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The Honorable Margaret A. Focarino  
Commissioner of Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

**Re: Response to Request for Comments on Interim Guidance  
USPTO Docket No. PTO-P-2014-0058  
79 Federal Register 74618 (December 16, 2014)**

Dear Commissioner Focarino:

Howard IP Law Group, PC (the “Firm”) submits the following comments in response to the USPTO’s Request for Comments, published in the Federal Register on December 16, 2014, requesting comments on the 2014 Interim Guidance on Patent Subject Matter Eligibility (“Interim Guidance”). The Firm welcomes the opportunity to provide views in response to the request for comments, and appreciates the USPTO’s willingness to consider the views of a wide variety of stakeholders in formulating examination instructions in this important area. The Firm commends the USPTO’s willingness to consider comments on both the Interim Guidance and the Examples: Abstract Ideas, as well as the USPTO’s engagement with stakeholders, such as at the Eligibility Forum held on the USPTO campus on January 19, 2015.

## **1) Introduction**

- a) The Firm has substantial experience in prosecution of patent applications relating generally to the financial services industry, including a substantial number of cases presently and formerly under examination in Art Units 3691-3695. The Firm has reviewed numerous Office Actions applying the Interim Guidance and discussed the application of the Interim Guidance with Examiners during numerous interviews. The Firm thus has substantial practical insight into the manner in which the Interim Guidance has been applied, as well as generally into qualities of guidance that can assist Examiners in consistently and correctly applying the law.
- b) The Firm wishes to express its appreciation for the Office’s careful consideration of prior comments and relevant case law in development of the Interim Guidance. The Interim Guidance represents a substantial improvement over the Preliminary Examination Instructions issued on June 26, 2014.
- c) In Section 2 of the comments below, additional or modified guidance is recommended for the use of Examiners in connection with: (i) determining the subject matter to which claims are directed; (ii) formulating a prima facie case that the claims are directed to an abstract idea; (ii) applying Part 1 of the two-part *Alice/Mayo* analysis in general; (iii)

determining whether a claim is directed to a fundamental economic practice in Part 1 of the two-part analysis; and (iv) considerations in application of Part 2 of the two-part analysis. In Section 3, recommendations for modifications to the Abstract Ideas Examples are provided. All of the recommendations for guidance are supported by case law or statute, as explained below in Sections 4 and 5 of these comments.

## **2) Recommendations for Modifications to the Interim Guidance**

We recommend the following modifications and additions to the Interim Guidance.

### **a) The Subject Matter to Which the Claims Are Directed Is the Same for Examination Under 35 U.S.C. 101 as under 35 U.S.C. 102 and 35 U.S.C. 103**

We recommend that the examination guidance clarify that the determination of the subject matter to which the claims are directed must consider all recitations. The guidance should specifically instruct Examiners that the subject matter to which the claims are directed should be the same for analysis under 35 U.S.C. 101 as for analysis under 35 U.S.C. 102 and 103. The focus should be on the subject matter sought to be patented, and not to a broader field or simply a broad problem to which the claims relate. In our experience, Examiners are improperly determining that the subject matter to which the claims are directed is much broader for purposes of analysis under 35 U.S.C. 101 than under 35 U.S.C. 102 and 35 U.S.C. 103. Examiners appear to be interpreting the emphasis in the Interim Guidance on the subject matter to which the claims are directed to mean a general subject matter or category, rather than the subject matter sought to be patented. The guidance should make clear that it is improper for Examiners to disregard numerous claim recitations, including, in the case of claims including recitations of novel business methods, claim recitations other than those reciting technology.<sup>1</sup>

### **b) Requirement for a Prima Face Case that the Claims Are Directed to an Abstract Idea**

#### **i) Requirement of a Prima Facie Case**

We recommend that the guidance instruct Examiners that a proper rejection under 35 U.S.C. 101 include all elements of a prima facie case, including articulated reasoning considering the recitations of the claims. In our experience, Office Actions including rejections under 35 U.S.C. 101 generally include only conclusory analysis, in contrast to rejections under 35 U.S.C. 102 and 35 U.S.C. 103.

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<sup>1</sup> See Section 5(c)(i) below.

**ii) All Claims Must Be Considered, Including All Dependent Claims**

We recommend that the guidance clarify that Examiners must separately consider each dependent claim in connection with an analysis under 35 U.S.C. 101. In our experience, Office Actions applying the Interim Guidance do not separately consider dependent claims.

**iii) Articulated Basis for Determination of Subject Matter to Which Claims Are Directed**

We recommend that the guidance clarify that an articulated basis for a determination of the subject matter to which the claims are directed must be included in any proper rejection under 35 U.S.C. 101. In particular, if any claim recitations are disregarded in the characterization of the subject matter to which the claims are directed, articulated reasoning must be included for the omission of such recitations.

**iv) Articulated Basis for Determination That Subject Matter Constitutes an Abstract Idea**

We recommend that the guidance clarify that Examiners must provide an articulated basis for a determination that certain subject matter constitutes an abstract idea. Such basis should include the category of abstract idea (i.e., fundamental economic practice, mathematical formula or idea of itself).

**v) Consideration of Elements That May Constitute “Something More”**

We recommend that the examination guidance instruct Examiners to consider each of the elements in the Interim Guidance that may constitute “something more,” and provide articulated reasoning, with specific reference to the claim recitations, as to why the claims do not qualify as “something more” under each of those elements, in a proper rejection under 35 U.S.C. 101.

**c) The Recitation of Hardware Elements of a General Purpose Computer Does Not Render a Claim Patent Ineligible**

We recommend that the examination guidance remind Examiners that the recitation in a claim of hardware elements of a general purpose computer does not render a claim patent ineligible. In our experience, we have found that Examiners conflate the determination of whether the claims are directed to an abstract idea with the presence of hardware elements of a general purpose computer.

**d) Performance of Prior Art Search Prior to Application of Part 1**

We recommend that the instructions clarify that the claim should be analyzed under the two-part analysis only after performance of a prior art search and an analysis under Sections 102 and 103. The prior art search performed for purposes of examination under Sections 102 and 103 should include, in order to support application of the test to identify

a fundamental economic practice, sources of high reliability, and particularly should include textbooks and academic articles in relevant fields, such as finance and economics.<sup>2</sup>

**e) Consideration in Part 1 of All Recitations Apart from Recitations of Technology**

We recommend that the instructions advise Examiners to consider all claim recitations, apart from the recitations of technology, and the relationships among those claim recitations, in determining in Part 1 of the two-part analysis whether the claims are directed to an abstract idea.<sup>3</sup>

**f) Determination in Part 1 of the Mayo Test of Whether the Claim is Directed to a Fundamental Economic Practice**

While the Interim Guidance mentions the term “fundamental economic practice,” the Interim Guidance does not provide a definition of the term to permit Examiners to determine whether the subject matter to which a claim is directed constitutes a fundamental economic practice. We recommend that the guidance include instructions to use the following parameters in determining whether the subject matter to which a claim is directed constitutes a fundamental economic practice.

**i) Single Prior Art Reference**

We recommend that the instructions for Part 1 of the *Mayo* Test advise Examiners that, if the recitations of the claim, other than the recitations of technology, cannot be found in a single reference, then the claim is not patent ineligible as a fundamental economic principle.<sup>4</sup>

**ii) Use in Economy for Long Period of Time**

We recommend that the instructions for Part 1 advise Examiners that, if the single reference does not teach that the recitations of the claim, apart from technology, have been in use in the economy for a long period of time, then the claim is not patent ineligible as a fundamental economic principle. We recommend that the instructions provide that the threshold for determining what constitutes a long period of time is fact-dependent, but that a minimum period of about 25 years will prevail in most instances.<sup>5</sup>

**iii) Prevalent Use in the Economy for the Long Period of Time**

We recommend that the instructions for Part 1 advise Examiners that, if the single reference does not teach that the recitations of the claim, apart from technology, have

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<sup>2</sup> See Sections 5(c)(ii)(2)-(3) below for the qualities of the sources properly relied on to establish that an economic practice is a fundamental economic practice.

<sup>3</sup> See Section 5(c)(i) below.

<sup>4</sup> See Sections 5(c)(ii)(2)-(3) below.

<sup>5</sup> See Sections 5(c)(ii)(2)-(3) below.

been in prevalent use in the economy for a long period of time, then the claim is not patent ineligible as a fundamental economic principle.<sup>6</sup>

**iv) Use of Reliable Sources to Establish Long and Prevalent Use**

We recommend that the instructions for Part 1 advise Examiners that, to support a finding that the recitations of the claim, apart from technology, have been in prevalent use in the economy for a long period of time, the single prior art reference should be a source of high reliability, such as a textbook or a publication in an academic journal in the relevant field of finance, business or economics.<sup>7</sup>

**g) Identification in Part 1 of an Abstract Idea**

We recommend that the guidance instruct Examiners preferably to identify an abstract idea only if the proposed abstract idea is within one of the categories of abstract idea previously identified by the courts. If the Examiner believes that an abstract idea outside of the identified categories exists, then the guidance should instruct the Examiner to consider whether, considering the preemption concern, the proposed abstract idea is appropriate.

**h) Removal of Certain Methods of Organizing Human Activity**

We recommend that certain methods of organizing human activity be removed from the listing of examples of categories of types of abstract ideas.

**i) Considerations in Application of Part 2 of the Two-Part Analysis**

**i) Risk of Pre-Emption of an Abstract Idea**

We recommend that the instructions advise Examiners that the underlying basis for Part 2 of the analysis is the Supreme Court's overriding concern of avoiding pre-emption of the use of the abstract idea implemented in computer technology. Conversely, if the technological recitations leave open the practice of the abstract idea using alternative technologies, then the claim is patent eligible.<sup>8</sup>

**ii) All Options Set Forth In the Interim Guidance Should Be Reviewed**

The Interim Guidance sets forth several options by which claims may meet Part 2 of the two-part analysis. We recommend that the guidance instruct Examiners to consider each of these options with respect to each claim analyzed under Part 2.

**iii) Technological Recitations Need Not Meet Requirements of Sections 102 or 103**

We recommend that the instructions relating to Part 2 advise Examiners to keep in mind that the Supreme Court did not require that the technological recitations meet

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<sup>6</sup> See Sections 5(c)(ii)(2)-(3) below.

<sup>7</sup> See Sections 5(c)(ii)(2)-(3) below.

<sup>8</sup> See Section 5(c)(iii) below.

the requirements of Section 102 or Section 103 in order to remove a claim from the scope of a fundamental economic practice. The appropriate comparison is between the technology recited in the claims and long-used, generic computer technology, and not as to all technology within the prior art.<sup>9</sup>

### **3) Modification to the Examples**

#### **a) Add One or More Examples of a Business Method That Is Not an Abstract Idea**

We recommend that the examples be supplemented by adding one or more examples of a business method that is not an abstract idea. A suitable business method would not include the characteristics of long use and prevalence in the economy of a fundamental business practice. The exemplary claims should include only conventional computer hardware, to make clear that business methods need not meet Part 2 of the *Mayo* test. The analysis should recite consideration of each limitation in the exemplary independent claims before determining the business method involved. The analysis should then indicate that the business method is searched in appropriate materials of high reliability to determine whether the long use and prevalence factors of the definitional of fundamental business practice are met.

#### **b) Clarify the Analysis of the Existing Examples**

We recommend that the existing examples be clarified to assist Examiners in analysis of claims. In the case of business method examples, the examples should set out a process in which each claim limitation is considered to determine a business method apart from the technology. The examples should indicate that it would be incorrect to state the business method too broadly, such as by focusing on the claim preamble, or the broad field or problem to be solved. The examples should set forth the process of comparing a properly identified business method to business methods that have been in long use and in prevalent use, preferably by following the charting of each step against long used business methods, as employed by the Delaware District Court. The examples should include examples of the types of source materials that are of sufficiently high reliability to assure that a business method is in fact both long used and prevalent in the economy. Further, the examples should include examples of application of the principle of preemption.

### **4) Basic Principles**

The recommendations above stem from the statute and case law, and build on the basic principle that the Supreme Court has clearly stated that there is no prohibition on the patenting of business methods and software as a class. The Supreme Court has stated clearly that the judicially-created abstract idea exception to the statutory definition of patent eligibility in 35 U.S.C. § 101 does not render business methods as a class patent ineligible.

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<sup>9</sup> See Section 5(c)(iii) below.

As the Court stated in Bilski v. Kappos: “Section 101...precludes the broad contention that the term ‘process’ categorically excludes business methods.” Bilski v. Kappos, 130 S. Ct. 3218, 3328 (2010). The Court’s decision in Alice clearly follows this precedent. In Alice, the Court first determined whether the claims were directed to a fundamental economic practice. Alice Corporation Pty. Ltd. v. CLS Bank International, No. 13-298, slip op. (June 19, 2014), at 19-20. The Court then went on to examine, with a view to avoiding pre-emption of a fundamental economic practice, whether the claims added more than a recitation of a generic computer to the fundamental economic practice. Slip op. at 26. If the Court had deemed that the abstract idea exception to the definition of patent-eligible subject matter in Section 101 entirely precluded patent protection for claims directed to business methods, the Court could have dispensed with both of these steps, and simply ruled that that the claims were directed to a patent-ineligible business method. Rather, the Supreme Court in Bilski and Alice has provided guidance on the definition of abstract idea in the field of business methods, and, in Alice, extended the applicability of the two part analysis from Mayo Collaborative Servs. v. Prometheus Labs., Inc., 132 S. Ct. 1289 (U.S. 2012) to determining applicability of the judicially-created exception. Under the Mayo analysis, as adopted in Alice, a claim must fail both parts of the two-part test, properly construed, to be determined to be within the abstract idea exception to the statutory definition of patent-eligible subject matter.

## 5) Statutory And Case Law Background

### a) 35 U.S.C. §101

The statutory definition of subject matter eligible for patent protection is set forth in 35 U.S.C. §101, which reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

As the Supreme Court has said, in “choosing such expansive terms...modified by the comprehensive “any,” Congress plainly contemplated that the patent laws would be given wide scope.” Bilski v. Kappos, 130 S. Ct. at 3321 (quoting Diamond v. Chakrabarty, 447 U.S. 303 (1980)). Thus, in order to determine whether the statutory definition of eligible subject matter under Section 101 has been met, the Examiner must determine whether the claims are directed to one of the four statutory categories of process, machine, manufacture, or composition of matter.

### b) Judicially-Created Abstract Idea Exception

The Courts have stated for over 150 years that abstract ideas, as well as laws of nature, are not patent-eligible subject matter. E.g., Alice, slip op. at 13-14. While the Patent Act of 1952 did not include an abstract idea exception in Section 101, the Courts have continued to apply an abstract idea exception. The Supreme Court’s guidance with

respect to the scope of the abstract idea exception as applied to business methods is set forth in the Bilski and Alice decisions.

**c) Two-Part Mayo/Alice Analysis**

**i) Focus on the Subject Matter to Which the Claims Are Directed**

The Supreme Court, in both Bilski and Alice, has made clear that the inquiry as to whether the claims are directed to an abstract idea concerns the entire subject matter to which the claims are directed, and not the general field of the claims. The Alice Court explicitly stated that the inquiry is based on the subject matter to which the claims are directed, and provided a very detailed summary of that subject matter:

[T]he claims at issue here are directed to an abstract idea. Petitioner's claims involve a method of exchanging financial obligations between two parties using a third-party intermediary to mitigate settlement risk. The intermediary creates and updates "shadow" records to reflect the value of each party's actual accounts held at "exchange institutions," thereby permitting only those transactions for which the parties have sufficient resources. At the end of each day, the intermediary issues irrevocable instructions to the exchange institutions to carry out the permitted transactions.

Alice, slip op. at 19. Similarly, the Bilski court focused on the subject matter that the applicant sought to patent, not subject matter referenced in or involved in the claims:

Petitioners seek to patent both the concept of hedging risk and the application of that concept to energy markets.

Bilski, 130 S.Ct. at 3222. Accordingly, the inquiry is on the subject matter which the applicant seeks to patent, and not a broader field, or subject matter merely mentioned in the claim.

Recent case law at the Federal Circuit is in accord. For example, in *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014), the Court stated that "The claims are squarely about creating a contractual relationship—a "transaction performance guaranty"—that is beyond question of ancient lineage." 765 F.3d at 1355. Thus, the Court was concerned with the subject matter covered by the claims, and not a broader field. Similarly, the Court in *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014), reviewed each limitation of the claims at issue before determining that the claims were simply directed to applying the known practice of providing content in exchange for viewing advertising to the field of the Internet.

Recent district court case law is in accord. For example, the Court in *Trading Technologies Int'l v. CQG, Inc.*, 2015 U.S. Dist. LEXIS 22039 (N.D. Ill. 2/24/2015) ruled that the claims at issue were not directed to an abstract idea. The Court stated, in that case:

CQG argues that: "[t]he Asserted Claims recite the abstract idea of placing an order for a commodity on an electronic exchange, based on observed market

information, as well as updating the market information." Dkt. 898 at 1. CQG further contends that the elements recited in the claims merely perform basic functions relating to electronic commodity trading and updating market information using unidentified and generic computer components. CQG further asserts that, "the functions recited in the Asserted Claims — setting, displaying, and selecting — are all 'purely conventional' and cannot save the claims." *Id.* at 2 (quoting *Alice*, 134 S. Ct. at 2359).

If the claims simply provided for "setting, displaying, and selecting" data or information, CQG would be correct in its assessment that the claims are directed to an abstract idea. However, CQG ignores much of the details of the representative claims. Neither the claims of the '304 patent nor the claims of the '132 patent are directed to solely "setting, displaying, and selecting" data or information that is visible on the GUI device.

The Court thus made clear that it is improper to ignore the details of the claims in determining the subject matter to which the claims are directed.

As discussed below, certain courts have adopted the practice of charting each limitation of a claim, other than technological limitations, against pre-existing business methods, as part of the analysis to determine if the claim is directed to an abstract idea. See *Walker Digital LLC v. Google, Inc.*, 2014 U.S. Dist. LEXIS 122448 (D. Del. 9/3/2014); *Joao Bock Transaction Systems, LLC v. Jack Henry & Assoc., Inc.*, 2014 U.S. Dist. LEXIS 172567 (D. Del. 12/15/14). The process of charting assures that each limitation of the claim is considered in determining the subject matter to which the claim is directed.

## ii) Part I: Fundamental Economic Practice

### (1) Definition of Abstract Idea as Fundamental Economic Practice

The Supreme Court in Bilski and Alice has made clear that an abstract idea, in the context of business methods, is a fundamental economic practice.

### (2) Example Of Fundamental Economic Practice From Bilski – Hedging

The Supreme Court in Bilski defined a fundamental economic practice, identified hedging as an example of such a fundamental economic practice, and provided examples of the types of prior art references that are suitable to rely upon in establishing whether a given business method constitutes a fundamental economic practice.

The Bilski Court stated:

Claims 1 and 4 in petitioners' application explain the basic concept of hedging, or protecting against risk: 'Hedging is a fundamental economic practice long prevalent in our system of commerce and taught in any introductory finance class.' 545 F.3d at 1013 (Rader, J., dissenting); see, e.g., D. Chorafas, Introduction to Derivative Financial Instruments 75-94 (2008); C. Stickney, R. Weil, K. Schipper, & J. Francis, Financial

Accounting: An Introduction to Concepts, Methods, and Uses 581-582 (13th ed. 2010); S. Ross, R. Westerfield, & B. Jordan, Fundamentals of Corporate Finance 743-744 (8th ed. 2008).

Bilski, 130 S. Ct. at 3230.

The Supreme Court in Bilski accordingly established that, in order to qualify as a fundamental economic practice, a practice must have been in use in the economy for a long period of time, and, furthermore, must have been prevalent in the economy for a long period of time. A practice that has been known or in use for a long period of time, but has not been so widely used for a long period of time as to qualify as prevalent, is not a fundamental economic practice. A practice that is now prevalent in the economy, but has not been prevalent for a long period of time, fails to qualify as a fundamental economic practice.

The Supreme Court relied on multiple textbooks in the fields of finance and accounting to establish that hedging qualifies as a fundamental economic practice. Multiple textbooks are thus established as a reliable source in establishing that a given practice qualifies as a fundamental economic practice. Each of those textbooks, independently, demonstrates the use of the practice of hedging that the applicants sought to patent.

### **(3) Example of Fundamental Economic Practice from Alice – Intermediated Settlement.**

In Alice, the Supreme Court similarly identified the conditions of both long use and prevalent use for a given practice to qualify as a fundamental economic practice, stating:

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).

Thus, the Supreme Court reiterated that, in order to qualify as a fundamental economic practice, a practice must meet both the requirements of long use in the economy, and long use to an extent to qualify as prevalent. The Supreme Court provided, in addition to textbooks, academic articles as an appropriate source to establish that a given practice has been in use sufficiently long, and whether that long use has been sufficiently prevalent, to qualify as a fundamental economic practice. It is notable that one of the sources that the Supreme Court relied upon was published in 1896. Similarly to the sources relied upon in Bilski, any of these

sources would establish that intermediated settlement was in prevalent use for the requisite long period.

#### **(4) Federal Circuit Case Law**

Recent Federal Circuit case law relating to business methods similarly requires that the business method at issue be both long used and prevalent in the economy. For example, in *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014), the Court summarized the *Bilski* and *Alice* decisions as:

[T]he Court in both cases relied on the fact that the contractual relations at issue constituted "a fundamental economic practice long prevalent in our system of commerce."

765 F.3d at 1354. The Court similarly relied on sources of high reliability to confirm that the business method at issue met the standard of a fundamental economic practice:

The claims are squarely about creating a contractual relationship—a "transaction performance guaranty"—that is beyond question of ancient lineage. *See Willis D. Morgan, The History and Economics of Suretyship*, 12 Cornell L.Q. 153 (1927).

765 F.3d at 1355. The Court thus relied on a single reference, in the form of a law review article having an historical focus, to determine that the business method at issue, a transaction performance guaranty, was long used. The practice of transaction performance guarantees have also long been prevalent in the economy, thus meeting both requirements to qualify as a fundamental economic practice.

The Court similarly recognized that "some fundamental economic and conventional business practices are also abstract ideas." *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1256 (Fed. Cir. 2014). The Court recognized that not all conventional business practices constitute abstract ideas. In *DDR Holdings*, the Court emphasized the importance of a pre-technological business practice, stating: "these claims stand apart because they do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet." *Id.* at 1257. The Court further recognized that analogies to earlier business practices must be carefully evaluated, noting:

The dissent suggests that the "store within a store" concept, such as a warehouse store that contains a kiosk for selling a third-party partner's cruise vacation packages, is the pre-Internet analog of the '399 patent's asserted claims. Dissenting Op. 4. While that concept may have been well-known by the relevant timeframe, that practice did not have to account for the ephemeral nature of an Internet "location" or the near-instantaneous transport between

these locations made possible by standard Internet communication protocols, which introduces a problem that does not arise in the "brick and mortar" context.

*Id.* at 1258. Accordingly, a pre-technological or pre-Internet analog that does not involve the problems created by a technological method does not constitute an abstract idea to which claims are directed.

The Court similarly recognized in *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014), the claims merely recited the abstract idea of offering media content in exchange for viewing advertising, as applied to the particular technological environment of the Internet. Offering media content in exchange for viewing advertising is the economic basis of broadcast television, and clearly meets the requirements of long and prevalent use required for a fundamental economic practice.

### **(5) Approach of the Delaware District Courts**

The Delaware District Courts have adopted an approach of charting each recitation of a claim, alleged to constitute a fundamental business practice, against long-known business practices. *Walker Digital LLC v. Google, Inc.*, 2014 U.S. Dist. LEXIS 122448 (D. Del. 9/3/2014); *Joao Bock Transaction Systems, LLC v. Jack Henry & Assoc., Inc.*, 2014 U.S. Dist. LEXIS 172567 (D. Del. 12/15/14). In *Walker Digital*, the Court, in determining whether claim 1 of the patent in suit was patent-eligible, prepared a chart, comparing every limitation of claim 1, excluding technological limitations, to a pre-existing long-used manual method performed by headhunters. Only upon determining that every limitation of claim 1 had been performed, in the same order, by a single, pre-existing, long-used manual method performed by headhunters, did the Court determine that the claims were directed to a fundamental economic practice. Similarly, in *Joao Bock Transaction Systems*, the Court charted each limitation of claim 1, excluding technological limitations, against long-known banking practices. Again, only after identifying each charted limitation of the claim in the long-known banking practice did the court determine that the claims were directed to a fundamental economic practice.

### **iii) Methods of Organizing Human Activity**

In *Alice*, the Court rebutted an argument made by the patent owner, to the effect that the claims were not abstract as they were not directed to a fundamental truth. The Court stated:

[P]etitioner contends that the abstract-ideas category is confined to “preexisting, fundamental truth[s]” that “‘exis[t] in principle apart from any human action.’” *Id.*, at 23, 26 (quoting *Mayo*, 566 U.S., at \_\_\_, 132 S. Ct. 1289, 182 L. Ed. 2d 321, 337)).

*Bilski* belies petitioner’s assertion. The concept of risk hedging we identified as an abstract idea in that case cannot be described as a “preexisting, fundamental truth.” The patent in *Bilski* simply involved a “series of steps instructing how to

hedge risk.” 561 U.S., at 599, 130 S. Ct. 3218, 177 L. Ed. 2d 792. Although hedging is a longstanding commercial practice, *id.*, at 599, 130 S. Ct. 3218, 177 L. Ed. 2d 792, it is a method of organizing human activity, not a “truth” about the natural world ““that has always existed,”” Brief for Petitioner 22 (quoting *Flook*, *supra*, at 593, n. 15, 98 S. Ct. 2522, 57 L. Ed. 2d 451).

134 S.Ct. at 2356-57. The reference to “organizing human activities” was merely employed to point out that the claims found not patent eligible in *Bilski* were not directed to a preexisting fundamental truth that exist in principle apart from any human action. The Court merely disposed of this argument made by the patent owner, but did not elevate methods of organizing human activity to a separate category of abstract idea. In fact, the method at issue in *Bilski* was determined to be within the category of fundamental economic practice.

#### iv) Part II: Generic Computer Technology

The *Alice* Court established the principle that a claim directed to a fundamental economic practice is nevertheless patent-eligible if the computer-related recitations of the claim do more than add generic computer technology to the claim. As the Court stated, a claim’s recitation of a computer must amount to more than an instruction to implement a fundamental economic practice on a computer:

Thus, if a patent’s recitation of a computer amounts to a mere instruction to ‘implemen[t]’ an abstract idea ‘on . . . a computer,’ *Mayo*, *supra*, at \_\_\_, 132 S. Ct. 1289, 182 L. Ed. 2d 321, 337), that addition cannot impart patent eligibility. This conclusion accords with the pre-emption concern that undergirds our §101 jurisprudence. Given the ubiquity of computers, see 717 F. 3d, at 1286 (Lourie, J., concurring), wholly generic computer implementation is not generally the sort of “additional featur[e]” that provides any ‘practical assurance that the process is more than a drafting effort designed to monopolize the [abstract idea] itself.’ *Mayo*, 566 U.S., at \_\_\_, 132 S. Ct. 1289, 182 L. Ed. 2d 321, 327).

The Court found the use of hardware elements that had long been used in computers as not sufficient to establish eligibility, stating that terms such as “data processing system,” “communications controller” and “data storage unit” are purely generic. Slip op. at 16. As noted by the *Alice* Court, these conclusions are all based on the concern with pre-emption of abstract ideas that is the basis for the judicially created exception to the definition of statutory subject matter. (“We have described the concern that drives this exclusionary principle as one of pre-emption.” *Alice*, slip op. at 14.) The importance of preemption in Part 2 of the analysis has been emphasized by district courts as well. The Court stated in *Cal. Inst. of Tech. v. Hughes Communs.*, 2014 U.S. Dist. LEXIS 156763, 37 (C.D. Cal. Nov. 3, 2014):

This preemption concern underlies both steps of the analysis. The court must be wary about overstating this concern.

In accordance with the Court’s guidance in Alice, the technology recitations of a claim must be reviewed with a view to determining whether those recitations will pre-empt the use of the fundamental economic practice recited in the claims, by doing no more than providing an instruction to implement the fundamental economic practice on a computer using hardware that has long been in use. If the technology recitations leave open applications of the fundamental economic practice using different computer technology, then there is no danger of pre-emption, and the claim is patent-eligible.

Furthermore, the Alice Court provided examples as to types of recitations that constitute more than a mere instruction to implement a fundamental economic practice on a computer. The Court stated:

The method claims do not, for example, purport to improve the functioning of the computer itself.

Slip op. at 15.

Thus, claims that include recitations of method steps or structure that improve the functioning of a computer that is configured to implement a fundamental economic practice are patent-eligible. By way of example, recitations that improve the functioning of computers in such areas as speed of data processing, accuracy of data processing, storage and retrieval of data, transmission and communication of data, and related fields, will establish a claim as patent-eligible.

Similarly, the Court stated:

Nor do they effect an improvement in any other technology or technical field.

Slip op. at 15. Thus, claims that include recitations that result in improvements in a technology or technical field other than data processing are patent eligible. The Supreme Court noted with approval the use of a thermocouple to improve a process, by way of example.

Notably, the Supreme Court did not import the requirements of Section 102 or Section 103 of the statute into Part 2 of the analysis. The Court neither referred to those sections of the statute, nor employed the terms “novelty” or “nonobviousness” in its analysis. Rather, the Court compared the technology recited in the claims to generic, long-used computer technology. Accordingly, there is no requirement that recitations of technology meet the standards of novelty or nonobviousness in order to qualify as more than generic computer technology under Part 2 of the Alice analysis.

**Conclusion**

We appreciate the opportunity to provide these comments in response to the request for comments on the Interim Examination Guidance. We would be pleased to answer any questions that our comments may raise, and would welcome the opportunity to participate further in the development of examination instructions in this area.

Respectfully submitted,

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