SPARK Innovation Opposes PERA unless Amended

SPARK Innovation is dedicated to advancing the future of critical emerging technology startups, entrepreneurs, and inventors through effective policy reform in the United States. We strive to create a policy environment where the conception, protection, and commercialization of technologies critical to American economic and national security prosper thereby enabling the United States to take back the global technological lead from China.

S.2140, the Patent Eligibility Restoration Act of 2023 (PERA) was introduced in the Senate by Senators Tillis and Coons. Its identical companion bill was introduced in the House as H.R.9474 by Representatives Kevin Kiley and Scott Peters.

PERA should not become law without an amendment removing of Section 3(b)(1)(B)(i) and (ii), its support at Section 2(5)(D)(v) and Section 2(5)(E)(i) and (ii) and Section 3(c)(2)(A) and (B).

United States Innovation is Handicapped like No Other Country

China now leads the world in 37 of 44 technologies critical to the economic and national security of the United States. China can steal its way to technological parity with the United States, but it cannot get ahead through theft. This simple fact is that China is innovating faster that the United States and that innovation in the United States has slowed.

A primary reason for this impending national security disaster is that the United States government gutted its patent system while China strengthened its own patent system. This has resulted in startups in China find it easier to obtain early-stage investment than those in the United States.

60% of the 37 technologies in which China leads are directly related to patent eligibility problems brought on by a 2014 Supreme Court decision called Alice Corp. v. CLS Bank International (Alice). Alice created an exception to patent eligibility called an *abstract idea*. However, the Supreme Court did not define what qualifies as an abstract idea. Instead, it devised a test that makes most tech inventions ineligible for patent protection.

Alice's abstract idea exception handicaps U.S. innovation in ways no other country does. No public policy could justify this sort of damage to U.S. innovation. Advocates of PERA claim it abrogates Alice and its abstract idea exception. However, that is not the case. Instead, it codifies it.

The Abstract Idea

In 2014, the Supreme Court in *Alice v CLS Bank* (Alice) downgraded most critical emerging technologies to be ineligible for patent protection with an illogical and undefinable test to determine if the invention is an abstract idea.

The Alice test works by removing conventional and routine computer activities (referred to as *insignificant extra solution activity)* from the patent's claims and then examining what's left. Conventional and routine computer activities are things like sending, receiving, saving, printing etc. – the things that tie most tech inventions to the real world. Once the invention is removed from its real-world ties, math or logic is all that's left, so courts invariably determine the invention is an abstract idea and invalidate the patent.

Under this circular nonsense, thousands of inventions have been denied patent protection by the USPTO, while companion applications covering the same invention get patent protection in Germany and China. Those few tech inventions the USPTO allowed patent protection are invalidated in court at a rate of 50%.

PERA's New Exception

PERA fully abrogates all judge-made eligibility exceptions. But then it creates a new exception, which codifies the abstract idea problem using different words.

> *"(b) Eligibility exclusions.—*
>
> > *"(1) IN GENERAL.—Subject to paragraph (2), a person may not obtain a patent for any of the following, if claimed as such:*
> >
> > > *"(B) (i) Subject to clause (ii), a process that is substantially economic, financial, business, social, cultural, or artistic, even though not less than 1 step in the process refers to a machine or manufacture.*
> > >
> > > *"(ii) The process described in clause (i) shall not be excluded from eligibility for a patent if the process cannot practically be performed without the use of a machine or manufacture."*

The first step [Section 3(b)(1)(B)(i)] declares all software inventions patent ineligible if it "*is substantially economic, financial, business, social, cultural, or artistic, even though not less than 1 step in the process refers to a machine or manufacture*."

This first step does two things. First, it broadly declares almost any invention ineligible in overlapping terms violating legislative drafting rules against surplusage. For example, many inventions will qualify as business and financial. Some inventions could qualify under all categories. Second, it expressly disregards claim steps that refer to conventional and routine computer activities ("*even though not less than 1 step in the process refers to a machine or manufacture")* in the same way as the abstract idea test under Alice.

The second step [Section 3(b)(1)(B)(ii)] returns the invention to eligibility "*if the process cannot practically be performed without the use of a machine or manufacture*." Since it is impossible to prove a negative, the inverse must be proven – can the invention be performed *without* a machine or manufacture?

To perform the test, the test giver must first disregard conventional and routine computer activities to determine if it is possible to perform the invention without these activities. Just like in the abstract idea test, all that is left is math or logic. Math or logic can be performed with pencil and paper, or in your mind, which is one way in which the invention can be performed without a computer, thus the invention cannot be returned to eligibility.

PERA's exception is effectively the same as the abstract idea exception, and it will bring the same results of failed U.S. innovation in critical emerging technologies.

A Decade will Pass Before Congress Corrects This Grave Error

Alice's circular abstract idea test enabled China to take the lead in 60% of the 37 technologies in which they now lead the world. PERA codifies it using different words.

Congress will not open this patent eligibility law for at least a decade while the courts sort out what PERA means. By then the US will be so far behind in these critical technologies, it will be too late to catch up.

PERA must not become law without an amendment removing of Section 3(b)(1)(B)(i) and (ii), its support at Section 2(5)(D)(v) and Section 2(5)(E)(i) and (ii) and Section 3(c)(2)(A) and (B).