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Re: Request for Comments on Determining whether a Claim Element Is Well-Understood, Routine, Conventional for Purposes of Subject-Matter Eligibility

Dear Ladies and Gentlemen:

The following comments are submitted by the Committee on Patents of the New York City Bar Association in response to the above-referenced *Request for Comments on Determining Whether a Claim Element Is Well-Understood, Routine, Conventional for Purposes of Subject Matter Eligibility* (the “Request for Comments”), published at 83 Fed. Reg. 17536 (PTO–P–2018–0033, April 20, 2018).

The New York City Bar Association (the “Association”) is a private, nonprofit organization of more than 24,000 members who are professionally involved in a broad range of law-related activities. Founded in 1870, the Association is one of the oldest bar associations in the United States. The Association seeks to promote reform in the law and to improve the administration of justice at the local, state, federal, and international levels through its more than 150 standing and special committees. The Committee on Patents (“Committee”) is a long-established standing committee of the Association, and its membership reflects a wide range of corporate, private-practice, and academic experience in patent law. The participating members of the Committee are dedicated to promoting the Association’s objective of improving the administration of the patent laws. The Committee’s PTAB Subcommittee is an ad-hoc group of the Committee’s members particularly interested in issues relating to examination as well as reexamination, reissue, inter partes review, and other post-grant review proceedings.

The Request for Comments seeks the views of the public on the guidance in the April 19, 2018 Memorandum from Robert W. Bahr, Deputy Commissioner for Patent Examination Policy to the Patent Examining Corps entitled “Changes in Patent Examination Procedure Pertaining to

Subject Matter Eligibility, Recent Subject Matter Eligibility Decision (*Berkheimer v. HP, Inc.*)” (“the *Berkheimer* Memorandum”). Among other guidance, the *Berkheimer* Memorandum includes the following paragraph, which would permit an United States Patent and Trademark Office (“Patent Office”) examiner to take “official notice” of whether claimed subject matter includes “well-understood, routine, conventional activity engaged in by those in the relevant art” (hereinafter “well-understood activity”):

A statement that the examiner is taking official notice of the well-understood, routine, conventional nature of the additional element(s). This option should be used **only** when the examiner is certain, based upon his or her personal knowledge, that the additional element(s) represents well-understood, routine, conventional activity engaged in by those in the relevant art, in that the additional elements are widely prevalent or in common use in the relevant field, comparable to the types of activity or elements that are so well-known that they do not need to be described in detail in a patent application to satisfy 35 U.S.C. 112(a). Procedures for taking official notice and addressing an applicant's challenge to official notice are discussed in MPEP [Manual of Patent Examining Procedure] § 2144.03.

Berkheimer Memorandum at 4, ¶ III.A.4 (“the Official Notice Guidance”). (bold emphasis in original; underline emphasis added).

The Official Notice Guidance is contrary to and inconsistent with the present state of 35 U.S.C. § 101 jurisprudence, the case law controlling the Patent Office’s use of official notice, and the section of the MPEP to which it cites. In addition, the Official Notice Guidance would not further the interests of patent examination policy.

After due discussion and deliberation, the Committee is of the view that the Official Notice Guidance should be omitted from the *Berkheimer* Memorandum in its entirety.

I. THE OFFICIAL NOTICE GUIDANCE OF THE BERKHEIMER MEMORANDUM IS CONTRARY TO THE LAW UNDER 35 U.S.C. § 101

Under *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, ___U.S.___, 134 S. Ct. 2347 (2014), a patent claim directed to an “abstract idea” may be held to be patent-ineligible unless it contains an inventive concept, which, as a matter of law, is lacking if the claim elements, taken as a whole, are directed to Routine Activity. *See id.* 134 S. Ct. at 2357-2360. “[W]hether a claim element or group of claim elements” is well-understood activity “is a question of fact,” (*Berkheimer* Memorandum at 2, ¶ I (quoting *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018))), and “it is of course now standard for a § 101 inquiry to consider whether various claim elements simply recite” well-understood activity. *BASCOM Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341, 1350 (Fed. Cir. 2016) (citing *Alice*, 134 S. Ct. at 2359).

The *Alice* case involved claims that sought to appropriate any computer-implemented use of “the concept of intermediated settlement,” which concept was “a fundamental economic practice long prevalent in our system of commerce”:

On their face, the claims before us are drawn to the concept of intermediated settlement, *i.e.*, the use of a third party to mitigate settlement risk. Like the risk hedging in *Bilski*, the concept of intermediated settlement is ““a fundamental economic practice long prevalent in our system of commerce.”” *Ibid.*; see, *e.g.*, Emery, Speculation on the Stock and Produce Exchanges of the United States, in 7 Studies in History, Economics and Public Law 283, 346-356 (1896) (discussing the use of a ‘clearing-house’ as an intermediary to reduce settlement risk). The use of a third-party intermediary (or “clearing house”) is also a building block of the modern economy. See, *e.g.*, Yadav, The Problematic Case of Clearinghouses in Complex Markets, 101 Geo. L.J. 387, 406-412 (2013); J. Hull, Risk Management and Financial Institutions 103-104 (3d ed. 2012).

Alice, 134 S. Ct. at 2356 (quoting *Bilski v. Kappos*, 561 U.S. 593, 611 (2010)). Thus, when faced with determining factual issues underlying a patent-eligibility determination, the Supreme Court cited to evidence, including admissible documentary evidence, rather than relying on official or judicial notice. Accordingly, the use of official notice to establish facts supporting patent-ineligibility, such as well-understood activity, would conflict with the Supreme Court’s rulings.

II. THE OFFICIAL NOTICE GUIDANCE OF THE BERKHEIMER MEMORANDUM IS CONTRARY TO THE LAWS AND RULES THAT CONTROL THE U.S.P.T.O’S USE OF OFFICIAL NOTICE

The *Berkheimer* Memorandum is unsupported by any authority that permits or suggests that official notice is an appropriate ground for determining whether a claim element is directed to well-understood activity. The decisions of the Federal Circuit and its predecessor court make clear that, both as a matter of law and as a specific substantive factual issue, it is improper to rely on official notice for factual findings of well-understood activity.

First, in *In re Ahlert*, 424 F.2d 1088 (C.C.P.A. 1970) (cited in MPEP § 2144.03), the court discussed how “important [the] role of what facts so found [by official notice] may play in the evidentiary scheme upon which a rejection of claims is based.” The court noted that official notice is appropriate when “facts so noticed serve to ‘fill in the gaps’ which might exist in the evidentiary showing made by the examiner,” but cautioned that it knew of no case where such facts “comprised the principal evidence on which a rejection was based[.]” *Id.* 424 F.2d at 1092 (emphasis added). As a matter of law, because a determination of whether a claim element is a well-understood activity is never merely filling in evidentiary gaps, but always goes to the central issue of patent-ineligibility, supporting such a determination with official notice would be improper under *Ahlert*.

In *In re Eynde*, 480 F.2d 1364 (C.C.P.A. 1973) (cited in MPEP § 2144.03), the court “reject[ed] the notion that judicial or administrative notice may be taken of the state of the art,”

holding that such facts are “normally subject to the possibility of rational disagreement” and “are not amenable to the taking of such notice.” 480 F.2d at 1370. The court held that “evidence of the knowledge possessed by those skilled in the art … must be timely injected into the proceedings.” *Id.* (emphasis added). An assertion by an examiner under the proposed standard that claimed subject matter is a well-understood activity would amount to an unsupported determination of the state of the art as to that feature. Under *Eynde*, the “personal knowledge” of an examiner, as proposed by the Official Notice Guidance, would be improper and insufficient to establish well-understood activity. *Berkheimer* Memorandum at 4, ¶ III.A.4.

The propriety of official notice for patentability determinations was also addressed by the Federal Circuit in *In re Zurko*, 258 F.3d 1379 (Fed. Cir. 2001) (cited in MPEP § 2144.03). The *Zurko* court held Patent Office “expertise may provide sufficient support for conclusions as to peripheral issues[.]” 258 F.3d 1386 (emphasis added). But “[w]ith respect to core factual findings in a determination of patentability,” however, the Patent Office “must point to some concrete evidence in the record in support of these findings.” *Id.* (emphasis added). Under *Alice*, *BASCOM*, and *Berkheimer* itself, it is clear that – as a matter of law – findings of whether claimed subject matter is well-understood activity are core factual findings in a determination of patentability, and under *Zurko*, evidence – not official notice – is required.

MPEP § 2144.03(A) states that “[o]fficial notice unsupported by documentary evidence should only be taken by the examiner where the facts asserted to be well-known, or to be common knowledge in the art are capable of instant and unquestionable demonstration as being well-known.” In view of *Ahlert*, *Eynde*, and *Zurko*, whether claim elements constitute well-understood activity, is not the sort of fact capable of instant and unquestionable demonstration in the context of a patent-eligibility rejection.

Zurko was followed in *K/S HIMPP v. Hear-Wear Technologies, LLC*, 751 F.3d 1362, 1365, 1366 (Fed. Cir. 2014). In *K/S HIMPP*, an obviousness rejection was flawed because it was not supported by “record evidence” showing limitations in the challenged claims were in the prior art. *Id.* at 1365. Such a showing regarding claim limitations was found to be a “core factual finding” which needed to be substantiated by “documentary evidence”; “basic knowledge and common sense” was not sufficient. *Id.* at 1366. The patentability of the challenged claims was “more than a peripheral issue.” *Id.* at 1365. Had it been a “peripheral issue,” the Board’s “expertise” may have sufficed. *Id.* (citing *Zurko*, 258 F.3d at 1386). “Well-understood, routine, and conventional” is certainly a “core factual finding” since it is directed to specific claim limitations for determining compliance with the 101 requirement for patentability. Accordingly, support for such a finding cannot be provided by “basic knowledge and common sense.” Consequently, an assertion of “basic knowledge and common sense,” without more, is insufficient for official notice of “well-understood, routine, and conventional.”

The *K/S HIMPP* decision was found to be “not inconsistent with *KSR*’s caution against the ‘overemphasis on the importance of published articles and the explicit content of issued patents.’” 751 F.3d at 1365 (citation omitted). Both cases involved § 103 analyses. However, “[i]n contradistinction to *KSR*, this case [*K/S HIMPP*] involves the lack of evidence of a specific claim limitation, whereas *KSR* related to the combinability of references where the claim limitations were in evidence.” *Id.*, 751 F.3d at 1366 (emphasis added).

Also, *KSR* was directed to the correct analysis for the legal determination of obviousness. *KSR Int'l. Co. v. Teleflex Inc.*, 550 U.S. 398, __ (p. 23, slip opinion), 127 S. Ct. 1727, 167 L.Ed.2d 705 (2007) (emphasis added). In contrast, *K/S HIMPP* concerns fact issues. 751 F.3d at 1366 (“core factual findings”). “[W]hether a claim element or combination is well-understood, routine, and conventional is a question of fact” in a 101 analysis. *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121, 125 U.S.P.Q.2d 1737 (Fed. Cir. 2018)(citing *Berkheimer*, emphasis added). Accordingly, *KSR* has limited relevance to *K/S HIMPP*, and official notice of “well-understood, routine, and conventional.”

K/S HIMPP acknowledged the “subject matter expertise” of the Board but said this was no substitute “for documentary evidence for core factual findings in a determination of patentability.” 751 F.3d at 1366 (citing *Zurko*, 258 F.3d at 1385–86). Requiring substantial evidence for a conclusion of “well-understood, routine, conventional” does not make the expertise of the Patent Office superfluous since such expertise assists in the efficient recognition of claims which are “well-understood, routine, conventional” and identification of supporting evidence. Thus, the Patent Office’s expertise complements the substantial evidence standard by facilitating the evaluation of claims and, if warranted, building of a cogent rejection based on “well-understood, routine, conventional.” See *K/S HIMPP*, 751 F.3d at 1364 (substantial evidence). But cf., *Id.*, at 1369 (Dyk, J., dissenting) (“PTO’s expert knowledge is the foundation for the presumption of validity [and] substantial evidence standard of appellate review”).

The holdings of *Ahler*, *Eynde*, *Zurko*, *K/S HIMPP* and as well as the analysis underlying the holding of *Alice* itself, make clear that it would be improper for an examiner to take official notice of well-understood activity and such a finding would be inconsistent with the “[p]rocedures for taking official notice” under MPEP § 2144.03(A). Thus, the Official Notice Guidance of the *Berkheimer* Memorandum should be omitted as contrary to the controlling law.

III. THE OFFICIAL NOTICE GUIDANCE OF THE BERKHEIMER MEMORANDUM, THAT PERMITS “PERSONAL KNOWLEDGE” TO SUBSTITUTE FOR EVIDENCE, WOULD BE DETRIMENTAL TO PATENT EXAMINATION POLICY

The patent examining corps, as well as patent practitioners and their clients, deserve a patent-eligibility determination scheme regarding “well-understood, routine, conventional activity” that is rational and regular, and not dependent on the purported personal knowledge of an individual examiner. Permitting an examiner to take official notice of such facts, based on supposed personal knowledge, would inject yet another “[I]know it when [I] see it” issue into the already “incoherent body of doctrine” of 35 U.S.C. § 101 jurisprudence. Cf., *Interval Licensing v. AOL, Inc.*, --- F.3d ----, 2018 WL 3485608, at * 9, * 11 (Fed. Cir. 2018) (Plager, J., concurring-in-part and dissenting-in-part)(agreeing with the “reasoning” of the majority opinion and dissenting in the “continued application” of “the law regarding what inventions are eligible”). “The legitimate expectations of the innovation community, as well as basic notions of fairness and due process” suggest that promulgating the Official Notice Guidance would not be in the best interests of patent examination policy. Cf., *id.* at * 17.

Accordingly, neither the controlling law nor policy supports allowing an examiner to take official notice of whether claimed subject matter is well-understood activity.

For these reasons, the Committee is strongly of the view that the Official Notice Guidance of the *Berkheimer* Memorandum is unsupported by the law and is not in the interests of patent examination policy, and should be omitted for purposes of subject matter eligibility determinations and any revisions to the MPEP.

Very truly yours,

/s/ Philip L. Hirschhorn

Philip L. Hirschhorn
Chair, Committee on Patents

/s/ John Gladstone Mills III

John Gladstone Mills III,
Chair, PTAB Subcommittee