Section 101 and Software: The State of the Union

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How is the patent eligibility landscape better today than it was pre-Alice?

1. THRESHOLD ANALYSIS

2. NEARLY IMPOSSIBLE TO PROTECT NON-TECHNICAL INNOVATION

3. TECHNICAL INNOVATION OFTEN GOES TO ART UNITS WITH HIGH ALLOWANCE RATES

How is the patent eligibility landscape better today than it was pre-Alice?

1. **THRESHOLD ANALYSIS**

The current patent eligibility framework introduces an invalidity threshold analysis that does not require expert testimony or discovery. This analysis was previously either non-existent or underutilized. For claims that were so broad that the only point of novelty itself lies in financial practices or activity practically performed in a human-like manner (in the mind, on paper, or verbally), this invalidity threshold analysis is efficient when:

(a) initially advising clients whether or not to pursue patent protection,
(b) deciding whether or not to continue pursuing patent protection,
(c) deciding whether or not to enforce patent rights,
(d) deciding whether or not to license patent rights,
(e) deciding whether or not to challenge patent rights, and
(f) challenging patent rights.

How is the patent eligibility landscape better today than it was pre-Alice?

2. NEARLY IMPOSSIBLE TO PROTECT NON-TECHNICAL INNOVATION

The current patent eligibility framework makes it nearly impossible to protect non-technical innovation. In the past, essentially non-technical innovation, where the only point of novelty lies in financial practices or activity practically performed in a human-like manner, was often protected by merely adding that the innovation was performed, in the claimed scenario, by a computer. That strategy no longer works, as evidenced by the extremely low allowance rates in certain art units that focus on business methods.

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3. TECHNICAL INNOVATION OFTEN GOES TO ART UNITS WITH HIGH ALLOWANCE RATES

The current patent eligibility framework, as it is being applied by courts and the patent office, has little effect on many technical innovations, where the point of novelty does not rest in financial practices or activity practically performed in a human-like manner. This is evidenced by the still high allowance rates in many, if not most, software-related art units.

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How is the patent eligibility landscape worse today than it was pre-Alice?

1. WASTEFUL EMPHASIS ON CREATIVELY DEFINING AN ABSTRACT IDEA
2. LOW PREDICTABILITY AND HIGH VARIANCE
3. DISPROPORTIONATE EMPHASIS ON 101 EVEN FOR TECHNICAL INNOVATION

How is the patent eligibility landscape worse today than it was pre-Alice?

1. **WASTEFUL EMPHASIS ON CREATIVELY DEFINING AN ABSTRACT IDEA** – The current patent eligibility framework identifies an abstract idea in the first part and searches for an inventive concept that is "significantly more" in the second part.

- In practice, claims pass muster under 101 if they have technical innovation focused outside of financial practices and also outside of activity practically performed in a human-like manner, or, conversely, "rooted in computer technology." If the challenger attempts to include this in the identified abstract idea, then the identified idea is not abstract. The technical point of novelty will also survive the second part as an "inventive concept" sufficient to transform the identified abstract idea into a practical application.

- The more direct question is whether or not the claim has a technical point of novelty—the remainder of the argument becomes wasteful. It is difficult to glean this more direct question by asking examiners to zoom in on specific examples.

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2. **LOW PREDICTABILITY AND HIGH VARIANCE** – Art unit forum shopping emphasizes process rather than substance, and applicants do not have equal access to art unit forum shopping tools, like Pathways from ReedTech. These tools show different probabilities of landing in different art units based on the claim language.

   A patent application may have equal probabilities of landing in high allowance art units and landing in low allowance art units, and these probabilities can be adjusted by making subtle tweaks to the claim language, tangential to the point of novelty. A claim written without using these tools might have as little as a 2% chance of allowance*1; whereas modifying the claim using these tools might lead to as high as an 89% chance of allowance*2.

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*1 – 2016 Data for Art Unit 3689 (N=397): **DATA PROCESSING: FINANCIAL**, BUSINESS PRACTICE, MANAGEMENT, OR COST/PRICE DETERMINATION (Source: PatentAdvisor from ReedTech, a LexisNexis company).

*2 - 2016 Data for Art Unit 3659 (N=671): TRANSPORTATION,CONSTRUCTION, **ELECTRONIC COMMERCE**, AGRICULTURE, NATIONAL SECURITY AND LICENSE & REVIEW

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3. **DISPROPORTIONATE EMPHASIS ON 101 EVEN FOR TECHNICAL INNOVATION** – 35 U.S.C. 103 requires careful consideration of the differences between the claims and the prior art from the perspective of a person having ordinary skill in the art. This deeper analysis is not necessary when analyzing claims where the only point of novelty lies in in financial practices or activity practically performed in a human-like manner. For example, in Perfect Web Technologies, Inc. (Fed. Cir. 2009), a claim was invalidated under 103 where evidence was "not necessary" when the claim boiled down to "a common sense application of the maxim 'try, try again'" when attempting to communicate.

   When the point of novelty is technical, the deeper analysis under 35 U.S.C. 103 ensures that the claim is given its proper consideration and weight. Unfortunately, many cases with technical points of novelty are examined with greater emphasis on 35 U.S.C. 101 than on 35 U.S.C. 103. This is not a problem when there is no technical point of novelty.

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Where should we steer the post-Alice landscape, when possible?

1. PRESERVE A THRESHOLD ANALYSIS for subject matter where the only point of novelty lies in financial practices or activity practically performed in a human-like manner.
2. PRESERVE A ROBUST FILTER FOR NON-TECHNICAL INNOVATION, as this allows the patent office to serve as an effective filter.
3. EFFICIENTLY ADVANCE TECHNICAL INNOVATION to reduce the cost of legitimately seeking patent protection.
4. DE-EMPHASIZE INDIRECT ARGUMENTS in favor of arguments related to finding (or not) the technical point of novelty, as this also satisfies the indirect arguments.
5. GUARD AGAINST ART UNIT VARIANCE to the extent that the variance is not related to whether or not there is a technical point of novelty.
6. INVESTIGATE AND CORRECT ART UNIT ASSIGNMENT MISTAKES.
7. RE-EMPHASIZE 35 U.S.C. 103 FOR CASES DIFFICULT TO DECIDE UNDER 35 U.S.C. 101.


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