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Hon. Michelle K. Lee  
Mail Stop Comments – Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450  
Attention: Raul Tamayo, Senior Legal Advisor,  
Office of Patent Legal Administration

Via email: [2014\\_interim\\_guidance@uspto.gov](mailto:2014_interim_guidance@uspto.gov)

**Re: Comments on July 2015 Update on Subject Matter Eligibility**

Dear Director Lee:

In response to the United States Patent and Trademark Office's request for comments on the July 2015 Update on Subject Matter Eligibility published in 80 Fed. Reg. 45429, please accept my enclosed article, "3 Pros and 7 Cons of USPTO's Section 101 Guidance Update." This article was published in *IP Law360* on October 26, 2015. The views set forth in the article are my own, and do not reflect the opinions of RatnerPrestia, P.C., or any of its clients.

Thank you for the opportunity to provide feedback with respect to patent subject matter eligibility.

Very truly yours,

/Sunjeev S. Sikand/  
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Enclosure: Article

# 3 Pros And 7 Cons Of USPTO's Section 101 Guidance Update

Law360, New York (October 26, 2015, 11:03 AM ET) --

In July 2015, the U.S. Patent and Trademark Office updated its patentable subject matter guidance in response to public comments on the 2014 interim guidance on subject matter eligibility (IEG). The July 2015 update contains a new set of computer-related examples, discusses issues raised by the public comments on the IEG, and is intended to help the examining core in applying the 2014 IEG during the patent examination process.

But, the USPTO's interpretation of patentable subject matter law in the July 2015 update ignores many of the comments made from the patent stakeholder community in response to the IEG and adds even more subjectivity to a § 101 analysis. Following are 10 issues, specifically seven cons and three pros, of the USPTO's July 2015 update.



Sunjeev S. Sikand

## The Cons

### ***1. Prima facie case of subject matter ineligibility and evidence.***

The USPTO states that because patent subject matter eligibility is a question of law and courts do not rely on evidence to establish that a claim is directed to a judicial exception, no evidence is required for a § 101 rejection.[1] However, the Administrative Procedure Act mandates the production of evidence by government agencies, such as the USPTO.[2] Because the USPTO is bound by the APA, the examining core is not permitted to use official notice in rejections in the same manner that judges utilize judicial notice in court proceedings.[3] In forming a § 101 rejection, the examining core should be required to make a prima facie showing on all claim elements with evidence to show a claim is directed to a judicial exception or well understood, routine, or conventional.[4]

### ***2. The USPTO asserts that "while a preemptive claim may be ineligible, the absence of complete preemption does not guarantee that a claim is eligible."*[5]**

Granted, preemption is not a standalone test. But, preemption is the policy motivating the two-part Mayo test, and the U.S. Supreme Court has rejected the notion of a single, bright line rule for patent eligibility.[6] Therefore, evidence from applicants showing that their claims do not preempt a judicial exception should be considered as a probative factor in determining patent eligibility.

### ***3. Use of the nonprecedential SmartGene decision.***

In the July 2015 update, the USPTO routinely uses the SmartGene[7] decision to support its contentions that computer-related examples 21 and 22 in Appendix 1 are directed to abstract ideas. However, SmartGene is a nonprecedential case, and therefore never established a holding that should be applied to other cases. In addition, the claims in examples 21 and 22 are overgeneralized to set up a false analogy to the SmartGene

decision. The example 21 analysis states: "It is similar to other concepts that have been identified as abstract by the courts, such as ... comparing new and stored information and using rules to identify options in SmartGene." The USPTO's repeated use of the nonprecedential SmartGene decision is a serious problem and should be withdrawn.

**4. The analyses of the examples fail to identify which claim recitations are in the abstract idea and which are not.**

Using the methodology of the July 2015 update, examiners can include many claim elements within an abstract idea, and then disregard those elements in the Mayo Step 2B "significantly more" analysis. In examples 21 and 22, the USPTO's § 101 analyses fail to look at several elements under both Steps 2A and 2B.[8] An analysis that does not treat each claim element under either of the Mayo steps violates the USPTO's notice obligations and makes prosecution onerous.[9] Examiners should provide a basis in the record for each claim element under Steps 2A or 2B.[10]

**5. The USPTO's analyses of the examples provide several descriptions of what the claims are allegedly directed to.**

The analysis of example 21 uses three different descriptions of what the claim is directed to. The USPTO first states that "[t]he claim recites the steps of receiving, filtering, formatting and transmitting stock quote information." Next, the USPTO states that "[i]n other words, the claim recites comparing and formatting information for transmission." Finally, the USPTO states "[t]his is simply the organization and comparison of data." Similarly, example 22 contains four different descriptions of what the claim is allegedly directed to.

A Step 2A analysis that uses multiple descriptions of what a claim is directed to is confusing and forces applicants to rebut whether each of the directed to descriptions are actually judicial exceptions. Even if the applicant is able to successfully rebut one description, the examiner may then turn to the more generalized description. The USPTO should use a single directed to description in a § 101 analysis.

**6. In example 23 (graphical user interfaces), the USPTO concludes that broader claim 1 is not directed to an abstract idea, but the USPTO concludes that narrower claim 4, which contains all of the elements of claim 1 and additional elements, is directed to an abstract idea.**

The § 101 analysis of this narrower claim will require applicants to clear a higher § 101 bar for dependent claims than independent claims. Granted, the USPTO ultimately determines that claim 4 adds significantly more, but this example may cause the examining core to erroneously believe that any "calculating" recitation means a claim is directed to a judicial exception under Step 2A. Because the graphical user interface calculations of example 23 are not akin to the mathematical algorithms (e.g., representative of a law of nature) that courts have previously found abstract, the USPTO should determine that claim 4 of example 23 is not directed to an abstract idea.

**7. The USPTO analysis in example 25, based on *Diamond v. Diehr*, incorrectly states "the claim limitations of performing repetitive calculations and comparisons between the calculated time and the elapsed time could be performed by a human using mental steps or basic critical thinking, which are types of activities that have also been found by the courts to represent abstract ideas."**

The Diehr court never discussed the mental steps doctrine. In fact, Justice John Paul

Stevens' dissent complained that "Justice Douglas' opinion for a unanimous Court made no reference to the lower court's rejection of the mental-steps doctrine or to the new technological-arts standard." [11] For the USPTO to suggest that the Diehr court made a finding that these claim elements are mental steps is erroneous, and therefore this statement should be retracted.

## The Pros

### ***1. The July update includes examples where the USPTO states that "the claim recites additional limitations that when viewed as an ordered combination amount to significantly more than the second abstract idea."***

In example 21, the USPTO's Step 2B analysis of claim 2 states that "although some of the limitations when viewed individually do not amount to significantly more than the abstract idea (such as storing subscriber preferences or transmitting an alert) ... when looking at the ordered combination of the elements, the invention as a whole amounts to significantly more than simply organizing and comparing data [the alleged abstract idea]." Similarly, the USPTO's analysis of claim 2 in example 25 (based on Diehr) states that "the claim recites additional limitations that when viewed as an ordered combination amount to significantly more than the second abstract idea (the critical thinking steps of calculating and comparing the timing data)." This language in examples 21 and 25 should help applicants rebut an examiner that is improperly dissecting a claim to support a § 101 rejection.

### ***2. The USPTO correctly determines that example 26 (internal combustion engine) is eligible for the streamlined eligibility analysis.***

Example 26 recites an internal combustion engine with various mechanical parts. The claim further recites a control system that "calculate[s] a position of the exhaust gas recirculation valve." The USPTO's conclusion that there is no need to perform the full eligibility analysis is in line with the preemption policy motivating the two-part Mayo test. As a result of the streamlined eligibility analysis in the IEG, applicants that are outside of the e-commerce art units of Technology Center 3600 have not faced a barrage of § 101 rejections in wake of the July 2015 update. [12]

### ***3. The USPTO states that "computers and computer operations are not automatically subjected to an eligibility analysis" in example 27 (system software – Basic Input/Output System).***

Example 27 recites a series of steps for loading a Basic Input/Output System on a local computer system from a remote storage location. The USPTO concludes that transferring control of the processor operations to that BIOS code would "clearly amount to significantly more than any potential recited exception." Examiners in computer-focused Technology Centers 2100, 2400, and 2600 will hopefully use example 27 as a basis for determining that a § 101 rejection does not need to be raised when issuing first office actions.

## Conclusions

The USPTO's July 2015 update to its previous patent eligibility guidance is an improvement, but still contains several flaws that need to be addressed in future iterations. The errors discussed above, including the role of evidence, use of nonprecedential decisions, and presence of several descriptions of what a claim is directed to, are in need of correction and should be the focus of future versions of the guidance. With public comments due on Oct.

28, 2015, the USPTO will almost certainly refine its patent subject matter eligibility guidance in the near future.

—By Sunjeev S. Sikand, RatnerPrestia PC

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[1] See July 2015 Update at 6.

[2] See *Dickinson v. Zurko*, 527 U.S. 150, 152 (1999); *In Re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992).

[3] *In re Gartside*, 203 F.3d 1305, 1313 (Fed. Cir. 2000); see also USPTO Memo on “Procedures for Relying on Facts Which are Not of Record as Common Knowledge or for Taking Official Notice” (Feb. 21, 2002) (hereinafter, “USPTO Official Notice Memo”).

[4] *Bilski v. Kappos*, 561 U.S. 593 (2010) (citing three textbooks on finance in demonstrating that “hedging is a fundamental economic practice”); *Alice Corp. v. CLS Bank Int’l.*, 573 U.S. \_\_\_, 134 S. Ct. 2347 (2014) (citing a textbook from 1896 in demonstrating that “the concept of intermediated settlement is ‘a fundamental economic practice long prevalent’”); See Comments of Intellectual Property Owners Association on the Section 101 Interim Eligibility Guidance (Mar. 16, 2015) at 2.

[5] See July 2015 Update at 8.

[6] See *DDR Holdings L.L.C. v. Hotels.com, L.P.*, 773 F.3d 1245, 1259 (Fed. Cir. 2014); *CLS Bank Int’l v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269, 1281 (Fed. Cir. 2013) (Lourie, J.).

[7] *SmartGene, Inc. v. Advanced Biological Labs., SA*, No. 2013-1186 (Fed. Cir. 2014).

[8] See Appendix 1 to July 2015 Update at 3, 6.

[9] USPTO Official Notice Memo at 2; *Hyatt v. Dudas*, 492 F. 3d 1365, 1369 (Fed Cir. 2007).

[10] See Federal Register, Vol. 79, No. 241, p. 74624, col. 3; MPEP § 2106(III).

[11] *Diamond v. Diehr*, 450 U.S. 175, 201 (1981) (Stevens, J., dissenting).

[12] Robert Sachs, “An Update on Section 101 Rejection Rates at the USPTO,” Law360 (Oct. 21, 2015) (stating that “Tech Center 3600 covers both e-commerce and non-e-commerce work groups, and it is the former that contributes to the high § 101 rejection rates”).

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