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AMERICAN BAR ASSOCIATION

October 28, 2015

The Honorable Michelle K. Lee
Under Secretary of Commerce for Intellectual Property
and Director of the United States Patent and Trademark Office
U.S. Patent and Trademark Office
P.O. Box 1450
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Via email: 2014_interim_guidance@uspto.gov

Dear Director Lee:

I am writing on behalf of the American Bar Association Section of Intellectual Property Law (the “Section”) to provide comments on the “July 2015 Update: Subject Matter Eligibility” (“Eligibility Update”), including the “appendices” in response to the request of the United States Patent and Trademark Office (the “Office” or the “USPTO”) published in the Federal Register, 80 Fed. Reg. 164, 45429 (July 30, 2015). The views below are those of the ABA Section of Intellectual Property Law, not the American Bar Association as a whole, its House of Delegates, or its Board of Governors.

The Section thanks the Office for involving stakeholders as the Office prepares examination guidance, and encourages the Office to continue its outreach. The Section welcomes opportunities to provide further assistance to the Office at future roundtables or other meetings.

The Section applauds the Office’s work to provide twenty-seven examples that analyze practical examples of claims under the two-part Mayo test for subject-matter eligibility. These examples help both examiners and stakeholders to reach a common understanding and advance prosecution. Stakeholders currently find it difficult to decide whether to abandon or to file applications in view of the uncertainty over what constitutes patent-eligible subject matter. This uncertainty discourages inventors from pursuing businesses based on their inventions, and ultimately fails to promote the arts and useful sciences. The Eligibility Update helps to alleviate this uncertainty, but work remains.

Decisions from the Federal courts issue daily, which further advances our understanding of patent eligibility. The Section encourages continued vigilance, updates, and training at all levels of the Office, since the issue of subject matter eligibility is of paramount concern to the Office’s stakeholders.

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I. The Eligibility Update Addressed Some of Our Prior Comments

A. Difference between “Recites” and “Directed to”

The Section appreciates the Office’s consistent usage of the terms “recites” and “directed to.” However, the Section urges the Office to make clear to examiners that a claim is not patent-ineligible simply because it can be abstracted or broadly summarized to a basic concept, because all claims can be abstracted to a very high level basic concept. Therefore, only claims specifically directed to a judicial exception should be patent ineligible.

II. The Basis of Rejecting a “Fundamental Economic Practice” Should Be Its Long and Prevalent Use

The Office states that this is a question of law and therefore factual findings are unnecessary. Eligibility Update at 6. The Section disagrees that examiners should reject claims as patent-ineligible as a matter of law without providing evidence that the judicial exception is, for example, a long and prevalent fundamental economic practice. Even questions of law are resolved on the basis of facts, and are not decided by the whims of the judiciary or the examination core. § IV.C below provides further analysis demonstrating why examiners must provide substantial evidence supporting their rejections.

III. The Eligibility Update Did Not Address Some of Our Prior Comments

A. The Office Should Narrowly Interpret the Case Law

The Section agrees that the two-step *Mayo* test inherently addresses preemption, but the Eligibility Update should make clear that the second step involves determining whether additional limitations attenuate concerns that the patent-ineligible concept identified in the first step is not effectively preempted. The Section understands the difficulty in assessing whether claims are patent eligible and agrees with the Office’s approach of giving examiners a foundation in the case law. The Section urges the Office to instruct examiners to focus on that case law to assess whether claims under examination are similar to other claims that have been previously considered by a Court. In this way, it is less likely that examiners will incorrectly reject a claim as patent ineligible, which would risk “swallow[ing] all of patent law” *Alice Corp. Pty. Ltd. v. CLS Bank Intern.*, 134 S. Ct. 2347, 2354 (citing *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289, 1293-1294.)

B. The United States Might Be in Violation of an International Treaty

The Section previously expressed the concern that restriction of patent eligibility is in conflict with the Trade-Related Aspects of Intellectual Property Rights (TRIPS), Article 27 (titled “patentable subject matter”). The Section is concerned that the Office may be practically excluding certain subject matter as *per se* patent ineligible, which can be seen by the figures below demonstrating rejection rates of nearly 100% in certain technology groups:

Percent of Final Rejections w/ 101 Rejection Before and After Alice

	Before Alice	After Alice
1600 Bio, Gene & O. Chem	8.1%	16.7%
2100 Computer Architecture	21.8%	16.2%
2400 Networks and Video	15.3%	11.3%
2600 Communications	10.0%	7.7%
3600 Trans., Constr. Biz. Methods		
Business Crypto	38.6%	56.7%
Business Processing & Modeling	44.0%	96.4%
Cost/Price, Reservations	37.6%	72.8%
E-Shopping	37.9%	97.2%
Health Care, Insurance	34.0%	83.5%
Incentive Programs	36.2%	87.4%
Incentives, Oper., Eshopping, Insur., Retail	44.4%	95.0%
Operations Research	46.6%	95.6%
POS, Inventory, Accounting	23.2%	77.7%
3700 Mechanical Eng. & Manuf.		
Amusement & Education	16.5%	30.1%

Source: Bilski Blog, Robert R. Sachs, Fenwick & West

IV. Additional Comments

A. The Eligibility Update should make clear that there are three separate tests for assessing patent eligibility

The Eligibility Update should make clear that there are three separate tests, much as enablement and written description are two separate tests:

- The “machine or transformation” test is still a “useful and important clue, an investigative tool” for determining whether some claimed inventions are processes under § 101.” *Bilski v. Kappos*, 130 S. Ct. 3218, 3227 (2010). Under “machine-or-transformation,” the relevant characteristic is whether each and every step, as recited, is “abstract” in the sense of “mental process.” *See, e.g., In re Comiskey*, 554 F.3d 967, 979 (Fed. Cir. 2009). Under this test, claims are considered with care and precision, analogous to § 102. The presence or absence of an “abstract idea” is determined as a matter of *claim interpretation* (not, as the Eligibility Update erroneously suggests, by official notice).

- The pre-*Mayo* test for “law of nature” and “natural phenomenon” probably likewise retains vitality. The relevant characteristic is whether each claim limitation is free of the hand of man. Like machine-or-transformation, claims are considered with precision, and the presence of human intervention is determined as a matter of claim interpretation.
- The *Mayo/Alice* test is as different from these two as oil and water. The relevant characteristic is whether each claim limitation is “long pervasive.” Claims are considered in a less formal matter—for example, claim language that recites that a step is necessarily performed with a “computer” or in a “digital memory” may be “equivalent” to paper and pencil. The evaluation requires *evidence*, though that evidence may come in through official notice of *documents* (though not through judicial notice of facts).

It was well understood that the “abstract idea” and “law of nature” test were separate—for example, it would have been unthinkable to observe that one part of a claim was performed in the human mind, and another part operated by natural principles—a claim only failed if it met one test or the other in its entirety. Similarly, both the Supreme Court and Federal Circuit have made clear that the new *Alice* “long prevalent” test is entirely separate from the older machine-or-transformation or “law of nature” test as they were known before 2010. For example, *Alice* notes that a computer being a tangible “machine” is “beside the point.” 134 S.Ct. at 2358-59. The Federal Circuit keeps these tests separate and distinct—for example, *Allvoice Developments US v Microsoft Corp*, 2015 WL 2445055 (Fed. Cir. May 21, 2015) uses “machine-or-transformation” reasoning, not a mix-and-match.

Where the three tests diverge, the Eligibility Update should be separated into three separate sections to make the distinctions clear. This ripples through the Eligibility Update at a number of places: For example:

- In the Eligibility Update, sections III(A) and (B) (“fundamental economic practice” and “human activity”) are applicable under the *Mayo/Alice* test, while III(C) and III(D) (“an idea of itself” and “mathematical relationships/formulas”) are relevant under the machine-or-transformation test. It will confuse matters to present them together as if they were interchangeable alternatives.
- The Eligibility Update on page 3 states (with no citation to any support) that “examiners should keep in mind that judicial exceptions need not be old or long-prevalent, and that even newly discovered judicial exceptions are still exceptions, despite their novelty.” This sentence is true for the machine-or-transformation test, and false for the *Mayo/Alice* “long prevalent” test.

B. Identifying Abstract Ideas

It is important to establish a clear methodology for identifying abstract ideas to reduce the possibility of misunderstanding and uncertainty in application drafting and prosecution, and to make clear that an “abstract idea” for the machine-or-transformation test is an entirely different thing than an “abstract idea” under the *Mayo/Alice* “long prevalent” test. The Eligibility Update is an excellent next step, but there still seems to be confusion within the examiner core as to how to apply the guidelines. For instance, the Eligibility

Update states the guidelines will “ensure that a claimed concept is not identified as an abstract idea unless it is similar to at least one concept that the courts have identified as an abstract idea.” *Id.* at 3. It is not clear that examiners are following this instruction, but appear to use their creativity in an attempt to identify an abstract idea from the claim, which is a “guilty until proven innocent” mindset. Examiners must expressly identify a concept that courts have identified as an abstract idea and how that concept is similar to the claimed invention. Making such express statements will give the applicant and the examiner a framework for discussion, rather than simply arguing whether the idea is abstract based upon subject opinion. Further, the Section is concerned that each of Sections III(A)-(D) in the Eligibility Update provide only examples and cases where the claims have been found to be abstract. While this is certainly a function of the “bandwagon” approach that the courts have been taking when assessing patent eligibility (which is an indication that this issue has, indeed, “swallowed all of patent law”), the examiners should be strongly encouraged to approach each application with the understanding that all claims are not directed to abstract ideas.

C. “Fundamental Economic Practice”

The analysis of whether a claim is directed to a “fundamental economic practice” requires some evidentiary basis. Without such an analysis examiners are free to reject claims based on subjective personal opinion of what constitutes a “fundamental economic practice.” The Eligibility update suggests that evidence was not of record in the *Bilski* and *Alice*, and therefore the Office need not provide evidence of the long and prevalent use of a fundamental economic practice. Eligibility Update, p. 6. However, the record in *Alice* did cite to evidence demonstrating the long and prevalent use of the fundamental economic practice. *CLS Bank Intern. v. Alice Corp. Pty. Ltd.*, 717 F. 3d 1269, 1312 (Fed. Cir. 2013) (citing Appellant’s Br. 39, Richard A. Brown, *A History of Accounting and Accountants* 93 (1905)). Furthermore, in *Bilski*, there was no dispute as to whether the claims were directed to a fundamental economic practice, and therefore evidence was not required to demonstrate such. *Bilski*, 130 S. Ct., 3229 and *In re Bilski*, 545 F. 3d 943, 965–5. Therefore, the Office should provide evidence demonstrating that the idea that the a claim at issue is directed to is indeed “a fundamental economic practice long prevalent in our system of commerce.” *Alice*, 134 S. Ct., 2356 (emphasis added).

D. “Certain Methods of Organizing Human Activity”

The Eligibility Update indicates that this phrase is used to describe concepts related to inter- and intra-personal activities, including “managing relationships” and “advertising, marketing, and sales activities or behaviors.” Using such broad, sweeping categories to describe potentially abstract ideas runs the risk of an examiner identifying any method of managing a relationship, advertising, marketing, or selling as an “abstract idea”, regardless of the meaningful limitations in the claims or the fact the there is no preemption of described activity. While the Eligibility Update (p. 4) does caution that “not all methods of organizing human activity are abstract ideas,” it does not provide any concrete guidance or categorical examples of such methods that are not abstract. As discussed above, the Office should encourage examiners to approach each application on an individual basis, and make their determinations from a neutral position. Again, all claims in all patents stem, at least in part, from an abstract idea or concept.

E. “An Idea ‘Of Itself’”

The Section is concerned that examiners may reject claims simply because they describe an abstract idea, instead of assessing whether a claim is directed to an abstract idea. The Eligibility Update states that an “idea” can “be considered organizing human activity because the claim describes advertising.” Eligibility Update, p. 5. This is the type of statement with which the Section is concerned because the test is not whether a claim “describes advertising,” but is whether a claim is “directed to” a judicial exception, such as certain methods of organizing human activity. Therefore, the Section urges the Office to train examiners that only claims directed to an abstract idea, and do not include additional limitations that avoid preemption of such an idea, are patent ineligible. Using broad, categorizing words to describe a claim, *e.g.*, an advertising method or system, a sampling method or system, a risk level assessment method or system, a data transmission method or system, will only lead the examiner to label a claim as directed to an abstract idea, since it can be reduced to a few generic words. However, labeling a claimed concept in as few words as possible is certainly not the test.

F. “Mathematical relationships/formulas”

The Office has only provided examples of concepts that are abstract as being directed to mathematical relationships and formulae. However, the mere inclusion of a mathematical relationship or formula in a claim does not make the claim directed to an abstract idea. New and useful mathematical relationships are developed in all types of patent applications, *e.g.*, mechanical, chemical, electrical, processing, such that only unaltered known relationships that are so basic as to be “laws of nature” should be identified as an abstract idea. Further, and with respect to software- and systems-type inventions, and at its basic level, all of these types of inventions include, are supported by, or are implemented through the use of mathematical algorithms, relationships, formulae, and calculations, as these are the building blocks of programming. Accordingly, the Office should encourage examiners to again view the claim from the view of whether or not the claim language preempts a known mathematical relationship/formula.

G. The Eligibility Update misstates the law of official notice

The Eligibility Update states,

Courts have not identified a situation in which evidence was required to support a finding that the additional elements were well-understood, routine or conventional, but rather treat the issue as a matter appropriate for judicial notice.

This misstates the law in multiple respects.

First error. The Office misapprehends its obligations under the law. The Office is not an Article III court. Unlike Article III courts, the Office is bound by the Administrative Procedure Act. The APA requires agencies to support any adverse decision by

“substantial evidence.”¹ There are many courses that are open to courts that are not open to the Office. Analogies to the powers of Article III courts must be made with great care, and this one is misleading.

Second error. The Eligibility Update misstates the practice of the courts, at least in applying the *Mayo/Alice* test. For example, *Alice* cites evidence for every point in its reasoning.² As the Eligibility Update itself notes, so does *Bilski*.

Under the older machine-or-transformation test, any requirement for activity outside the human mind was decided as a matter of claim interpretation, not as a matter of fact. Because there was no matter of fact, the question was *not* handled “as a matter appropriate for judicial notice.”

Third error. The Eligibility Update may reflect a misunderstanding that there are two different kinds of judicial notice (and official notice)—notice of documents, and notice of facts. The two are quite different, and the misunderstanding in the Eligibility Update may reflect a misunderstanding of this difference:

- The Office may take official notice of a standard reference work, such as Webster’s Unabridged Dictionary, and in turn may rely on that work to support a factual finding that it was old to use vacuum for moving letters, packages and related matter by air pressure³
- A court or agency may take judicial notice of the combination of a scientific book, a journal article, and a newspaper article to establish that the term “red gold” is a term of art. The tribunal may then take notice of a standard reference work, such as the Oxford English Dictionary, for the definition of that term⁴
- An agency may admit a government report into evidence, but may not take official notice of every fact, summary, or opinion in that report⁵—notice of the document is not the same thing as notice of facts.

Article III courts and agencies have the power to take judicial notice of standard treatises and the like, and once noticed, the document itself becomes “evidence.” The explanation of the evidentiary issue in the Eligibility Update reflects a misunderstanding of the role of evidence, and the procedures for getting evidence into the record at various phases of review.

¹ *In re Gartside*, 203 F.3d 1305, 1316, 53 USPQ2d 1769, 1774–75 (Fed. Cir. 2000) (PTO findings must be supported by “substantial evidence”).

² For example, *Alice* cites 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); 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).

³ *In re Boon*, 439 F.2d 724, 727, 169 USPQ 231, 234 (CCPA 1971).

⁴ *Solid 21, Inc. v. Breitling USA Inc.*, 2011 WL 2938209 at *4 (C.D. Cal. Jul. 19, 2011).

⁵ *Galina v. Immigration and Naturalization Svc.*, 213 F.3d 955, 958 (7th Cir. 2000) (Posner, J).

Fourth error. The Office’s misunderstanding of “evidence” is further reflected in the following sentence:

The materials cited by the Supreme Court “cannot be evidence, however, because the Supreme Court is an appellate court limited to review of the record created below, *i.e.*, by the Office’s rejections.”

This reasoning is faulty. First, new evidence often comes into the record during an appellate court’s review of agency action—new evidence is still “evidence.”⁶ Judge Richard Posner of the Seventh Circuit has noted that he, like all other appellate judges, regularly looks outside the record to public sources for evidence of “legislative facts” and sources eligible for judicial notice.⁷

Recommendation. As noted earlier in section IV.A, the older machine-or-transformation test and *Mayo/Alice* test are fundamentally different in this respect:

- Under the older machine-or-transformation test, the presence of an “abstract idea” is determined as a matter of claim interpretation, not as a matter of fact. “Judicial notice” is simply irrelevant here—the statement in the Eligibility Update is a *non sequitur*.
- Under the *Mayo/Alice* test, an agency must provide evidence to support its conclusions, “Judicial notice” is simply beyond the Office’s authority, and the Eligibility Update is simply in error.

Reference to judicial notice should be entirely removed—it’s simply irrelevant to an administrative agency. Reference to official notice should likewise be removed—it is inapplicable to either test.

V. The Section Encourages Examiners to Help Applicants Draft Patent-Eligible Claims

The Section agrees with the “2014 Interim Guidance on Patent Subject Matter Eligibility” (“Interim Guidance”) (79 Fed. Reg. 241, 74618–33) that the Supreme Court did not create a *per se* exclusion. The Office should emphasize this to examiners and demonstrate a path to allowance for applicants. For instance, patents that describe and claim specific hardware to accomplish a particular task should be patent eligible, and examiners should help applicants to amend claims to be patent eligible. *See e.g.*, appl. no., 11/461,497, “System and method for order fulfillment,” notice of allowance dated February 20, 2015, (providing examiner’s amendment to add “reader device” and “display device” to

⁶ Stark and later-D.C. Circuit Chief Judge Sarah Wald, *Setting No Records: The Failed Attempts to Limit the Record in Review of Administrative Action*, 36 Admin. L. Rev. 333, 335–36 (Fall 1984) (“courts have developed so many unwritten exceptions to the doctrine of record review, that industrious advocates can now introduce any evidence they choose in cases involving review of informal administrative action.”); *Esch v. Yeutter*, 876 F.2d 976, 991 (D.C. Cir. 1989) (setting out eight categories of evidence that may be adduced in a court of appeals);

⁷ Richard A. Posner, *Effective Appellate Brief Writing*, http://www.abanet.org/litigation/litigationnews/trial_skills/appellate-brief-writing-posner.html (Sep. 1, 2010) (unpublished) (“The Web is an open source; it is as great a resource for lawyers as for judges”).

overcome a § 101 rejection). If a specification sufficiently describes and enables a special-purpose machine recited in the claims, examiners should identify amendment to expressly limit a claimed concept to that special-purpose machine to overcome a § 101 rejection.

VI. Conclusion

The ABA welcomes the opportunity to continue to work with the Office in identifying patent-eligible subject matter. These comments focus on the Eligibility Update, but the Section is working in parallel to develop recommendations on what, if anything, Congress should do to clarify the law on patent eligibility. The Section also looks forward to receiving a life-sciences-focused eligibility update, and will provide comments on that too.

Very truly yours,



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Section Chair
American Bar Association
Section of Intellectual Property Law