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Greetings, I am Paul Morinville, an inventor and entrepreneur residing at [address redacted]. My phone number is [phone number redacted].

I have nine issued patents that are the core enabling technologies for two different middleware markets. Failed 101 jurisprudence is the primary reason I cannot defend my patents despite billions of dollars of infringing products on the market. Initially, I was able to fund my company by leveraging my patents, but Alice caused me to lose my investors. This killed my company. Since Alice there are no contingency attorneys or investors to help me defend my rights and there are thousands more like me. I am now defending the patent rights of another American inventor in China (who now has a better patent system that we do) because the 82 year old inventor cannot defend her patent rights in the U.S. But her patent rights can be defended in China for the same inventions.

Failed 101 guidance is a national disgrace that severely harms our innovation engine, our economy, our national security and place in the world. The USPTO has strongly considered the problems arising from failed 101 jurisprudence, and has issued proper guidance that will correct a huge problem contributing to our failed patent system. I strongly support the revised 101 guidance.

Below is an explanation of how patents actually work in the market to fund startups and why 101 damages that investment into startups. Also explained is whether it is possible for a “bad patent” to even exist, which undermines the entire reason for failed 101 policy.

Premise

A patent is an *economic instrument* used to secure and return investments made in creating and commercializing an invention at a price determined by the market created by the invention. Because a patent is an economic instrument, it can be collateralized to fund startups.

The Constitution constructs a patent as nothing but an “*exclusive Right*”.^[i] A patent has no value until the exclusive right is enforced. Therefore, legal enforcement mechanisms either encourage or discourage investments in startups. If enforcement mechanisms are effective (fast, inexpensive, *and* predictable), infringement is discouraged, and investment is encouraged. Conversely, if enforcement mechanisms are ineffective (slow, expensive, *or* unpredictable), infringement is encouraged, and investment is discouraged.

The relative strength of enforcement mechanisms has the effect of picking winners and losers in the market because when patents cannot be reasonably defended, investors do not invest in disruptive startups. It is better to invest in an infringer.

Today, patents cannot be reasonably defended. Litigation is slow, expensive, and unpredictable. As a result, investors ignore startups and there are virtually no contingency attorneys or investors left in the market to help independent inventors and startups defend patent

rights. We are left to watch the theft of our patented property, and thereby the destruction of our companies and our livelihoods with often no way to stop it.

The winners are large monied infringers. The losers are independent inventors and startups, and by extension all Americans who benefit from an innovation economy.

The Secondary Market

Imagine that you are an early stage investor and you are considering an investment in an inventor with a patented invention and a good business plan (a startup). The patent does two things that encourage you to invest. Firstly, the patent is an exclusive right, which gives you confidence that the startup can keep market incumbents at bay long enough to gain a toe hold in the market and compete after the patent expires. Secondly, if market incumbents steal the invention, and using their deep pockets and market power, saturate the market with their products thus running the startup out of business, you can take control of the patent.

Taking control of the patent gives you two options. You can sue the big corporations who killed the startup to return your investment. However, this will distract you from doing what you do best, investing. It will also force you to invest millions more in a five to ten-year legal battle that will not likely return any of your investment. You will be villainized as “patent troll” because you are not the inventor and you are not producing a product based on the patent, but you are suing the companies who are producing a product (albeit built on the stolen patent).

A better option may be to sell the patent to someone who specializes in litigating patents, a non-practicing entity (NPE). You can quickly recover your lost investment and get back to investing, while the NPE invests millions more doing what they do best, patent litigation.

This division of labor and chain of exchanging assets to return investment is known as the *secondary market for patent assets*.^[iii] The secondary market encourages investment in startups by providing exits for investors that return some or all of the investment at various stages.

The secondary market no longer works. This is evident in the drop of NPE patent litigation^[iiii] and a decline in the number of U.S. patent filings^[iv] even as patent filings climb in other countries.^[v] While venture capital spending is up in the U.S., it is down for startups.^[vi] Early stage investors are putting their money overseas,^[vii] all of which denies U.S. inventor’s their rights, damages job creation, inhibits our nation’s economic and technological growth, and threatens our national security.

Section 101 jurisprudence is high on the list of factors that destroy the secondary market and therefore investment in patents by extending litigation, increasing costs, and making patent litigation unpredictable. But it is only one of the factors.

What are “Bad Patents”?

Failed 101 jurisprudence springs from a fundamental misunderstanding of how patents work. Big tech has spent hundreds of millions of dollars over the last 20 years in political donations and a public relations campaigns to confuse Congress, the courts and the USPTO on how the patents encourage investment. The big tech narrative was that “patent trolls” are eating the world. (My what big teeth you have!) Today the narrative is that “bad patents” are destroying innovation and 101 can stop it.

While the term “bad patent” is ambiguous, its big tech definition of low-quality patents is equally undefined. Whether a patent is a “bad patent” should be answered by asking whether the patent

creates a *negative economic effect* greater than the *positive economic effect*. In short, there must be a *net negative economic effect* for a patent to be considered “bad”.

Fortunately, big tech gave us some “bad patents” to evaluate: a method of proposing marriage^[viii], a method of swinging on a swing^[ix] and Amazon’s one-click patent^[x], so we can evaluate whether they have a net negative economic effect. (More can be found in the EFF’s stupid patent page.)

Positive Economic Effect of Patents

All three of the big tech identified patents were examined by the USPTO, so examination fees were paid. The method of proposing marriage was not issued, but Amazon’s one-click patent and the swinging on a swing patent were issued and maintenance fees were paid.

All three cases have a positive economic effect because the USPTO was paid and it is likely that patent professionals in the economy were also paid. In addition, the subject matter of the patents was disclosed for the public to learn and improve upon, thereby advancing the art.

Negative Economic Effect of Litigating Patents

Around 97% of patents are never litigated because they are either not commercially viable (not useful) thus not infringed, or not commercially valuable thus too small to rate the cost of litigation. But when a patent is commercially viable and valuable, and it is litigated, both parties expend resources and experience uncertainty, which is highly disruptive to their businesses.

While both parties experience negative effects in litigation, in most cases the infringer is a resource wealthy corporation, and the patent holder is small entity lacking resources: an independent inventor, a startup, an investor, or sometimes an NPE acting on their behalf. The negative effects are much more significant for the patent holder due to the resource imbalance between patent holders and large corporations.

It is important to note that a patent does not cause litigation. Instead, the patent holder or the infringer does. So, a patent cannot be attributed negative economic effects and therefore no patent can be a “bad patent”.

Infringer’s Negative Economic Effect

If the patent is litigated *within the scope* of its claims against an *infringing product*, the infringer caused the litigation by the act of infringing, thus the negative economic effects are attributed to the infringer.

When a patent is infringed by a large competitor, a startup has no good choices. Limited resources can be allocated to litigation and away from activities that grow the startup like product development, marketing, or sales. Resources burned on litigation may never be returned, and because injunctive relief is highly restricted, even winning will not clear the market of infringing products. This increases the risk that the startup will be run out of business.

A better choice may be to ignore infringement. But this pits the resource strapped startup against a resource rich infringer, often a huge multinational corporation. When a patent is infringed by a

large competitor, investors generally avoid further investment because of the high risk that the startup will be run out of business due to infringement.

The negative economic effects caused by infringement are significant and these effects must be attributed to the infringer. The negative economic effects of infringement on the part of the startup have not been duly considered in any of the changes to patent law for the last 20 years and that blindness has destroyed the patent system for small entities.

Patent Holder's Negative Economic Effect

If a patent is litigated frivolously, meaning *outside the scope* of the claims, and thereby against a *non-infringing product*, the patent owner caused the litigation. Thus, the negative economic effects must be attributed to the patent holder.

The negative effects to businesses frivolously sued for patent infringement have been made known to Congress by the multitude of big tech lobbyists. They need not be regurgitated here.

In response, the Supreme Court in *Octane Fitness* addressed litigation abuse by giving judges more latitude to reverse fees in cases that are out of the ordinary. It is yet to be seen if this decision applies evenly and fairly to infringers who force litigation on startups.

“Bad Patents” Have a Positive Economic Effect

The method of proposing marriage was a *patent application*. It was never issued and therefore can never be litigated, so this big tech example of a “bad patent” cannot be considered a “bad”. It is a disingenuous attempt by big tech lobbyists to sway the opinion of Congress.

Nobody sues someone if an act of infringement causes no damage because without a potential damages award, investment in litigation will not be returned. The method of swinging on a swing patent was issued but expired long ago. If infringement was found, there are no damages to an act of swinging on a swing. Since there would be no damages awarded, the investment in litigation could not be returned, so no infringement suit would be filed, and none were. Similarly, if the method of proposing marriage had issued, damages could not be attributed to the act of proposing marriage either. Thus, both patents have a net positive effect and cannot be considered a “bad patent”.

But what about “bad patents” that should not have been issued because the invention is too trivial to rate patenting like Amazon's one-click?

Nobody can invent anything without improving what already exists, so all inventions are incremental improvements. Sometimes a very small incremental improvement becomes the primary factor in differentiating the marketability of one product over another. Amazon's one-click patent was a very small incremental improvement that had a significant market effect. It made the buying experience on Amazon's site better than that of Amazon's competitors, thus it drew customers to Amazon's site and away from their competitors.

Amazon's one-click patent did not affect its competitors' products. Their customers could still use the products. Therefore, Amazon's patent did not have a negative effect on any technology

already on the market. But it had a significant effect on the marketability of Amazon's products over their competitors, which is an advancement of the art and a positive economic effect.

Just like the false "patent troll" narrative wrongly villainized early stage investors as greedy rent seekers, the false "bad patent" narrative wrongly considers patents as technical instruments ignoring positive economic effects and wrongly attributing the negative economic effects to the patent, not the party causing the infringement.

This is a fundamental misunderstanding of how patents achieve their Constitutional mandate to "promote the Progress of Science and useful Arts".^[xi] Without correcting Congress's misunderstanding of patents, bad public policy will continue and get worse. Congress must rationally and deliberately learn how patents work to promote the progress, and then legislate.

Patents Enable Competitive Markets by Creating Scarcity

Patents are technical instruments that advance knowledge of technology through public disclosure, but public disclosure standing alone does nothing except encourage theft.

A patent's exclusive right and presumption of validity enables patents to create competitive markets. Patents do this by creating market scarcity with the right to exclude others from making, selling, using, or importing the invention, and the presumption that the exclusive right is valid and enforceable. Scarcity increases a patent's value to investors by driving market behavior.

When a small incremental improvement disrupts a market, as did Amazon's one-click patent, competitors are incented to find a way around it, or to license it. Barnes & Noble designed around the one-click patent thus advancing the art. But Apple took a license. Both results promote the progress. One advances the art (technical effect), the other returns investment (economic effect). Neither is possible unless a patent acts primarily as an economic instrument.

From a policy perspective, Congress should view a patent is as an *economic instrument* rather than a *technical instrument* because it creates scarcity in the market and scarcity creates competitive markets.

Presumption of Validity and Injunctive Relief Work Together

Apple's license returned Amazon's investment in developing the technology in relation to the market effect of the invention, a market value. It did not return a value in relation to the value of the incremental improvement. By returning a market value, innovators are pushed to invent usable things that people will buy. The advancement of useable things benefits consumers.

Prior to infringement, a market value can only be determined if a strong presumption of validity and injunctive relief incent potential infringers to negotiate licenses with patent holders *before* they infringe. After infringement starts, returning a market value for an invention can only be accomplished by enforcing an injunction because it stops infringement and thereby creates a free market for a buyer and a seller to negotiate a value.

Since the Supreme Court's 2006 decision, *eBay v MercExchange*, injunctions are rarely granted, so a free market value cannot be determined. Courts instead calculate past and future damages forcing both parties to offer dueling experts at great cost to the asymmetrically resourced parties. But the economic analysis used places a value on the incremental improvement rather than a market value. This calculated value based on the incremental improvement is almost always a fraction of the value that a free market would bring.

A strong presumption of validity causes potential infringers to presume a patent is valid. Prior to *eBay*, infringement ended with injunctive relief, so infringers knew that they would lose everything they invested in the infringement. This encouraged potential infringers to invent around the patent, or to negotiate a license *before* infringing the patent.

With the courts now calculating lower damages based on incremental improvements and there is no real injunctive threat, the incentive is to infringe. Today, it is a CEO's fiduciary duty to steal patented inventions, take the market, and then fight it out in court. In the unlikely event the patent survives a 101 challenge, the infringer can litigate the inventor into oblivion forcing capitulation or abandonment. Even if the infringer loses on all counts, they pay less than a market value and they keep the market for the invention.

Business Method and Software Patents, the Ultimate Anti-Monopoly

A sad result of 101 jurisprudence is that big tech multinationals cannot be challenged with improved technology and products. These multinational corporations have deep pockets, huge numbers of employees, monopolistic masses of users, big data coupled to AI, and they control substantial manufacturing, production, distribution, marketing and sales resources, as well as oligopoly relationships.

But because of Section 101 jurisprudence targets business methods and software, resource asymmetry, a high likelihood of invalidation and no injunctive threat make big tech completely untouchable, particularly by startups with none of the resources enjoyed by big tech. Startups absolutely require patents with a strong presumption of validity and an exclusive right to attract investment necessary to overcome this huge resource imbalance.

Business methods are the core technologies of big tech, which are some of the largest and most powerful multinational corporations ever created. Business methods include page ranking algorithms (Google), "like" or "friend" buttons (Facebook), a shopping cart (Amazon), an online auction (eBay) and many more.

None of these business methods advanced technology very much. Each was a small incremental improvement that applied something that existed already in the real world to a computer. But their market effect is truly incredible.

The internet came to be in just a few short years. Many startups experimented with new businesses built on business methods. Due to the speed in which the internet was adopted, a small number of these companies skillfully captured huge internet markets by monopolizing huge masses of users.

Today a handful of big tech multinationals control the markets for new business models and products on the internet. They control and restrict competitor access to internet markets primarily via rigged page ranking and posting algorithms, phone app stores, monopolistic user bases, deep data mining and oligopoly cooperation.

101 jurisprudence denies patent protection to the business method and software inventions that could challenge these big tech behemoths. It's not hard to see that the villainization of business methods and software are the result of big tech misinformation campaigns to protect their monopolistic business models from creative destruction served up by an innovative startup.

101 jurisprudence enables predatory big tech multinationals to watch and wait as new startups are built on new business methods and software. If the startup earns significant market adoption, big tech swoops in and copies the business method into their own platform. Big tech may also inhibit market access to the startup. Then leveraging their monopolistic user base, search algorithms, data mining, AI, endlessly deep pockets, and oligopoly relationships, they drive market saturation of the business method to their own platform thus running the startup out of business and burning all that was invested into it. The inventor is powerless to stop it.

For example, Facebook^[xiii] and Google^[xiii] attempted to acquire Snap (AKA Snapchat). When Snap refused to be acquired, both potential acquirers simply copied Snap's system, and built it into their own platforms. By leveraging their massive resources, Facebook^[xiv] and Google^[xv] drove market adoption of their own Snapchat knockoff dealing severe damage to Snap, damage that may eventually kill the company.^[xvi]

If business methods and software cannot be patented or cannot be reasonably defended once patented, big tech is immune to creative destruction served up by an innovative startup, and their monopolies cannot be challenged.

However, if business methods are patentable and defensible, inventors with new business methods can disrupt big tech. Disruption pressures big tech to innovate faster than startups, or to acquire startups and license inventions instead of stealing them. It also enables creative destruction, which is the ultimate anti-trust device.

High Risk and Uncertainty of 101 Jurisprudence

Current 101 jurisprudence has created so much risk and uncertainty that nobody presumes a patent is valid. If a patent survives a 101 challenge, injunctive relief is virtually impossible to obtain, so the infringer gets to keep the market win or lose.

Although ignored by the courts, Section 282 provides the only defenses in black letter law to challenge an issued patent for invalidity under 102, 103 and 112. It does not provide a defense of invalidity under 101. The courts have created their own public policy, a policy created without public input, and an encroachment on the power of Congress. By allowing challenges under 101, a summary judgement invalidating the patent is now likely, but is not possible under 102, 103 or 112. Not only does this open the door to taking property without a jury and due process, but it adds enormous risk.

There is no way to know in advance if an issued patent is valid until it survives a 101 challenge at the Supreme Court. Nobody can explain 101 jurisprudence – not even the Supreme Court. As a result, trial judges do not know how to deal with 101 challenges, so they send the case upstream to the CAFC by invalidating the patent. The CAFC does nothing by issuing a Rule 36 affirmance, hoping the problem fixes itself.

In addition, independent inventors and startups filing a patent application discloses the invention to the public so the invention can no longer be protected as a trade secret. If the patent application is denied or an issued patent is invalidated, the invention is not only denied patent protection, but is also denied trade secret protection.

With startups unable to attract investment to create the next generation of technology, inventors unable to license patents, and investors left holding junk patents, there really isn't much left of the once great U.S. patent system.

How 101 should be interpreted

The statutory constructs of patentability under 102, 103 and 112 answer all of the necessary questions. Has it been done before? Is it obvious to do it? And can it be made in the real-world? If an invention passes these tests, it is a net positive economic effect and therefore should be patented.

Conflation of 102, 103 and/or 112 into 101

Current 101 analysis conflates the analysis of 102, 103 and/or 112 into the analysis of 101. This conflation confuses what is patent eligible with what is patentable producing results that improperly deny patent protection for meritorious inventions. Conflation is illogical and subjective, and impossible to evaluate with cogent, logical argument.

Well-known in the Art Should be Evaluated Under 102 and 103

One judicial exception to 101 answers the question of whether something is “well-known” in the art at the time of the invention. However, whether something is “well-known” in the art is a question best answered under 102 or 103. 102 answers the question of whether the invention has been done before. 103 answers the question of whether the invention is obvious to do.

When attempting to answer this question under 101, the objective tests created over decades of patent law under 102 and 103 are simply thrown away and replaced by a subjective “I just know everyone knew about it” test. When judges and examiners summarily conclude the invention well-known in the art, the same questions answered objectively in 102 and 103 is not considered relevant to a 101 summary conclusion. Thus, there is no way to overcome a summary conclusion of well-known in the art under 101. But the simple and obvious truth is that it is impossible for an invention to be well-known in the art if it has not been done before (102) and is not obvious to do (103).

Throwing the tests of 102 and 103^[1] away and replacing them with wildly subjective tests under 101 has resulted in the unjust denial of countless meritorious inventions without any explanation or reasoning.

Mental Processes, Artificial Intelligence and China

Most AI inventions are mental processes performed on a computer. Therefore, under current 101 jurisprudence, most AI inventions cannot be patented under either the mental process exception or the extra-solution activity exception. As a result, most AI inventions are denied patenting. If it is patented, it is very likely it will be invalidated when challenged in court or at the PTAB. The high risk of invalidation scares investors away. So, startups with nothing but an AI patent to offer as collateral cannot attract investment.

There are many reasons that China's patent system is superior to the U.S. patent system,^[xvii] but not the least of these reasons is that there are no parallels to 101 exceptions in China. Because Chinese patents have a low probability of being invalidated (and the cost of litigation is low, cases finish in around a year, and injunctive relief is the default), Chinese patents attract investment. At least in part due to 101 jurisprudence, 48% of early stage investment in AI startups went to Chinese startups in 2017. Only 36% went to U.S. startups.^[xviii] The U.S. failure to protect AI inventions and other technologies has become a critical part of China's strategy to overtake the U.S. in AI and other technologies by 2025.

Extra-solution Activity

If a court, an examiner or the PTAB perceives that a computer is added to the claims for no reason other than to pass 112, the decision maker simply states that there is no reason for the computer. It is another "I'll know it when I see it" test that cannot be duplicated by others, thus creating uncertainty in the validity of all computer related patents.

Firstly, software and business methods cannot be tied to the real-world without a computer, but claiming a computer often causes it to fail subject matter tests as extra-solution activity. Secondly, virtually all software and business method inventions can be implemented in hardware. However, it is most often impractical to implement these inventions into hardware from the perspective of creating a marketable product. So, if software and business methods can only be patented as hardware, competitors will simply sell the same invention implemented as software to avoid infringement. And lastly, claiming an invention without a computer makes the claims inoperable under 112. So countless meritorious inventions have been scuttled by this nonsensical evaluation. 101 is a Salem witch test – if it floats and survives, it's a witch – if it sinks and dies, it's not.

Whether an invention is extra-solution activity is easily answered under 112. Under 112, the invention must be useful. But further than 112, if the abstract idea is a business method tied to a

[1] Whether something is obvious is susceptible to hindsight, so 103 case law developed objective tests to avoid hindsight bias. The Supreme Court in *KSR International Co. v. Teleflex Inc.*, obliterated those tests. Today, dueling expert testimony paid for by the parties' present subjective views to courts and the PTAB, who make subjective obviousness decisions in an environment permeated with false patent troll and bad patent narratives. Today 103 is no longer an objective test. It has become unstable and unpredictable creating substantial risk to the validity of all issued patents.

computer, it either creates a useable product that sells in the market or it is an unusable product that does not sell. The market decides what is useful and what is not – this is a solid hedge against errors in made in 112.

eBay, for example, is not much more than an auction put online, which is considered extra-resolution activity. Auctions have been around for thousands of years. But putting it online created a multibillion-dollar company. Section 101 jurisprudence ensures that someone who invents a better auction cannot patent it and therefore cannot fund a competitive startup, which serves to protect eBay from market competition, and thereby perpetuates eBay.

Similarly, if someone comes up with a better page ranking algorithm, they cannot challenge Google because Google can simply reverse engineer the page ranking algorithm, build it into their own page ranking algorithm and, then using their huge customer base and deep pockets, run the startup out of business.

Why should the next software or business method product capable of creating a significant market only be permitted for big tech incumbents to bring to market, and not the startup risking everything to create a new product? Why should the government, and not the market, be allowed to pick who wins in the market?

Laws of Nature and Natural Phenomena

If a law of nature or natural phenomena is used to create a real-world thing, it should be patentable so it can attract investment necessary to convert the law of nature or natural phenomena into real-world thing, commercialize it, and return the investment.

For example, if a law of nature or natural phenomena is used in a test kit to determine the dosage of a drug, the test kit has become a real-world thing. Patenting it may be the only way to obtain the investment needed to bring it to market.

If laws of nature and natural phenomena can be turned into a real-world thing but cannot be protected with a patent, investment into its discovery and commercialization cannot be returned, which removes incentive further invest into research and commercialization in the entire field.

The government should not be picking which fields advance and which do not. It should not pick the winners and losers in those fields. It should allow patents for anything that can be made into some sort of product and put on the market. Then the market decides which fields advance and who wins.

[i] Article 1, Section 8, Clause 8 of the U.S. Constitution

[ii] <https://cpip.gmu.edu/2013/12/09/the-history-of-patent-licensing-and-secondary-markets-in-patents-an-antidote-to-false-rhetoric/>

[iii] <https://www.iam-media.com/litigation/litigation-drops-again-first-half-gap-between-number-npe-and-non-npe-cases-narrows>

[iv] <https://www.ipwatchdog.com/2018/04/11/fewer-patent-applications-filed/id=94436/>

[v] https://www.wipo.int/ipstats/en/statistics/country_profile/profile.jsp?code=CN

[vi] <https://www.statista.com/topics/2565/venture-capital-in-north-america/>

[vii] <https://www.theverge.com/2018/2/22/17039696/china-us-ai-funding-startup-comparison>

[viii] <https://patents.google.com/patent/US20070078663A1/en>

[ix] <https://patents.google.com/patent/US6368227B1/en>

[x] <https://en.wikipedia.org/wiki/1-Click>

[xi] Article 1, Section 8, Clause 8 of the U.S. Constitution

[xii] <https://www.fool.com/investing/2018/12/26/snap-could-have-been-facebooks-most-expensive-acqu.aspx>

[xiii] <https://www.businessinsider.com/google-offered-to-buy-snapchat-for-at-least-30-in-early-2016-insiders-say-2017-8>

[xiv] <https://thenextweb.com/socialmedia/2018/05/21/facebook-is-killing-snapchat-with-the-format-it-created/>

[xv] <https://www.recode.net/2018/9/24/17897196/google-stories-push-instagram-facebook-snapchat>

[xvi] <https://www.forbes.com/sites/petercohan/2018/06/14/wharton-prof-snap-will-keep-falling-unless-apple-or-google-buy-it/#46cbde3270cd>

[xvii] <http://www.ipwatchdog.com/2018/10/07/journey-chinese-patent-system/id=102117/>

[xviii] <https://multimedia.scmp.com/news/china/article/2166148/china-2025-artificial-intelligence/index.html>