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Opening Statement of

J. John Lee

Senior Director, Head of Intellectual Property Policy

Computer & Communications Industry Association

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Chairman Grassley, Ranking Member Durbin, and Members of the Committee, my name is John Lee, and I serve as Senior Director and Head of IP Policy at the Computer & Communications Industry Association. Our members include some of the most innovative and prolific patent owners in the world, and they depend on a strong, balanced patent system to support innovation, protect IP, and encourage economic growth. It's a great privilege to be invited to testify today, and I appreciate this opportunity to share our insights on this important topic.

In my opening remarks, I'd like to focus on three key points: predictability, innovation, and protection.

First, predictability. Despite some claims that the sky is falling, the current state of patent eligibility law in the United States is cogent and consistent. In fact, empirical data has revealed that patent eligibility decisions today are remarkably reliable and are seldom reversed or even draw dissents on appeal.

A recent study in the Iowa Law Review found that, since 2012, district court decisions on patent eligibility have been affirmed more than 85% of the time, and USPTO decisions have been affirmed more than 95% of the time, usually unanimously. This and other data shows that courts understand patent eligibility rules and apply them accurately, to reach the correct result in the vast majority of cases. This shouldn't be that surprising, because patent eligibility law has been largely consistent for over 170 years.

Which brings me to my second point, innovation. Consistent, predictable patent eligibility rules have contributed to more than a century of American innovation and technological leadership. More importantly, current law continues to support robust innovation, including in areas like artificial intelligence.

If the current patent eligibility framework were suppressing innovation, as some say, we would expect to see it reflected in the data. But in fact, we see the opposite. For example, the USPTO issued approximately 50,000 artificial intelligence patents last year alone, almost doubling since the Supreme Court's *Alice* decision. R&D spending has also increased in that time period, including in the industries most affected by Section 101, such as software and AI.

Venture capital investment in AI has also skyrocketed, with the United States receiving 75% of global VC funding in the AI sector last year, a total of about $200 billion. Importantly, the United States received about 12 times as much as the EU, which came in second place, and 15 times as much as China in third, casting doubt on those

who claim that the Supreme Court's Section 101 cases are disadvantaging U.S. companies.

Which brings me to my third point, protection. One of the ways patent eligibility rules contribute to innovation is by shielding innovative U.S. businesses from low-quality patents. Without reasonable limits on eligibility, litigation brought by rent-seeking patent assertion entities is likely to rise.

Patent assertion entities often wield low-quality patents on abstract ideas, like sorting or organizing information, with only token recitations of generic computers or devices—exactly what Section 101 is designed to address. Section 101 protects U.S. businesses targeted by such low-quality patents, which frees resources, and reassures investors, to boost innovation.

For example, a recent study found that VC funding to the industries most affected by the Supreme Court's *Alice* decision increased by 42% after *Alice*. This study also revealed that the reason for that increase was directly related to the protection provided by Section 101 against spurious litigation on low-quality patents.

In closing, we are living through one of the most consequential periods of technological advancement in our nation's history, with American leadership in areas like artificial intelligence, biotechnology, and advanced computing reshaping our economy, society, and the world. Section 101 is part of that success due to the three key points about patent eligibility that I described—predictability, which boosts innovation, including via protection of U.S. businesses—all creating the balance that the patent system needs to continue promoting these and future innovations, as it has for well over a century.

I commend the Committee for taking a thoughtful approach to understanding patent eligibility. Thank you for inviting me to testify on this important topic.