

## Comments to USPTO on 2014 Interim Guidance on Subject Matter Eligibility

### Submitted by a group of Arizona-based patent prosecution practitioners

Submitted: March 16, 2015

**Commentator Group:** These comments are submitted by several patent lawyers, all based in the State of Arizona, one from each of the major private Arizona law firms involved in patent-prosecution work, and a few other practitioners. The practice groups represented, collectively, are believed to obtain the bulk of patents in the State of Arizona prosecuted by private-practice lawyers. The lawyers participating believe that the views expressed herein are widely shared by practitioners, including at their respective firms, but these views do not necessarily represent those of any particular practitioner in the firms represented other than the signers, nor the firms themselves, nor any individual client of any of the firms.

**Signers:** *Louis J. Hoffman of the Hoffman Patent Firm* is the lead author of this document. Mr. Hoffman is the attorney who briefed, argued, and won the case called *DDR Holdings v. Hotels.com*, which is the Federal Circuit's only *post-Alice* affirmation of patentability of a patent over a Section 101 challenge. Mr. Hoffman has 30 years of experience as an intellectual-property lawyer and has been a registered practitioner for 20 years. His practice focuses on patent prosecution, enforcement litigation, and patent sales. He is Board Chair of the National Association of Patent Practitioners, which is a trade association of patent lawyers and agents focused on patent prosecution. Most of his clients are individuals, small businesses, start-up ventures, or mid-sized corporations; he has done patent-prosecution work extensively in the fields of software, Internet, business-methods, and related topics, including drafting and prosecuting the Internet-related claims affirmed by the Federal Circuit in *DDR Holdings*.

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**Scope:** The following comments relate to the *Alice Corp.* portion of the Guidance, *i.e.*, the portion related to abstract ideas, especially as related to concerns about computer or business-method claims, as opposed to the portion of the Guidance related to nature-based products; however, some of the comments may have general application.

**In general:** The Guidance document was helpful and appreciated, as it cleared up certain issues. The opportunity to comment is appreciated, though, because other issues remain, especially in connection with examiner (and Board) implementation.

The commentators share with many other observers the core concern that, without a disciplined approach, the Office has and will continue to issue Section 101 rejections and enforce the judicial exception for "abstract ideas" quite arbitrarily and capriciously.

The comments below, if implemented, would go a long way to allay that concern.

**Specific comments:**

Please treat each of the following comments individually and separately.

**Comment 1:** The PTO should include in the Guidance and instruct examiners that the Office bears the burden of proof to make a rejection under Section 101.

**Discussion of comment 1:** The PTO previously recognized that the Office bears the burden of proof. See MPEP 2106(II)(B)(3) (citing *In re Oetiker*, 977 F.2d 1443, 1445, 24 USPQ2d 1443, 1444

(Fed. Cir. 1992) (“[t]he examiner bears the initial burden ... of presenting a *prima facie* case of unpatentability.”)). The Guidance, however, pointed out that the “June 2014 Preliminary Instructions superseded MPEP sections 2106(II)(A) and 2106(II)(B),” and that the Guidance “supplements the June 25, 2014, Preliminary Examination Instructions.” The Guidance, though, does not comment on the question of burden. All the “superseding” and “supplementing” has left the status of this issue unclear. The Guidance, and any subsequent MPEP section or other release, should continue to recognize that the Office bears the initial burden.

**Comment 2:** The PTO should include in the Guidance and instruct examiners that a proper rejection must include, *inter alia*, specific evidentiary support for each assertion that any feature or combination of features is “well-understood,” “well-known,” “routine,” or “conventional”— or any other factual assertion made to support a rejection. (Alternatively, the examiner can make an assertion relying on official notice without documentary evidence, which the applicant is entitled to challenge and which if done requires the examiner to provide documentary evidence to maintain the rejection.)

Discussion of Comment 2: Although the MPEP previously referred to the Office’s need to make a *prima facie* case (see comment 1 above), and repeatedly referred to the examiner’s need to consider “evidence” of record, neither the MPEP nor the Guidance nor the Training Materials explicitly discuss the need to provide specific proof to meet a *prima facie* case. This is a significant “hole” in the Guidance that the PTO should cure. Allowing examiners free rein to make – and maintain – factual assertions without demonstrating their truth may be the easiest way to encourage arbitrariness in decision-making.

The commentators believe that the fact-finding required to support a Section 101 rejection should be handled no differently than other facts that the Office is required to find to support rejections of a different character. Either the examiner should cite a specific prior art reference to support a statement of fact underlying a Section 101 rejection, or the examiner should invoke existing processes for taking “official notice” of facts that are “common knowledge.”

See MPEP 2144.03(A) (“it might be reasonable for the examiner in a first Office action to take official notice of facts by asserting that certain limitations in a dependent claim are old and well known expedients in the art without the support of documentary evidence provided the facts so noticed are of notorious character and serve only to ‘fill in the gaps’ which might exist in the evidentiary showing made by the examiner to support a particular ground of rejection.... It is never appropriate to rely solely on ‘common knowledge’ in the art without evidentiary support in the record, as the principal evidence upon which a rejection was based.”) (citing *In re Zurko*, 258 F.3d 1379, 1385-86, 59 USPQ2d 1693, 1697 (Fed. Cir. 2001) (the PTO “cannot simply reach conclusions based on its own understanding or experience—or on its assessment of what would be basic knowledge or common sense. Rather, the [PTO] must point to some concrete

evidence in the record in support of these findings”; administrative “expertise may provide sufficient support for conclusions [only] as to peripheral issues.”; holding that an assessment of basic knowledge and common sense that is not based on any evidence in the record lacks substantial evidentiary support)); *In re Gartside*, 203 F.3d 1305, 1315, 53 USPQ2d 1769, 1775 (Fed. Cir. 2000) (“substantial evidentiary support” required by the Administrative Procedure Act (APA), 5 U.S.C. 500 *et seq.*); *In re Ahlert*, 424 F.2d 1088, 1091, 165 USPQ 418, 420 (CCPA 1970) (the notice of facts beyond the record which may be taken by the examiner must be “capable of such instant and unquestionable demonstration as to defy dispute”); MPEP 2144.03(C) (process for traversing assertions of “official notice” and requiring examiner proof in next Office Action).

The Guidance and training materials should require examiners to identify separately each fact that they believe is true and needed to support a Section 101 rejection, and for each such fact, to cite a reference or other information to prove it, or take “official notice” of it. An applicant responding to an Office Action following this procedure can understand the factual premises of the rejection and either dispute the evidence, traverse the “official notice,” or accept the factual finding and make a different argument. It would be clear on the record what facts the Office is relying on to support the rejection, and this disciplined approach would discourage examiners from “making it up” as they go along.

Accordingly, it would be enormously helpful to have this point stated as a requirement and included in the Guidance itself and, when the MPEP is updated, there also. The Guidance should be a one-place reference for examiners and applicants alike, and applicants should be able to cite it to point out when examiners’ rejections do not comply.

**Comment 3:** The PTO should include in the Guidance and instruct examiners that “form rejections” with conclusory language are improper.

**Discussion of comment 3:** The commentators understand that it is often useful to provide some forms to the examining corps to describe the information needed to make a proper rejection. Unfortunately, however, some examiners simply “drop in” such forms without including any discussion or analysis, and in many instances, do not even customize the rejection by choosing options in the form. For example, one rejection actually issued (although before the Guidance) but not to any of the attorneys submitting these comments – in its entirety, with no editing – says this:

35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims [all the claims pending] are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter because the claim(s) as a whole, considering all claim elements both individually and in combination, do not amount to significantly more than an abstract idea. The claim(s) is/are directed to the abstract idea of:

- (i) a fundamental economic practice,
- (ii) a method of organizing human activities,
- (iii) an idea of itself, or
- (iv) a mathematical relationship or formula.

For instance, in *Alice Corp.* the court found that "intermediated settlement" was a fundamental economic practice, which is an abstract idea. The additional element(s) or combination of elements in the claim(s) other than the abstract idea per se amount(s) to no more than:

- (i) mere instructions to implement the idea on a computer, and/or
- (ii) recitation of generic computer structure that serves to perform generic computer functions that are well-understood, routine, and conventional activities previously known to the pertinent industry.

Viewed as a whole, these additional claim element(s) do not provide meaningful limitation(s) to transform the abstract idea into a patent eligible application of the abstract idea such that the claim(s) amounts to significantly more than the abstract idea itself. Therefore, the claim(s) are rejected under 35 U.S.C. 101 as being directed to non-statutory subject matter. See *Alice Corporation Pty. Ltd. v. CLS Bank International, et al.*

This is an extreme case, but many rejections are being issued in this form, or similar, without any meaningful attempt at analysis. This is likely not what PTO management may have intended, but it is happening.

The Guidance and training materials should be modified to explicitly state that form rejections are improper. The examining corps should be instructed not to do this, and applicants should have the ammunition to respond to rejections of this type with nothing more than a bare traversal, rather than having to spend the time, effort, and money to discuss Section 101 in more detail merely because an examiner "tossed in" such a bare-bones rejection.

Likewise, if the Office has not performed a proper analysis, and the applicant responds and argues for a full analysis, then the next action should not be made final. Applicants should not have to pay RCE, appeal, or continuation fees to address bare-bones-type rejections improperly presented in non-final Office Actions.

**Comment 4:** The PTO should include in the Guidance that each claim should be separately analyzed.

Discussion of Comment 4: The commentators have seen many Section 101 rejections, and virtually never does the examiner discuss claims separately, including dependent claims. At most, an examiner might typically add a sentence simply asserting, without any discussion, that the dependent claims do not add additional significant limitations.

The PTO has already recognized, and told examiners in the training materials found at <http://www.uspto.gov/sites/default/files/documents/training%20-%202014%20interim%20guidance.pdf>, “Consider each claim separately based on the particular elements recited therein – claims do not automatically rise or fall with similar claims in an application.” Training Materials, slide 20. So, there should be no controversy over the need to do claim-by-claim analysis. However, given the infrequency with which examiners follow this directive, this point should be stated as a requirement and included in the Guidance itself and, when the MPEP is updated, there also. The Guidance should be a one-place reference for examiners and applicants alike, and applicants should be able to cite it to point out when examiners’ rejections do not comply.

**Comment 5:** The PTO should include in the Guidance that a proper rejection must include, *inter alia*, a specific identification of the “abstract idea” to which the claims are supposedly directed.

Discussion of Comment 5: Many rejections (the example in comment 3 being of this sort) do not identify the “abstract idea” to which the claims are supposedly directed. The PTO has already recognized, and told examiners in the Training Materials that an examiner has a duty to “specifically identify the abstract idea (e.g., the claim recites the steps of creating a contractual relationship), instead of categorizing it as a certain type of idea (e.g., economic).” Training Materials, slide 15. So, there should be no controversy about the need for this identification. However, this point should be stated as a requirement and included in the Guidance itself and, when the MPEP is updated, there also. The Guidance should be a one-place reference for examiners and applicants alike, and applicants should be able to cite it to point out when examiners’ rejections do not comply.

**Comment 6:** The PTO should include in the Guidance that a proper rejection must include, *inter alia*, a specific identification of where in the claim language the “abstract idea” is found.

Discussion of Comment 6: The Guidance already says that the claim must be “directed to” the “exception,” i.e., the “abstract idea.” The PTO has already recognized, and told examiners in the above-referenced Training Materials, that “‘directed to’ means the exception [abstract idea] is recited in the claim, i.e., the claim **sets forth** or **describes** the exception [abstract idea].” Training Materials, slide 10 (emphasis in original). Slide 11 proceeds to give an example of a claim that relies on a “concept” that “involves [certain] natural principles” (related to a lever pivoting on a fulcrum), but “does not recite these natural principles,” which is said to be

“eligible” and not subject to Section 101 rejection. So, there should be no controversy over the need to have specific claim language reciting an abstract idea. However, this point should be stated as a requirement and included in the Guidance itself and, when the MPEP is updated, there also. The Guidance should be a one-place reference for examiners and applicants alike, and applicants should be able to cite it to point out when examiners’ rejections do not comply.

**Comment 7:** The PTO should include in the Guidance that a proper rejection must include, *inter alia*, a specific identification of each significant “additional element” included in the claim, along with a discussion of why it does not amount to “significantly more” than the identified abstract idea.

Discussion of Comment 7: Many Section 101 rejections do not acknowledge each (or sometimes any) of the material limitations of a claim that exceed the “abstract idea.” Other times, certain limitations are acknowledged, but the examiner does not provide a clear explanation of why it is not “significantly more” than the recited abstract idea.

The PTO has already recognized, and told examiners in the above-referenced Training Materials, “The rejection should include: ... Identification of the additional elements in the claim, if there are any, and an explanation of why they do not add significantly more to the exception.” Training Materials, slide 26.

Also, examiners should be cautioned that the requirement to acknowledge each added limitation cannot be met by quoting the claim in its entirety and asserting that all steps, collectively, are not “material limitations” that exceed the “abstract idea.” Rather, the examiners should provide these explanations on a limitation-by-limitation basis.

In addition, for claims where the Office Action does not contain an art rejection, the examiners should be told that they should be especially careful to provide a clear explanation of why those “additional elements” that distinguish the claim from the prior art are thought to nonetheless “not add significantly more” than the “abstract idea.”

Given the Training Materials quoted above, there should be no controversy over the need to have such specific identification and discussion. However, this point should be stated as a requirement (“must”) and included in the Guidance itself and, when the MPEP is updated, there also. The Guidance should be a one-place reference for examiners and applicants alike, and applicants should be able to cite it to point out when examiners’ rejections do not comply.

**Comment 8:** The PTO should include in the Guidance and instruct examiners that a proper rejection must include, *inter alia*, a specific discussion of why the entire set of “additional elements” considered “as an ordered combination” does not “amount to significantly more than” the identified abstract idea.

Discussion of Comment 8: Many Section 101 rejections acknowledge the presence of certain limitations beyond the abstract idea but simply pay “lip service” to the combination of such elements in the claim, and fail to provide any explanation of why the “ordered combination” does not make up “significantly more” than the recited abstract idea.

*DDR Holdings, LLC v. Hotels.com, L.P.*, No. 2013-1505 (Fed. Cir. Dec. 5, 2014), for example, teaches that, viewing the claim “as a whole,” it adds “significantly more” because it deals with an Internet-specific improvement with no direct analog outside the Internet. *See slip op.* at 21-22 (where non-Internet analog poses unique problem, claim can be patentable “as a whole”); *see also id.*, *slip op.* at n.5 (“the creation of new ... products based on combining elements from difference sources has long been a basis for patentable inventions”) (citations omitted).

The PTO has already recognized, and told examiners in the above-referenced Training Materials, “Individual elements when viewed on their own may not appear to add significantly more, but when viewed in combination may amount to significantly more than the exception.” Training Materials, slide 20. So, there should be no controversy over the need to have such analysis. However, given the infrequency with which examiners follow this directive, this point should be stated as a requirement and included in the Guidance itself and, when the MPEP is updated, there also. And examiners should be given one or more examples, including at least the above-described discussion in *DDR Holdings*, to support the point, so they have some idea of how to consider whether an “ordered combination” does or does not “amount to significantly more than the” abstract idea. The Guidance should be a one-place reference for examiners and applicants alike, and applicants should be able to cite it to point out when examiners’ rejections do not comply.

**Comment 9:** The PTO should include in the Guidance and instruct examiners that the question of whether a particular “added element” (or “ordered combination” thereof) amounts to “significantly more” than the identified abstract idea depends, at least in part, on whether the claim would still have a “preemptive effect” over the identified abstract idea despite inclusion of the “added element.”

Discussion of Comment 9: Many Section 101 rejections acknowledge the presence of certain limitations beyond the abstract idea but contain highly muddled explanations of how they are to determine whether the “added limitations” amount to “significantly more” than the recited abstract idea. This presents a significant problem to applicants seeking to argue against such rejections.

The instructions to examiners provide long lists of what may, or may not, “be enough to qualify as ‘significantly more,’” see, e.g., Training Materials, slides 21-22. The Guidance puts this as “examples” of “considerations for determining whether a claim with additional elements



amounts to significantly more than the judicial exception itself,” and continues by saying that the listed examples “are not intended to be exclusive or limiting.”

One might think that such examples would be helpful, but really such long lists only serve to allow the examiners to pick and choose among “considerations,” focusing on those that might lead to a predetermined conclusion. Other examiners seem just plain confused about how to make judgments of what is “significantly more.”

The commentators share the view of many observers and courts that the key to determination of “significantly more” resides in whether the added element is enough to avoid “monopolizing” the identified abstract idea *per se*. See, e.g., *Alice*, 134 S. Ct. at 2354 (referring to “preemption” of abstract ideas); *Cal. Inst. of Tech. v. Hughes Commcn’s Inc.*, No. 2:13-cv-7245-MRP-JEM, 2014 U.S. Dist. LEXIS 156763, at \*37 (C.D. Cal. Nov. 3, 2014) (noting that the first “theme” in Supreme Court precedent is that “the concern underlying §101 is preemption”).

The PTO seems to understand this point. For example, PTO management instructed examiners in the above-referenced Training Materials:

- A “streamlined” analysis can be used if a claim “does not seek to ‘tie up’ the exception” (i.e., the abstract idea). Training Materials, slide 10 (emphasis added).
- To meet this step, the “additional elements must be more than a drafting effort designed to *monopolize* an exception.” Training Materials, slide 20 (emphasis added).
- In cases where two different “exceptions” (e.g., two different “abstract ideas” or one “abstract idea” and one “natural principle”) might apply, the examiner should “consider whether those additional elements ensure that the claim does not *have a preemptive effect* for any other claimed exception(s).” Training Materials, slide 25 (emphasis added).

However, the above instructions to examiners in the Training Materials are stated in connection with certain collateral points only, not in the main section dealing with how to judge “significantly more.” The Guidance document itself is similar: The only discussions of “preemption” or “tie up” are found in the Guidance: In general introductions speaking about the importance of avoiding claims to “judicial exceptions,” in comments about the “streamlined” analysis, in explaining the “plurality of exceptions” issue, and in discussion of an early Supreme Court case.

The Guidance itself, like the Training Materials, therefore, recognizes the point but only obliquely. Given the importance of the determination of “significantly more,” the Guidance should not only list the “examples of considerations” but also explain the “preemption” analysis and present it as the primary test for determining “significantly more.”

This point should be included in the Guidance itself in a central role and, when the MPEP is updated, there also. The Guidance should be a one-place reference for examiners and applicants alike, and applicants should be able to cite it to point out when examiners' rejections do not comply.

**Comment 10:** The PTO should include in the Guidance and instruct examiners that the question of whether a particular “added element” (or “ordered combination” thereof) adds “significantly more” to the identified abstract idea must be evaluated by reference to the “added element” as specifically claimed and that it is improper to caricature or categorize the “added element” in the claim and instead attempt to demonstrate that a category including the specifically claimed element does not add “significantly more” to the identified abstract idea.

Discussion of Comment 10: Many Section 101 rejections acknowledge the presence of certain limitations beyond the abstract idea but contain highly muddled explanations of why the “added limitations” do not amount to “significantly more” than the recited abstract idea.

A common “shortcut” is to discuss a caricature of the limitation, rather than the limitation itself. For example, an added limitation might require storing a particular sort of data, or storing it in a particular way, but the rejection will discuss only storing data, ignoring the specifics of the limitation.

A related common “shortcut” is to classify the limitation into a general category of conventional computer techniques, then show that the category is conventional, again ignoring the specifics of the limitation. For example, an added limitation that requires comparing one particular item of data with the results of a particular calculation may be classified into the category of “comparing activity,” and the rejection will say that computers are well-known to perform “comparisons.” Again, this ignores the specifics of the claimed limitation.

A common conclusion to a rejection using these tactics is to say, “all steps require no more than a generic computer to perform generic computer functions. Specifically, receiving, sorting, transmitting, and storing data are well-understood, routine and conventional activities.”

This form of “analysis” runs the risk of allowing examiners to decide on Section 101 rejection arbitrarily and capriciously, as it is in tension with a number of known scientific and legal principles:

- The fact that a claim can be implemented using generic or general-purpose computer equipment is not conclusive in making a Section 101 rejection. What *Alice* said, instead, was that a method claim can be held unpatentable where “each step does **no more than require** a generic computer to perform generic computer functions.” [Emphasis added]

- A specifically programmed general-purpose computer is in fact a special-purpose computer, provided that the claim requires specific programming. *E.g., In re Alappat*, 33 F.3d 1526, 1545 (Fed. Cir. 1994) (en banc) (programming a computer to carry out a claimed invention “creates a new machine, because a general purpose computer in effect becomes a special purpose computer once it is programmed to perform particular functions pursuant to instructions from program software.”).
- At a fundamental level, no computer claim could survive these forms of analysis, because, as Alan Turing proved, all steps performed by any special-purpose computer can be performed by a generic computer, once it is properly programmed. Thus, it is a mathematic truth that the inventions disclosed in every “software patent” can be implemented on a general-purpose computer that has been programmed to execute steps recited in the respective claims. Yet the Office agrees that all computer programs are not categorically excluded. *E.g., Training Materials*, slide 17 (“Remember that software or business methods are not excluded categories of subject matter”). Therefore, it does not form a valid rejection under Section 101 merely to say that a computerized method can be implemented on a generic computer.

The Guidance and Training Materials include in the list of “examples” of “considerations,” or in discussing examples, language such as that the examiner should reject “a claim to an abstract idea requiring no more than a generic computer to perform generic computer functions that are well-understood, routine and conventional activities previously known to the industry” (see also Training Materials, slide 22) or a rejection is appropriate because “each step does no more than require a generic computer to perform generic computer functions.”

The problem is that the Guidance does not emphasize or explain the “no more than” part, and the examiners are routinely over-extending these instructions. These “examples” of reasons for making Section 101 rejection need to be harmonized with other pronouncements of the courts, so that the technical points in the three bullets above do not cause over-active rejections of all or a large quantity of computerized inventions.

Given the importance of computerized inventions to the American economy, the Guidance should attempt to expound further on these particular “examples of considerations.” It would be a significant improvement to harmonize some of the above principles, and include further instruction in the Guidance itself, and, when the MPEP is updated, there also. The Guidance should be a one-place reference for examiners and applicants alike, and applicants should be able to cite it to point out when examiners’ rejections do not comply.

**Conclusion:** The authors thank the Office for consideration of the above comments and hope for favorable consideration.