March 11, 2024

The Honorable Richard J. Durbin
Chairman
Committee on the Judiciary
United States Senate
Washington, DC 20510

The Honorable Lindsey O. Graham
Ranking Member
Committee on the Judiciary
United States Senate
Washington, DC 20510

Dear Chairman Durbin and Ranking Member Graham,

The organizations joining this letter represent the nation's leading microchip and technology manufacturers, financial services providers, Main Street retailers, construction companies, grocers, hotels, and restaurants, as well as respected think tanks and civil society groups focused on intellectual property policy.

We are writing to urge you not to move forward with the Patent Eligibility Restoration Act, S. 2140. PERA would turn the U.S. patent system upside down, severing patent rights from their historic mooring to improvements in technology. PERA would lead to a wave of crippling litigation against American manufacturers, innovative technology companies, and main street businesses.

For over two centuries, U.S. patents have been limited to improvements in technology—to advances in the industrial arts and science. PERA would replace this established principle with a rule that any idea can be patented so long as it cannot "practically be performed" without simply *using* technology.

Under PERA, any business method, legal agreement, media content, or even games and entertainment could be patented so long as the invention required some use of computers or electronic communications. At the January 23, 2024, IP Subcommittee hearing, a leading supporter of PERA testified that the bill would make patentable, for example, any invention that requires storing large amounts of data or transmitting information at a distance.

It is hard to overstate just how extreme and far-reaching such a change would be. Computers and communications technology are ubiquitous to modern life. They are employed in virtually all business practices and in most other human activities. To allow patents to claim any activity that is performed at a speed, scale, or distance that requires some use of technology is to allow the patenting of much of daily life.

PERA would also overrule the long-standing legal principle that a patent must claim an actual *means* or *method* for achieving a result. Under the rule first announced by the U.S. Supreme Court in *O'Reilly v. Morse*, 56 U.S. 62 (1853), and *Corning v. Burden*, 56 U.S. 252 (1853), it is improper for a patent to simply claim a *result* or *objective*—as the court noted, such a patent would improperly preempt future inventors who develop a better way of achieving the same result. This rule has protected true inventors and undergirded U.S. innovation policy for over 170 years. PERA would overrule it.

The damage that PERA would inflict on the U.S. economy is best illustrated by some of the recent judicial decisions that PERA would overrule:

- ***Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208 (2014).** The *Alice* patent claimed the idea of clearing financial transactions through a third party over a computer. A unanimous

Supreme Court held that the patent was invalid for simply claiming the generic use of computers to carry out an economic transaction. PERA would overrule *Alice*—as the same pro-PERA witness confirmed at the January 23 hearing. Under PERA, any business, from the largest bank to the smallest mom-and-pop retailer, could be sued simply because it transmits money via electronic communications technology.

- ***Apple, Inc. v. Ameranth, Inc.*, 842 F.3d 1229 (Fed. Cir. 2016).** The *Ameranth* patent claimed using mobile devices to order food at a restaurant. It did not describe any improvement to mobile devices—it relied on off-the-shelf technology. The patent was used to sue over 100 restaurants, hotels, and fast-food chains before the Federal Circuit invalidated it. PERA would allow the same patent to be enforced.

- ***Hawk Technology Systems, LLC v. Castle Retail, LLC*, 60 F.4th 1349 (Fed. Cir. 2023).** This patent claimed the use of generic video technology to view surveillance videos. It was used to sue over 200 hospitals, schools, local governments, charities, grocery stores, restaurants, car washes and other businesses before the Federal Circuit invalidated it. Had PERA been enacted, the same patent could still be used today to sue schools and small businesses.

Witnesses testifying in support of PERA sought to deflect criticism by arguing that *other* conditions of patentability, such as § 103 obviousness, would fill the role of § 101 eligibility to ensure that bad patents do not issue. But every one of the patents described above—and hundreds of others that have been held ineligible by the Federal Circuit—were examined by the USPTO and determined to be nonobvious. Often, simply applying a novel business method to pre-existing technology is deemed to be nonobvious. Section 101 plays a unique role in keeping patents within their proper bounds. It would be a mistake to assume that other statutory provisions would play the same role if Congress were to neuter § 101.

PERA would upend centuries of established law and would do serious harm to the American innovation economy. We urge the Judiciary Committee not to advance the bill.

Sincerely,

ACT | The App Association
Computer & Communications Industry Association
Electronic Frontier Foundation
High Tech Inventors Alliance
National Retail Federation
Public Innovation Project
Public Interest Patent Law Institute
R Street
Software & Information Industry Association
United for Patent Reform
US Made
Quality Patents Coalition


ACT
The App Association


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Computer & Communications
Industry Association
Tech Advocacy Since 1972


ELECTRONIC
FRONTIER
FOUNDATION
EFF


High
Tech
Inventors
Alliance


NRF
National
Retail
Federation


PIP
Public Innovation Project


Public Interest
Patent Law Institute


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Street
Free markets. Real solutions.


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UNITED for
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QUALITY PATENTS COALITION

United for Patent Reform is a broad coalition of diverse American businesses, small and large – from national construction companies, automobile manufacturers, and technology businesses to Main Street retail shops, REALTORS®, hotels, grocers, convenience stores, and restaurants – advocating for a patent system that enhances patent quality, advances meaningful innovations and protects legitimate American businesses from abusive patent litigation.