



**COMMENTS OF THE ELECTRONIC FRONTIER FOUNDATION
AND PUBLIC KNOWLEDGE REGARDING JULY 2015 UPDATE
ON SUBJECT MATTER ELIGIBILITY**

Docket No. PTO-P-2015-0034

The Electronic Frontier Foundation (“EFF”) and Public Knowledge are grateful for this opportunity to respond to the request by the United States Patent and Trademark Office (“USPTO”) for comments regarding the USPTO’s July 2015 Update on Subject Matter Eligibility.

EFF is a nonprofit civil liberties organization that has worked for more than 25 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its approximately 22,000 dues-paying members have a strong interest in helping the courts and policy-makers in striking the appropriate balance between intellectual property and the public interest. Public Knowledge is a non-profit organization that is dedicated to preserving the openness of the Internet and the public’s access to knowledge; promoting creativity through balanced intellectual property rights; and upholding and protecting the rights of consumers to use innovative technology lawfully. As established advocates for consumers and innovators, EFF and Public Knowledge have a perspective to share that might not be represented by other persons and entities who submit comments in this matter, where such other commentators do not speak directly for the interests of consumers or the public interest generally.

I. Introduction

EFF and Public Knowledge welcome the USPTO’s call for public comment regarding its guidance on patentable subject matter. Earlier this year, EFF and Public Knowledge submitted

comments regarding the USPTO's 2014 Interim Guidance on Patent Subject Matter Eligibility.¹ EFF and Public Knowledge also submitted comments on July 31, 2014, regarding the USPTO's preliminary instructions on patentable subject matter.² Public Knowledge in those submissions, we argued that any guidance should clarify that the Supreme Court's decision in *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014) radically alters the standards for computer-implemented inventions. We also urged the USPTO to do more to ensure that examiners apply *Alice* and cease allowing applications directed to abstract ideas implemented on a computer.

With respect to the USPTO's July 2015 Update, we remain concerned that the guidance does not sufficiently inform examiners regarding the change in eligibility law after *Alice*. We are also very concerned that some of the examples developed by the USPTO wrongly characterize claims as eligible. Indeed, the examples appear to reward the kind of artful drafting that the Supreme Court explicitly cautioned against. We urge the USPTO to reconsider its examples and diligently follow the Supreme Court's instruction that "generic computer components" do not become patent eligible simply upon being "configured" to perform "specific computerized functions." *Alice*, 134 S. Ct. at 2360.

II. Interim Guidance Should Clearly Explain Where the MPEP Is No Longer Accurate.

EFF and Public Knowledge contend that the most useful guidance for examiners would be a clear statement of why the now-superseded sections of the MPEP are no longer accurate. For example, the MPEP previously cited *In re Alappat*, 33 F.3d 1526 (Fed. Cir. 1994) (en banc) for the principle that a general purpose computer becomes "a special purpose computer once it is programmed to perform particular functions pursuant to instructions from program software." MPEP 2106(II)(B)(1)(a). The MPEP also cited the decision in *Ultramercial v. Hulu*, 657 F.3d 1323, 1329 (Fed. Cir. 2011) for a similar proposition. In previous comments, EFF explained that the Supreme Court's decision in *Alice* establishes that *Alappat* is no longer good law. See April 2015 EFF Comments at 3-4. The cited *Ultramercial* decision is also no longer good law as it has

¹ Available at: http://www.uspto.gov/sites/default/files/documents/2014ig_a_eff_2015apr02.pdf (EFF) and http://www.uspto.gov/sites/default/files/documents/2014ig_a_public_2015mar16.pdf (Public Knowledge).

² Available at: <http://www.uspto.gov/sites/default/files/patents/law/comments/al-a-eff20140731.pdf> (EFF) and <http://www.uspto.gov/sites/default/files/patents/law/comments/al-a-publicknowledge20140731.pdf> (Public Knowledge).

been vacated and reversed. Any guidance should include a statement drawing these developments to the attention of examiners so they have clarity on why these sections of the MPEP needed to be replaced.

III. Given Ongoing Uncertainty Regarding Eligibility, Examiners Should Exercise Caution in Assessments of Patent Applications.

Given the ongoing flux and uncertainty with regard to subject matter eligibility, USPTO examiners should exercise caution in its assessments of patent applications, and the path of caution weighs toward finding ineligibility in situations of doubt. This is because erroneous rejections of ineligibility can be relatively quickly resolved, whereas erroneous allowances of ineligible subject matter could take much more time and resources to correct. When an application is incorrectly rejected, the applicant has numerous options. The applicant can file an appeal to the PTAB and ultimately the courts. The applicant can contact the primary examiner and/or SPE to contest the rejection. The applicant can use the USPTO's ombudsman program.

By contrast, when an application is wrongly allowed, it deprives the public of rights to make, use, and sell things that ought to be permitted and in the public domain. Correcting that error requires invalidation of the patent, which must be done through litigation or one of the USPTO's post-grant proceedings. Any of these options will require months of time and thousands or millions of dollars of expenditures. Furthermore, issued patents receive a presumption of validity, meaning that any erroneous allowance is only made more difficult to correct by the statutory scheme.³

There are those, such as former Chief Judge Paul Michel speaking at the USPTO's recent Quality Summit, who find it "equally terrible" to reject a valid patent as it is to issue an invalid patent. But the aforementioned considerations suggest that it is far more problematic to issue an invalid patent. That consideration ought to be on the minds of examiners, and this guidance, as with all other guidance by the USPTO, should place this consideration on their minds.

Example 27 in the July 2015 Update demonstrates the importance of caution when making eligibility assessments. The example claim relates to loading a Basic Input/Output

³ Notably, it is uncertain whether the presumption of validity applies to subject matter eligibility challenges. Again, this uncertainty in the law should urge examiners to be cautious about allowances that could lead to complex legal questions, ones that could be headed off by careful determinations during examination.

System or BIOS, a software program for starting up a computer, from a remote location such as a networked computer. The guidance suggests that, because the BIOS is specialized software needed to start up a computer's hardware, it is "clear that the claim as a whole would clearly amount to significantly more than any potential recited exception."

This may be true if the term BIOS were interpreted as the USPTO suggests, as specialized software closely tied to the hardware of a computer. The specification of the patent from which this example derives is consistent with this suggestion. But if the specification were more ambiguous or left greater room for interpretation of the term "BIOS," then the claim could easily be ineligible. For example, if the specification stated that "BIOS" could refer to any input/output software, then the claim would potentially cover all remote execution of software, which would very likely fail under § 101.

The principle of caution stated above, then, suggests that an examiner would be well advised to be careful about applying the "streamlined analysis" as the guidance suggests, unless that examiner were certain about the scope of the claim terms. Issuance of this broad hypothetical patent covering all remote software execution could create serious problems for the software industry, the precise sorts of problems that the Supreme Court sought to avoid with the subject matter eligibility doctrine.

IV. The July 2015 Update Wrongly Categorizes Ineligible Claims as Eligible.

The most recent *Alice* guidance includes new examples, with some adapted from actual cases and others created by the USPTO. We have particular concerns about the first new example, Number 21, that is based on *Google Inc. v. Simpleair, Inc.*, CBM 2014-00170 (Jan 22, 2015). We believe that this decision was an outlier and that the claims at issue might not have been found eligible had the decision been appealable. The PTAB's decision not to institute a CBM review is non-appealable. 35 U.S.C. § 314(d); *see also In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268, 1273 (Fed. Cir. 2015). This means that the USPTO has adapted an example that was not and could not have been reviewed for error. Other patents in the same family continue to be litigated and it is possible that the Federal Circuit will eventually consider whether closely analogous claims are eligible under *Alice*.⁴ We suggest that using teaching examples

⁴ On October 12, 2015, a jury found that Google did not infringe any of the asserted claims of two asserted patents from the same family. *Simpleair, Inc. v. Google Inc.*, Jury Verdict,

from a patent family that is still in active litigation is unwise since courts may yet reach a different conclusion. If that happened the USPTO would have to remove the bad example and update trainings yet again. Moreover, it could be seen as commentary by the USPTO on issues that remain before the courts. It is better for the Office to adapt examples from fully resolved disputes.

In Example 21, Claim 2 is not distinct from Claim 1 in any way that should be relevant to eligibility. The addition of generic computer hardware such as a “viewer” and generic Internet protocols such as “a universal resource locator” should not change the analysis. Contrary to the guidance, this is merely applying an abstract idea to a particular environment. And while claims must be considered as a whole, a patent applicant cannot make an abstract idea patentable simply by breaking it into numerous steps to be implemented using generic computer processes. Indeed, this is the chief lesson of the *Ultramercial* case. *See Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 714 (Fed. Cir. 2014) (noting that “the claims do no more than break the abstract idea into basic steps and add token extra-solution activity, the claims add no meaningful limitations to convert the abstract idea into patent-eligible subject matter”). We are concerned that the USPTO’s guidance fails to impart this important rule – one that required multiple trips to the Supreme Court before the Federal Circuit reached the correct result.

We have no objection to the USPTO using examples adapted from unpublished decisions such as *Planet Bingo, LLC v. VKGS LLC*, 576 F. App’x 1005, 1006 (Fed. Cir. 2014) or *DietGoal Innovations LLC v. Bravo Media LLC*, 599 F. App’x 956 (Fed. Cir. 2015) (Rule 36 affirmance). Some commenters have suggested that the Office should not use examples based on unpublished decisions. *See* Comments of Robert R. Sachs, http://www.uspto.gov/sites/default/files/documents/2014ig_f_sachs_2015mar16.pdf. But these cases are unpublished because the rulings are mundane and uncontroversial applications of *Alice*. This potentially makes them more suitable as teaching examples, not less.

We also note that the July 2015 Update refers again to a teaching example adapted from *Research Corp. Techs. v. Microsoft Corp.*, 627 F.3d 859 (Fed. Cir. 2010). *See* July 2015 Update at 3. We renew the objection to the inclusion of pre-*Alice* cases such as this. As EFF explained in

Case 2:14-cv-00011-JRG (E.D.T.X. Oct. 12, 2015) (Docket No. 348). If this verdict is appealed, as appears likely, the defendant may cross-appeal the denial of its motion for summary judgment under § 101.

previous comments, then Chief Judge Rader’s opinion in *Research Corp.* is strikingly similar to his now overruled opinion in *Ultramercial, LLC v. Hulu, LLC*, 657 F.3d 1323, 1325 (Fed. Cir. 2011), *vacated* 132 S. Ct. 2431 (2012). In *Ultramercial*, the court found the claims patent eligible because the steps “clearly require specific application to the Internet and a cyber-market environment.” 657 F.3d at 1328. In *Research Corp.*, the court found the claims patent eligible because they related to “specific applications or improvements to technologies in the marketplace.” 627 F.3d at 869. This holding has, at the very least, been brought into question by the Supreme Court’s ruling in *Alice*. Including a summary of the facts and holding in *Research Corp.* can serve only to confuse examiners and dilute the impact of *Alice*. The USPTO should remove it from all interim and final guidance.

V. The USPTO Must Do More To Ensure That *Alice* Is Applied To All Pending Applications.

In previous comments, EFF noted patents issuing post-*Alice* that we believe are plainly ineligible under the Supreme Court’s ruling. *See* EFF April 2015 Comments at 5-7, EFF July 2014 Comments at 6-7. We remain concerned that many invalid patents are issuing despite the *Alice* decision.

For example, the most recent Gazette includes highly questionable patents such as U.S. Patent No. 9,171,315 and US Patent No. 9,171,299. The ’315 patent, titled “System and Method for Negotiating Item Prices,” is directed to the abstract idea of negotiating prices applied to the online shopping. The ’299 patent, titled “Isolated Payment System,” is directed to the abstract idea of having a third party payment provider applied to virtual shopping environments. In our view, at least some of the claims of these patents are likely ineligible under § 101.

In the case of the ’299 patent, the examiner did not even raise § 101 despite the fact that the claims of this patent are clearly directed to an abstract business idea. In the case of the ’315 patent, the examiner initially rejected all claims under § 101 but withdrew the rejection after very minor claim amendments. The applicant presented its arguments for eligibility during a telephone interview. The details of these arguments are not found anywhere in the record. So, not only was the patent issued despite very serious questions about eligibility, the public has no record whatsoever of the applicant’s argument on this topic nor the examiner’s reasons for

accepting those arguments. The public is the loser when examiners issue questionable patents after cursory, and inadequately documented, review.

Given the extraordinary cost of invalidating improperly-issued patents in post-grant review or litigation, it is far more efficient for the USPTO to diligently review pending applications to ensure *Alice* is applied.

VI. Conclusion

EFF and Public Knowledge again thank the USPTO for the opportunity to comment regarding its patent eligibility guidance. We urge the USPTO to adopt clearer guidance that explains how *Alice* changed the law of patent eligibility and ensure that this new standard is applied diligently.

Respectfully submitted,

Electronic Frontier Foundation

Daniel Nazer

Staff Attorney

Vera Ranieri

Staff Attorney

Public Knowledge

Charles Duan

Director, Patent Reform Project

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