



By Email

August 20, 2018

Andrei Iancu
Under Secretary of Commerce for Intellectual Property
Director, United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314
Eligibility2018@uspto.gov

Re: Request for Comments on Determining Whether a Claim Element is Well-Understood, Routine, Conventional for Purposes of Subject Matter Eligibility, 83 FR 17536

Dear Director Iancu:

I write on behalf of Askeladden L.L.C. (“Askeladden”) in response to the Office’s Request for Comments on Determining Whether a Claim Element is Well-Understood, Routine, Conventional for Purposes of Subject Matter Eligibility, 83 FR 17536.

We greatly appreciate the Office’s attention to improving examination quality with respect to patent subject matter eligibility. Overall, we support the Office’s approach as expressed in its April 19, 2018 Memorandum regarding *Berkheimer v. HP, Inc.* for determining whether a claim element is well-understood, routine, or conventional at “Step Two” of the analysis required under Supreme Court precedent. *See, e.g., Alice Corp. v. CLS Bank Int’l*, 573 U.S. ___, 134 S.Ct. 2347 (2014). With respect to the issues raised below, however, we respectfully request that the Office adjust its guidance to better reflect the proper balance between the patent applicant’s and the public’s interests as well as to help improve patent quality.

Askeladden’s Patent Quality Initiative

Askeladden is an education, information and advocacy organization which, through its Patent Quality Initiative (“PQI”), is dedicated to improving the understanding, use, and reliability of patents in financial services and elsewhere. Through the PQI, Askeladden strives to improve patent quality and to address questionable patent holder behaviors. Askeladden files amicus briefs that highlight issues critical to patent quality and petitions the Office to take a second look at patents under Inter Partes Review (IPR) that it believes are invalid. In addition, Askeladden works to strengthen and support the patent examination process by coordinating educational briefings on the evolution of technology in financial services.

Askeladden is a wholly owned subsidiary of The Clearing House Payments Company L.L.C. Since its founding in 1863, The Clearing House has delivered safe and reliable payments systems, facilitated bank-led payments innovation, and provided thought leadership on strategic payments issues. Today, The Clearing House is the only private-sector ACH and wire operator in the United States, clearing and settling nearly \$2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume. It continues to leverage its unique capabilities to support bank-led innovation, including launching RTP[®], a real-time payment system that modernizes core payments capabilities for all U.S.

financial institutions. Askeladden pursues its PQI independently of the business and activities of The Clearing House.

The Importance of Improving Examination of Subject Matter Eligibility

Askeladden believes that a strong patent system is vital to continued innovation in the United States. Patents claiming abstract concepts, however, undermine real innovation and threaten the soundness and security of our nation's financial infrastructure. The patent examination process should reward actual technological innovation with appropriately tailored patent protection over the inventive technology. Ensuring the quality of patent examination with respect to questions of subject matter eligibility under 35 U.S.C. § 101 is critically important to appropriately incentivizing and rewarding such innovation.

Patents directed to financial and other business methods performed by software are an area of particular relevance to the financial services industry. Members of the financial services industry spend significant time and resources on innovation and frequently seek patent protection over their own important advances in the financial services space. It is thus in the interest of and of great importance to the financial services industry to ensure that patents continue to be issued on patent-eligible inventions, and that the Supreme Court's decision in *Alice* does not have an unwarranted chilling effect on the issuance of patents claiming inventions that involve patent eligible computer software.

At the same time, the financial services industry has been plagued for many years by patent litigation based on patents that claim longstanding financial or business practices that are abstract ideas performed using computers. The issuance of such patents leads directly to costly and wasteful litigation that is detrimental to economic progress and actual innovation. The financial services industry therefore has an equally strong interest in fostering improvement in the patent examination process, so that examiners can weed out claims to patent ineligible abstract ideas during patent examination.

Askeladden's Comments on the Office's *Berkheimer* Memorandum

The Office's April 19, 2018 Memorandum titled "Changes in Examination Procedure Pertaining to Subject Matter Eligibility, Recent Subject Matter Eligibility Decision (*Berkheimer v. HP, Inc.*)" ("Memorandum") addresses two related issues.

First, the Memorandum "further clarifies that the analysis as to whether an element (or combination of elements) is widely prevalent or in common use is the same as the analysis under 35 U.S.C. § 112(a) as to whether an element is so well-known that it need not be described in detail in the patent specification." Memorandum at 3. We agree that the articulation of the standard that should be applied at *Alice* Step Two during prosecution mirrors this aspect of the § 112(a) standard. Askeladden further agrees with the Memorandum's statement that "[t]he question of whether additional elements represent well-understood, routine, conventional activity is distinct from patentability over the prior art under 35 USC 102 and 103." *Id.*

Second, the Memorandum "clarifies that [a determination that an element (or combination of elements) represents well-understood, routine, conventional activity] must be based upon a factual determination that is supported as discussed in section III [of the Memorandum]." *Id.* While we agree with most of the Office's proposed revisions to the MPEP in this regard, we wish to call attention to two points with which we disagree and request that the Office reconsider.

Specifically, the statement on pages 3-4 of the Memorandum that “[a] finding that an element is well-understood, routine, or conventional cannot be based only on the fact that the specification is silent with respect to describing such element” is, respectfully, the incorrect approach during prosecution.

We presume that the Office is basing this guidance on the Federal Circuit’s conclusion that the district court erred in finding that the “data file containing data from a user application for populating the viewable form” element in the claims at issue in *Aatrix Software v. Green Shades Software*, 882 F.3d 1121 (Fed. Cir. 2018) was well-understood, routine, or conventional, where the appellee’s counsel conceded that the patent specification was silent as to whether that element was conventional. *Id.* at 1129.

The Federal Circuit applied that standard to an issued patent in the context of patent infringement litigation. There, the patent is both entitled to the statutory presumption of validity and cannot typically be amended. The Federal Circuit’s statement in *Aatrix* is not the correct standard to apply during prosecution of an unissued patent. Instead, because the patent applicant can amend the patent specification and the claims during prosecution, where the examiner recognizes that claims are directed to patent ineligible subject matter and that the specification is silent as to whether each claim element (and the combination of elements) reflects well-understood, routine, conventional activity, then the claims should be rejected under 35 U.S.C. §§ 101 and 112(a) on that basis. The applicant can then respond to the rejection in one of three ways with respect to each such element (or the combination of elements). (1) The applicant can traverse the rejection by expressly acknowledging that the element is well-understood, routine, conventional activity (and therefore need not be further described), but arguing that the claim is not directed to ineligible subject matter. (2) The applicant can amend the claims so that they are not directed to patent ineligible subject matter or so that they include features that are already described in the specification as not being well-understood, routine, conventional activity. (3) The applicant can amend the specification in a continuation-in-part application to describe *how* to implement that claim element (or combination of elements) in a way that is not well-understood, routine, conventional activity.

This is the only fair way to proceed from the public’s standpoint. Before the Office issues a patent claim on the basis that, despite being directed to patent ineligible subject matter, it recites an element (or combination of elements) that is an “inventive concept,” the *quid pro quo* for the patent applicant to receive a patent is that she must fully disclose what that inventive concept is and fully enable its use. On the other hand, if there is no disagreement that the elements (and combination of elements) of the claims describe well-understood, routine, conventional activity, then the public has a right to know that.

Similarly, we respectfully object to the Memorandum’s proposed guidance that “. . . merely finding the additional element in a single patent or published application would not be sufficient to demonstrate that the additional element is well-understood, routine, conventional, unless the patent or published application demonstrates that the additional element are [sic] widely prevalent or in common use in the relevant field.” If the examiner has already determined that the pending patent claim is directed to patent ineligible subject matter and she locates one or more prior art references disclosing each element of the claim that is not otherwise determined to describe well-understood, routine, conventional activity, then the proper course is to reject the claim under § 101. The applicant can then respond to the rejection by either (1) amending the claims, (2) explaining why the claim is not directed to patent ineligible subject matter, or (3) admitting that the prior art discloses the element but contending that, while known, the activity was not well-understood, routine, conventional activity as of the filing date. The applicant could obtain issuance of the patent through any of these means, but the public will have an improved understanding of the scope of the invention that the applicant claims.

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Askeladden is very grateful for the opportunity to comment on the Office's proposed revisions to the MPEP and wishes to thank the Office for its diligent and continuing efforts to improve patent quality. Askeladden remains committed to working towards these goals together with the Office.

Very truly yours,

Sean Reilly

General Counsel
Askeladden L.L.C.