

December 2014 USPTO Interim Guidance on Subject Matter Eligibility

Effect on Software Patents

MIND + MUSCLE



January 16, 2015

Three-part webinar series on subject matter eligibility in *ex parte* examination

2014 Interim Guidance on Patent Subject Matter Eligibility

79 Fed. Reg. 74,618 (Dec. 16, 2014)

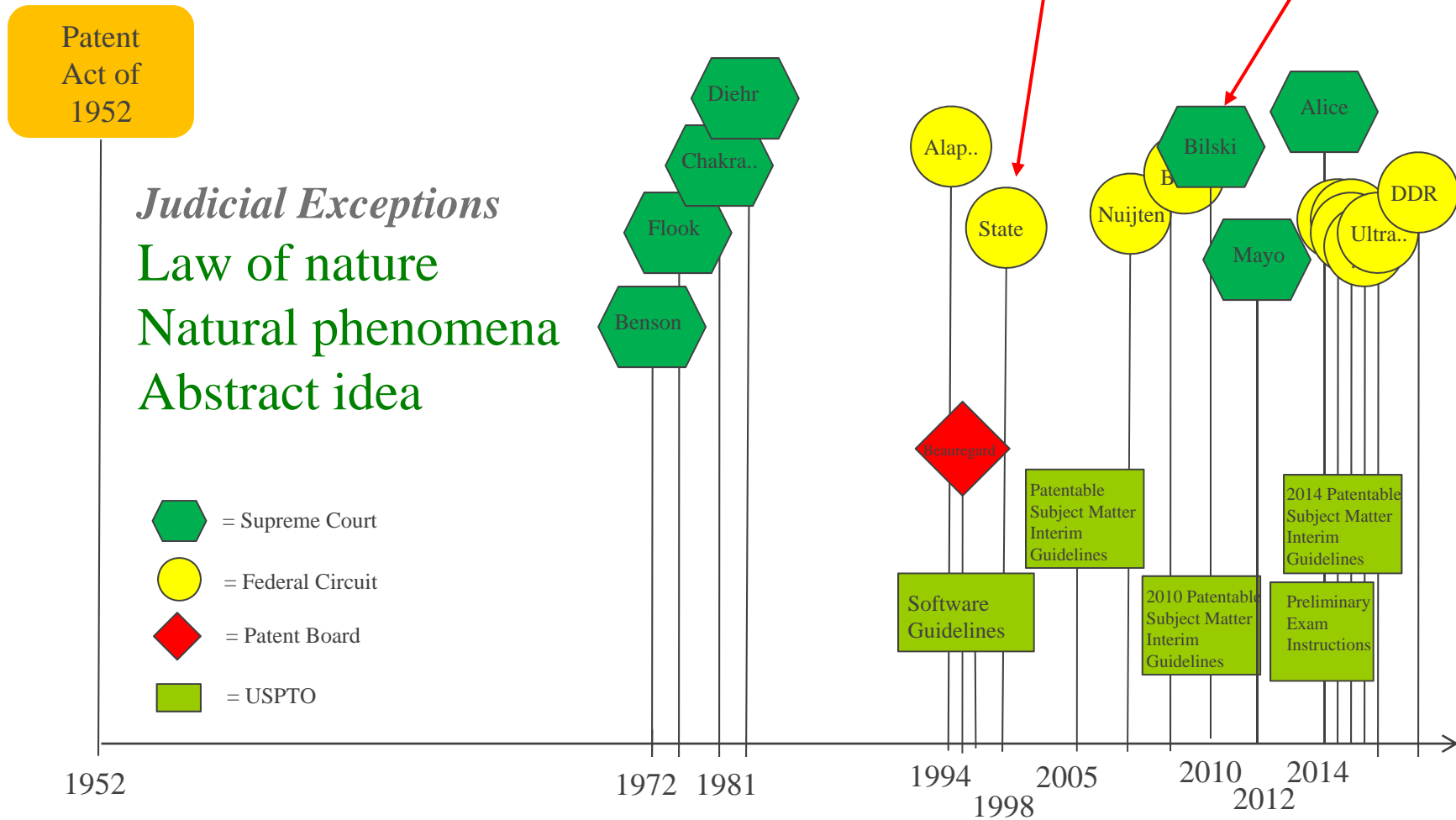
http://www.uspto.gov/patents/law/exam/interim_guidance_subject_matter_eligibility.jsp

Sterne Kessler webinar schedule of :

- **What Constitutes "Non-Naturally Occurring" Subject Matter?**
January 14, 2015, 2:00 - 3:00 pm EST
- **Effects on Software Patents**
January 16, 2015, 2:00 - 3:00 pm EST
- **What is Left for Diagnostics?**
January 22, 2015, 2:00 - 3:00 pm EST

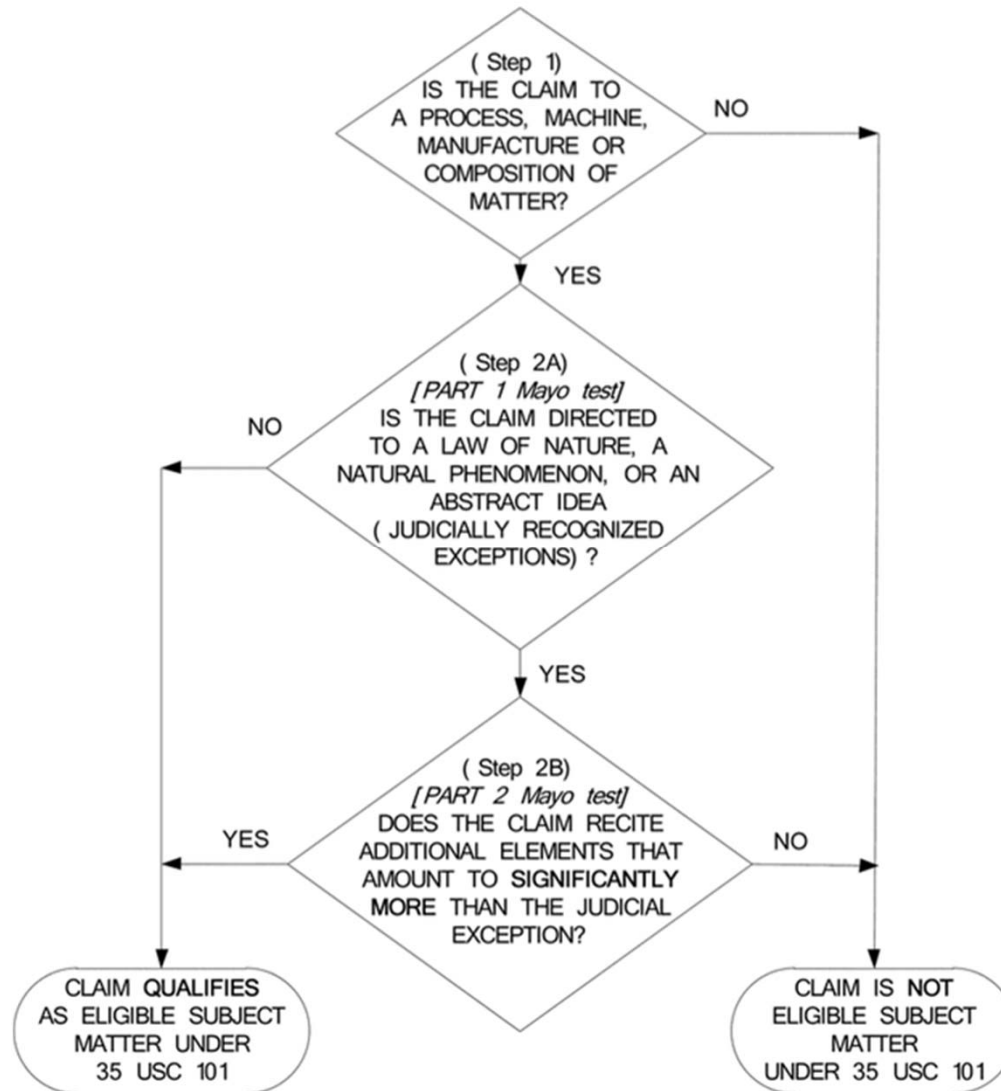
Historical Context - eligibility

Business method floodgate Lockdown



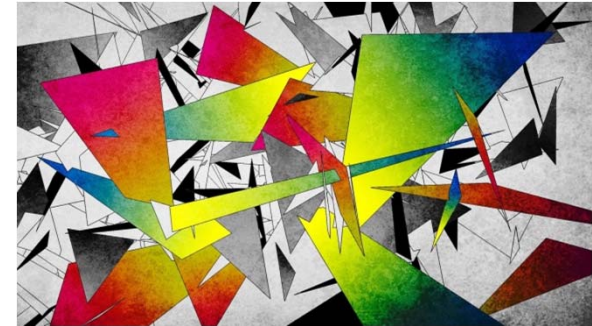


Interim Guidance on Subject Matter Eligibility (December 16, 2014)



Step 2A (Part 1 of *Mayo* test)

- Determine whether the claim **is directed to** an abstract idea
 - “Directed to” means “recited in the claim”
- Streamlined analysis if invention recites judicial exception, but clearly does not preempt
- Identify the judicial exception recited in the claim





Sterne Kessler
Goldstein Fox

ATTORNEYS AT LAW

Example Abstract Ideas

- Mitigating settlement risk (*Alice*)
- Hedging (*Bilski*)
- Creating a contractual relationship (*buySAFE*)
- Using advertising as an exchange or currency (*Ultramercial*)
- Processing information through a clearinghouse (*Dealertrack*)
- Comparing new and stored information and using rules to identify options (*SmartGene*)
- Using categories to organize, store, and transmit information (*Cyberfone*)
- Organizing information through mathematical correlations (*Digitech*)
- Managing a game of bingo (*Planet Bingo*)
- Arrhenius equation for calculating the cure time of rubber (*Diehr*)
- Formula for updating alarm limits (*Flook*)
- Mathematical formula for standing wave phenomena (*Mackay Radio*)
- Mathematical procedure for converting one number to another (*Benson*)

Step 2B (Part 2 of *Mayo* test)

- Determine whether any element or combo of elements in the claim is sufficient to ensure that the claim amounts to **significantly more** than the judicial exception
 - AKA “search for an ‘inventive concept’”
 - Ensures that the exception is applied “in a meaningful way”
- “Every claim must be examined individually, based on the particular elements recited therein, and should not be judged to automatically stand or fall with similar claims in an application.”



What is “significantly more”?

- Improvements to another technology or technical field
- Improvements to the functioning of the computer itself
- Applying the judicial exception with, or by use of, a particular machine
- Effecting a transformation or reduction of a particular article to a different state or thing
- Adding a specific unconventional limitation or step

What is not “significantly more”?

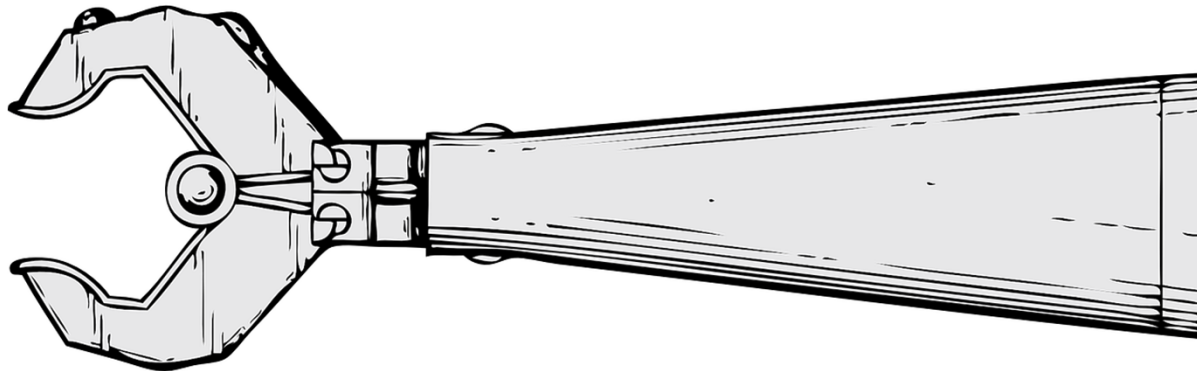
- Adding the words “apply it”
- Mere instructions to implement the idea on a computer
- Appending well-understood, routine, and conventional activities previously known to the industry, specified at a high level of generality
- Adding insignificant extrasolution activity (e.g., data gathering)
- Linking use of the judicial exception to a particular technological environment or field of use

Examiner must:

- Identify the abstract idea by referring to where it is recited
- Explain why it is considered an abstract idea
- Identify other elements in the claim and explain why they do not add significantly more

Streamlined eligibility analysis

- Even if judicial exception is recited, if claim clearly does not preempt, then full analysis is not needed
- Example: robotic arm assembly that operates using mathematical relationships



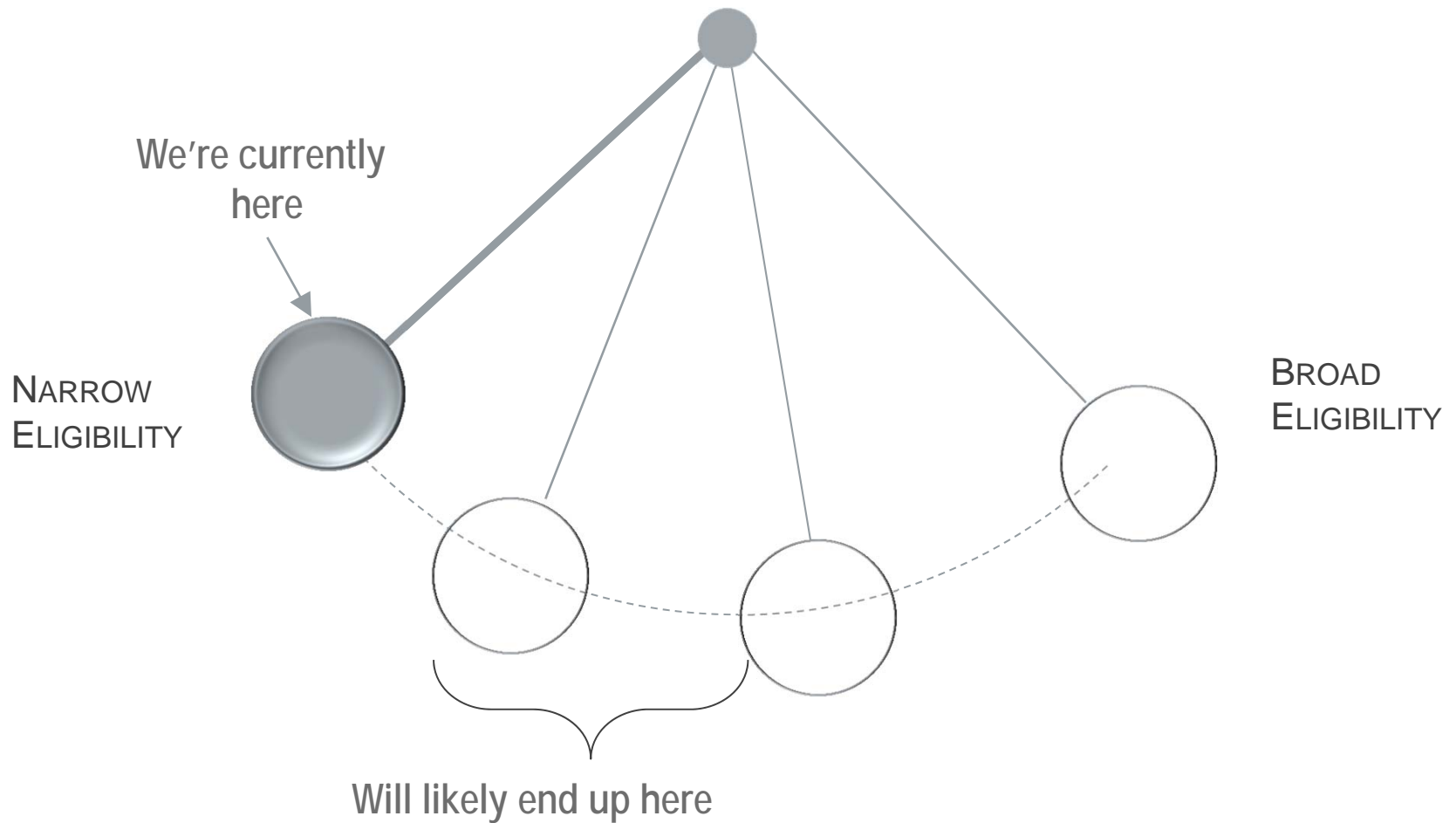
So what do we do with our software innovation?

ISSUED PATENTS

NEW INNOVATION

PENDING APPLICATIONS

Software Scrutiny



Application Drafting Strategy



How about new applications?

Application Drafting Strategy

- Articulate the state of the art in the application background section, but be careful that it can not be used against you.
- Articulate the improvement relative to this background in the detailed description.
 - Know your technical contribution (if there is one)
 - Take problem-solution approach
- This should demonstrate that the inventive concept does not have a preclusive effect on all approaches of an abstract idea (e.g., does not preclude the prior approach).

Claim Drafting Strategy

- To the extent possible:
 - Recite hardware/devices in claims and integrated into steps of the claim.
 - Recite the technical improvement
 - Demonstrate why steps could not be performed by humans, make sure reflected in claims.
 - Include dependent claims that detail how steps are implemented.
 - Recite how data / machines are transformed
 - Avoid Art Units 3620, 3680 (electronic commerce).



PROSECUTION STRATEGY

Prosecution Strategy

- Find similarities to *DDR* and language of interim guidelines; find differences with *Ultramercial*
- Require Examiner to provide *prima facie* Section 101 rejection.
- If possible, delay prosecution within 3600 art units, or at least delay 101 consideration
- Appeal where it makes sense/where Examiner applies 101 rejection by rote and won't negotiate
 - Pre-appeal
 - Meet with SPE

Not so fast!

- Don't jump right into the *Alice* analysis without considering what, exactly, the rejection of record states.
- Don't jump right into Part II of the *Alice* analysis without addressing the scope, evidence, and other issues around Part I.

Examiner's *Prima Facie* Burden

The Office carries the "procedural burden of establishing a prima facie case of unpatentability when its rejection satisfies 35 U.S.C. § 132, in 'notify[ing] the applicant . . . [b] stating the reasons for [its] rejection, or objection or requirement, together with such information and references as may be useful in judging of the propriety of continuing the prosecution of [the] application.'"

In Re Jung, 637 F.3d 1356, 1362 (Fed. Cir. 2011)

Requirements from Interim Guidelines

- Examiner must address all parts of the claim, and all claims of the application.
- Examiner must identify abstract idea with particularity.



Prima Facie Checklist

- Is the purported abstract idea clearly identified? (Part I)
 - Is a specific abstract idea singled out?
 - Is the abstract idea appropriate for all independent and dependent claims?

Prima Facie Checklist

- Has the Examiner performed a full analysis of the elements? (Part II)
 - Has the Examiner done more than simply restate the requirement (“claims do not amount to significantly more than an abstract idea”)?
 - Has the Examiner properly considered all elements individually and in combination? The claim as a whole?

Evidentiary Burden

- The Examiner must provide evidence supporting their position that the purported abstract idea is, in fact, an abstract idea.
- Not sufficient to simply say the purported abstract idea is a “fundamental economic practice” or a “method of organizing human activities” (e.g., *Alice* and *Bilski*).

Evidentiary Burden

- If the Examiner argues that the purported abstract idea is a basic concept in the art, they must provide evidence to support its usage in the art (or take Official Notice).
- If taking Official Notice, the Examiner must follow the proper process. (MPEP 2144.03)
- The evidence must map to the claims.

How much should you address?

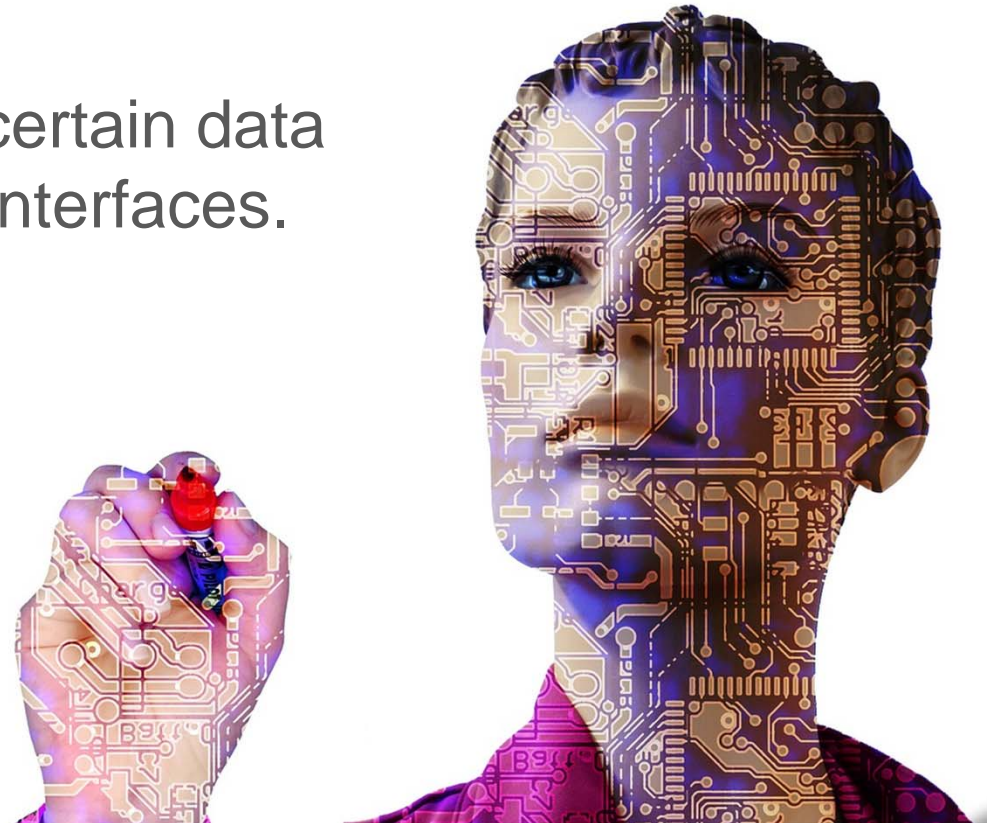
- You can attack each of the points we've mentioned, but should you?
- If the Examiner has failed to articulate a *prima facie* case, should you address potential (but not proffered) evidence? Potential substantive arguments?
- If there is no evidence, do you address substance?

Alice Test Substance (Part I)

- Fundamental economic practices:
 - Provide expert declarations showing that the purported abstract idea is not in fact a fundamental economic practice.
 - Argue that the claimed practice only exists because of the particular technical implementation.
 - No preclusive effect (no preemption)
 - Technical effect

Alice Test Substance (Part I)

- Methods of Organizing Human Activities:
 - Argue that the claims cannot be performed by a human and require a specific machine implementation to operate.
 - Note the requirement of certain data constructs and software interfaces.
 - No preclusive effect
 - Technical effect

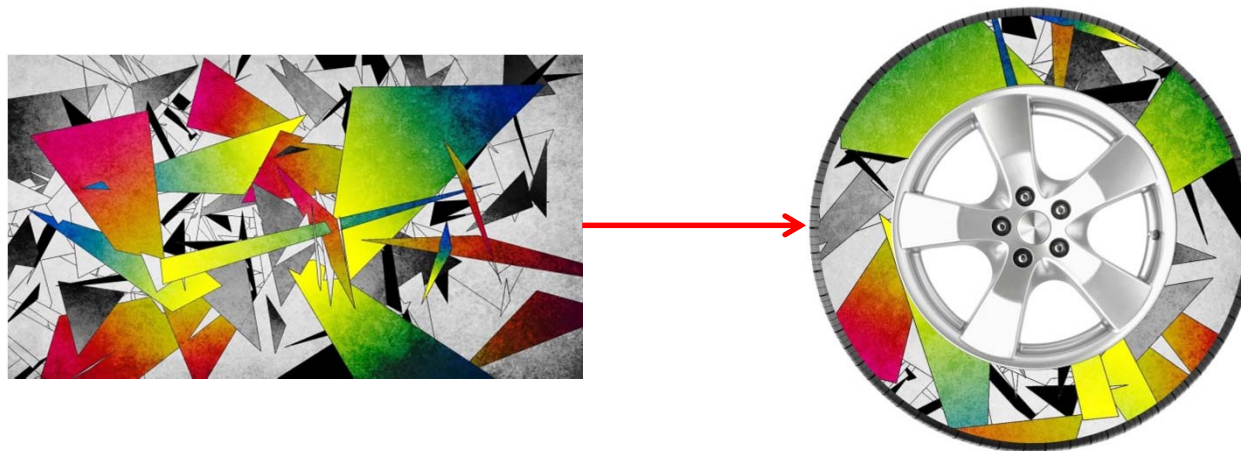


Alice Test Substance (Part I)

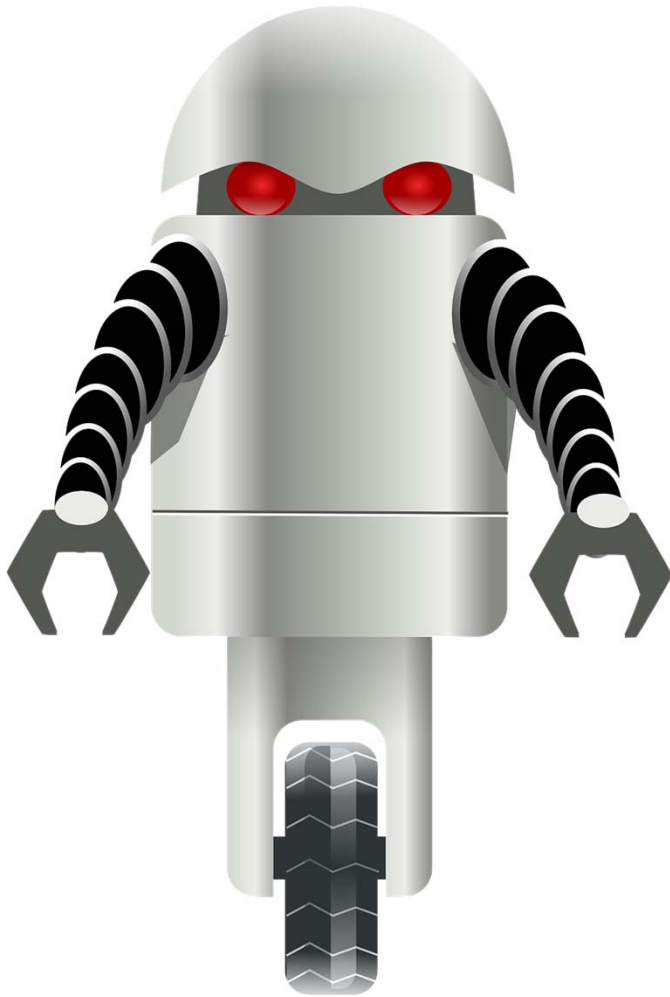
- Consider whether the breadth of the purported abstract idea is correct.
 - A broader abstract idea may give you more opportunities to show the “meaningful distinction” in the Part II analysis.
 - No preclusive effect
 - A narrower abstract idea may be easier to attack in the Part I analysis.
 - Too narrow to be a fundamental practice.

Alice Test Substance (Part II)

- Identify sufficient meaningful limitations.
 - Improvements to another technology or technical field
 - Improvements to the functioning of the computer itself
 - Anything else beyond conventional steps
- It's not enough for these limitations to be new on their own!



Consider the Machine-or-Transformation Test



- Still a useful test for determining statutory subject matter under Section 101.
- Argue using the traditional M-or-T analysis.
- Transformation of data may qualify under the M-or-T test.

Consider Arguing Technical Effect

- European approach
 - “Point of novelty” is achieved through technology
- May be “safe harbor” under *Alice*



Consider Dependent Claims

- The rejection may lump all claims together as a group.
- Be sure to argue dependent claims separately if they present a better case.

Prosecution Strategy

Attack sufficiency of rejection

- Consider interview with examiner to request new office action.
- Challenge sufficiency of 101 rejection. Examiner failed to make *prima facie* case. Request better rejection, or allow. Request new non-final office action.
 - Goal: More clearly define the 101 rejection to better formulate a response strategy
 - Use opportunity to tighten claims from a 101 perspective
- Reference PTAB CBM decisions to request more reasoning and evidence supporting rejection.

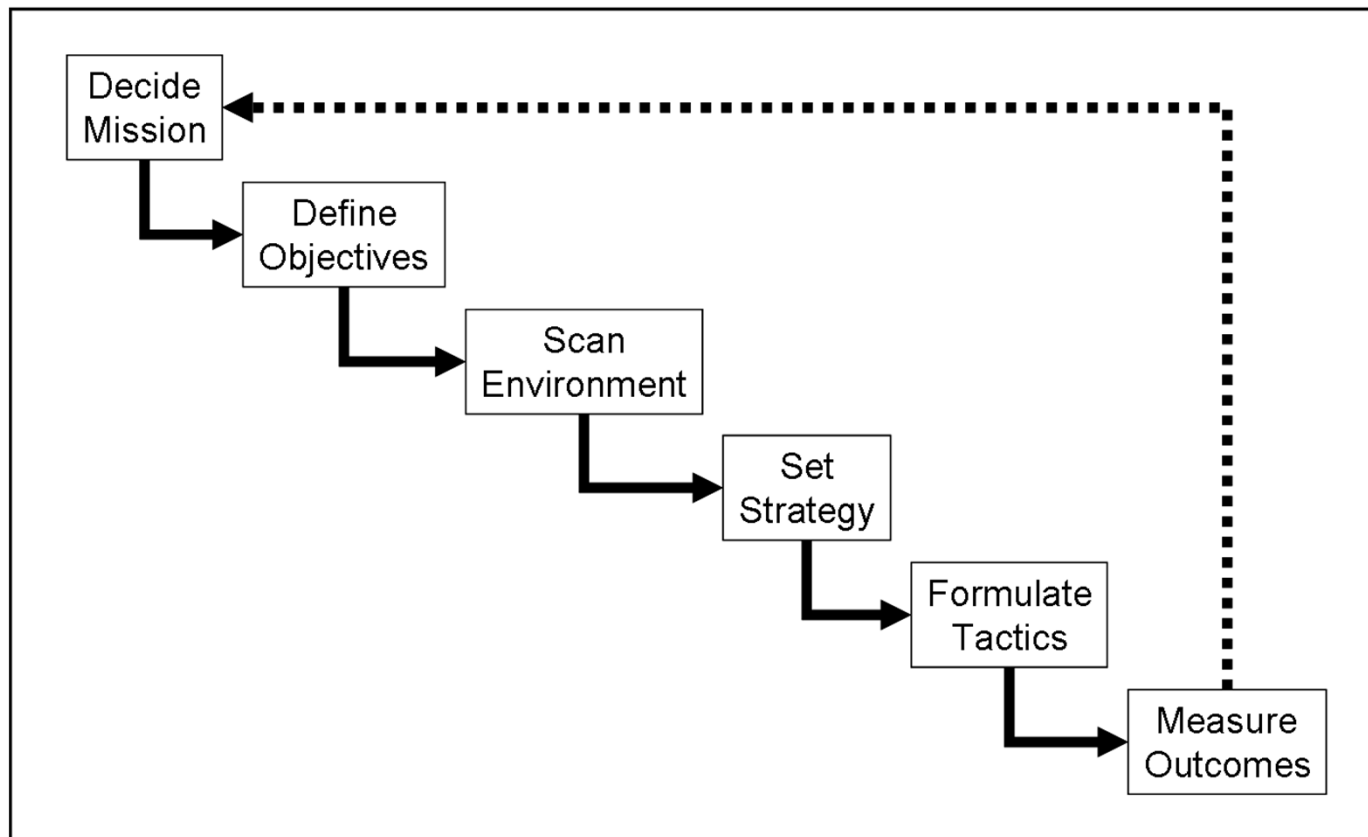
Prosecution Strategy

Address 101 substantively

- Argue merits
 - 2-part *Mayo* test
 - Compare and contrast with *DDR Holdings* and *Ultramercial*
 - M-or-T test
 - Technical effect
 - No preclusive effect (no preemption)
- Amend claims
- Consider evidentiary shortcomings
 - Insufficient demonstration of abstract idea, fundamental way of doing business
 - Not tying abstract idea to claims
 - Not considering claim as a whole
- Consider expert declaration rebutting Examiner positions.
 - Scope of the abstract idea – not really a fundamental practice
 - Inventiveness of the “something more.”
- Delay or Abandon

Do I Continue to invest in Business Method/Software Patents?

Yes – but strategically



Things to remember

- The PTO Guidelines do not have the force of law
- Courts are not bound by the PTO Guidelines
- The law is changing



Invest Strategically

- Is the invention important to my company?
- Is the invention technological or entrepreneurial?
- Is anything created by the invention?
- Does the invention involve a physical thing?
- Is the invention fundamental or incremental?
- Is the invention revolutionary?
- Will the invention be implemented?
- Do we intend to enforce/license the patent?

Evaluate Current Portfolio

- Evaluate for 101 vulnerability
 - Group into subject matter categories, focus on those most in danger
 - Analyze prior to broadening reissue due dates
 - Analyze as maintenance fees become due
 - Analyze in advance of enforcement/licensing
- Take action where needed/warranted
 - Evaluate value
 - Pursue remedial measures

For more information:

Michelle Holoubek
holoubek@skgf.com

Sal Bezos
sbezos@skgf.com

