



NOVAK DRUCE CONNOLLY
BOVE + QUIGG LLP

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Thomas M. Isaacson
Partner

Judicial Exceptions to Patent Eligibility – Abstract Ideas: Fundamental Economic Practices

- NOTE: The Interim December Guidelines are a good start.
- PROBLEM: After Alice, USPTO Technology Center 3600 (covering electronic commerce, finance, banking, health care, insurance, couponing, pricing, and business administration) has dropped its allowance and issuance rate from about 47 % to 3.6%. The Alice analysis in practice, and as was warned by the Supreme Court, is “swallowing up all of patent law.” Slip Op., page 6. Inventors, investment and innovation are being effected by conclusory, unfounded and incomplete eligibility rejections.
- PROPOSAL: 5 Solutions to revise the December 2014 Guidelines and Patent Office practices to correct and avoid future Alice eligibility problems.

Fundamental Economic Practices: Problems – Part 1

- PROBLEM(1): The “Fundamental Economic Practice” prong (and other prongs) of the abstract idea judicial exception is applied loosely and broadly to reject more claims than are justified.
- Examiners are:
 - Broadly characterizing the claims as “directed to” a concept but using non-claim language and multiple different phrasing for the abstract idea thus causing confusion and the 101 analysis because it is different from the scope of the claim.
 - Not mentioning narrow, inventive claim limitations in the rejection that could limit or eliminate pre-emption of the abstract idea, the primary worry of the Court.
 - Not citing support for where in the industry the abstract idea (fundamental economic practice) is actually practiced. Office Actions take effectively Judicial Notice that a claim is directed to a fundamental economic practice without any supporting citations.

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BOVE + QUIGG LLP

Fundamental Economic Practices: Problems – Part 2

- PROBLEM(2): The looseness of the rejections are causing these problems:
 - No predictable outcomes.
 - Impossible to Counter.
 - Potential Introduction of Prosecution History Estoppel by talking about the “invention” using non-claim language.
 - The rejections are arbitrary.
 - Any claim can be rejected if you don’t mention the claim limitations.
 - Examination rigor in general appears to be diminishing – effecting 102/103 analysis as well.
 - Inventions related to economic practices do not have as their purpose improving the functioning of the computer from a hardware standpoint.
 - Don’t force abstract ideas into the functioning of the computer category, other categories can be applied to meet part 2 of the guidelines.



Solution (1): Use Claim Language

 SOLUTION (1): Teach/require Examiners to follow Section 1 of the Guidelines which references a claim being directed to a judicial exception when “an abstract idea is recited (i.e., set forth or described) in the claim.” (Emphasis in original). The Examiners must use claim language (i.e., what is recited in the claim), to characterize what the claims are “directed to.” Page 23-24 of the Guidelines reference this concept but it is currently not applied by the Examiners. Using non-claim language results in an eligibility analysis will cover different concepts from the “invention.” **The “name of the game is the claim” must remain.**

Solution (2): Place a *Prima Facie* Burden on the Examiner

SOLUTION (2): Place a *prima facie* requirement similar to Section 102/103 rejections on the Examiner. The Guidelines on Pages 23-24 suggest this requirement. Revise Guidelines to include: “Rejections made under Section 101 cannot be sustained with merely conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion that the claim is patent ineligible. Such rational underpinning must not ignore specific claim limitations when determining whether the claim is broad enough to tie up the use of the underlying judicial exception. The fact that one or more claim limitations is found to be novel and non-obvious is strong evidence that the claim as a whole cannot risk pre-empting the judicial exception.”

Solution (3): Require Evidence – Part 1

SOLUTION (3): Revise Guidelines to follow the pattern in Alice to require the fundamental economic practice also to be “long prevalent in our system of commerce.” This is a fact question with a (prior art-like) documentary component. In Alice, page 9, the Court cited a textbook published in 1896 and two other articles that explained the use of longstanding intermediate settlement concepts in commerce. Do not allow Examiners to effectively take Official Notice that a concept is a fundamental economic practice without evidence of longstanding use in commerce and the type of rigor required of 102/103 rejections that must address specific claim limitations as claimed (i.e., applying Solution (1) above).

Solution (3): Require Evidence – Part 2

SOLUTION (3): Revise Guidelines to follow note that in Alice, “long” prevalent meant that the concept was discussed in a textbook from 1896. “Fundamental” and “Prevalent” was established by referenc to the text book and other scholarly articles that shows teachings and use within the “system of commerce.” The “long prevalent in our system of commerce” concept thus is more restrictive than the general prior art definitions under Section 102.

Solution (4): Consider Applicants' Rebuttal Evidence - Part 1

NR SOLUTION (4): Seriously consider Applicant's arguments and presentation. I have responded to rejections with detailed arguments talking about specific claim limitations, actual real world market conditions, and specific companies now practicing the invention that were not prior to filing the application. The rebuttal arguments were ignored. Often, the Applicant knows the industry and can have more time and resources to present how an invention fits into the economic marketplace and how claim limitations prevent pre-emption of a judicial exception.

NOVAK DRUCE CONNOLLY
BOSTON OFFICE

Solution (4): Consider Applicants' Rebuttal Evidence – Part 2

- **Let Applicants make their case.** Revise Guidelines to use language similar to MPEP 2141.01 IV:
 - “Once the applicant has presented rebuttal evidence of eligibility, Office personnel should reconsider any initial eligibility determination in view of the entire record. Questions to consider prior to maintaining the viability of an Alice-type eligibility rejection:
 - Has the characterization of what the invention is “directed to” appropriately used claim language or does it need to be revised?
 - Has a discussion of specific claim limitations by the Applicants made it clear that particular limitations will prevent the judicial exception from being tied up?
 - Has the Applicant fairly demonstrated that the limitations in the claim and the claims as whole do not recite a fundamental economic practice that is long prevalent in our system of commerce?
 - Have claim amendments solved the pre-emption problem? Are they narrow enough to eliminate preemption of the abstract idea?
 - Office Personnel in the next Office Action, if the eligibility rejection is maintained, should clearly communicate the Office’s findings and conclusions, articulating how the conclusion are supported by the findings, with reference to the specific features recited in the claims. For example, explain how even with specific claim limitations considered, the claim is so broad that it still covers the abstract concept of a fundamental economic practice long prevalent in our system of commerce, citing the supporting evidence found by the Office Personnel.”

Solution (5): Lower the Hurdle

SOLUTION (5): The hurdle of Section 101 patent eligibility should be a low one. The Guidelines should reflect this overall principle. Section 101 is broad and most evaluated claims should be cleared for subject matter eligibility via the Streamlined Eligibility Analysis of Section I.B.3. This can be accomplished when actual claim limitations and the claims viewed “as a whole” are fully considered.



Minor Changes to the Guidelines, when applied faithfully by the Office Personnel, will swing the pendulum back to where it should be when evaluating the eligibility of software patents and particularly applications in Art Unit 3600.



Thank you