018, <http://www.aei.org/events/patent-reform-in-2018-a-conversation-with-us-patent-and-trademark-office-director-andrei-iancu/>.

<sup>7</sup> American Enterprise Institute, “Patent Issues in 2018.”

<sup>8</sup> “Draft Outline of Section 101 Reform,” <https://www.tillis.senate.gov/services/files/3491a23f-09c3-4f4a-9a93-71292704c5b1>.

<sup>9</sup> Draft language for Section 101 reform, <https://www.tillis.senate.gov/services/files/E8ED2188-DC15-4876-8F51-A03CF4A63E26>