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## Testimony of Joshua D. Sarnoff Senate Judiciary Committee, IP Subcommittee June 4, 2019

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**TESTIMONY OF JOSHUA D. SARNOFF**  
**SENATE JUDICIARY COMMITTEE, IP SUBCOMMITTEE**  
**JUNE 4, 2019**

**I. INTRODUCTION**

Joshua D. Sarnoff is a Professor of Law at DePaul University, received the 2018 DePaul Spirit of Inquiry Award, and has received numerous awards for his scholarship. He is an internationally recognized expert on the intersections of intellectual property law, environmental law, health law, and constitutional, administrative, and international law. From January 2014 to July 2015, he served as the Thomas A. Edison Distinguished Scholar at the U.S. Patent and Trademark Office. In June 2019, he testified before the Intellectual Property Subcommittee of the Senate Judiciary Committee on pending legislation to revise subject matter eligibility doctrine under Section 101 of the Patent Act.

**II. TRANSCRIPT**

This written testimony of Joshua D. Sarnoff, Professor of Law, DePaul University was submitted to the Intellectual Property Subcommittee of the Senate Judiciary Committee for its hearing on June 4, 2019, and addresses the Legislative Draft of May 22, 2019 to revise patent eligible subject matter. The testimony makes nine basic points:

(1) the current uncertainty in eligibility doctrine does not justify the pending legislative efforts to eliminate existing protection for the public domain of scientific, natural, and fundamental discoveries ("science, nature, and ideas");

(2) the pending legislative revision proposals do not address the root causes of the doctrinal uncertainty;

(3) the pending proposals, by restricting the public domain and displacing line-drawing creativity judgments, would not harmonize U.S. patent law with that of other countries;

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(4) the current, judicially interpreted requirement of Section 101 to treat ineligible novel discoveries of science, nature, and ideas as prior art against applicants claiming practical applications thereof is good innovation and moral policy;

(5) by minimizing reliance on eligibility doctrine to determine patent validity, the pending proposals would increase uncertainty in and costs of the patent system;

(6) the pending proposals would expand the utility patent system to aesthetic and other forms of non-technological creativity, by removing consideration of the kind of novel creativity from eligibility determinations;

(7) expanding the patent system to eliminate the exclusions for science, nature, and ideas and to authorize as eligible claims to most or all practical, technological applications of nontechnological creativity likely will be held unconstitutional, generating further legal uncertainty;

(8) trying to avoid those results by more clearly defining "specific," "practical" and "technological" utility will prove at least as difficult as addressing directly the requisite kind of eligible creativity through Section 101's eligible novelty doctrine; and

(9) if Congress proceeds to revise eligibility doctrine, it should adopt specific measures to minimize uncertainty, litigation, and the need for further legislative revisions.<sup>1</sup>

Section 101 of the Patent Act provides the "eligibility" criteria for the types of things generated by the kinds of creativity that can be patented as a utility patent "invention," as well as

<sup>1</sup> Sarnoff, Joshua D., Testimony of Joshua D. Sarnoff Senate Committee on the Judiciary, Subcommittee on Intellectual Property Hearing: The State of Patent Eligibility in America: Part I (June 4, 2019). Abstract. Available at SSRN: <https://ssrn.com/abstract=3572387>

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requiring that such creative things be "useful."<sup>1</sup> Other sections of the Patent Act, impose "patentability" restrictions on the grant of utility patent rights, as the "quid pro quo" for granting exclusive rights to such nonobvious inventions.<sup>2</sup>

At the most basic level, the purpose of Section 101's subject matter eligibility doctrine is therefore to distinguish the kinds of mental creativity (invention) that (subject to patentability requirements) warrant granting utility patent rights in products or processes from the kinds that do not.<sup>3</sup> It is important to acknowledge that there is a serious problem of the degree of uncertainty regarding the perceived purposes and the interpretation and application of current eligibility doctrine, beyond the normal legal uncertainty of applying general legislation to specific cases.<sup>4</sup> Although the language of the eligibility provision has remained essentially unchanged since the 1793 Patent Act, the doctrine has been inconsistently interpreted and applied by the courts over the entire time frame, and particularly since the 1970s.<sup>5</sup>

But Congress cannot provide the needed clarity and consistency by legislative language revisions to Section 101 alone. Nor can it do so merely by displacing to other patent law doctrines the difficult but required judgments of the kinds of creativity that do or do not warrant utility patent rights.<sup>6</sup> Adequately addressing the root causes of the failures of judicial and administrative interpretative and adjudicative decisional processes would require changes that go well beyond the scope of any contemplated legislative revisions. Enacting some such measures into law may pose serious separation-of-powers concerns, rendering them constitutionally suspect.<sup>7</sup>

<sup>2</sup> Sarnoff, Joshua D., Testimony of Joshua D. Sarnoff Senate Committee on the Judiciary, Subcommittee on Intellectual Property Hearing: The State of Patent Eligibility in America: Part I (June 4, 2019). Page 3. Available at SSRN: <https://ssrn.com/abstract=3572387>

<sup>3</sup> *Id.*

<sup>4</sup> *Id.* at 4.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

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The current legislative proposals will not achieve greater harmonization with other countries' patent laws, but rather will achieve the opposite effect.<sup>8</sup> In order to achieve such harmonization, Congress would have to transfer the difficult line-drawing judgments currently performed under Section 101's eligibility doctrine to Section 103's non-obviousness standard, known around the world as the "inventive step" requirement. Congress would have to do so while: (a) retaining the eligibility exclusions from the meaning of "invention" for science, nature, and ideas; and (b) preventing the creativity of those ineligible discoveries from contributing to the technological character of the claim evaluated for non-obviousness.<sup>9</sup> None of the pending proposals would do so; most seek both to eliminate these historic, world-wide exclusions and to avoid having to make those line-drawing non-obviousness judgments.<sup>10</sup>

Expanding the U.S. patent eligibility to include such things as business methods and aesthetics, much less scientific, natural, and abstract discoveries, would place U.S. law in greater, not lesser, tension with the patent law of other jurisdictions.<sup>11</sup> This would further complicate international prosecution and enforcement efforts.<sup>12</sup> No such changes are required in order to comply with the World Trade Organization's TRIPS Agreement. And increasingly, such patents will go to foreign entities, transferring wealth from the U.S. to other countries.<sup>13</sup>

If Congress is to play a constructive role in further clarifying the law of eligibility (without addressing problems of the quality of

<sup>8</sup> Sarnoff, Joshua D., Testimony of Joshua D. Sarnoff Senate Committee on the Judiciary, Subcommittee on Intellectual Property Hearing: The State of Patent Eligibility in America: Part I (June 4, 2019). Page 11. Available at SSRN: <https://ssrn.com/abstract=3572387>.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

<sup>11</sup> *Id.* at 12.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

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adjudication more generally), it (a) should provide in legislative language, not just in legislative history, and as clearly and specifically as possible, the requirements for adjudication and the considerations and policies that such adjudication should be based on.<sup>14</sup> In particular, Congress (b) should explicitly preserve the public domain of science, nature, and ideas by requiring in clear legislative language that such ineligible discoveries must be treated as prior art against the applicant once those discoveries are disclosed for public benefit in a patent specification.<sup>15</sup> Congress also (c) should explicitly abrogate further consideration of or reliance on "preemption" concerns, which can be and are better managed by Section 112's claim scope doctrines.<sup>16</sup> Finally, Congress (d) should expressly abrogate prior inconsistent judicial precedents under Section 101 that conflict with the new legislative language.<sup>17</sup> These conflicting precedents have continued to induce the PTO to grant and the courts to uphold countless patents for uncreative but practical applications of ineligible discoveries of science, nature and ideas that should not be part of the patent system.<sup>18</sup> To simplify matters, Congress might simply abrogate all precedents under Section 101 and its predecessor provisions, requiring the PTO and judges to start from a clean slate when interpreting and applying such new legislative language.

### **III. JOSHUA D. SARNOFF ANSWERS TO QUESTIONS FOR THE RECORD OF SENATOR RICHARD BLUMENTHAL, SUBMITTED TO SENATE JUDICIARY**

<sup>14</sup> Sarnoff, Joshua D., Testimony of Joshua D. Sarnoff Senate Committee on the Judiciary, Subcommittee on Intellectual Property Hearing: The State of Patent Eligibility in America: Part I (June 4, 2019). Page 23. Available at SSRN: <https://ssrn.com/abstract=3572387>.

<sup>15</sup> *Id.*

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

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**COMMITTEE CHAIRMAN, HON. LINDSAY O. GRAHAM  
JUNE 4, 2019 SUBCOMMITTEE ON INTELLECTUAL  
PROPERTY HEARING ON “THE STATE OF PATENT  
ELIGIBILITY IN AMERICA: PART I” JUNE 26, 2019**

**Q: What impact will broadening the subject matter that can be patented have on consumers?**

**A:** As with the effects on industry, *the effects on consumers in the long run are highly uncertain*, given the inability to predict how patents affect dynamic innovation and how industries within markets will choose to license, compete, and price products and services (subject to different government regulatory, antitrust, and other policies). Nevertheless, we know that patents in general impose so-called "deadweight" losses on society by increasing costs and decreasing access to patented goods relative to the competitive alternatives that might be available in markets in the absence of such patents. Thus, *we can be reasonably sure that patents will adversely affect consumers in the short run, and cannot have any confidence that patents will increase consumer welfare in the long run.*

As I indicated in my written testimony, granting patent rights by extending patent eligibility imposes numerous harms in many fields of "technology" (or for products or processes that cannot be considered technological inventions) to which the patent system will be extended. But knowing that these harms may occur is different from accurately predicting their specific nature and magnitude. The opportunity costs of such eligibility extensions are likely immense. But the specific harms and their magnitude also are essentially unknowable. To evaluate such costs would require predicting and valuing outcomes that would not otherwise occur and thus could be assessed only in a counter-factual universe.

**Q: Could the proposed reforms increase consumer prices? If so, in what industries or on what products?**

**A:** As indicated above, *the proposed reforms could and likely will increase prices simply by the fact that patents provide rights to exclude competition that would otherwise occur and that might then lead to decreased prices and increased access to the same or similar products.* But predicting whether they would increase prices significantly in particular industries, or for which particular products, would require speculation for which concrete evidence and theory are lacking.

More importantly, the specific amount of price increases for particular industries or products will depend on numerous factors, including: (1) the scope of claims granted in particular patents; (2) the degree to which competitors develop substitute technologies that can be produced for the public that do not infringe patent rights, and complementary technologies that must be cross-licensed in order to produce products for the public; and (3) regulatory and antitrust policies. A vigorous debate currently exists, *e.g.*, as to whether on the one hand "fair, reasonable, and non-discriminatory" (FRAND) licensing policies adopted by standard-setting organizations (SSOs) are sufficient to assure that patent rights do not result in excessive prices for consumers and that patents can be efficiently cross-licensed to produce complex consumer products, and on the other hand whether such requirements sufficiently protect SSO-participating patent holders against holdouts by non-participating patent holders and against infringers (in the absence of injunctive relief). *See generally, e.g., THE CAMBRIDGE HANDBOOK OF TECHNICAL STANDARDIZATION LAW: COMPETITION, ANTITRUST, AND PATENTS* (Jorge L. Contreras ed. 2017).