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Department of Commerce  
United States Patent and Trademark Office  
P.O. Box 1450  
Alexandria, VA 22313-1450

Re: Comments Pertaining to Patent-Eligible Subject Matter in view of Alice Corporation Pty. Ltd. v. CLS Bank International

To Whom It May Concern:

The recent Supreme Court decision in *Alice Corporation Pty. Ltd. v. CLS Bank International* (Alice Corp.) involved analysis of 35 U.S.C. §101, which identifies patentable subject matter. In this particular case, the Supreme Court held that the claimed scheme for mitigating settlement risk was not patent-eligible because it was directed to an abstract idea implemented on a generic computer. How this decision will influence subsequent examination of patent applications, in large part, remains to be determined. The United States Patent and Trademark Office (PTO) has invited public comment on the topic, and we appreciate the opportunity to share our experiences and concerns relevant to this topic.

In *Alice Corp.*, the Supreme Court holds that “simply recit[ing] the concept of intermediated settlement as performed by a generic computer” is insufficient to qualify claims as being patentable subject matter. Nonetheless, the Court notes: “We tread carefully in construing this exclusionary principle lest it swallow all of patent law. At some level, ‘all inventions ... embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas.’ Thus, an invention is not rendered ineligible for patent simply because it involves an abstract concept. ‘Applications’ of such concepts ‘to a new and useful end,’ we have said, remain eligible for patent protection. [Citations omitted.]” The Court then uses a two-part test: first, determining whether a claim is directed to an abstract idea; and, if so, second determining whether a claim’s elements, considered both individually and as an ordered combination, transform the nature of the abstract idea into a patent-eligible invention.

The PTO has framed its interim guidelines using this same two-part test. The interim guidelines provide several examples of technologies insufficient to pass the test and several sufficient to pass the test. The guidelines also note that *Alice Corp.* “neither creates a per se excluded category of subject matter, such as software or business methods, nor imposes any special requirements for eligibility of software or business methods.” Unfortunately, the test set forth in *Alice Corp.* and the examples in the guidelines are poised for marked variation in terms

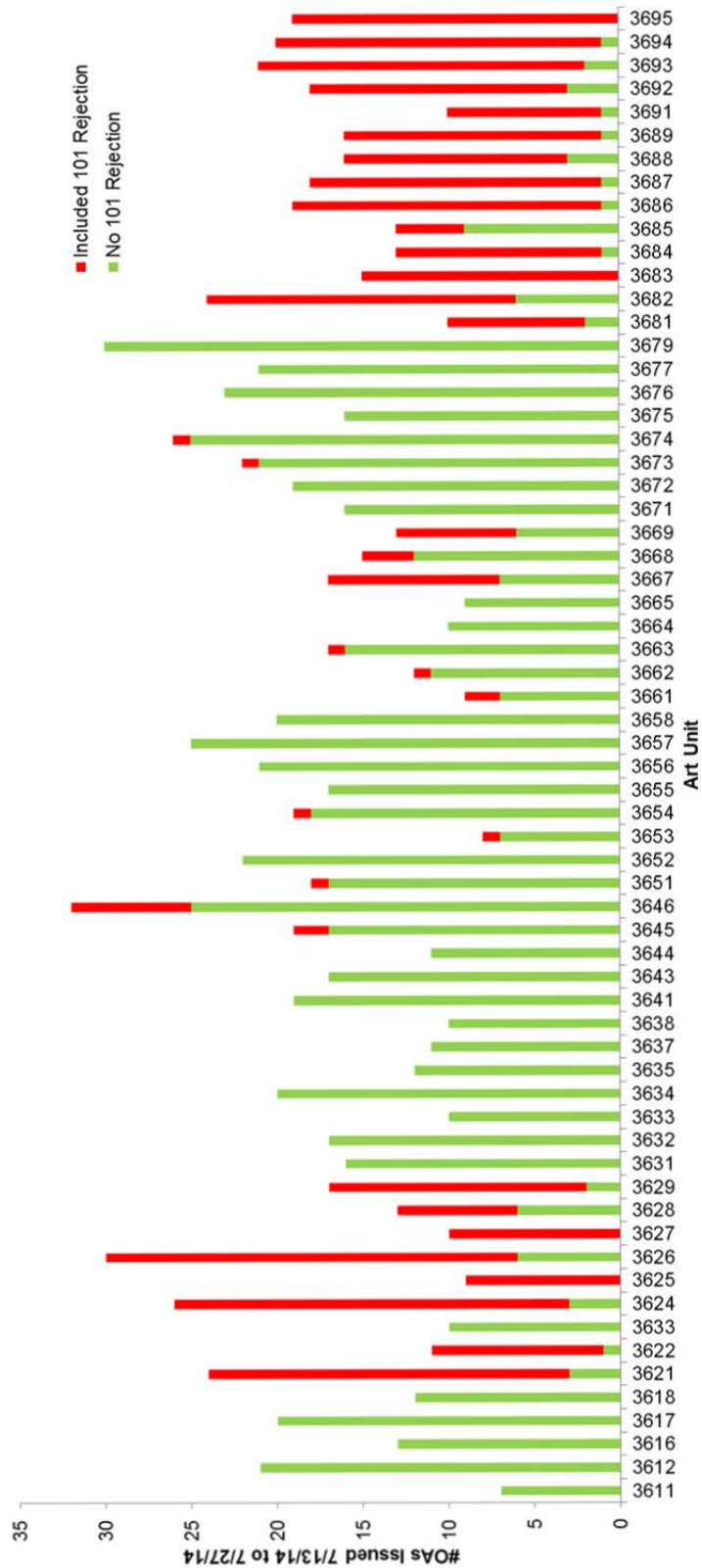
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of, for example, what is sufficient to transform an abstract idea into a patent-eligible invention. It is our fear that, as a result, we as practitioners will witness great inconsistency amongst examiners in assessing this portion of the test and that some examiners and art units may simply cease to allow any patent applications.

To gain some preliminary insight about how Alice Corp. and the interim guidelines are shaping patent examination, we analyzed recent examiner outputs. Specifically, using PatentCore™, we collected data for all Actions (Office Actions and Notices of Allowances) issued in each of two periods: from January 13, 2014 to January 27, 2014 (before Alice Corp) and from July 13, 2014 to July 27, 2014. The percentage of Actions in Technology Center (TC) 3600 with a §101 rejection in the July time period was over three times that in the January time period.

What is even more astonishing is the dramatic variability across TC-3600 art units. The figure below shows, for each TC 3600 art units, how many Office Actions were issued from July 13-27, 2014 that either: did not include a §101 rejection (green bars) or did include a §101 rejection (red bars). 59% of the 3600 AUs very rarely issue Office Actions with §101 rejections (where 20% or fewer of the issued Office Actions included a §101 rejection), 30% consistently issue §101-inclusive Office Actions (where 80% or more of the issued Office Actions included a §101 rejection) and only 11% are in the intermediary (with 20-80% of Office Actions including a §101 rejection).



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In view of this data, we believe that it is very important to give precise and clear guidelines as to what is sufficient to satisfy the second prong of the test used in Alice Corp. Such clarity should help reduce the inconsistency across examiners with regard to §101-rejection prevalence and offer applicants fair access to the patent system.

Further, we note that the interim guidelines instructed: “After conducting the two-part analysis, proceed with examination of the claim, regardless of whether a rejection under §101 has been made, to determine patentability in accordance with the other requirements of 35 U.S.C. §101 ..., non-statutory double patenting and §112, §102, an §103.” It is very important that the analysis of these sections remain distinct in their interpretation and thus in their effect. When the analysis diverges, we see a rise in §101 rejections that should have been §102 or §103 rejections. Indeed, the data thus far indicates that most TCs are holding steady with their primary analysis being focused on §102 and §103. In these TCs it is more likely than not that properly overcoming the art rejections leads to overcoming the §101 rejection. In TC 3600, §101 rejections have more than tripled in the last 6 months which begs the question, are business method applications receiving proper examination with respect to the art or are they wholesale rejected based on §101 without the necessary and required consideration of the art? We recommend that the new guidelines emphasize that the distinct criteria set forth by the various patent-law sections.

Although the data may show something different, the Supreme Court made clear in its decision that there was no major change in the law. This is an important point to remember to avoid overreaction by the Office. There are strong policy arguments for the patent system as it serves as the “carrot for capitalism” to encourage companies to invest in research and development to develop improved products. This is especially true for those areas where the United States stands alone in leading the world, namely, software and business methods. With a strong and predictable patent system, patent filer that reach for the stars can rest assured that a fast-follower who copies their innovation is thwarted in that effort. In cases where the underlying idea is conventional and known, running that algorithm on a generic computer requires little R&D and should not be encouraged with a patent right is all the Court is saying. Interpreting the

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decision any broader than that will have huge implications to those companies that will remain the economic engine of our economy for years to come.

Best regards,

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