

U.S. PATENT AND TRADEMARK OFFICE

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ROUNDTABLE ON PATENT SUBJECT
MATTER ELIGIBILITY

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ROUNDTABLE 2: EXPLORING THE LEGAL CONTOURS
OF PATENT SUBJECT MATTER ELIGIBILITY

+ + + + +

MONDAY
DECEMBER 5, 2016

+ + + + +

The Roundtable convened in Paul Brest Hall, Stanford University, 555 Salvatierra Walk, Stanford, California, at 8:30 a.m., Shira Perlmutter, Chief Policy Officer and Director for International Affairs, presiding.

PRESENT

- SHIRA PERLMUTTER, Chief Policy Officer and Director for International Affairs, Office of Policy and International Affairs, U.S. Patent and Trademark Office
- MICHELLE K. LEE, Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office*
- ROBERT BAHR, USPTO Panel
- JOHN CABECA, USPTO Panel
- CHRISTIAN HANNON, USPTO Panel
- NATHAN KELLEY, USPTO Panel
- THOMAS KRAUSE, USPTO Panel
- AMY NELSON, USPTO Panel

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PANEL 1

FRANK BERNSTEIN, Singularity LLP
 ROBIN FELDMAN, University of California Hastings
 MARK LEMLEY, Stanford Law School
 PETER SU, Dentons US LLP
 NEIL THOMAS, RelaxExpress.net*
 LEE VAN PELT, University of California Berkeley

PANEL 2

DOROTHY AUTH, NYIPLA
 STEVE CHIANG, RPX Corporation
 KEVIN NOONAN, MBHB
 CHIRAG PATEL, Holzer Patel Drennan*
 JAMES REED, Squire Patton Boggs

PANEL 3

STEVE BACHMAN, Bachman Law Group
 JEFFREY H. DEAN, Amazon.com
 SHARON ISRAEL, AIPLA
 DIANE LETTELLEIR, J.C. Penney Corporation*
 KIM SCHMITT, Intel
 ERIC SUTTON, Oracle

PANEL 4

FRANK CULLEN, U.S. Chamber of Commerce
 BENJAMIN JACKSON, Myriad Genetics, Inc.
 KONSTANTIN M. LINNIK, Nutter McClennen & Fish LLP
 HANS SAUER, Biotechnology Innovation
 Organization

PANEL 5

JASON GARDNER, Margeta
 ALLEN LO, Google
 DANIEL NAZER, Electronic Frontier Foundation
 JULIE SAMUELS, Engine

PANEL 6

COLLEEN CHIEN, Santa Clara University Law School
 MICHELLE FISHER, Blaze Mobile
 PATRICK GIBLIN, 451 Degrees
 JENNIFER KUHN, Mattersight Corporation*
 KIM RUBIN, Kim Rubin Patent Agent

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PANEL 7

ROBERT ARMITAGE, IP Strategy & Policy*

DAVID JONES, Microsoft

PETER MENELL, University of California Berkeley

WAYNE SOBON, Wayne Sobon Consulting

MARIAN UNDERWEISER, IBM

* present via webcast

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1 P-R-O-C-E-E-D-I-N-G-S

2 8:33 a.m.

3 MS. PERLMUTTER: So, I'd like to
4 welcome everyone, say good morning and thank you
5 for joining us. We are pleased to have so many
6 patent experts and stakeholders joining us here
7 in person in Stanford as well as those joining in
8 one of our regional offices or watching online
9 through our web portal.

10 As you know, today's roundtable is a
11 continuation of our previous forum held just this
12 past month on patent subject matter eligibility.

13 Last month, we focused on ways that
14 the USPTO could improve our subject matter
15 eligibility guidance and training examples.

16 And, today, we are seeking a broader
17 perspective on the overall issue of the legal
18 contours of eligible subject matter in the U.S.
19 patent system.

20 Your feedback will help us foster the
21 discussion of this critical and challenging

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1 issue.

2 As a brief housekeeping note, because
3 today's event is being transcribed and web cast,
4 I would ask all participants to speak clearly so
5 that we can accurately capture everything that's
6 been said.

7 Each panel today will be followed by
8 a Q&A period for our USPTO panel here to interact
9 with the stakeholder panelists who will be seated
10 over there.

11 And, in person audience members can
12 submit written questions using the cards that are
13 provided at your seats in the room. Please give
14 them to Ken Takeda or Julie Mason who are here in
15 the red shirts.

16 And, those of you who are viewing
17 online can also submit questions using the chat
18 function of the web cast and we will be reading
19 questions from this panel as well.

20 So, before we begin with the first
21 panel, it's my pleasure to introduce the

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1 Undersecretary of Commerce for Intellectual
2 Property and Director of the USPTO, Michelle Lee
3 who will be speaking to us via web cast.

4 Michelle?

5 MS. LEE: Thank you very much, Shira.
6 Can you hear me okay?

7 MS. PERLMUTTER: Yes.

8 MS. LEE: Great.

9 Good morning, everyone and thank you
10 for coming to this roundtable discussion.

11 I'm sorry I couldn't be there in
12 person with you today due to obligations that are
13 keeping me in Washington. But, I am delighted
14 to be able to participate remotely.

15 And, I wanted to thank all of you and
16 all the other participants who are participating
17 remotely including via the web and through our
18 regional office, other regional offices, in
19 Dallas, Denver and Detroit.

20 And, what you'll be seeing more often
21 is, as we go forward as we continue to integrate

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1 our regional offices into the core work of the
2 Alexandria office, you'll be seeing more
3 opportunities like this to participate from
4 across the country.

5 So, we hope you like it. Give us
6 feedback on how that's working but that's
7 something that you should keep an eye out for
8 going forward.

9 I appreciate all of your attendance at
10 this very important conference, roundtable and
11 topic.

12 As I have said many times during my
13 tenure as Director, our patent system relies on
14 the full and active involvement of the public to
15 help us not only succeed, but to help us lead in
16 today's global innovation economy.

17 Our agency remains committed to
18 strengthening our patent system wherever
19 possible.

20 Like you, we want our patent system to
21 work efficiently and effectively for all of our

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1 users so we can continue to promote the
2 innovation that drives our nation's economy and
3 creates jobs.

4 Those are the guiding principles
5 behind our efforts including a pair of roundtable
6 discussions on patent-eligible subject matter
7 that I announced in October. The first, as Shira
8 had mentioned, which occurred earlier this month
9 or last month in Alexandria.

10 Today's roundtable focuses on the
11 current Section 101 jurisprudence and how it is
12 evolving and what is the optimal legal contours
13 of patent-eligible subject matter.

14 And, before we begin, and hear your
15 input, I want to set the stage by briefly
16 describing a bit of background on Section 101 and
17 how we've arrived where we are today with an
18 emphasis on some recent subject matter
19 eligibility cases and their impacts.

20 As far back as 1897, the statutory
21 language defining patent-eligible subject matter

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1 has remained largely the same, aside from the
2 1952 Patent Acts arguably linguist change of art
3 to process, the four statutory categories of
4 patent-eligible subject matter, process,
5 machine, manufacturer and composition of matter
6 have largely remained unchanged.

7 For over a hundred years, eligibility
8 has been considered a threshold requirement for
9 patentability, supplemented by the other
10 patentability requirements of novelty, non-
11 obviousness, written description and enablement.

12 While the statutory limits of patent
13 eligibility have largely remained unaltered,
14 innovative advancements across a broad range of
15 endeavors has developed, though, unimagined, more
16 than a hundred years ago.

17 At times, the judiciary has struggled
18 to reach -- with the reach of eligible subject
19 matter to ensure that patent protection extends
20 only to the application of ideas and not to the
21 ideas per se.

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1 The adoption of judicially created
2 exceptions precludes the patentability of
3 abstract ideas, laws of nature and natural
4 phenomenon.

5 Drawing the line between patent-
6 eligible subject matter and the non-eligible
7 exemptions has proven, at times, to be
8 challenging for courts, for the patent community,
9 for the Agency, and for innovators, particularly
10 in recent years.

11 That is why we are here today, to
12 receive your viewpoints on this challenging
13 aspect of patent law.

14 Within just the past six years, the
15 Court has left us with a handful of decisions
16 that have significantly impacted patent
17 eligibility law and continues to generate
18 substantial public debate.

19 Starting in 2010 with Bilski, the
20 Court reduced the Federal Circuit's machine or
21 transformation test from an exclusive test to a

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1 merely useful test in the eligibility analysis.

2 In that case, the Court held Bilski's
3 claims were invalid because they were directed to
4 a judicial exception, the abstract idea of
5 hedging risk, and added only well-known random
6 analysis techniques which the Court regarded as
7 token post-solution activities or components.

8 Following Bilski, the Supreme Court
9 caught the life science's community's attention
10 in Mayo v. Prometheus when it considered the
11 patent eligibility of a method for optimizing
12 drug dosages for treatment of autoimmune
13 diseases.

14 The Court held that Prometheus's
15 claimed method of determining a given dosage
16 level and whether it's too low or too high based
17 upon the metabolite level was ineligible for a
18 patent as it was drawn to a judicial exception.

19 In making that determination, the
20 Court introduced its two-step test for
21 distinguishing patent-ineligible concepts from

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1 patent-eligible applications of these concepts.

2 The first step of the so-called Mayo
3 test considers whether the claims are directed to
4 one of the judicial exceptions to patentability.

5 If a judicial exception is identified,
6 then the second question is whether the claims do
7 so -- whether the claims do significantly more
8 than simply describe the judicial exception.

9 The Mayo test has become the linchpin
10 of the Supreme Court's patent eligibility
11 analysis as made evident in many recent cases.

12 In a second case to impact the life
13 sciences community Association for Molecular
14 Pathology v. Myriad, the Court held that Myriad's
15 claimed isolated gene products useful in
16 assessing hereditary predisposition for
17 developing breast cancer fell squarely within law
18 of nature exception. While acknowledging that
19 claims to a product with markedly different
20 characteristics found in nature may be patent-
21 eligible the Court determined Myriad's genes did

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1 not undergo any chemical changes during
2 isolation.

3 The Court did, however, hold that
4 Myriad's synthetically created cDNAs, which
5 differed from the naturally occurring DNA were
6 patent-eligible.

7 Most recently, in *Alice v. CLS Bank*,
8 the Court applied the *Mayo* two-step test to
9 analyze eligibility of a computer-based method
10 for mitigating settlement risk in financial
11 transactions.

12 The Court concluded that the claims
13 were directed to the abstract idea of
14 intermediated settlement. And, that mere
15 generic computer implementation did not transform
16 the abstract idea into a patent-eligible
17 invention.

18 During the past two and a half years
19 since *Alice*, the Federal Circuit has been
20 applying the *Mayo* test to a variety of
21 technologies invalidating many claimed

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1 inventions.

2 The precedent set by the Supreme Court
3 cases has unquestionably impacted the innovation
4 community.

5 I'd like to thank each of today's
6 panelists in advance for discussing the extent of
7 that impact and whether and/or what steps should
8 be taken to further support inventions that we
9 all desire.

10 We're calling on you to help create a
11 public record on Section 101 jurisprudence by
12 providing information on how the Supreme Court
13 and Federal Circuit Section 101 jurisprudence is
14 affecting different areas of technology and
15 whether and to what extent there is any impact on
16 investment in research and development or
17 innovation generally.

18 Additionally, we're calling upon you
19 for comments on whether legislative,
20 administrative or judicial changes are needed or
21 desirable and, if so, what those changes might

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1 look like.

2 In sum, today, we continue to assess
3 whether the current state of patent-eligible
4 subject matter law and the accompanying judicial
5 exceptions are best serving innovation.

6 So, I want to thank you all again for
7 attending today and for your contributions to the
8 larger discussion on patent-eligible subject
9 matter.

10 We welcome your input on this complex
11 and important topic.

12 And, with that, allow me to turn it
13 over to our moderator of today's program, Nate
14 Kelley, and thank you all. I look forward to a
15 productive discussion, which I will be watching
16 via the web here in Alexandria, Virginia.

17 Thanks so much.

18 MR. KELLEY: Thanks, Michelle, and
19 thanks for setting us up here today with really
20 a brief and great overview of where we are, at
21 least where I think we are in the 101 space.

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1 Before I get started this morning, I
2 just want to introduce those of us from the PTO
3 you see up here today.

4 To my left is Shira Perlmutter. She's
5 the USPTO's Chief Policy Officer and Director for
6 International Affairs.

7 And, to her left is Bob Bahr, the
8 USPTO's Deputy Commissioner for Patent
9 Examination Policy.

10 To my right is Amy Nelson, an
11 Associate Solicitor in the Solicitor's Office
12 with a very deep background in the life sciences
13 area.

14 And, to her right is John Cabeca,
15 USPTO's Director of its Silicon Valley Regional
16 Office.

17 Now, later this afternoon, you're
18 going to see a different of people from the USPTO
19 up here. Some people are going to change out and
20 I'll let them introduce themselves.

21 And, what's happening now on my left

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1 with the panel being ushered is, is what's going
2 to happen throughout the day.

3 So, the way we've decided to handle so
4 many people, and we are very happy with the
5 interest that we got, is we're going to have about
6 seven panels of six or seven speakers for each
7 panel.

8 We'll have four panels in the morning
9 with a ten minute break between the first two
10 panels and the second two. Then we'll have
11 lunch.

12 And, in the afternoon, we'll have
13 three more panels.

14 On each panel, each speaker has about
15 seven and a half minutes to speak. If we deviate
16 from that, whoever's moderating will tell you.

17 We do ask the speakers to stay on time
18 as much as possible in order to get through 40 or
19 so speakers in a day, we really can't have each
20 person running over even 30 seconds or a minute.

21 And, to that end, for those of you who

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1 ever argued in the Federal Circuit, we have the
2 exact clock that you will see in that courtroom.

3 When the light turns from green to
4 yellow, it means you have a minute left. And,
5 when it turns from yellow to red, it means you
6 have no time left. And, we'd appreciate it if
7 you'd wrap it up at that point and please start
8 wrapping up when you see the yellow light.

9 We'll go through each speaker one at
10 a time, seven and a half minutes each for this
11 panel.

12 For each panel, we've built in about
13 10 or 15 minutes for us to ask questions. If
14 people in the audience would like to suggest a
15 question, there's cards that you can write your
16 question on. And, I think there's people in the
17 regional offices at our home office in Alexandria
18 to also assist in that.

19 We will ask the questions if the card
20 is brought to us and it's not our intent to have
21 a full session question and answer period for

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1 each panel. But, if a question comes up, we've
2 built in a little bit of time to ask it.

3 That time is also the time we need to
4 trade out from panel to panel.

5 I think that -- oh, yes, let me say
6 one more thing before we begin.

7 We are very excited with the interest
8 that we got when we put our announcement. But,
9 of course, in addition to the comments that we'll
10 hear today and those that we heard a couple of
11 weeks ago in Alexandria, we also would really
12 like to hear from people in written comments.

13 And, the period for written comments
14 is open and will remain open until January 18th.
15 So, if you'd like to comment, if you hear
16 something today you'd like to reflect on, if
17 you're speaking today and haven't filed written
18 comments, please do so because that's really
19 where we're going to get a lot of very good
20 information.

21 And, so, with that, let me turn it

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1 over to the first panel and our first panelist
2 this morning (inaudible due to audio issues),
3 Frank Bernstein.

4 Good morning. Yes? No? Oh.

5 MR. BERNSTEIN: We have a committee
6 on the web.

7 MR. KELLEY: Oh, I'm sorry, you're
8 right. It's right here in front of me. Our
9 first speaker this morning is actually not seated
10 before you here at Stanford but is in Alexandria,
11 Virginia and it's Neil Thomas. And, forgive me,
12 I apologize, Mr. Thomas, please go ahead.

13 We can see him.

14 MR. THOMAS: . . . as our system of
15 commerce has no physical or concrete existence
16 that -- hello?

17 MR. KELLEY: Mr. Thomas? Yes, Mr.
18 Thomas, can you -- can I ask you to begin again?
19 I'm sorry, can I ask you to start over because we
20 had a little technical difficulty here in the
21 room.

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1 MR. THOMAS: Okay.

2 MR. KELLEY: We couldn't hear you. I
3 don't know if people online could hear you, but
4 we couldn't hear and I'd like us to get everything
5 you have to say.

6 MR. THOMAS: All right.

7 MR. KELLEY: So, please just go ahead
8 and start over.

9 MR. THOMAS: Okay.

10 Slide two, please?

11 MR. KELLEY: Thank you.

12 MR. THOMAS: Slide two.

13 Alice changed the very definition of
14 abstract. Abstract meaning existing in thought
15 or as an idea, but not having a physical or
16 concrete existence.

17 All of a sudden, our economic system,
18 fundamental economic practices, our system of
19 commerce has no physical or concrete existence.
20 This is absolutely laughable.

21 Next slide, please?

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1 Alice did not follow Bilski. Bilski,
2 Flook, Diehr all dealt with mathematical formulas
3 as abstract ideas.

4 Bilski, the opinion, the concept
5 quote, the concept of hedging, quote, reduced to
6 a mathematical formula is an unpatentable
7 abstract idea, just like the algorithms at issue
8 in Benson and Flook.

9 Next slide, please?

10 Alice did not follow Bilski. The
11 opinion in Bilski, like the risk hedging in
12 Bilski, intermediated settlements, quote, a
13 fundamental economic practice all the claims at
14 issue in Bilski were abstract ideas in the
15 understanding that risk hedging was a fundamental
16 economic practice.

17 This is a crucial distinction. The -
18 - it extrapolated in a tectonic manner the
19 concept of abstract to our system of commerce.
20 This is not Bilski decided.

21 Next slide, please?

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1 Ergo, in light of Alice, advertising,
2 negotiating, selling inventory, ordering,
3 banking, paying, pledging, communicating,
4 keeping records, et cetera are all fundamental
5 economic practices. Ergo, they are all abstract.

6 Examiners indicate that displaying
7 information, collecting and comparing known, and
8 for processing, storing data, electronic record
9 keeping, again, transmitting data over networks
10 are all ineligible abstract ideas.

11 This extrapolation is absurdly
12 ludicrous.

13 Next slide, please?

14 Alice following Mayo introduced an
15 awkward two-step test and totally undefined
16 inventive concept significantly more and nothing
17 of substance. There's no indication whether
18 these are the same or different tests.

19 All of these, are they the same or
20 different or simply a new and useful unobvious
21 process machine or improvement thereof?

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1 Next slide, please?

2 Alice is bad law. It is unnecessarily
3 simply adding confusion. Alice could and should
4 have simply been decided using Section 101 and
5 103, performing a well-known fundamental economic
6 practice using a generic computer is likely
7 obvious.

8 Next slide, please?

9 On top of Alice's illogical decision,
10 for over two years, two and a half years,
11 examiners are issuing copy, paste, boilerplate
12 rejections particularly in 705 36 -- on TC 3600
13 art unit.

14 And, managers and supervisors
15 apparently are requiring these rejections even
16 after a complete reversal by the PTAB.

17 Next slide, please?

18 This aberration can be seen where 90
19 percent of rejections and electronic art units
20 have occurred.

21 Next slide?

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1 As well as a nearly half of all
2 applications within Alice rejection are assigned
3 to Class 705.

4 Next slide, please?

5 This is e-commerce. This is the
6 Internet. Section 101 is still law. Congress
7 has given no directive to exclude a whole field
8 of processes and machines and inhibiting
9 innovation in e-commerce, improving consumer
10 protection and increased competition.

11 Next slide, please?

12 Digital trade is, in fact, America's
13 third largest category of exports. Intellectual
14 property is a critical element to this trade and
15 software and information services is increasingly
16 important.

17 Yet, Alice and the Patent Office are
18 inhibiting our economic position in global and
19 international trade.

20 Next slide, please?

21 I don't see any red things, so, the

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1 Trump Administration is looking for improved
2 protection of America's intellectual property
3 which would produce more than two million more
4 jobs right here in the United States.

5 Next slide, please?

6 After two and a half years inventors
7 particularly in 3600 are unjustly deprived of
8 their intellectual property, unjustly forced to
9 make lengthy and costly appeals, investment
10 capital has been severely impacted and
11 contingency fee patent enforcement litigators
12 have all but disappeared from the marketplace.
13 By the way, they're the ones that help small
14 inventors.

15 Next slide, please?

16 Congress enacted 101 and 103 and are
17 still a law. Circuit Court Judge Newman entered
18 a concurring separate opinion proposed returning
19 to the letter of Section 101, a new and useful
20 process or machine is not an abstract idea.

21 And a trend is clearly appearing in

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1 Bascom and Enfish to simply look for unobvious
2 improvements or unobvious improvements.

3 Next slide, please?

4 The Patent Office must require
5 examiners to consider the elements as an ordered
6 combination in light of the specification and
7 look for an inventive concept and, at the same,
8 a new and useful machine or improvement under 101
9 and 103.

10 Examiners must follow MPEP and
11 specifically rebut applicants' arguments, not
12 simply dismiss, quote, applicants' arguments are
13 not persuasive, close quote.

14 Require examiners to consider both the
15 Alice eligibility and, at the same time, 101 and
16 103 tests for patentability in tandem and arrive
17 at the same conclusion.

18 Next slide, please?

19 Automatically audit every Alice
20 rejection with an independent Alice expert
21 including a one-hour mandatory interview, one

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1 half of which is to the examiner, one half is to
2 the applicant by the same independent Alice
3 expert.

4 Incentivize and provide consequences
5 for poor, improper rejections.

6 Next slide, please?

7 MR. KELLEY: Thank you very much, Mr.
8 Thomas. I'm afraid we're going to have to move
9 on, but I know that your materials have been
10 provided and on our website and I urge people to
11 refer to them.

12 MR. THOMAS: Okay, thank you.

13 MR. KELLEY: Thank you very much.

14 Our next speaker this morning is now
15 Mr. Frank Bernstein.

16 MR. BERNSTEIN: Good morning. I'm
17 Frank Bernstein. I'm a patent attorney and
18 prosecutor and litigator in the computer
19 implemented inventions area for about 30 years.
20 A patent attorney here and a practitioner here in
21 Silicon Valley.

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1 I want to unpack this notion of
2 abstract idea just a little bit.

3 If you'd go to the second slide,
4 please?

5 This is one of the things we're
6 wrestling with in the computer implemented
7 invention area.

8 And, the Federal Circuit in a case
9 which I'm going to go into a little bit more
10 detail, the Enfish case, acknowledged that
11 there's no specific definition, that we're doing
12 this by example, by comparison with other
13 software cases to determine whether or not an
14 idea is abstract.

15 And, one of the issues we have is
16 that, at some level, almost any software-based
17 claim can be said to be directed to an abstract
18 idea, even if something that's overtly physical
19 like controlling a robot or a robot's movement.

20 Next slide, please?

21 So, the Federal Circuit stated out in

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1 the Enfish case, and I've got the cites in my
2 slides, quoting the Alice decision saying, we
3 must first determine whether the claims at issue
4 are directed to a patent-ineligible concept.

5 The court went on to say, and this is
6 important, that formulation of the Supreme Court
7 plainly contemplates that the first step of the
8 inquiry is a meaningful one that is, that a
9 substantial class of claims are not directed to
10 a patent-ineligible concept. So that it
11 shouldn't be a reflex action to simply decide
12 that a computer implemented invention is directed
13 to an abstract idea.

14 Next slide, please?

15 The Federal Circuit contrasted this
16 notion of claims being directed to a patent-
17 ineligible concept which is what the language of
18 the Supreme Court with whether the claims involve
19 patent-ineligible concepts.

20 And, the Federal Circuit said, you
21 can't look at whether it involves a patent-

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1 ineligible concept because, essentially, every
2 routinely patent-eligible claim involving
3 physical products and actions involves a law of
4 nature and/or natural phenomenon because these
5 things take place in the physical world and
6 that's something that's important to remember.

7 Next slide, please?

8 One of the things I always go back to
9 and I've got a little enough hair on my head and
10 enough gray in my beard to remember when there
11 was a big ever play between software and
12 hardwired processors.

13 And, you know, software is supposed to
14 run on generic hardware. It does what hardware
15 did. We have lots better generic processors now,
16 general purpose processors.

17 I honestly think the Federal Circuit
18 got it right in Alappat 20 years ago when it said
19 every time you program a general purpose
20 processor, you've got a new machine and I think
21 that -- I really think that should be the inquiry.

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1 Software is a multi-trillion dollar
2 business in this country and it's supposed to
3 reduce or eliminate the need for special purpose
4 hardware. It's supposed to accomplish what
5 circuits and circuit elements accomplished.

6 Next slide, please?

7 Back to the Federal Circuit decision,
8 I'm bouncing back and forth here just a little
9 bit, but just to give some context for some of
10 the discussion, the Federal Circuit said,
11 software can make non-abstract improvements to
12 computer technology just as hardware improvements
13 can.

14 And that's important. That's this
15 byplay between what software does on a general
16 processor and what special purpose processors,
17 which were much more prevalent back in the day
18 did.

19 The court also said, sometimes these
20 improvements can be accomplished through either
21 route, through software or through hardware. So,

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1 it's relevant to ask whether the claims are
2 directed to an improvement to computer
3 functionality versus being directed to an
4 abstract idea, even at the first step of the Alice
5 analysis.

6 In other words, you're not supposed to
7 just gloss over this notion of abstract idea and
8 get to the significantly more thing at the second
9 step of the test. You're supposed to look in the
10 first instance at whether there's an abstract
11 idea and whether there's an improvement to
12 computer functionality, because that can inform
13 the analysis and the conclusions.

14 Next slide, please?

15 We know beyond, you know, beyond
16 discussion that a circuit arrangement is patent-
17 eligible. The patentability analysis, if you're
18 looking at a circuit, proceeds immediately in
19 those kinds of cases, provided that the circuit
20 arrangement is claimed sufficiently clearly and
21 in a manner which defines over the prior art, the

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1 claim will be patentable.

2 You don't worry about eligibility or
3 ineligibility.

4 Next slide, please?

5 So, again, looking back at the Enfish
6 case, the Federal Circuit goes on and says, the
7 first step in the Alice inquiry asks whether the
8 focus of the claims is on the specific asserted
9 improvement in computer capabilities. And,
10 that's in -- or instead on a process that
11 qualifies as an abstract idea for which computers
12 are invoked merely as a tool.

13 It's a helpful comment. It's
14 important to remember that general purpose
15 processors are tools. You program them, you have
16 essentially a new machine and that's -- and,
17 you're looking at that as a measure of what the
18 improvement or we should look at that as the
19 measure of what the improvement over the art is.

20 Next slide, please?

21 The whole notion is, it's a software

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1 (inaudible due to sound system issues) hardware
2 and the point of having software.

3 I remember from prosecuting Circuits
4 cases, I got transistors, diodes, capacitors,
5 what have you, in various combinations to
6 accomplish certain things and you've got to
7 define those and recite them with sufficient
8 specificity to the define over the prior art.

9 Maybe all we're talking about here is
10 a matter of, instead of just functionally
11 claiming what's going on, have the software
12 recite a little more specifically what it's doing
13 to turn the computer into a new machine. Maybe
14 that's how the software can be shown to be more
15 than merely a tool.

16 And, also, again, a way, maybe that's
17 how the software can be shown to improve computer
18 capabilities.

19 Next slide, please?

20 The question is, does that go far
21 enough? What does it really mean to improve

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1 computer capabilities? Does the computer really
2 have to run better?

3 That was the discussion in the Enfish case
4 when they talked about the spreadsheet and how it
5 ran better from the way it was programmed.

6 But, shouldn't it or should it be
7 enough that the programmed computer just simply
8 does its intended job better? If you wind up
9 program a processor that's running -- that's
10 controlling the movement of a robot and you
11 improve the control with better programming, why
12 not look at that in comparison with the prior art
13 instead of deciding that it's abstract idea?

14 In that context, what is it that I
15 have to be able to show and do I have to be able
16 to show that the software improves the
17 functioning of the computer? I don't think so.

18 And, that's really all I have. Thanks
19 very much.

20 MR. KELLEY: Thank you very much, Mr.
21 Bernstein.

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1 And, our next speaker this morning is
2 Robin Feldman.

3 Professor?

4 MS. FELDMAN: Thank you.

5 I'm Robin Feldman, Professor of Law at
6 the University of California Hastings.

7 One of the great joys of being an
8 academic is the ability to speak with candor.
9 And, so, I offer my remarks this morning in the
10 spirit of that hallowed tradition.

11 In law, as in so much of life, there
12 is an arc of history. We may move forward with
13 a slow and fitful gait, but the trajectory is
14 often clear. The question for this agency, it
15 seems to me, is whether to follow at arc or to
16 push against it?

17 With patentable subject matter, the
18 modern arc began with the first of the quartet
19 Alice cases, Supreme Court cases, and with each
20 step, some in the bench and bar had tried to wipe
21 it away, explaining why the trajectory was no

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1 more than an optical illusion, couldn't be, it
2 mustn't be, and I confess, there are times when
3 I have joined that chorus as well.

4 This has had no more effect than
5 whistling into the wind. And, there is little
6 reason to believe that pressing against the arc
7 of history will be any more successful going
8 forward than it has been in the past.

9 Now, for example, after *Bilski*, we
10 said, the court didn't eliminate machine or
11 transformation, so everything is pretty much
12 business as usual.

13 With *Mayo* and *Myriad*, the refrain was,
14 that's only for life science cases.

15 And, since *Alice*, the refrain has
16 been, they didn't ban software patenting, so
17 we'll find a way.

18 Many Circuit decisions during this
19 quartet period have come perilously close to what
20 I would call reversal from below. And, through
21 the entire time, the fervently whispered prayer

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1 has been that the Supreme Court will get tired of
2 patent law or tired of being criticized and will
3 leave us to do what we do best.

4 But, the Justices have not tired of
5 patent law and, in fact, patent law continues to
6 occupy a remarkable amount, an unusual amount of
7 their docket.

8 And, reversal from below is a
9 treacherous path, one that is usually
10 unsuccessful in the long run.

11 The latest wave of Federal Circuit
12 decisions, software decisions, again, pushes back
13 on the Supreme Court's trajectory.

14 Yes, many, many software patents have
15 been invalidated under Alice. And, its two-step
16 process in which a court must first determine
17 whether the claim is directed to a forbidden
18 category such as abstract ideas.

19 And, then, second, whether the claim
20 adds significantly more.

21 But, after taking some time, the

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1 Federal Circuit has found ways to ease the two-
2 step tango.

3 The Amdocs case opined that there is
4 no workable definition of an abstract idea.

5 The Enfish case held that courts must
6 be careful not to apply too high a level of
7 abstraction.

8 And, the McRO holding is best summed
9 up by the patently old headline, step one, don't
10 assume an abstract idea.

11 Now, as much as one might hope, it is
12 hard to imagine that this wave of Federal Circuit
13 decisions will be greeted any more warmly by the
14 Supreme Court than the last.

15 Though, some on both sides of the
16 question of how broadly patents should reach have
17 hoped that Congress will intervene either by
18 overturning the Supreme Court subject matter
19 decisions or accelerating and enhancing the
20 court's decisions or even cutting back on aspects
21 of post-grant review from the American Invents

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1 Act.

2 None of the tea leaves, however,
3 suggest that Congress is likely to weigh in at
4 this point.

5 So, what's an Agency to do as it is
6 buffeted by the winds of this less than cordial
7 interchange between two levels of the judiciary?

8 And, of course, the Agency itself may
9 have internal cheering sections for particular
10 viewpoints, not to mention pressure from those
11 who use its services.

12 The Patent Office, however, has an
13 unusual level of responsibility as an agency
14 given the 20-year lag time once a patent has been
15 granted and the nature of modern patent markets.

16 For example, there was a time we could
17 say with confidence that 90 percent of patents
18 would never garner a return. Those shadow
19 patents hovered on the periphery of the
20 innovation system doing little damage.

21 But, the world has changed. With

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1 modern secondary markets, patents are easily
2 traded, grouped, launched as a bundle against
3 product producing companies.

4 In particular, this fall's Federal
5 Trade Commission Report on Patent Assertion
6 Entities concluded that, for an entire category
7 of players in the patent market, the business
8 model is a nuisance one.

9 And, while the number of patent
10 lawsuits has gone up and down in the last few
11 years, the down years are still vastly above the
12 number eight years ago, even accounting for
13 changes brought about by the American Invents
14 Act.

15 The burden on innovation industries is
16 not small. As we sit here in Silicon Valley, I
17 note that the work of many scholars has carefully
18 documented the damage modern patent assertion is
19 causing for startups and small enterprises, not
20 to mention more mature companies.

21 And, the Patent Office has come into

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1 more than its fair share of blame.

2 The 2013 GAO report pointed at poor
3 patent quality as a cause of pain in the patent
4 system.

5 And, the problems are not just in the
6 tech industry, weak life science patents
7 contribute to schemes that are fueling popular
8 outrage about rising drug prices.

9 In short, the burden on the Patent
10 Office to get it right is great. And, when the
11 Agency follows the ebb and flow of the battle
12 between different levels of the judiciary, that
13 strategy can leave long term damage in its wake.

14 The rules may change when the Supreme
15 -- when the issues reach the Supreme Court, but
16 for patents granted in the interim, there is a
17 20-year tail.

18 Thus, I urge a large dose of caution.
19 The temptation to jump forward as the Federal
20 Circuit pushes back on Supreme Court doctrine,
21 misses the arc of history.

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1 And, while we may not like it, the arc
2 of history is clearly there for us.

3 Thank you very much.

4 MR. KELLEY: Thank you, professor.

5 And, now, we'll hear from Mark Lemley.
6 Professor Lemley?

7 MR. LEMLEY: Thank you.

8 My name's Mark Lemley. Welcome to
9 Stanford. I teach law here at Stanford. I'm
10 also a partner at the law firm of Durie Tangri
11 where I do patent litigation.

12 So, I want to agree, at least,
13 conceptually with Robin, although I think we
14 might disagree about some specific applications.

15 I want to agree with Robin in saying
16 that I hear and understand the frustration with
17 the Alice test, the claims that it is a
18 historical, the claims that it doesn't draw great
19 lines.

20 I think as a practical matter,
21 complaining about it is not actually going to do

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1 very much.

2 And, I also think as a practical
3 matter, something very interesting has happened
4 in the two years since Alice, which is, even
5 though I find Section 101 jurisprudence
6 intellectually offensive because there doesn't
7 seem to be a there there.

8 The courts, I think, are actually
9 engaging in a common law process that, with some
10 exceptions, mostly in the software world, at
11 least, gets them to the right result in
12 particular cases.

13 So, there was a lot of panic and
14 concern after Alice. I think, that, well,
15 nothing's going to be patentable in the software
16 in the business method world, but I think we're
17 starting to see the development of a common law
18 jurisprudence that actually does draw some
19 distinctions that we can look to in trying to
20 understand what's going to be patentable and
21 what's not.

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1 And, so, I part ways, I think, with
2 Robin in -- on the question of whether or not a
3 case like Enfish, for instance, is flying in the
4 face of the Supreme Court jurisprudence.

5 I actually think the Supreme Court is
6 not -- did not intend, right, and would not hold,
7 if it were presented with the question, that
8 software is not patentable or that software's not
9 patentable unless there's new hardware attached
10 to it. As Frank points out, that's a kind of
11 distinction that doesn't make a lot of sense as
12 a scientific matter.

13 I do think the court was reacting to
14 a very real problem, which is that we have a whole
15 bunch of patents, particularly issued in the
16 1990s and the early 2000s that are written in
17 extremely broad functional terms that don't claim
18 a particular way of improving the operation of a
19 computer or a particular way of using a computer
20 to improve the operation of something else, a
21 particular algorithm.

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1 They claim any computer programmed in
2 any way to achieve a result. And, the problem
3 with those claims is precisely that they are not
4 directed to a technological improvement, even if
5 they encompass, even if they started from a
6 technological improvement, we have all as lawyers
7 for many years, told people write your claims as
8 broadly as possible, reach as broadly as
9 possible.

10 And, those claims made it into the
11 courts where, it turned out, that the courts were
12 not terribly well equipped to deal with them
13 using standard tools.

14 And, it's right, I think,
15 intellectually, to say, obviousness can take care
16 of this problem. Maybe Section 112 can take care
17 of this problem.

18 But, we've designed the legal system
19 in litigation in such a way that you're not going
20 to get to that conclusion until the very end of
21 the process. You're going to hand it to a jury,

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1 you're going to spend several million dollars in
2 the process of getting there.

3 And, for the business model that Robin
4 talked about, where the goal of filing the
5 lawsuit is to impose costs on the defendant in
6 order to get a cost of value nuisance settlement,
7 these patents were gold. Right? Everyone
8 infringes them because they cover any possible
9 way of achieving this result.

10 And, while they are probably invalid
11 for obviousness or enablement at the end of the
12 day, it's going to be a long, expensive and
13 uncertain process to get there.

14 So, the patentable subject matter case
15 law, while I find it intellectually unsatisfying,
16 has had in software a mostly desirable practical
17 effect, which is, it's allowed us to weed out at
18 an early stage a number of claims that should die
19 on some ground.

20 And, if you look at the cases, the
21 patents that have died since Alice in the Federal

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1 Circuit, honestly, most of them deserve to die.

2 Those claims were too broad. Those
3 claims were not, in fact, written to be designed
4 to a specific technology.

5 The worry that we had, which was, is
6 this just going to sweep too broadly, are we going
7 to reach all software? Are we going to reach
8 claims regardless of how they're written and how
9 they're narrowed?

10 I think that worry is now looking less
11 and less problematic as we see a bunch of Federal
12 Circuit cases from within the last year that
13 actually draw a distinction between inventions
14 that are directed to -- patent claims that are
15 directed to an algorithm to a specific approach
16 to an actual improvement in computer technology.

17 Those claims are surviving 101 in the
18 patentable -- in the Federal Circuit. And, I
19 think deservedly so.

20 Now, that's a common law process.
21 Right? Courts are good at, lawyers are good at

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1 looking at 30, 40, 50, a 100 examples, seeing
2 which ones get held unpatentable, seeing which
3 ones get held patentable and get a coming up with
4 a kind of rough set of standards that's going to
5 give us an instinct as to which bucket each claim
6 is going to fall into in the future.

7 That instinct should get better over
8 time. That analogic reasoning is what lawyers
9 do. It's what litigators do.

10 It doesn't provide us with
11 particularly useful rules and I think that's a
12 problem for the Patent Office. Right? Because
13 if the goal is to write guidelines that examiners
14 who are not lawyers versed in analogic reasoning
15 can use to decide, hey, this claim is more like
16 Enfish than it like TLI Communications.

17 That guidance, I think, is never going
18 to be simple and easy to write. I mean, you can
19 use examples, you can use analogies, but it's
20 hard to say, okay, here's how you apply the two-
21 step test and here's what falls in each bucket.

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1 Because I think we're doing it not by
2 applying a simple legal rule, I don't think there
3 is a simple legal rule. We're doing it by
4 looking at a kind of estimate of how
5 technological the invention is. And, I think
6 technological includes not just hardware, but
7 software, properly so.

8 Is this patent actually directed at a
9 new software approach? Is it directed at a new
10 algorithm? Is it directed at a new
11 implementation of a computer technology that
12 allows you to do something different?

13 I do think that we can learn some
14 practical lessons.

15 First, the broader the scope of the
16 patent is, the more problematic it's likely to
17 be. The abstract idea concept, I think, is
18 directed not so much at is it removed from the
19 physical world but is it claimed at a level that
20 cuts across physical world boundaries that does
21 -- where it doesn't matter how I implemented in

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1 the software.

2 And, second, I think we can pay a lot
3 more attention than we have in the past to
4 functional claiming.

5 A lot of the patents that are most
6 problematic are problematic because they are
7 written in functional terms. Anything that
8 achieves this function, but have not been subject
9 to the traditional rules of Section 112(f).

10 But applicants and examiners can use
11 Section 112(f) to narrow down claims to specific
12 technology, assuming the patent application
13 actually describes specific technology.

14 And, in the course of doing that, I
15 think we can at least make the software world a
16 better place.

17 MR. KELLEY: Thank you, professor.

18 So, next, we'll hear -- sorry, thanks
19 professor.

20 So, next, we'll hear from Peter Su.

21 Mr. Su?

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1 MR. SU: Okay, thank you.

2 Good morning. My name is Peter Su.
3 I'm a partner at Dentons Silicon Valley office.

4 And, before, you know, going to law,
5 I worked as a design engineer in Silicon Valley.

6 The view I express here are my
7 personal views, not my firm's position on this
8 topic and my perspective, mostly based on my
9 personal observations working with the inventors
10 in engineering rather than in life sciences.

11 So, picking up on the point that
12 Professor Lemley talked about useful rules, I
13 have three points to share.

14 So, first, the Alice framework of
15 abstract idea is difficult to comprehend and
16 apply by the inventors in the high tech industry.

17 In determining patent eligibility
18 under the Alice framework as to whether the
19 claims are directed to an abstract idea.

20 This is a framework that's hard for an
21 engineer to understand and provide comment. So,

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1 the concept of whether an idea is abstract as the
2 framework to determine 101.

3 So, when we analyze whether an
4 invention is compared to, if we analyze an
5 invention is new or obvious, engineers frequently
6 are able to provide helpful comment on the
7 technical differences between an invention and
8 the prior art.

9 However, if you were to ask an
10 engineer whether the concept is abstract or not,
11 the engineer will likely be somewhat perplexed
12 and not be able to provide his or her opinion.

13 So, whether if something that's
14 abstract or not is typically not a concept as
15 taught or understood in engineering schools or in
16 the high tech industry.

17 So, a patent, it's a legal/technical
18 document that's directed to and to be understood
19 by one of ordinary skill in the art.

20 If an average engineer is not able to
21 discern whether an invention is an abstract idea,

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1 then the Alice framework in determining patent
2 eligibility would be difficult to apply in the
3 real world.

4 The second point, the Alice framework
5 is phrased in the negative, which, again, makes
6 it difficult to apply in practice.

7 So, for example, if you look at 102
8 and 103, under 102, you can obtain a patent if
9 the claims are novel.

10 In section 103, a patent is patentable
11 if it's not obvious.

12 So, under these two statutory
13 sections, we are seeking for characteristics that
14 are new and are not obvious.

15 By and large, most engineers are able
16 to analyze and operate in that framework.

17 But, in the Alice 101, the patent is
18 patent-eligible if it is not an abstract idea.

19 So, stating -- rather than stating
20 what it is, the Alice framework is stating what
21 is not.

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1 So, as an analogy, if I was to say
2 that the fruit that Jill likes is not apple, then
3 that fruit could be orange, pears, grapes,
4 strawberries or other forms of fruit.

5 Because, the Alice framework is
6 articulated in the negative, we have the courts
7 that have different ways of interpreting the 101
8 and gravitating toward the claims that are
9 abstract.

10 Okay, which is reflected in the
11 statistics in, you know, many of patents been
12 invalidated or to patent applications that's been
13 rejected.

14 My third point, actually, is more
15 coming from an international perspective.

16 So, I thought the Alice decision is
17 really domestic U.S. issue. I think it is
18 interesting to note from an international
19 perspective.

20 So, as Professor Lemley talked about
21 the, you know, the large number of software

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1 process method panel will 2000 and, in part, I
2 think, after the State Street Bank, you could say
3 that the, you know, at the opening of the flicker,
4 you put business method, Pan has somewhat
5 contributed the venture investment in e-commerce,
6 social networking and the sharing economies.

7 I have several panel attorneys coming
8 to me back then that they really like the US
9 patent assistant because it helps these companies
10 to protect their investments that's made into the
11 company.

12 So, while we're having an active
13 discussion as to the patentability into our --
14 the Alice decision, China has proposed a revision
15 to the patent examination guideline to allow
16 patenting of business models under Article 25.

17 So, the proposal is that the
18 requirement would be patented business models now
19 need to include business methods and rules but
20 also technical features. So, you know, this
21 proposed legislation would, if it gets passed,

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1 then would, I guess, somewhat motivate the --
2 sort of the landscape on how to, you know,
3 companies filing software patents.

4 MR. KELLEY: Okay, thank you very
5 much, Mr. Su.

6 And, our last speaker on the panel
7 this morning is Lee Van Pelt.

8 Mr. Van Pelt?

9 MR. VAN PELT: Thank you very much.

10 I'm a patent prosecutor and I also am
11 an adjunct professor at Berkeley.

12 The two-part test presents the Patent
13 Office with a daunting task. And, I think Mark
14 has stated that very well.

15 You look at these 101 cases and very
16 smart law clerks help smart Judges write
17 opinions. They may go on for 20 pages.

18 And, at the end of the day, I'd say
19 probably half the people in this room would
20 complain about the opinion and perhaps say it's
21 very hard to understand or it's inconsistent.

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1 The Patent Office has to make that
2 determination literally thousands of times a
3 month with a staff of hundreds of examiners.

4 I guess my first input primarily is
5 that, whatever time and resources the Patent
6 Office is spending on the guidelines is
7 absolutely worth it.

8 And, in my view, I don't know who's
9 writing them, but I think they're doing, in
10 general, a very good job of synthesizing the case
11 law into guidelines that someone who has to make
12 this decision several times a day, potentially,
13 with applications can follow.

14 The task is hard. There sort of is
15 an arc in the cases, but the arc is, I think, as
16 Mark has pointed out, actually a pendulum. It's
17 not as simple as looking at the lower courts
18 versus the Supreme Court.

19 I mean, you look at, you know, cases
20 that are pro-eligibility like Diehr and
21 Chakrabarty and you have to score those with

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1 cases that are the other side like Benson and
2 Flook. That is hard.

3 The approach the Patent Office seems
4 to be taking in the guidelines with respect to
5 the first question is, what is abstract, is to
6 look at examples and try to sort of compare
7 whether the claim under consideration is similar
8 to claims that have been dealt with by the courts.

9 I think that's really all you can do.
10 And, I think, in the guidelines, to the extent
11 that examples are included and the examples are
12 synthesized from what's in the court case, that
13 is very, very helpful to examiners and it's very
14 helpful in the process of prosecuting a patent to
15 be able to have those.

16 The recent -- and the life science
17 examples put out in May, I think do a very good
18 job of pulling facts from the cases, particularly
19 the Mayo case. And, you know, writing them as
20 different claims, example claims that you can
21 look at and try to understand the sort of things

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1 to put in a claim that's going to work and the
2 sort of thing that's not going to work.

3 And, I guess my main input or request
4 is more of that. It's very helpful.

5 I'd also add, there are a lot of
6 academics in the room. Probably the best class
7 I had this year, I've had in prosecution class
8 was going through those examples and asking the
9 students to debate because every one is sort of
10 like a question presented, eligible or ineligible
11 and the answer is given.

12 And, as a teacher, you know, my
13 greatest fear is being boring. And, at least
14 that class, it wasn't boring.

15 And, I'd urge, if you get anything
16 from my remarks, I'd say it's really worth
17 spending a significant amount of time with the
18 PTO materials and guidelines and examples because
19 they are a good way to try to practically deal
20 with this issue.

21 I'm sorry that I can't really

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1 enlighten you more on what abstract means because
2 I struggle with it also.

3 Now, on the second part of the test,
4 what is something more? That question's actually
5 almost as hard, I think.

6 But, my understanding of it has been
7 improved by looking at the guidelines. And,
8 they've pulled some language from the cases that
9 it's something that's not well understood,
10 routine or conventional.

11 And, it's very interesting, I think
12 the person who synthesized that noticed it in
13 whether it's Alice of Bilski or Mayo, there
14 usually is a comment in saying why something's
15 abstract and not patentable that it's also, it's
16 just well understood, routine, conventional,
17 something of that sort.

18 Now, as an engineer, that interests me
19 because it's sort of sounding like something that
20 can have some practical utility in that, when I
21 think of those three things, well understood,

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1 routine or conventional versus obvious, it sounds
2 a little bit like a course filter and fine filter.

3 And, I think examiners, some really
4 effective examiners, I've seen them kind of use
5 it that way. That, they don't have to spend the
6 resources to do a specific search on certain
7 things.

8 They, you know, they use the 101 and
9 they talk about something being well understood,
10 routine and conventional. It's up to you if you
11 want to argue that something that really is
12 routine is not routine.

13 But, usually, I think the practitioner
14 will yield and it saves time. And, that's
15 something I want to emphasize that's very
16 important in the Patent Office making this 101
17 determination because very minute that the
18 examiner spends having some sort of philosophical
19 argument about what's abstract and what's not
20 abstract, and there have been some great papers
21 written on trying to answer that question.

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1 But, every minute the examiner spends
2 on that is a minute the examiner doesn't have to
3 search the prior art, analyze the claim and
4 improve patent quality which is ultimately, you
5 know, to my clients that have to deal with
6 patents, you know, that are served against them,
7 clarity and patent quality is, I think, of utmost
8 importance.

9 So, as, again, my main comment is, the
10 time spent on the guidelines is absolutely worth
11 it. The time spent on the examples is absolutely
12 worth it.

13 And, to the extent that that can help
14 the examiner to save time is two ways.

15 One, to have sort of good examples so
16 that the first part of the test can be efficiently
17 dealt with.

18 And, then, secondly, so the examiner
19 can use it as a tool to sort of sweep out the
20 kind of really routine conventional part and move
21 on to the part that really requires a prior art

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1 search for the obviousness part. I think that
2 is a way that it can be a useful tool for
3 examination.

4 Thank you.

5 MR. KELLEY: All right, thank you very
6 much, Mr. Van Pelt.

7 So, we have some time for some
8 questions and I'm going to start it off myself
9 with a question for Mr. Bernstein.

10 In your robotics example, and this is
11 something that has bothered me for a while when
12 I look at cases like Diamond v. Diehr and moving
13 forward, how the Supreme Court continues to shape
14 the law.

15 What is the nature of the invention in
16 your example? And, is that a valid question? In
17 other words, is the invention new software? Is
18 the invention a new program computer? Or is the
19 invention a new robot? And, is that a valid
20 question to be asking? And, if so, how does one
21 answer that question and in what context should

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1 be answered, if at all?

2 MR. BERNSTEIN: It's a valid question
3 and it's a good question. I think you can look
4 at it as potentially a new robot or as a new
5 computer.

6 And, it's interesting. One of the
7 things about the robot example, I mentioned the
8 Alappat case that was decided 20 years ago. And,
9 in that case, the Federal Circuit found
10 patentable subject matter.

11 A case decided the same day was In re
12 Warmerdam. And, that had to do with controlling
13 a robot. And, that was found to be patent-
14 ineligible. And, when you looked at the claim,
15 you saw that it was a bunch of equations, nothing
16 was done with the equations.

17 And, so, in that case, I think it was,
18 you know, like the Flook case, for example, I
19 think appropriate to say that's not patentable or
20 patent-eligible subject matter.

21 But, in the case of, you know,

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1 controlling a robot, if you integrate, if you say
2 how you're improving the control of the robots
3 appropriately and you mention what you're doing
4 with the calculations, whether, you know, you've
5 got a bunch of algorithms and stuff in it, kind
6 of like Diehr, that ought to be patent-eligible.

7 So, to come back to your question, I
8 think it's either -- it's a new robot or it's a
9 new computer. I think either of those questions
10 is appropriate to ask.

11 MR. SU: Yes, can I add to that?

12 MR. KELLEY: Yes, please.

13 MR. SU: Yes, because I also do work
14 in robotics and I find robotics to be one of the
15 more complicated technology I've worked.

16 And, I think unlike electronics and
17 software, robotics, you actually involved high
18 level software with low level software
19 interacting with rods to control the different
20 articulation in the mechanical.

21 So, I think all that together, I think

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1 probably presents a stronger case for
2 eligibility.

3 MR. KELLEY: Does anybody -- I'm just
4 curious, does anybody on the panel think that the
5 Diamond v. Diehr case would be vulnerable under
6 today's case law with the way, as Professor
7 Lemley put it, the common law has evolved? Is
8 that case just as strongly favorable to
9 eligibility today as it was when it was decided?

10 MR. LEMLEY: I think it is less
11 strongly favorable to eligibility. So, I'll note
12 two things. Right?

13 One is that, from any practical
14 perspective, Diamond v. Diehr overruled Parker v.
15 Flook. They were two different 5/4 majorities
16 where one Justice switched. They said
17 inconsistent things.

18 And, a lot of the confusion that's
19 come out of the Supreme Court's case law has been
20 the Supreme Court's insistence on trying to
21 reconcile both of those cases as having good law

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1 when they say the opposite thing.

2 In Alice, the way they reconciled the
3 two was really quite interesting which is they
4 introduced into the history of Diamond v. Diehr
5 a specific new piece of hardware and said, well,
6 Diamond v. Diehr was patentable because it had
7 this specific new piece of hardware that was not
8 actually present in the claims of Diamond v.
9 Diehr.

10 So, the result of that, I think, is
11 that the way the Supreme Court is thinking about
12 Diamond v. Diehr and the Alice case I think is
13 actually a much narrower proposition than what we
14 all would have thought Diamond v. Diehr stood for
15 when it seemed like it was overruling Parker v.
16 Flook.

17 MS. NELSON: So, I have a question
18 from the floor for Ms. Feldman.

19 And, that is, if you're -- as you seem
20 to be advocating that the recent case law is
21 actually sort of hitting the right balance in the

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1 software world, how are small startups supposed
2 to sort of get themselves going and have adequate
3 funding?

4 And, I will follow, I think, a second
5 question is in part to that is, Mr. Su talked
6 about international norms and other countries
7 sort of taking different approaches. And what
8 are, I guess, the international concerns with us
9 being out of step with the rest of the world? Is
10 that something that should be driving this?

11 MS. FELDMAN: Sure.

12 So, I suspect the question is worry
13 that if you can't -- if you're cutting back on
14 software patents and you're a little guy, isn't
15 that bad for us? How can we get started?

16 And, the patent is a difficult world
17 for the small guy. You get buffeted in both
18 directions. It's difficult to get started and,
19 on the other hand, there is a lot of data showing
20 that a target of patent assertion is the startups
21 and that hurts them and their ability to raise

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1 money.

2 So, there's a wonderful wealth of data
3 that's come out in this last two years. The
4 bottom line is that patent is a difficult world
5 for the small person.

6 I do believe, and what I hear
7 increasingly from people in Silicon Valley is
8 that patents are less important for the funding
9 than they have been historically.

10 In part because things change so
11 quickly in terms of how new software comes out
12 and in part because of this buffeting back and
13 forth that's happening the court.

14 So, I think that, I see, as a silver
15 lining for the folks in software.

16 I know it is tempting. I work in a
17 program with software -- with startup companies.
18 We provide free legal work for 60 companies a
19 year. I understand their pain intensely.

20 We also have to step back and ask
21 what's happening in the patent system as a whole

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1 and not let one piece of it, and our concerns
2 about that piece of it, blind us to what's
3 happening in the full system.

4 MR. LEMLEY: Could I add briefly to
5 that?

6 MR. KELLEY: Sure.

7 MR. LEMLEY: So, I think in the
8 software world, there are, I think there are
9 concerns about will people fund the software
10 companies, although it's an empirical question.

11 I don't think we've seen a drop off,
12 Alice related drop off or a move of out of
13 software in the venture capital world. But,
14 that's something obviously that academics should
15 be testing.

16 From the engineer's perspective, I
17 think it might actually push in the opposite
18 direction. The people who hate software patents
19 the most are software programmers. And, while
20 that's not universally true, it is overwhelmingly
21 true in Silicon Valley.

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1 So, I don't think people are choosing
2 not to start companies because they don't think
3 they will get a patent in the software world.

4 Now, I do want to say, this panel has
5 been focused very heavily on software. I think
6 in the biotechnology world, we have a very
7 different situation.

8 I think the law is less clearly moving
9 towards a resolution that's kind of --
10 distinguishes good from bad patents. And, I
11 think it's also much more important that you have
12 patent protection in the biotech industry because
13 the expense is higher, because the lead time is
14 longer.

15 And, so, there, I much more worried
16 about the possibility of losing startup
17 investment.

18 MR. SU: Can I also add to that?

19 So, I think from China international
20 perspective, I think the, you know, commentators
21 including the AIPLA view that, I think if this

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1 revision to the Chinese patent law passes, then
2 essentially, China would permit a business or
3 business method patents with the technical
4 feature.

5 Essentially, I think the way they
6 drafted it is to take it up of what's the
7 equivalent of 101 and then they're just going
8 through the -- to the anticipation and now
9 obviousness analysis.

10 The other kind of situation says that
11 you are kind of asked in terms of the
12 international framework is in terms of how many
13 other countries have sort of examined under 101,
14 whether it is in China, Japan and Germany?

15 I think, as most of you know, they
16 still operate in a different framework with the
17 technical problem, solution and effect.

18 So, I don't know if that's on point
19 that the U.S. would actually look at just like
20 with the patent filing with some sort of
21 harmonization that we would actually take into

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1 account what other countries applies to 101.

2 MR. KELLEY: Sure.

3 MS. FELDMAN: So, I appreciate Mark
4 reminding us that it's not just tech, that it's
5 also life sciences that we have to worry about.

6 And, it's much more fun when Mark and
7 I can agree. But, this one, I'm going to
8 disagree a little bit on because I've testified
9 twice in Congress in recent months about the
10 schemes that are driving prices up in the drug
11 industry.

12 And, not all of those, but some of
13 those, are based in weak patents, what I call
14 life cycle management games. What I call -- lots
15 of people call that.

16 That is happening within the patent
17 world as well. And, it is as important there to
18 make sure that we have appropriate and clear
19 boundaries on the patents granted as it is in
20 tech.

21 MR. VAN PELT: I believe the best way

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1 to handle those patents when you say a weak
2 patent, I think that's a 103 question. And, 103
3 is the best way to deal with that problem, it's
4 the best filter.

5 MR. KELLEY: Does anybody else on the
6 panel up here have a question? I have one final
7 one.

8 So, this came from the audience and
9 paraphrasing a little bit. But, the question is,
10 do you think that the courts have turned
11 abstractness into a binary concept? And, is that
12 driving some of the difficulty in analysis?

13 Something's either abstract or it's
14 not abstract. That's a hard thing to get your
15 head around, at least for me.

16 MR. LEMLEY: It is a hard thing to get
17 your head around. I mean, I see -- I guess I see
18 it slightly differently, maybe not, I mean, I
19 don't know that I disagree with that statement.

20 I think the way we've structured the
21 Alice test causes us to go look for the abstract

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1 concept in every patent claim. And, that seems
2 to presuppose that there is an abstract idea.

3 And, you know, at some level, that
4 might be right. But, I think the kind of search
5 for the abstract idea may cause us to find it
6 even when it's not really present in the claim or
7 the claim is at least not limited to it.

8 And, so, there have been a couple --
9 I think Enfish, in particular, pushes back
10 against that in a useful way and says, hey, we
11 can't assume there is an abstract idea that we're
12 then looking to jump immediately to step two.

13 So, I, you know, yes, I mean, I guess
14 it is a binary choice in a sense, but we might be
15 better off with the binary choice than the
16 alternative which is kind of let's assume that
17 there is an abstract idea and pull that out in
18 every case because not every patent claim sort of
19 ought to -- is directed to something abstract.

20 MR. BERNSTEIN: I'd take that a step
21 further and maybe, you know, flip it and say maybe

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1 assume that there is not an abstract idea.

2 I think a lot of this stuff, when you
3 pull out what's been, you know, what's been done
4 by hand or what's been done and just do it on a
5 computer, that's a matter of novelty or
6 obviousness.

7 And, I think that that's an
8 appropriate space in which to deal with this.
9 Put the thing in front of the Patent Office,
10 you've got, you know, however it's claimed,
11 functionally or otherwise, and see whether
12 there's prior art.

13 You know, I kind of agree with Lee
14 that you should spend the time looking for prior
15 art to see whether an invention is patentable and
16 not spend as much time on this abstract idea and
17 notion.

18 MS. FELDMAN: Yes, I think the court,
19 the Supreme Court did think that abstract was a
20 fairly binary notion. And, I certainly think
21 that they felt they had a definition.

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1 So, I don't think that they will
2 warmly greet the notion that the tests that
3 they've given has no workable definition. I
4 think there will be some fireworks when that
5 issue goes up and that we should anticipate that.

6 But, this is not the first time that
7 an appellate court and the Supreme Court have
8 faced off on which one is the greater expert. We
9 saw this in the '70s with the D.C. Circuit and
10 the Supreme Court over which one understood
11 administrative procedure better.

12 The Supreme Court generally wins.
13 And, we might want to keep this in mind along the
14 way.

15 MS. PERLMUTTER: Let me ask one
16 international question.

17 So, Mr. Su and some others have talked
18 about the different approaches to this issue
19 internationally and, whether in Europe or in
20 other countries.

21 And, we had a question from our web

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1 cast audience that talked about the value of a
2 comparative analysis of the same cases by the
3 USPTO and by the EPO.

4 So, my question is, do you agree that
5 that kind of analysis and that kind of comparison
6 would be useful and/or relevant?

7 MR. VAN PELT: Well, I think that
8 comparison is very useful and it's -- one of the
9 ways to sort of try to get your head around what's
10 abstract and what's not is this notion and in
11 Europe of the technical effect.

12 And, so, I think there is a union
13 between things that have a technical effect and
14 things that are not abstract. And, so, that is
15 not so much taken up by our courts, but I think
16 that's why a lot of times you are getting the
17 same answer out as Mark sort of alluded to, that
18 we're getting the cases that should be allowed,
19 probably allowed, then the cases not allowed that
20 probably shouldn't be.

21 And, I think the technical effect is

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1 a kind of another way to get at abstractness.

2 MR. BERNSTEIN: Those are actually
3 words that a number of my European clients have
4 seized on right out of the Alice case where
5 there's a reference to technical effect. And,
6 the first reaction I got was, oh, you all are
7 more like us now because they've been looking at
8 it that way for a really long time and I think
9 it's a helpful construct.

10 MR. KELLEY: Thank you.

11 And, I don't want to forget about Mr.
12 Thomas back in our headquarters office. And, I
13 want to give you, sir, the opportunity to respond
14 to any of the questions if you'd like to.

15 MR. THOMAS: Yes, thank you.

16 I think it's imperative to understand
17 that the difference between Bilski and Alice, it
18 was a quantum leap of illogic. It supplied the
19 definition of an abstract idea with no physical
20 or concrete existence to a whole arena,
21 unfortunately, of electronic commerce, computer

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1 networking, et cetera, et cetera, business
2 methods.

3 It's, I mean, as shown in one of the
4 slides that our Unit 3600 is a huge aberration.
5 Congress has not dictated. There is no precedent
6 for this. I think the Patent Office needs to
7 look extremely closely at what's going on in TC
8 3600 and 705 patents because of the impact, the
9 Internet and international digital trade, the
10 importance of those areas to our economy.

11 MR. KELLEY: Okay, thank you very
12 much, Mr. Thomas.

13 And, I want to thank the whole panel
14 for their time here this morning.

15 MR. THOMAS: Thank you.

16 MR. KELLEY: And, also urge anybody
17 who hasn't yet submitted written comments to do
18 so by January 18th.

19 Thank you and we'll trade out now for
20 the second panel.

21 Okay. So, we'll begin our second

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1 panel and the first speaker on our second panel
2 is from the United States Patent Trademark
3 Offices Denver Regional Office, Mr. Chirag Patel.

4 Mr. Patel?

5 MR. PATEL: Can you hear me all right?

6 MR. KELLEY: Yes, sir.

7 MR. PATEL: Great, okay, well, thank
8 you very much for including me in the panel.

9 I'm a patent prosecutor based in
10 Denver and here participating on this beautiful
11 Rocky Mountain office here right now.

12 So, you know, we talked a lot about
13 how the case law and common law is advancing in
14 this issue of software patent eligibility and 101
15 issues and purpose.

16 We've already mentioned about how, you
17 know, the resolution will come from the course
18 and the legal analysis.

19 And, so, I wanted to kind discuss
20 about this recent case that came out in October
21 of this year actually from the Court of Appeals.

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1 And, it does shed some light on
2 clarifying the issues about the eligibility of
3 the software, patent claims.

4 This is a case that came from the
5 Eastern District of Virginia and it's Amdocs is
6 the patenting, they have four patents. They're
7 all rooted generally towards accounting and
8 billing systems for network providers.

9 So, they talk about how to account for
10 network traffic that in a distributed network.
11 You know, you have transactions going all over
12 the network and how they are manage this large
13 amount of data that somehow needs to be
14 processed.

15 So, the case was made that this is a
16 technical problem and the solution that the
17 claims have is a technical solution.

18 So, Openet is the defendant that
19 pleaded invalidity for all of the four patents,
20 all the claims and then the majority opinion by
21 Judges --

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1 I'm sorry, I'm on the first slide, if
2 you don't mind, second slide, I'm sorry, if you
3 don't mind moving to it. There we go, okay. It
4 lists more detail about what I'm talking about.

5 So, Judges Plager and Newman upheld
6 the claim, says, eligible and they used all of
7 the recent cases. They talked about -- some of
8 this came out for eligibility, some not. They
9 kind of drew a lot of commonalities between the
10 DDR and the Bascom claims and analysis.

11 Next slide, please?

12 So, there are four patents that are at
13 issue here and I'm just going to talk about a
14 couple of claims and a couple of this patents.
15 They all are generally similar to each other and
16 in terms of the -- what they cover.

17 So, as I said earlier, this is
18 software technology for accounting and billing
19 for network traffic. And, the claim was made
20 that, you know, we're receiving accounting
21 records from very widespread locations, so they

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1 said, first, network accounting records from a
2 first source and the second from the second
3 source and then the computer code is of how
4 managing to enhance the first network accounting
5 record using all the data that is collected from
6 all the different locations.

7 And, so, if you read it at the high
8 level, it's a, you know, pretty short claim.
9 It's a pretty, I would think, I would consider
10 broad claim. And, a lot of the petitions in
11 here, you would think that, well, probably an
12 examiner is going to come up and say, well, all
13 you're doing is receiving a record, you're
14 collating it and then you are using some
15 accounting information to change one accounting
16 records.

17 So, you know, you have all seen a lot
18 of rejections that would be in 101 that would
19 say, no, this is not eligible.

20 But, the court found this case to be
21 one eligible. They cannot focus on the

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1 limitations, the third limitation about enhancing
2 the first network accounting record.

3 They went back, actually, for the 101
4 analysis to the specification and construed the
5 claim. And, say that, the enhancement as applied
6 to a number of a field enhancements in a
7 distributed fashion.

8 Well, is it, does it help really? I
9 don't know. But, that's where the analysis went.
10 And, then, they said the distribution processing
11 is a critical advancement over the prior. So,
12 they considered this as unconventional
13 technological solution to a technological
14 problem.

15 They did talk about in the analysis
16 how, you know, this massive amount of data that
17 needs to be processed and this claim or this
18 solution allows you to do that.

19 So, next slide, please?

20 And, I have some observations about
21 like, so, if this is the case that the case the

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1 court considers to be patent-eligible, well, you
2 know, massive data processing is pretty common.
3 Any time there's massive data processing can we
4 come up with some language that could help us to
5 couch that as a technological solution? Maybe.

6 You know, as I said before, the law of
7 the court is that of commonalities of the claimed
8 terms that the DDR holding in Bascom.

9 So, you know, as to a practitioner, I
10 would say, you know, look at the claims in those
11 two cases that were held eligible and cannot be
12 -- if you can come up with some commonalities in
13 what you're doing in your claims, that might help
14 you in furthering your arguments.

15 Next slide, please?

16 So, let's talk briefly about the other
17 -- one other claim. This is a pretty detailed
18 claim for the -- one of the other patents.

19 And, then, if you look at the -- all
20 the limitations, it's collecting, it's filtering,
21 it's storing, it's up in queries, it's

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1 outputting. And, you know, all these terms are
2 normally would be considered nothing
3 significantly more, not adding anything more
4 significantly by a lot of the examiners under the
5 current guidelines.

6 And, I'm getting, you know, the court
7 went back, in this case also, the court went back
8 and did a specification and construed the terms.

9 Next slide, please?

10 So, the court kind of focused on the
11 third limitation which talked about computer code
12 for completing plurality of data records. And,
13 they went back and said completing is directed
14 towards enhancing a record until all of required
15 fields that we populated.

16 And, then, went back to the arguments
17 about the -- why enhancing was something that was
18 not going to amount to a technological solution.

19 Though, there was not a claim
20 construction that was done in this case, even at
21 the 101 analysis, which is usually, you know,

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1 about one would think that it's not usually done
2 that often.

3 But, a couple of things here that I
4 would point out is that, you know, distributor
5 architecture, the court said there's an issue
6 with architecture and official to minimize impact
7 on network system resources is something that is
8 technological solution here.

9 So, you know, a lot of claims that we
10 draft for a lot of clients deal with, in some
11 ways, minimizing some impact on some part of the
12 system resource. So, can you use that in
13 arguments to say this is patent-eligible subject
14 matter because of those arguments by the case?
15 That could be useful in the future.

16 Next slide, please?

17 So, I wanted to kind of close this out
18 with a few high level observations and takeaways.

19 You know, there was a lot of
20 discussion about how is the 101 analysis binary
21 or not. And, it looks like the court here kind

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1 of tried to use a flexible approach by
2 emphasizing that, sorry, about the track over
3 there, but the abstract guide, it has no set
4 meanings.

5 So, there's no set meaning anywhere,
6 so the definition of abstract idea and they
7 relied on the claim construction beyond what's
8 the claim leveled in the claims and on
9 improvements over the prior art which is
10 discussed a lot in the specifications.

11 And, the last slide, please?

12 So, one final observation here is also
13 that, you know, again, the analysis was not
14 binary. If you are a practitioner, emphasize an
15 improvement provided by the solutions.

16 You know, if you can discuss more of
17 those improvements in the specification, you can
18 use that later on in making your argument that
19 your claims were patent-eligible because of their
20 technological solution or nonconventional
21 service in technological problems.

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1 There was a dissent by Judge Reyna
2 that is pretty interesting and long, if somebody
3 is interested in reading it.

4 But, I think with that, I'm going to
5 close. Thank you very much.

6 MR. KELLEY: Thank you, Mr. Patel.

7 And, our next speaker is here at
8 Stanford, Dorothy Auth.

9 Dr. Auth?

10 MS. AUTH: Good morning.

11 My name is Dorothy Auth. I'm here
12 representing the New York Intellectual Property
13 Law Association. I'm the Immediate Past
14 President.

15 We assembled an ad hoc committee in
16 order to prepare for this presentation and think
17 about what the best guidance would be for the
18 USPTO on the question of the larger question of
19 101 and what might need to be done to correct the
20 place we are right now.

21 The NYIPLA's view is that the Section

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1 101 bar should really be a low bar. It should
2 be a sieve with very large holes.

3 It should hold back ineligible subject
4 matter if that it contains patent claims that are
5 directed to a law of nature, abstract idea or
6 natural phenomena, but it should allow claims to
7 proceed through the further analysis of 101, 103
8 -- 102, 103 and 112 if there are particular
9 applications of the abstract idea, law of nature,
10 natural phenomena.

11 The question really is, how can we
12 distinguish between ineligible subject matter and
13 eligible subject matter?

14 And, the Supreme Court's opinions in
15 this two-part test articulated by Mayo, Myriad
16 and Alice have proven to be very problematic and
17 they don't provide a simple framework to know
18 what the right level of abstraction is for
19 Section 101 analysis.

20 Recently, the Federal Circuit is
21 helping to answer question number two of the two-

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1 parts test through its analysis of patent-
2 eligible subject matter in, for example, the two
3 recent decisions in McRO and Rapid Litigation
4 Management.

5 In these cases, the Federal Circuit
6 has identified patent-eligible subject matter in
7 both, well, one of each in computer related
8 sciences as well as life science, both of which
9 are profoundly affected by the Supreme Court's
10 decisions recently.

11 And, they focused on the very simple
12 concept of technological improvements in the
13 claim language.

14 And, secondly, they also required that
15 the language of the claim, by virtue of this
16 technological improvement, be described in the
17 specification.

18 And, that it not preempt the law of
19 nature because the claims are narrowly tailored
20 applications of the natural law or abstract idea.

21 And, they're supported in the

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1 specification.

2 The common theme is that the
3 specification must explain the technological
4 features, the particular application that
5 specifically recites the claims. And, thus,
6 ensures that the claims don't preempt the law of
7 nature, abstract idea or natural phenomenon.

8 In the NYIPLA's view, the Section 101
9 analysis should be considered whether or not the
10 claims include specific steps or elements which
11 render the claimed invention.

12 It should be based upon the definition
13 of what an invention is. And that really goes
14 back to the definition in our statute, it needs
15 to be a useful process, a machine, manufacturer,
16 a composition of matter or an improvement
17 thereof.

18 In particular, the process definition
19 in Section 100(b) even points out that it can be
20 a process, art, method and includes a new use of
21 a known process, machine, manufacturer,

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1 composition of matter or material.

2 The NYIPLA believes that, although,
3 the Federal Circuit is moving in the correct
4 direction by focusing on specific recited
5 features in the claims and support in the
6 specification as well as its requirement that the
7 claimed invention not preempt the law of nature,
8 ultimately statutory amendment will likely be
9 needed to finally resolve the matter because we
10 have sort of this push-pull that we've already
11 mentioned between the Federal Circuit and the
12 Supreme Court.

13 And, as between the two, as Professor
14 mentioned before, the Supreme Court usually wins.

15 So, the NYIPLA would proposed that, at
16 the end of Section 101, a sentence be added that
17 would say, a claim complying with this section
18 may recite a practical application of a law of
19 nature, abstract idea or a natural phenomena, but
20 may not claim or preempt a law of nature, abstract
21 idea or natural phenomenon.

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1 Such an amendment would clarify the
2 applicable standard for review.

3 Such an amendment would lessen the
4 burden both on the courts as well as in the USPTO
5 which currently are expending tremendous
6 resources in trying to understand what standards
7 should be applied in the fact of a test it and
8 see and compare it to the other cases that have
9 been decided previously standard.

10 You know, our goal is to create a
11 Section 101 that focuses on patentable inventions
12 that clearly defines what falls within the
13 patent-eligible subject matter and what is
14 outside that.

15 And, also, as we feel is happening
16 already with the Federal Circuit, to a certain
17 extent, and shift the true analysis back to 102,
18 103 and 112.

19 Thank you.

20 MR. KELLEY: Thank you very much.

21 And, our next speaker this morning

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1 will be Steve Chiang.

2 MR. CHIANG: Hello and thank you for
3 the opportunity to add to the public discourse on
4 subject matter eligibility.

5 May name is Steve Chiang and I
6 currently serve as a Director and In-House IP
7 Counsel at RPX Corporation.

8 However, I am here today speaking not
9 on behalf of RPX but as an individual spectator
10 of and participant in the patent ecosystem.

11 I'll spend the next few minutes
12 focusing on the question of whether developments
13 in patent eligibility law should be left
14 primarily to the courts or whether additional
15 administrative initiatives are desirable.

16 Any participant in the patent
17 ecosystem is likely familiar with the individual
18 roles played by the USPTO and the courts as well
19 as the impact that the Supreme Court's Alice
20 decision has had on their businesses.

21 Indeed, particularly for those

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1 dealing with software and business method
2 patents, the decision and it's progeny have
3 shifted litigation outcomes and strategies
4 wholesale, devalued entire patent portfolios
5 while arguably increasing the values of those
6 less susceptible to invalidation under post-Alice
7 Section 101, drastically lowered allowance rates
8 in some tech centers and art units and impacted
9 an unknowable number of key business decisions
10 for many a small business such as should I seek
11 a patent protection for my idea?

12 However, these are not isolated
13 effects because the participants, whether
14 litigants, licensors, licensees, applicants and
15 would-be applicants are often one in the same.

16 And, these respective businesses
17 could stand to benefit greatly from consistency
18 in the patent ecosystem as a whole.

19 Although both the Article III core
20 system and the USPTO played critical roles in
21 evolving the practical ramifications of

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1 developments and patent eligibility law, these
2 roles have traditionally been separate.

3 Thus, if we accept the assumption that
4 consistency in the patent ecosystem is more
5 desirable, perhaps developments in patent
6 eligibility law should be a joint effort.

7 One potential way to increase
8 consistency is by enlarging the boundaries of the
9 deference attributed to the examination process
10 by district courts and their determinations of
11 eligibility.

12 For example, if district courts were
13 to consistently apply the Section 282 presumption
14 of validity to determinations under Section 101,
15 that could potentially prevent many situations in
16 which applicants invest a significant amount of
17 money into prosecuting an application to issuance
18 by overcoming Section 101 rejections only to have
19 the patent invalidated, for example, in the
20 pleading stage.

21 Since Alice and through end of Q3 this

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1 year, in only 20 percent of distinct cases
2 rendering a judgment under Section 101 did
3 district court Judges even mention the
4 presumption of validity under Section 282.

5 Those cases were largely split with
6 anti-presumption Judges generally following
7 Mayer's concurrence in *Ultramercial III* and the
8 lack of a specific application of Section 282 to
9 Section 101 determinations in recent Supreme
10 Court patent eligibility jurisprudence including
11 *Alice*.

12 And pro-presumption Judges generally
13 tracking to Supreme Court's broader endorsement
14 of the presumption of validity in *Microsoft v.*
15 *i4i* and its progeny.

16 However, in the other 80 percent of
17 cases one can only assume that the lack of
18 discussion of Section 282 intimates a lack of
19 application of Section 282.

20 This is difficult to reconcile with
21 the fact that the examining court, with its

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1 technical expertise is well equipped to explore
2 the second step of the Alice-Mayo framework since
3 whether abstract ideas are integrated into
4 something significantly more should really be
5 relative to one of ordinary skill in the art.

6 However, of the 20-plus litigated
7 patents that issued after Alice and, to be fair,
8 after the 2014 preliminary examination
9 instructions and IEG published, only three of
10 those received Alice-based rejections on the
11 merits during examination.

12 Consistently ensuring a more fully
13 developed examination record, especially with
14 respect to Section 101 is a good step toward
15 working with the judiciary to explore the
16 possibility of consistently applying Section 282
17 across all determinations of validity including
18 eligibility.

19 Another potential avenue for
20 increasing consistency in patent eligibility
21 determinations is by revisiting amendment

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1 practice at the PTAB which is both the most
2 popular alternative form to district courts for
3 litigating patents and the single largest source
4 of appeals to the Federal Circuit in 2016.

5 It is difficult to reconcile why an
6 underpinning rationale militating against the
7 application of Section 282 at the PTAB that is,
8 the patent owner having the ability to amend
9 claims has not been more liberally applied in the
10 context of Section 101.

11 In particular, movants filing motions
12 to amend in CBM reviews and post-grant reviews
13 face long odds in having to meet shifted burdens
14 to distinguish not only prior art of record -- to
15 distinguish prior art of record, but it's as yet
16 unclear whether one, for example, a petition for
17 CMBR or PGR is instituted only on Section 101
18 grounds, motions to amend might become easier.

19 For example, by allowing movants to
20 add more details from the disclosure regarding
21 the implementation of claim elements that, upon

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1 institution of trial, were deemed by the Board to
2 be preemptive, functionally claimed and flat out
3 abstract.

4 Allowing such amendments are largely
5 within the discretion of the PTAB subject, of
6 course, to the Federal Circuit's holdings in
7 Microsoft v. Proxyconn and Nike v. Adidas and
8 squares with not applying a resumption of
9 validity and post-grant proceedings under the
10 AIA.

11 Further, an increase in the number of
12 motions to amend under Section 101 together with
13 their oppositions to amend could similarly help
14 to ensure a more fully developed record.

15 I would like to thank the USPTO for
16 inviting public input on a piece of patent
17 ecosystem that has likely affected every person
18 in here in some way.

19 And, I'd also like to thank the RPX
20 research team, including Jake Wexler for support
21 in this.

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1 Thank you.

2 MR. KELLEY: Thank you, Mr. Chiang and
3 thank you for being able to work in motions to
4 amend even to a 101 roundtable. I've got them
5 on my mind.

6 So, next, we'll move to Kevin Noonan.

7 Dr. Noonan?

8 MR. NOONAN: Thanks very much.

9 Thanks to the Patent Office for
10 inviting me and for all of you for being here.

11 Good morning, I'm Kevin Noonan. I'm
12 a partner at McDonnell, Boehnen, Hulbert and
13 Berghoff which is a mouth full, so we usually say
14 MBHB. And, also one of the authors in the patent
15 docs blog, if you're kind enough to read that
16 every day. I hope you are.

17 So, I'd like to talk today about my
18 views on the role of the office and interpreting
19 and implementing the recent Supreme Court
20 decisions, as we all do, concerning subject
21 matter eligibility.

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1 But, I want to do this in the context
2 of separation of powers between what the
3 Executive Branch is supposed to do and what the
4 Judicial Branch is supposed to do.

5 And, I think it would be a mistake to
6 believe, as, unfortunately, the Federal Circuit
7 seems to, that the Court has spoken definitively
8 about subject matter eligibility.

9 I think that the Court would agree,
10 and if you remember during the oral argument in
11 Alice, Justice Breyer said the Court didn't
12 intend for the Mayo decision to be the end of the
13 development of subject matter eligibility law.

14 He said that, rather the Court and the
15 principles in Mayo were just meant to sketch the
16 outer shell of the content of what the law should
17 be, suggesting that even the Mayo decision's
18 author didn't think that he was or intend to speak
19 definitively or exclusively or finally on the
20 issue.

21 So, I think that we think about it,

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1 that's the proper role for the Court. If you
2 remember, Chief Justice Roberts said in the
3 Obamacare decision, National Federation of
4 Independent Business v. Sibelius, the following,
5 I'm going to quote him.

6 He says, our permissive reading of
7 these powers is explained, in part, by a general
8 reticence to invalidate the acts of the nation's
9 elected leaders.

10 Members of this Court are vested with
11 the authority to interpret the law. We possess
12 neither the expertise or the prerogative to make
13 policy judgments. Those decisions are entrusted
14 to our nation's elected leaders who can be thrown
15 out of office if the people disagree with them.

16 I also think that if you look at the
17 cases, the other cases in patent eligibility, the
18 Courts try to be parsimonious in its decisions.

19 Myriad, for example, Justice Thomas
20 said, and I'll quote him again, we merely hold
21 that genes and the information that they encode

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1 are not patent-eligible under Section 101 simply
2 because they've been isolated from the
3 surrounding genetic material.

4 And, if you look carefully at the
5 decisions in *Bilski* and in *Bowman* and several
6 others, you will see that the Court has tried
7 very hard not to make blanket and broad
8 statements.

9 I think that the Court understands
10 that it sees patent cases only sporadically,
11 although I understand how, these days, it doesn't
12 seem that way. And, usually, the cases are
13 brought to test the limit of the statutory
14 section and to try to probe the law a little.

15 But, they're hardly representative
16 cases and they're hardly representative claims.

17 The office, on the other hand, sees
18 all the cases, good and the bad, the eligible and
19 the not eligible, the patentable and the non-
20 patentable. And Congress has given the office
21 the authority to sort out what is patentable from

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1 what is not.

2 So, that experience, in addition to
3 the expertise, both technical and legal that the
4 office has, is why the Court can defer and maybe
5 should under Chevron when the Agency applies that
6 expertise and making decisions on patent
7 eligibility.

8 The proper role of the Agency is to
9 use its expertise and provide the Court with the
10 concrete examples of how the law is applied to
11 each new invention based on its interpretation
12 for the Court then to determine whether it's
13 doing the right thing.

14 I think that it's a mistake for the
15 office to act, and I think it did, and I don't
16 understand why they did, but they did a news
17 release that the Court has tied its hands or
18 somehow mandated an outcome.

19 One of the blessings of the fact that
20 the Court has a rather inconsistent focus on
21 patent law and also its unwillingness to overrule

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1 its earlier case law is that it makes it possible
2 to distinguish cases that should be patented from
3 the consequences of some of these decisions.

4 I'll give you an example. One
5 reaction to Myriad was to call generally the
6 whole idea of natural products patenting into
7 questions. The consequence of this, if carried
8 through its extreme what I think, honestly, would
9 be devastating.

10 A recent study by the National
11 Institute of Health about 1,400 small molecules
12 that were approved by the FDA between 1981 and
13 2010 show that about 75 percent of the
14 antibacterial drugs and 80 percent of the
15 anticancer drugs were natural products or
16 derivatives of natural products and they would
17 have been unpatentable under a very stringent
18 application of the Myriad test.

19 But, the Supreme Court giveth and the
20 Supreme Court taketh away.

21 The Chakrabarty decision provides an

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1 easy basis to avoid the outcome. In Chakrabarty,
2 the Court said the standard for patent
3 eligibility was that an invention be a product of
4 the human ingenuity, having a distinctive name
5 character in use.

6 The office could rely on that decision
7 to consider a chemical or other product found to
8 be derived from nature to be patent-eligible
9 provided that the composition was changed from
10 its natural state, in structure, function,
11 purity, use, consistent with Chakrabarty.

12 And, I'll mentioned that there's a
13 section of the oral argument in Myriad in which
14 Justice Alito probes Chris Hansen from the ACLU
15 about whether somebody had actually found a new
16 plant in a jungle that had a component that could
17 be made into a drug.

18 And, even Chris Hansen, even the ACLU
19 said, oh, no, that would certainly be patent-
20 eligible. That's not what we're talking about.

21 And, also, remember that in Myriad --

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1 after Myriad, Chakrabarty was not only cited
2 there, but was cited with approval. So, I think
3 it's good law.

4 As for the diagnostic method claims,
5 arguably, are the bigger problem in patent
6 eligibility for life sciences.

7 Remember, that each and every step of
8 the claim in Mayo was routine, conventional and
9 well understood because it had actually been
10 practiced in the prior art. There was nothing
11 new about -- in that claim except a recognition
12 of the boundaries as to what was and was not
13 effective.

14 So, good law exists and people have
15 talked about Diehr already, that mandates the
16 office to look at the claim as a whole. And, if
17 you avoid the piecemeal application of the Alice
18 test one after the other, I think you get to that.

19 Now, if you look at the guide, it says
20 the office has come out with most recently, I
21 think that this has shown a tendency to not

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1 slavishly follow what is believed that the Court
2 said, but rather, to interpret and distinguish.

3 But, I think that, you know, if you
4 are to understand Mayo the way it's being applied
5 at least by the district courts, almost all
6 diagnostic method claims are patent-ineligible.
7 But, that doesn't have to be the case.

8 Sequenom is the example. And, I
9 understand the Federal Circuit didn't support the
10 patenting of Sequenom, but I'm not too worried
11 about that because there were actually factual
12 distinctions that could be made.

13 The office has experience in telling
14 the Federal Circuit when they think they're
15 wrong.

16 I'll remind you of In re Bell and In
17 re Deuel in which the facts of the second case
18 reviews in the face of the first one to continue
19 to say that gene patenting would be obvious.

20 And, the current spate of Superior
21 Court reversals of the Federal Circuit shouldn't

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1 make the office shy for telling the Federal
2 Circuit when it thinks that they're wrong.

3 The fact that the Supreme Court did
4 not grant cert in the Sequenom decision, I think,
5 shouldn't be taken as a belief that, in fact, the
6 Patent Office got it right. I think that the
7 Court seems to be very happy as in the poser case
8 to think the Patent Office is actually getting it
9 right.

10 I also think that, if we don't give
11 the -- provide the grist for the mill, if we don't
12 provide patents that can be challenged, even on
13 eligibility grounds, the Court, if it really
14 intends to be just doing the contours, is not
15 going to get the opportunity that it needs to
16 decide, in fact, where those contours should be.

17 And, so, I don't think that it's
18 reversal from below to say that when the office
19 applies this expertise to these matters of which
20 it has expertise, that they may come to a
21 different decision that courts may have in other

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1 cases.

2 But, every case has its own facts.
3 And, the application of the law as the Patent
4 Office understands those facts give the office
5 the opportunity to contribute in determining what
6 should and shouldn't be patent-eligible.

7 And I'll end my comments there.

8 MR. KELLEY: All right, thank you very
9 much.

10 And, our final speaker this morning on
11 our first panel -- I'm sorry, second panel, is
12 James Reed.

13 Mr. Reed?

14 MR. REED: Thank you very much.

15 I want to start by just thanking the
16 Patent Office for this invitation to speak here
17 and contribute to this very interesting
18 discussion.

19 I'm a patent counsel at the law firm,
20 Squire, Patton, Boggs. I draft patent
21 applications. I prosecute patent applications.

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1 That's primarily my area in this field.

2 Before I say anything, let me state
3 that my views here are just my own. I don't
4 speak for the law firm, Squire, Patton, Boggs.
5 I'm just an interested participant and want to
6 just share in this discussion of this subject
7 matter.

8 In the last panel, I heard and I
9 wanted to -- didn't plan on opening with this,
10 but the idea was, I believe it was, is it a binary
11 question, abstract or not?

12 It seems to me that, in the Alice
13 opinion, the Court says quite clearly, every
14 patent claim is directed to an abstract idea at
15 some level.

16 So, and we also know from that case
17 that the exclusionary principle, that is the
18 abstract idea exception in the other areas that
19 are considered excluded subject matter for patent
20 eligibility, the concern came from a concern over
21 preemption.

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1 Is the patent claim essentially
2 claiming what the Supreme Court said were the
3 basic tools of research and development or was
4 there something more to it than that? Is there
5 actually an improvement being claimed? And, is
6 there a contribution to the art?

7 The whole patent system is based on
8 the idea that you grant a patent to promote the
9 sciences in exchange for disclosing your
10 invention. That is an improvement in the
11 technology.

12 We will grant you a limited monopoly
13 on those rights.

14 Turning now to Federal Circuit cases,
15 I want to focus on the triad of cases Enfish,
16 McRO and Amdocs that came out this year.

17 It had been two years since Alice was
18 decided that we really didn't have any idea what
19 needs to be in a patent claim subject to the
20 Alice-Mayo test that will make it patent-eligible
21 as not directed to an abstract idea.

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1 We first got a clue of what type of
2 claim that could be in the Enfish decision. The
3 Court looked at the claim, and as we know, and as
4 prior speakers have mentioned, that step one is
5 a meaningful part of the Alice-Mayo test.

6 The limitations in claims are
7 meaningful and when you undertake part one of the
8 Alice test, you have to take that into
9 consideration before just deciding whether it's
10 an abstract idea or not.

11 In the Enfish case, the non-abstract
12 idea was an improvement in computer
13 functionality. How did the Court arrive at that
14 decision?

15 I think this was an interesting
16 decision from the perspective that, as we all
17 seek to understand when will we have a definitive
18 test that won't be so dependent on the technology
19 field implicated by the claim?

20 That's essentially what we're after
21 here. Right? We don't want a test that is so

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1 dependent on the technology field, the
2 descriptive nature of a claim, to decide future
3 cases, the common law approach.

4 The Court looked at the claims and it
5 read a patent. And, as we know, the Federal
6 Circuit, they look at claims and then they
7 confirm their understanding of a claim through
8 the specification, struck me as helpful and, I
9 believe, insightful in light of the Supreme Court
10 precedent that the English court saw that the
11 patent was really had a narrow focus.

12 The limiting aspect of the claims, as
13 we know, was this self-referential table or
14 database, I forget exact words, that was the
15 patent he sought was the solution to the drawback
16 in the prior art with was the relational
17 database. They're inefficient storing and
18 reading data and this was the patent he believed
19 that is self-referential database would solve
20 those problems in the prior art, the technology
21 prior art.

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1 It's talking about an improvement over
2 technology. The specification makes that clear,
3 its differential table is one in the -- viewed as
4 one in the same as the invention.

5 At the conclusion of the Enfish case,
6 the Court says, this is clearly not ineligible.
7 This is not an abstract idea, disparaging marks
8 in the prior art, the improvement over the prior
9 art that it makes very clear in the specification
10 is enough for us. This is not an attempt to
11 deceive one by the draftsman art.

12 McRO case came out four months later.
13 I think along similar lines. The McRO case said,
14 you cannot simplify claims in step one. They are
15 meaningful claims, citing Enfish.

16 In the McRO case, the Court took it a
17 step further towards this kind of goal of
18 arriving at a test which would make the
19 examination procedure much more tractable and
20 implementable for examiners, not making it
21 dependent on a technology field.

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1 The McRO case looked at it and said,
2 the specification seeks to solve a problem. The
3 prior art has this problem, tedious, time
4 consuming step that requires a person, a human
5 being, to decide, in the case it was allegedly
6 admitted that it was a subjective process and it
7 solves a big problem here.

8 You take a subjective process, you
9 replace it by rules that allegedly obviate the
10 need for a person to do this step and you arrive
11 at a much more simpler process.

12 This is the solution. This is a
13 technological solution. And, so, the Court then
14 arrives at the same, essentially, the same
15 conclusion, in my opinion, which is this is a
16 problem and a solution. This is a technology
17 problem, there is a technology obstacle that's
18 keeping you from arriving at the right result and
19 the claim is limited to that solution, to the
20 technology problem.

21 And, that case also, we know that,

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1 there was arguments for how the claims were
2 preempting the prior art. In other words, you
3 have a human being that's performing these roles
4 and the roles that the patent he arrived at, well,
5 that would have been the same types of rules that
6 anyone would have arrived at.

7 That was not proven. There was
8 insufficient proof to prove something like that.
9 I think it would be extremely difficult to prove
10 something like that in the ordinary course. And,
11 setting aside the implications of what they may
12 mean in the context of a motion to dismiss, I
13 think it's more interesting to look at that case
14 and say, look at how the Court tried to describe,
15 well, the preemption, the preemption concern.

16 This is significant and what is the
17 preemption about? Preemption is about claiming
18 a method for solving a problem as opposed to just
19 stating the result. And, claims that preempt
20 only state the result.

21 And, I think that's the more workable

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1 way of approaching this.

2 Of course, in Amdocs, we found out
3 that the Federal Circuit is not in total
4 agreement on that. They're still looking at
5 cases. But, I think if you look at the Amdocs
6 case, when they select their case that's most
7 similar and reach a decision, they go back to the
8 same test that McRO is suggesting.

9 Thank you very much.

10 MR. KELLEY: All right, thank you very
11 much, Mr. Reed.

12 My first question is directed, first,
13 to you, Dr. Auth, and I thought I heard you say
14 something along the lines of a technological test
15 or a technological requirement.

16 And, so, my question is related to
17 Mayo, which I'm glad people raised this morning.
18 Because, I think that Mayo struck people as odd
19 when it came out because it was the first case
20 that I think many of us had seen in a long time
21 where the Court focused on what I'll call the

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1 marginal inventiveness of the claim.

2 And, I don't mean that pejoratively,
3 but the difference between what was claimed and
4 what existed in the prior art.

5 And, so, my question is, if we move to
6 something like a technological requirement, is it
7 fair to follow a case like Mayo and look only to
8 the marginal change in the claim? Is that where
9 the technological advancement has to be? Or, is
10 it, as on the claim as a whole?

11 MS. AUTH: Well, it should certainly
12 be looking at the claim as a whole. But, the
13 term I was using was technical improvements.
14 And, that was based upon what we've seen in McRO
15 and Rapid Litigation.

16 And, there, they're basically looking
17 for some specific or cited language in the claims
18 that is a particular application of the law of
19 nature.

20 And, so, you use the technical
21 improvements or -- yes, that's the language they

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1 use -- and, it's very similar to what others were
2 saying about the language that Europeans use of
3 technical effect.

4 And, so, it's a very low bar and it
5 really is just saying that you're claiming
6 something that's described in the specification
7 and is particularly something that is an
8 application of a law of nature rather than trying
9 to claim the result itself and the law
10 altogether.

11 So, using the concept of an
12 application of knowledge as a way to sort of
13 bookend what it is you're allowed to claim and
14 the concept of preventing preemption, you have -
15 - we hope that you can find a middle ground for
16 what should be patent-eligible in between.

17 MR. KELLEY: Okay. Yes, Shira?

18 MS. PERLMUTTER: This is also for Ms.
19 Auth.

20 So, I'm interested in your suggestion
21 about a sentence that would be added to Section

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1 101. Could you describe a little bit more what
2 the interplay would be, the intended interplay
3 between that and judicial exceptions, the extent
4 to which they would -- that would substitute for
5 existing judicial exceptions or preclude future
6 ones being developed?

7 MS. AUTH: You know, I think that our
8 proposed language is really not to -- well, it
9 uses the current judicial exceptions, the law of
10 nature, natural phenomenon, abstract idea and
11 basically is trying to define in some more useful
12 manner, rather than just saying it cannot be
13 those things, and say something in a positive
14 way.

15 One of the earlier presenters said,
16 look, the problem with the current test is it's
17 a negative test.

18 And, so, you know, what it can't be,
19 but how do you figure out what it can be?

20 And, so, the language that NYIPLA is
21 proposing actually comes from the Supreme Court's

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1 decision in Myriad and was actually relied upon
2 in Rapid Litigation, this concept of the
3 application of knowledge or a law of nature.

4 So, you're -- it's a low level way of
5 saying this is a use of this law of nature rather
6 than the actual law of nature itself.

7 MR. KELLEY: So, we had a question
8 online that I'll sort of paraphrase which is,
9 does anybody on the panel think that in making
10 these decisions and given that we're sort of
11 dealing with the stately evolution of common law
12 that the USPTO should forge a path based on what
13 it should do in the gray areas?

14 And, what I mean is, should it lean
15 towards patentability or not patentability if it
16 can't figure it out?

17 And, I have no personal view on that
18 at all, speaking from the Agency. It's just
19 something I've heard brought up on the outside
20 and there's two ways to look at it.

21 One way is if we grant a patent that

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1 perhaps we shouldn't have granted, it can't get
2 tested until it goes into litigation.

3 The other way to look at it is if we
4 reject a claim that arguable we should be
5 issuing, that can get to the courts much quicker
6 because it can get to the courts through a direct
7 path from that rejection.

8 And, I'm just wondering if anybody on
9 the panel has thoughts on that?

10 MR. NOONAN: You know, paradoxically,
11 the post-grant review and inter-parties review
12 and all of that which people complain about all
13 the time short circuits that problem.

14 I mean, I would say that, given the
15 importance of patents, especially to small
16 companies, that erring on the side of when you
17 get to a gray area, granting a patent with, you
18 know, sufficiently narrow claims, I mean, I think
19 that the ideas in the gray area, the grayer the
20 area, the less broad the claims can be because
21 it's harder to get over 112 and 103 issues in

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1 that instance.

2 But, claims of the proper scope, if
3 there is a gray area, then they can be challenged
4 within nine months with PGR. And, that allows
5 you to bring Section 101 issues. And, under IPR,
6 under 103.

7 So, I realize Justice Kagan thinks you
8 guys are patent happy. I think that's a good
9 thing. But, I think you'd -- I would rather see
10 the office err in those really close cases on the
11 side of patentability than the other way around.

12 MS. AUTH: I would tend to agree that
13 the Patent Office should really be focused more
14 on the other substantive areas and that 101
15 should really be, as I said, a low bar.

16 And, so long as -- and a way that the
17 Patent Office can move forward with this is to
18 really be very particular about the technical
19 applications of a law of nature that they can
20 find within the claim.

21 And to be constantly focused on, is

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1 there something specific about this particular
2 invention that's in the claim rather than just a
3 general concept that's in the claim?

4 And, so, specificity, I think, is the
5 answer. And, of course, focusing on the other
6 substantive parts of the statute.

7 MR. REED: I think that moving towards
8 the gray area being patentable is perhaps the way
9 to go. But, I think really have to be cautious
10 about things.

11 It's a common law situation, common
12 law case decision situation we have right now.
13 Let's not forget that, over the past year, we
14 really have made some strides in trying to
15 understand this test.

16 A year ago, we had no clue about what
17 step one was about and how you went about doing
18 the test. If you look at how the district courts
19 were deciding what the standing law was, it
20 really was very little substance.

21 And, I think there's a lot more now.

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1 We have to give it time. You know, after a 100
2 cases are decided by the Federal Circuit, will
3 they then come together?

4 It's clear right now there's a big
5 division between the Justices and, of course, the
6 big fear here is we don't want to arrive at a
7 rule that can be evaded. We comply with the
8 rule, but not with the spirit of the rule and
9 that is avoiding patenting abstract ideas.

10 We have to keep that in mind and I
11 think you need to give it more time before we can
12 really arrive at some way of looking at it in a
13 systematic format.

14 MR. CHIANG: I think just to echo some
15 of those comments, I mean, maybe in that gray
16 area, maybe a hybrid approach is perhaps the best
17 approach.

18 Because, you know, if you have
19 examiners who are issuing rejections under
20 Section 101, at least what's happening is there
21 is an abstract idea that's being articulated and

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1 the applicant is forced to say, you know, either
2 why it's not an abstract idea or what the claim
3 adds that's significantly more.

4 That additional clarity can only help
5 later prosecution and later litigation as well.

6 So, you know, I think maybe the answer
7 is to push a little bit, but not to put your foot
8 down.

9 MR. BAHR: I was going to take us back
10 to the earlier -- the suggestion for the proposal
11 that, you know, there be a provision that says
12 that it basically has to be a practical
13 application of, for lack of a better word, the
14 judicial exception.

15 The one concern with that would be
16 that you still really don't define what an
17 abstract idea is.

18 Is it preferable to have it defined in
19 sort of the common law basis where you look at
20 the cases and you see which ones fit better? Or,
21 would you prefer, I'm going to say, another

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1 sentence, which specifically defines what is or
2 is not an abstract idea? That's for anyone.

3 MS. AUTH: It's a really good question
4 and we actually debated it for quite a while
5 whether we should have something in there that
6 specifically sets out particular classes of
7 things that should be allowed that are
8 applications of laws of nature.

9 And, then, we thought, gee, how
10 presumptuous of us to think that we're going to
11 know what those things are in 50 to 75 years, let
12 a long a 100 years.

13 I mean, think about 50 years ago,
14 could they have imagined the computer programs
15 that we're now trying to claim or business
16 methods that we're trying to claim? I think not.

17 And, so, that's why we left it open to
18 future developments and thinking. And, maybe the
19 patent -- I think that's where the Patent Office
20 guidelines kind of can continue to help because
21 those are more immediate and those are something

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1 that are an ever-evolving piece of work.

2 Whereas, the statute really is
3 intended to be something that you set up and you
4 allow the bushes to grow around it.

5 MR. REED: My view on it, is like I
6 had mentioned earlier is, I don't think we get
7 anywhere by defining what abstract ideas. I
8 think more the whole purpose of this law is to
9 say, everything is an abstract idea. Now, what
10 more is there to the claim? What is the
11 improvement in the technology? That's the whole
12 reason why patents are granted.

13 Look at it from that perspective. Is
14 the patent really trying to solve the technology
15 problems?

16 I don't think it's generally too
17 difficult for an examiner to look at a patent
18 application and decide, is the real thrust, is it
19 meeting a need like in the TLI case? Is it just
20 satisfying a need in an asset industry? Or, is
21 it clearly trying to solve a technology problem?

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1 And approach it that way.

2 Where is the technology problem? How
3 much of the monopoly, if we grant the patent, is
4 just that technology solution? Or, is it more
5 than that?

6 MS. NELSON: I have a question for Mr.
7 Noonan. And you talked about the great number
8 of natural products that have, you know, issued
9 between a certain time period.

10 Is this something that's published or
11 are there studies that have actually talked about
12 and listed patents that were issued early on that
13 now would presumably not be patent-eligible under
14 Myriad?

15 MR. NOONAN: Well, yes, where it comes
16 from, there is actually -- there has actually --
17 the NIH study is published. And I think that a
18 fair reading of the initial way that the Office
19 was looking at the -- remember the amazonic acid
20 and things of that nature, would have made many,
21 if not most, of those patent-ineligible.

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1 Because they're just, literally, if
2 you take the Myriad case to say that merely
3 isolating something from nature isn't enough,
4 then say, Taxol, which is isolated from the bark
5 of the yew tree, it would not be patent-eligible.

6 The problem with that is a couple-
7 fold.

8 One is, trees don't get cancer. So,
9 the fact of the matter that somebody figured out
10 you can get a molecule out of a yew tree that
11 could treat human cancer, that's the human
12 ingenuity part that I think deserves protection.

13 And, yet, I mean, I had a patent
14 examiner say this to me that, well, it inherently
15 cures cancer, that the problem is when you get to
16 that level, it's like the level of extraction
17 which, fortunately, I don't have to deal with in
18 my practice that much.

19 But the idea that, if you get down to
20 it, yes, everything inherently has this property.
21 The dividing line is, did you need a human being

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1 to figure it out? Then, it seems to me that
2 that's a good place to draw the line and say,
3 that that should be patent-eligible.

4 MR. KELLEY: Does anybody on the panel
5 have any other questions?

6 Okay, well, thank you very much. Oh,
7 I'm sorry.

8 (Simultaneous speaking.)

9 MR. KELLEY: It's more of an
10 observation, but I think it's a fair one and I'll
11 phrase it as a question which is, isn't the
12 judicial diversity of our common law system
13 what's keeping things lingering?

14 That is, we sort of have these cases
15 pop up in different courts at different times and
16 we have to use them all at data points and the
17 diversity of decision makers and of the facts of
18 each case is what causes us to sort of stumble
19 over having a very bright line that's easily
20 applicable.

21 That's a lot more than it says on this

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1 card.

2 MR. NOONAN: Yes.

3 MR. KELLEY: Okay.

4 MS. AUTH: Yes, well, that's what
5 common law is all about, right, the ability to
6 build synthesis of law and that's what this is.
7 Patent law presents many different possible
8 scenarios and then the court has to find a test
9 that works for them.

10 MR. KELLEY: Okay. Well, I thank the
11 panel.

12 And, we are going to take a ten minute
13 break and then start up again with the third
14 panel.

15 Thank you.

16 (Whereupon, the above-entitled matter
17 went off the record at 10:38 a.m. and resumed at
18 10:52 p.m.)

19 MR. KELLY: Thank you. Our first
20 speaker on the third panel will be joining us
21 from the Regional Office in Denver, Ms. Diane

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1 Lettelleir, if I have that correctly.

2 I think we are having a sound problem.

3 MS. LETTELLEIR: No, you just have a
4 problem with not following instructions. I was
5 still on the mute button. So, now I think I am
6 on.

7 MR. KELLY: Yes, thank you. We can
8 hear you now.

9 MS. LETTELLEIR: We are actually
10 coming to you from Dallas, the Dallas Regional
11 Office, which is the new office that just
12 recently opened. So, we are happy to be here
13 joining you from this location.

14 I am a Senior Managing Counsel for
15 J.C. Penney Corporation, headquartered in Plano,
16 Texas. I want to thank Director Lee in the
17 Patent Office for the opportunity to present my
18 company's perspective on the legal contours of
19 the patent subject matter eligibility issues.

20 The Supreme Court's 2012 Mayo and 2014
21 Alice decisions have undeniably changed the

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1 landscape of patent practice, thrusting subject
2 matter eligibility under Section 101 into the
3 forefront. However, these decisions do not
4 present a problem in need of an immediate
5 legislative solution. In 2012, Mayo
6 specifically addressed whether a patent claim was
7 eligible under Section 101 in the context of laws
8 of nature and natural phenomenon. In 2014, Alice
9 made it clear that the two-part Mayo test applied
10 to all patent eligibility questions under Section
11 101 and, specifically, to abstract ideas.

12 While the clarification made in Alice
13 as to the proper framework for analysis of claims
14 directed to abstract ideas may represent the end
15 of the cycle in patent law related to software
16 and business method patents, it is important to
17 consider the impact of Alice in the historical
18 context, as well as the geopolitical context.

19 In 1981, the landmark Supreme Court
20 case in *Diamond v. Diehr* changed established
21 patent law by holding that at least some software

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1 could be patented. Then, in 1998, the Federal
2 Circuit ruled in State Street Bank that business
3 methods could also be patented.

4 These decisions set the stage for
5 expansive patentability and acted as a catalyst
6 for a rapid increase in patent issuance related
7 to software during the internet boom. The lack
8 of a clear test for patent eligibility during
9 this period failed to keep this expansion (audio
10 interruption) patents from this period later
11 became the subject of lawsuits brought by
12 non-practicing entities as patent litigation
13 dramatically increased.

14 The decisions in Diamond and State
15 Street and the patent enforcement programs those
16 decisions spawned were significantly disruptive
17 to operating entities. Technical innovations
18 developed and implemented by Main Street
19 businesses pre-State Street suddenly rendered
20 those businesses the target of patent enforcement
21 efforts decades later.

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1 J.C. Penney has been the target of
2 more than 35 such lawsuits in the past seven
3 years. With 101 eligibility threshold
4 challenges largely ignored by the District
5 Courts, defendants such as J.C. Penney were
6 required to spend millions of dollars to prove
7 invalidity under other theories.

8 The decision in Alice was a
9 much-needed course correction. The exclusion of
10 abstract ideas from patentable subject matter was
11 not new. The exclusion had been in place for
12 decades. As more data points become available,
13 applying the proper framework for analysis, the
14 landscape has become more defined and more
15 predictable. The rate at which 101 challenges
16 are brought is already beginning to decline, as
17 more judicial decisions provide clarity on the
18 delineation on eligible and ineligible subject
19 matter. Eventually, the cycle of culling of
20 patents directed to ineligible subject matter
21 were wound down and the challenge rate were

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1 normalized. A primary driver of this normalizing
2 over time will be the Patent Office's
3 gate-keeping function on subject matter
4 eligibility.

5 Geopolitical considerations also
6 weigh heavily in favor of the Supreme Court's
7 reasoning in Mayo and Alice. Many of the
8 arguments the detractors raised seemed only to
9 assume that the benefits to more expansive
10 patentability will inure only to American
11 inventors, American companies, American
12 investors, and the American public. The reality
13 of overly expansive patentability is that equal
14 or greater benefit will inure to foreign
15 inventors, foreign companies, and, in some cases,
16 foreign governments.

17 Allowing the unchecked patenting of
18 abstract ideas, laws of nature or natural
19 phenomenon by foreign companies possibly funded
20 by and even controlled by foreign governments
21 presents a real and significant threat to

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1 American innovation, American companies, and
2 American interests. Foreign interests hold an
3 increasing stake in the U.S. Patent system and we
4 must be mindful of the potentially far-reaching
5 consequences of overly expansive patentability.

6 J.C. Penney does not support amending
7 the patent statute to further address these
8 issues or to attempt to further codify the
9 judicial exceptions held to be implicit in the
10 current language of the statute. Further
11 development of the contours of eligibility should
12 be left to the common law and the courts and
13 allowed to evolve as new technologies emerge and
14 then converge.

15 The notion that the Supreme Court has
16 no legitimate role in the development of patent
17 law is not a notion J.C. Penney supports. The
18 fact that the Mayo test is not a simple answer
19 does not mean that it is not the right answer.
20 The language of the NYIPLA has proposed as an
21 amendment is equally problematic, if not more so.

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1 For example, what is a practical application of
2 an abstract idea, law of nature or natural
3 phenomenon?

4 During the previous Q and A session,
5 the consensus was that trying to define an
6 abstract idea is not the right path but, yet, the
7 failure of the Supreme Court to provide a simple
8 answer to that very question has drawn some of
9 the harshest criticism.

10 J.C. Penney does not support adoption
11 by statute of the machine-or-transformation test
12 rejected by the Supreme Court in Bilski. This
13 was one of the other questions that was posed for
14 today's consideration.

15 The machine-or-transformation test,
16 in practice, largely failed to appropriately
17 preclude the issuance of patents claiming
18 abstract ideas. While we may take comfort in
19 bright line tests, adoption of an exclusive
20 bright line test, such as the
21 machine-or-transformation test will likely have

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1 unforeseen consequences in the future. We are
2 already seeing innovations that push the
3 boundaries of what may have previously been
4 thought to constitute a machine. The door is
5 left open for patents to issue for software or
6 business method innovations that are not just
7 abstract ideas implemented on general purpose
8 computers and that meet the other such statutory
9 requirements.

10 J.C. Penney agrees that innovation and
11 a healthy U.S. Patent system are important to the
12 U.S. economy. Patent protection and the right
13 of enforcement are two important components of an
14 innovation ecosystem. However, commercial
15 adoption of innovation is equally important.
16 Innovation cannot flourish in an ecosystem
17 without adoption of that innovation.
18 Ultimately, over expansive patentability
19 operates to stifle innovation and economic
20 growth.

21 Thank you once again, Director Lee and

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1 the PTO for hosting this roundtable event and
2 promoting a robust dialogue on these important
3 issues.

4 MR. BAHR: Thank you for your
5 comments. And I am a little remiss. Before we
6 get to our next speaker, we are now joined by
7 Chris Hannon from the Office of Policy and
8 International Affairs.

9 With that, I am going to turn to our
10 next speaker, Mr. Steve Bachman.

11 MR. BACHMAN: Thank you.

12 So, a bit about me. I am a patent
13 prosecutor. I have done patent prosecution for
14 about 17 years. I have done a little bit of
15 patent litigation. But most of my experience is
16 in software and hardware. So, I see a lot of the
17 Alice-based 101 rejections. So that is what I
18 am going to be talking about today is kind of a
19 little bit of a point of view on the prosecution
20 side, in particular with respect to the USPTO.

21 I had some slides but I will just kind

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1 of keep talking and maybe they will come up but,
2 otherwise, you will just have to be entertained
3 by my voice. Oh, they are up. Okay.

4 So, I think there are several things
5 that have increased, that have kind of gotten
6 better about patent subject matter eligibility
7 analysis since Alice. I mean it is certainly not
8 a clear-cut process and there are a lot of
9 criticisms, many of them well-deserved. But some
10 things have gotten better.

11 One thing that I would like to talk
12 about is one that hasn't necessarily been
13 clarified through Alice and things that have
14 happened since then and that is regarding the
15 two-part Alice test, in particular, the second
16 prong. The idea I would like to get across is
17 that I believe the USPTO should ensure that
18 patent eligibility subject matter analysis focus
19 more on the innovative technology itself, as
20 opposed to any considerations about obviousness.
21 So, today I am just going to briefly talk about

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1 getting to Alice, what has happened, and the
2 response to Alice by the USPTO in the courts and
3 how I proposed or some suggestions, for what it
4 is worth, to move forward.

5 So, starting with the basics. So, the
6 patent subject matter statute is 101 and it
7 basically states that patentable subject matter
8 is anything that is new and useful as a process,
9 machine, or manufacture, or composition. It does
10 not mention anything about obviousness. If
11 anything, maybe it hints a little bit towards
12 being novel, anything that is new. So, if
13 anything, in the statute it perhaps overlies a
14 little bit with 102. But there is nothing in the
15 statute, itself, that gives any hint to
16 obviousness.

17 So moving forward, obviously, we are
18 overall very familiar with Alice and the
19 two-pronged test is the claims at issue directed
20 towards a judicial exception, as an abstract
21 idea. And if so, is there any additional claim

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1 elements that transform the nature into a
2 patent-eligible application and, in particular,
3 do the claims recite an element or a combination
4 of elements that amount to significantly more.

5 This two-prong test set forth by the
6 USPTO kind of produced a little bit of a shade of
7 obviousness. It is not pure obviousness and that
8 is why I think there has been a couple of
9 different paths that the courts and the USPTO
10 have expanded upon since the Alice case came
11 down. In particular, the phrase significantly
12 more has been interpreted in a couple of
13 different ways. In one way, it is related to the
14 prior art, such as is there an improvement to
15 another technology. Is there a limitation that
16 is not routine in the industry, ranging in
17 elements and unconventional manner?

18 So, in this line of consideration and
19 analysis, the significantly more term or test
20 part of the analysis considers other technology.
21 Things have already existed.

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1 In the other path, it relates to just
2 the technology itself. Is there an improvement
3 that improves or makes a computer functionality
4 better, faster? Has it improved the memory
5 capability, the power savings, something like
6 that? It focuses on the technology itself
7 without any consideration as to what was done
8 before in other technologies.

9 Also, there are unconventional steps
10 that can find a claim to a particular useful
11 application. This also kind of relates just to
12 the kind of technology itself as opposed to other
13 types of prior art.

14 So, and the USPTO is here to help, as
15 we all know. And they provided several -- a
16 couple of different guidelines in response to
17 Alice. Some of their examples of ideas which
18 they said were not determined to be subject
19 matter eligible include human activities done by
20 computer, mathematical formula, and well-known
21 economic and financial practices. I think these

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1 are all -- I think a lot of us would agree with
2 these that, at first glance, and even after
3 analysis, many of these should not be patentable.

4 They also did give some other example
5 of things that were subject matter eligible
6 because they provide significantly more. And
7 those include improvements to another technology,
8 improvements to the functioning of a computer,
9 things that are tied to computer technology or
10 adding specific limitations or conventional
11 steps. These are examples mostly taken from case
12 law that provide significantly more in the
13 determination made under Alice.

14 So, the courts have also responded to
15 Alice and though the USPTO has kind of given a
16 couple of different -- has focused some on the
17 technology parts, some on the evidence parts, the
18 courts, in general, tend to follow down the
19 obviousness parts. For example, let's take a
20 look at the Bascom case, Bascom Global Internet
21 Services v. AT&T Mobile. The technology at issue

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1 in this case was internet filtering for a
2 filtering content -- or filtering content
3 forwarded to a controlled access network account.
4 The District Court analysis was very similar to
5 an obviousness one and the Federal Circuit culled
6 that out and they also pointed out without any
7 limitations or protections, if you are going to
8 do an obviousness type analysis, it can lead to
9 the conclusion of obviousness. And when the
10 obviousness is conflated with patent eligibility,
11 the test becomes even more subjective and is
12 wholly without boundaries.

13 So, if an obviousness analysis is
14 brought into the Section 101 analysis, at least
15 from a patent prosecution point of view, there is
16 no clear method and kind of the boundaries of the
17 game are much different than under 103. There
18 is no limit to the number of prior art references
19 they can bring up. And it clearly not as laid
20 out. And so it allows -- it makes an examiner's
21 job, one word would be, easier.

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1 So, bumping up to the last slide, I
2 guess I just wanted to sum it all up saying that
3 hopefully new patent law framework will clarify
4 that 101 is an analysis based on technical
5 innovation but, at a minimum, hopefully the USPTO
6 will emphasize and train examiners to focus the
7 101 subject matter eligibility analysis on the
8 technology itself, rather than obviousness
9 considerations.

10 Thank you.

11 MR. BAHR: Thank you for your
12 comments. Now, we are going to have Mr. Jeffrey
13 Dean.

14 MR. DEAN: Thank you. And I want to
15 thank the panel, especially for this opportunity
16 to speak on this important topic and for hosting
17 this symposium on a question of great national
18 import.

19 I manage Amazon's patent litigation
20 docket. I also influence our amicus position,
21 policy positions with our government affairs

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1 people in Washington. And as you probably know,
2 we are still, despite our best efforts, on the
3 top ten list of patent defendants in United
4 States courts and growingly, around the world.

5 I actually think that there is a
6 recent strand of jurisprudence coming out of the
7 Federal Circuit that has the question answered
8 almost perfectly. And it commends itself by
9 being able to explain a lot of the questions that
10 we are asking here as somehow being disparate or
11 even disconnected.

12 This strand of jurisprudence answers
13 the question what is an abstract idea. It tells
14 us exactly what preemption is. It tells us also
15 what is an inventive concept. It allows room for
16 software patents. It explains why 102, 103, and
17 112 are not simply duplicative and cannot do the
18 lifting of 101. And I have two-year-old twins
19 at home, so I have been watching a lot of
20 cartoons. So, I have been calling the 101 cases
21 where eligibility has been found, the Furious

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1 Five. If you ever watched the Kung Fu Panda
2 movie, that will ring a bell for you. But it
3 explains those cases as well and it also
4 harmonizes our law with 150 years of Supreme
5 Court precedent.

6 Now, what is that rule? That rule is
7 the distinction between a result and a way of
8 achieving it, or an idea and the application of
9 that idea. As we know, no one gets to own a
10 result. That goes back 150 years. It is a great
11 rule. It goes back to the Samuel Morse case, no
12 slouch inventor in American history. A
13 rubber-tipped pencil, another good case, ideas
14 are not patentable.

15 So what, then, becomes an abstract
16 idea? There is a little bit of redundancy in
17 that term. An idea, itself, really is abstract.
18 You don't need to call it an abstract idea if all
19 you are trying to do is patent the idea.

20 For example, a yellow rubber
21 duck -- again, I am a new parent -- is a think

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1 yellowness to all philosophers we would know as
2 an abstraction. It is a thing that exists as an
3 idea or an ethos, as the Greeks would have called
4 it.

5 It is one thing to say that it would
6 be a great, neat, cool, and an economically
7 valuable thing to deliver packages with model
8 airplanes. It is an entirely different thing to
9 tell the world how you do it. We defend
10 countless litigations attacking our magical, at
11 least in my untutored view, a product
12 recommendation system by people who have been
13 awarded patents on the neat, cool, and
14 economically valuable idea that you recommend to
15 customers things that they might be interested in
16 purchasing without any regard for how you might
17 do it.

18 An abstraction is a result that has
19 been untethered from, disassociated from. In
20 other words, in English usage, abstracted from a
21 particular way of achieving the result. If your

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1 patent says that this is a result for which there
2 is great demand in America, the economy would
3 love it. I don't care how you do it. My patent
4 is agnostic about it. You have an abstraction.
5 It is that simple.

6 You also have something that is
7 preemptive. What is preemption, after all? It
8 is preventing other people from achieving exactly
9 the same result in a different, cheaper, better,
10 and more efficient way. That is what the Supreme
11 Court said in the Morse case and it is exactly
12 what the Federal Circuit is saying in recent
13 cases like the Electric Power Group, like
14 Affinity Labs v. Amazon, like OIP vs. Amazon.
15 You can tell we have been pushing this idea before
16 the Federal Circuit a lot.

17 There are two engines of innovation in
18 this country, not just the protection of
19 investment in a particular contribution to the
20 public store of knowledge for which we give a
21 patent, but the other engine of innovation, which

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1 is the public's right to achieve the exact same
2 utility and result in a different way. That
3 engine gets sometimes short shrift in
4 professional circles but let's not ignore the
5 fact that it is of equal dignity in a system that
6 advances science and useful arts.

7 So, this explains also what preemption
8 is. Are you claiming all ways of achieving a
9 result without contributing a single one? The
10 very anathema of a healthy patent system. After
11 all, Justice Breyer, in Mayo, told us that the
12 problem with preemption is a relative one. You
13 are removing more from the public's domain than
14 you are contributing to the public store of
15 knowledge. That is exactly what happens when you
16 claim a result independent of a particular way of
17 achieving it.

18 This distinction also tells us what an
19 inventive concept is. Inventions are not
20 aspirations. Wouldn't it be neat if? Wouldn't
21 it be valuable if? Wouldn't it be cool if? That

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1 is important. Don't get me wrong. That is an
2 important part of the inventive spark but an
3 invention is ultimately how you do it -- your way
4 of how you do it.

5 We were talking about the arc of
6 history. There is an old expression in the
7 Jewish tradition about -- from Rabbi Hillel:
8 Don't do what is hateful to others. That is the
9 whole of Torah. The rest is commentary.

10 In the patent system, you award people
11 what they invented and no more. That is the
12 whole of patent law. The rest is commentary. It
13 protects both engines of innovation.

14 So, what is the invention? The
15 invention is how you do it your way, your
16 particular way. And if your particular way is
17 valuable, people will pay you for it and they
18 should. And if it turns out that there is
19 another way of achieving exactly the same result
20 with exactly the same economic utility in a
21 different way, not only should you not be able to

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1 tax that, but the public should be liberated in
2 order to achieve that. So, the inventive
3 concept, again, is explained as the way or the
4 how.

5 It explains a lot about the contours
6 of software eligibility. I have heard people
7 complain at how can these software patents be
8 consistently invalidated? Well, the software
9 patents are software patents without software.
10 It is a patent without an invention, those that
11 have been invalidated. If you want to show your
12 way, we have a vocabulary for that. It comes out
13 of our 112 jurisprudence. It is called your
14 algorithms. And if it turns out that someone
15 wants to do it your way, well, boy, they should
16 pay you for it. And if it turns out that people
17 can do it a different way, well, gee whiz, the
18 public should be able to do that. That is the
19 second engine of innovation.

20 So, we have that vocabulary in order
21 to create a line between what would be abstract

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1 and not in the software case. It also explains,
2 frankly, why 101 is not simply duplicative.

3 Oh, I'm sorry. I will just leave it
4 at that. I think that the Federal Circuit has
5 really hit on something here and we need to focus
6 on the distinction between a naked result and
7 your particular way of achieving it.

8 MR. BAHR: Thank you for your
9 comments. Next we have Sharon Israel.

10 MS. ISRAEL: Thank you. Good
11 morning. I am Sharon Israel, representing the
12 American Intellectual Property Law Association.
13 AIPLA appreciates the opportunity to briefly
14 present views on Section 101 jurisprudence and
15 its impact on the U.S. Patent system.

16 As Barbara Fiacco stated, on behalf of
17 AIPLA during the first roundtable on examiner
18 guidelines, our experience is that there is
19 confusion and inconsistency in examination
20 decisions on patent eligibility within the
21 office. At the same time, there has been a sharp

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1 uptick in litigating Section 101 issues before
2 the courts and also before the Patent Trial and
3 Appeal Board. The result is uncertainty and
4 inefficiency for patent applicants and litigants.
5 This is not healthy for our patent system and
6 puts the incentives to innovate at risk.

7 In December 2013, AIPLA's former
8 executive director testified before the Senate
9 Judiciary Committee and noted the following.
10 Probably the most tumultuous issue in patent law
11 right now is a question of patent eligibility
12 under 35 USC Section 101. While that statutory
13 language is fairly straightforward, identifying
14 the various categories of inventions that are
15 patentable subject matter, the Supreme Court,
16 years ago, staked out exceptions to statutory
17 subject matter, where the patents recite a law of
18 nature, a natural phenomenon, or an abstract
19 idea.

20 At that same time, the case of Alice
21 Corporation v. CLS Bank International was pending

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1 before the Supreme Court. AIPLA believed that
2 case could resolve numerous questions created by
3 past decisions. However, rather than resolve
4 those questions, the Supreme Court's decision in
5 Alice and the cases that have followed, have
6 continued to create problems and confusion.

7 Section 101 jurisprudence and its
8 application by the USPTO and the courts have
9 become the issues of greatest concern among
10 AIPLA's members. In the past ten years, AIPLA
11 has filed over a dozen amicus briefs in Section
12 101 cases pending before the Federal Circuit and
13 the Supreme Court. AIPLA's views have been
14 consistent. The language of Section 101 sets
15 forth subject matter categories of what is
16 patent-eligible and any limits on eligibility
17 should be few. However, we remain concerned that
18 the court's expansive application of judicial
19 exceptions to eligibility has had an adverse
20 impact on innovation in the United States.

21 The Supreme Court has recognized that

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1 patent ineligibility determinations require a
2 delicate balance. In *Mayo v. Prometheus*, the
3 court cautioned that too broad an interpretation
4 of this exclusionary principle could eviscerate
5 patent law. As applied, Section 101 too often
6 has provided an easy blunt instrument to deny
7 patent protection. In such cases, other possible
8 grounds for finding patent claims invalid or
9 claims in an application unpatentable, more
10 prudently could be based on prior art and other
11 conditions of patentability set forth in Sections
12 102, 103, and 112.

13 On purpose of the judicially excluded
14 subject matter categories has to prevent
15 patentees from overreaching in preemptively broad
16 areas that suppress, rather than incentivize
17 innovation. While Section 101 may be needed for
18 that purpose, Section 101 jurisprudence has been
19 applied in a manner that often overcorrects for
20 overreaching patentees. Broad claiming, poor
21 claim drafting, and poor patent quality in

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1 general are all important issues to address but
2 not through the blunt instrument of Section 101
3 eligibility.

4 Section 101, as an enabling provision
5 addressed to particular categories of inventive
6 subject matter typically is not the proper
7 standard for deciding whether a particular
8 technical advance should receive patent
9 protection. Using Section 101 for that purpose
10 has produced the same degree of uncertainty in
11 the law that motivated Congress to establish the
12 federal circuit more than 30 years ago. Patent
13 eligibility decisions often turn on specific
14 facts of each case, including the details of the
15 claim language, the specification, the
16 prosecution history for the patents involved.
17 This has made it difficult for applicants,
18 patentees, and the public to discern the limits
19 on what is patent-ineligible. The application
20 of the case law sometimes appears inconsistent
21 from case to case.

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1 As noted at the first roundtable on
2 examiner guidelines, AIPLA has concerns that a
3 Section 101 rejection has become an
4 insurmountable barrier and that examiners do not
5 feel empowered to recognize when an applicant has
6 met his or her burden of proof. That same
7 barrier exists in the courts where a Section 101
8 ineligibility analysis has become the first step
9 in litigation. While this may be the result, in
10 part, of overly broad patents being asserted,
11 patent ineligibility should not be the threshold
12 test in typical cases.

13 AIPLA also has concerns about how
14 recent Section 101 jurisprudence puts the United
15 States at risk of falling behind other developed
16 patent systems. Subject to certain exceptions,
17 Article 27 of TRIPS states that patents shall be
18 available for any inventions, whether products or
19 processes, in all fields of technology, provided
20 that they are new, involve an inventive step, and
21 are capable of industrial application. AIPLA has

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1 a long history of supporting patent eligibility
2 for all inventions that can be shown to provide
3 a useful concrete and tangible result.

4 When AIPLA first adopted this position
5 in 2001, it noted that as technology has
6 progressed into previously uncharted areas, the
7 U.S. Patent system has been the incubator for
8 groundbreaking means to provide incentives for
9 innovation ahead of other highly-developed patent
10 systems in, for example, Europe or Japan. As the
11 case law has developed in the United States, we
12 risk no longer being compliant with TRIPS and
13 falling behind other developed patent systems of
14 the IP5.

15 In December of 2014, when I was
16 President of AIPLA, I created a Patent-Eligible
17 Subject Matter Task Force to explore the concerns
18 of AIPLA members relating to Section 101 and to
19 consider mechanisms to address those concerns.
20 The Task Force has continued its work since that
21 time. The issues involved are complex and, in

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1 our view, the courts have not been able to
2 adequately address the problems in applying
3 Section 101. While we are not prepared to offer
4 specific solutions today, we continue to explore
5 options, including legislative proposals that
6 will help increase certainty and efficiencies in
7 our patent system and promote innovation.

8 AIPLA is grateful for the opportunity
9 to present its views on Section 101 jurisprudence
10 and its impact on the U.S. Patent system. We
11 look forward to working closely with the office
12 and others on these issues going forward. Thank
13 you.

14 MR. BAHR: Thank you for your
15 comments.

16 Our next speaker is Kim Schmitt.

17 MS. SCHMITT: Good morning, everyone.
18 I'm Kim Schmitt. I am Managing Counsel at Intel
19 Corporation, here at Silicon Valley. I have
20 responsibility for overseeing some of our patent
21 litigation. And what I am hoping to do today is

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1 share with you a case study on 101 that we have
2 seen in our litigation docket that I think helps
3 illustrate the practical implications of a lot of
4 the policy that we have been discussing here
5 today on 101.

6 Section 101 has proven, post-Alice, to
7 be a very useful tool in getting rid of bad
8 quality patents. And whatever changes we affect
9 to make the current situation, I guess, more
10 clear, I would caution against dialing back the
11 ability to use 101 as a tool to get rid of poor
12 quality patents.

13 So, today I want to talk to you a
14 little bit about a case that was handed to me
15 when I came in-house, about four years ago, to
16 Intel. It had been brought by a non-practicing
17 entity. They were asserting two patents relating
18 to graphics processing. The technique was
19 basically taking a three dimensional scene and
20 rendering it on the two dimensional screen. And
21 the claims the patent described basically taking

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1 an object, deciding if it was obscured by another
2 object when you were rendering it on the screen,
3 and if, for example, this cup was obscured by
4 this piece of paper, I wouldn't need to waste
5 time processing the graphics that would be needed
6 to render the cup.

7 What the patent suggested you do to
8 decide whether you render the cup or not was to
9 take a depth measurement. Is the cup deeper in
10 the scene than the piece of paper? And is the
11 piece of paper over the cup? So, it is basically
12 something you could take a look at and if I were
13 just drawing a picture, instead of programming it
14 on a screen, I could visually kind of eyeball it
15 and say oh, yes, the cup is deeper. I am not
16 going to bother drawing a cup that I am just going
17 to draw another piece of paper over.

18 The claims didn't have any sort of
19 particular computer hardware associated with it.
20 It was just conventional memories and it could be
21 any generic computer architecture. But these

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1 patents were being asserted against our CPUs and
2 this is, obviously, a multi-billion dollar
3 business for Intel. So, we take this kind of
4 thing seriously.

5 This hasn't been the first time these
6 patents were asserted. Actually, these patents
7 had been asserted numerous times over the course
8 of a decade against a number of companies. They
9 had been asserted against Hewlett-Packard in
10 2001, Silicon Graphics in 2003, I-0 Data Device
11 in 2004, ATI Technologies 2005. You can see
12 there was a number of cases, I think seven in
13 total prior to ours coming along. And in every
14 instance, it appeared that all of these companies
15 had basically settled out early in the case
16 before any of the cases had moved very far along.
17 Of course, our assumption is that the settlements
18 were done for basically cost of litigation
19 values. And so given the choice between taking
20 the case to trial and trying to get these patent
21 claims invalidated in a pre-Alice, pre-Bilski

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1 world, these companies had decided that they
2 would just simply pay the holdup cost and get rid
3 of this thing and get it off their dockets because
4 taking these cases to trial is expensive. And
5 ultimately, if you are in front of a lay jury,
6 your results aren't necessarily guaranteed, even
7 though coming at it from the better part of a
8 decade and a half of litigation experience, you
9 would say that these claims should not be out
10 there, they shouldn't have been in the patent
11 ecosystem.

12 So, by the time it comes to us, we
13 have a decision on Bilski. This is still prior
14 to Alice but Bilski is out there. And we have
15 the opportunity now, a meaningful opportunity to
16 try and get rid of this case at the pleading
17 stage. So, we bring a motion to dismiss on the
18 pleadings. It is still early days and our judge
19 wants to make sure she is doing the right thing
20 and so she actually converts the motion into a
21 summary judgment motion and asks for some claim

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1 construction briefing.

2 Ultimately, after a very thorough
3 analysis and Alice coming out in the interim, the
4 judge decides that yes, in fact, these claims are
5 not directed to patent-eligible subject matter
6 and grants our summary judgment motion. The
7 Federal Circuit ended up affirming with a summary
8 affirmance.

9 And finally, after going after
10 numerous companies, these patents are done. It
11 is basically -- I don't know how much this cost
12 these companies, many of which are not around
13 anymore. But I don't know how much it cost them
14 in their businesses. I don't know how much was
15 taken away from R&D efforts that could have gone
16 to those efforts but here is a pretty clear
17 example of how this plays out and how the tool
18 that 101 gives us can play out very early on and
19 give us, I guess, greater efficiency in the
20 system to get rid of bad patents at an early stage
21 prior to the expense of discovery, prior to the

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1 expense of taking this all the way through
2 litigation.

3 So, I would encourage the folks here
4 today who are considering policy efforts on this
5 to consider this. I mean obviously, it is just
6 one experience but it does, I think, help
7 illustrate how the current case law and the
8 current state of 101 policy is beneficial to
9 operating companies and is helpful to make the
10 system operate more efficiently.

11 Thank you very much for letting me
12 speak here today.

13 MR. BAHR: I thank you for your
14 comments.

15 Next, we have Mr. Eric Sutton.

16 MR. SUTTON: Thank you. Oh, wow.
17 Firstly, both personally and on behalf of -- oh,
18 and I do have slides, which don't currently
19 appear.

20 Both personally and on behalf of
21 Oracle, I would like to thank the Patent Office

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1 for hosting this event to gather feedback
2 regarding patent eligibility post-Alice.

3 I kind of want to wait for the slides,
4 if -- could I pause my time? I would be happy
5 to start over with my one sentence.

6 All right, I want to start by noting
7 that the public is the biggest stakeholder in the
8 patent system and the public's well-being,
9 through the promotion of technical innovation
10 should be our primary goal. Our presentation
11 attempts to identify both the good and the bad
12 about the current state of patent eligibility to
13 guide the discussion to the extent possible on
14 keeping the good, while improving the bad. Next
15 slide.

16 Many here, especially law firm
17 counsel, might wonder what we have included as
18 good about the current state of patent
19 eligibility. Firstly, patent eligibility now
20 has a threshold analysis, as mentioned by
21 Director Lee, for efficiently disposing of cases

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1 with nontechnical innovation, both in prosecution
2 and in litigation. In a minute, I will explain
3 the words technical and nontechnical to show you
4 that we are not making this up as we go along.

5 Secondly, it is nearly impossible to
6 protect nontechnical innovation in the current
7 patent eligibility landscape.

8 Thirdly, highly technical innovation
9 often efficiently goes to art units with high
10 allowance rates where the focus for those cases
11 is properly on 103, rather than 101. Next slide.

12 What do I mean when I say there is a
13 threshold analysis for efficiently disposing of
14 cases with nontechnical innovation? The current
15 patent eligibility framework introduced an
16 invalidity threshold analysis that does not
17 require expert testimony or discovery. The
18 analysis is used for claim that were so broad
19 that the only point of novelty itself lies in
20 financial practices or activity practically
21 performed in a human-like manner, such as in the

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1 mind, on paper, or verbally. Whether you call
2 these claims nontechnical, as we have here, or
3 use a different term, the reality is that these
4 claims are not making it through the patent
5 system. This invalidity threshold analysis is
6 efficient when advising clients or making
7 prosecution enforcement, licensing, or defensive
8 decisions, as the analysis increases the
9 confidence and early finding of ineligibility for
10 claims that would have been found to be not
11 patentable one way or another, as explained
12 earlier by Professor Lemley. And also, on this
13 point, it seems that we agree more with Intel
14 than with AIPLA. Next slide.

15 In the past, even nontechnical
16 innovations were protected by merely adding that
17 the claim was performed by a computer. That
18 strategy no longer works and that is intended.
19 Even if a nontechnical case slips through here
20 and there, in the aggregate, the statistics show
21 that protecting any given nontechnical innovation

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1 is practically impossible, as several art units
2 have allowance rates that fluctuate below ten
3 percent.

4 CBM and District Court statistics
5 aren't any better for these types of cases. Next
6 slide.

7 That said, technical innovation,
8 where the point of novelty does not rest in
9 financial practices or activity practically
10 performed in a human-like manner, and where the
11 spec describes the how, generally still enjoys
12 high allowance rates, despite art unit variance.
13 We think these good aspects of patent eligibility
14 post-Alice should not be overlooked in meaningful
15 discussions, such as the ones we are having
16 today. Next slide.

17 There are also several areas that
18 could use attention and improvement. Firstly, a
19 significant amount of corporate and Patent Office
20 resources are being spent creatively defining
21 abstract ideas. In a minute, I will explain why

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1 this indirect analysis is wasteful. Secondly,
2 there is a low predictability and high variance
3 for claims, depending on their key words,
4 regardless of whether the point of novelty is
5 technical.

6 Thirdly, there is a disproportionate
7 emphasis being placed on 101, even for technical
8 innovation where 101 should be satisfied. Next
9 slide.

10 The Alice framework requires, in the
11 first part, identifying an abstract idea and
12 then, in the second part, searching for an
13 inventive concept that is left over. As hinted
14 by Peter Su, this analysis is unnecessarily
15 complex when the elements are considered
16 non-abstract in the first part -- where the
17 elements considered non-abstract in the first
18 part are also the elements that may qualify as
19 significantly more in the second part, regardless
20 of how the abstract idea may be creatively
21 re-identified in the first part.

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1 In practice, claims pass muster under
2 101 if they have technical innovation focused
3 outside of financial practices and also outside
4 of activity practically performed in a human-like
5 manner or, conversely, if they rooted in computer
6 technology. This technical innovation satisfies
7 the first part of the framework and cannot be
8 ignored in the second part by creatively
9 revisiting the first part. For these reasons,
10 the patent eligibility framework should be
11 efficiently resolved based on whether or not
12 there is a technical point of novelty, without
13 having to dive deeply into stretched examples.
14 Next slide.

15 The problem of low predictability and
16 high variance is most noticeable when claims have
17 equal probabilities of landing in high allowance
18 art units, such as Art Unit 3659, an 89 percent
19 allowance rate, and low allowance art units, such
20 as Art Unit 3689 with a 2 percent allowance rate.

21 Although art unit forum-shopping

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1 tools can help the applicant steer the
2 application toward high allowance art units,
3 these tools encourage applicants to make keyword
4 changes that are tangential to the point of
5 novelty. Such changes should not affect the
6 search for a technical inventive concept under
7 Alice, even though they do effect art unit
8 assignment. Next slide.

9 Perhaps a topic best covered at these
10 roundtables so far, including by Steve Bachman,
11 has been the disproportionate emphasis on 101
12 over 103. Section 103 provides an in-depth
13 analysis from the perspective of a person having
14 ordinary skill in the art. Although this
15 in-depth and obviousness analysis might not be
16 reached for claims without a technical point of
17 novelty, the obviousness analysis should still be
18 applied to ensure the proper consideration of
19 claims that do have a technical point of novelty.
20 Next slide.

21 We think there are ways to steer the

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1 post-Alice landscape to turn the bad into good
2 while still keeping the good: 1) Preserve a
3 threshold analysis for subject matter where the
4 only point of novelty lies in financial practices
5 or activity practically performed in a human-like
6 manner; 2) Preserve a robust filter for
7 nontechnical innovation; 3) Efficiently advance
8 technical innovation to reduce the cost of
9 legitimately seeking patent protection; 4)
10 Deemphasize indirect arguments in favor of
11 arguments related to finding or not the technical
12 point of novelty, as this also satisfies the
13 indirect arguments; 5) Guard against art unit
14 variance to the extent that the variance is not
15 related to whether or not there is a technical
16 point of novelty; 6) Investigate and correct art
17 unit assignment mistakes; and 7) Reemphasize 103
18 for cases difficult to decide under 101.

19 Thanks.

20 MR. BAHR: Thank you very much for
21 your comments. Now, we are going to have a

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1 question and answer session with the panel.

2 The first question I have for Mr.
3 Jeffrey Dean. The cases you discuss where you
4 are going for a result versus a way, in this
5 does it matter whether the claim covers the
6 result if it discloses the way or does the claim
7 need to be limited to a particular way, do you
8 feel, in these situations?

9 MR. DEAN: So, I am not sure. I might
10 have the question wrong.

11 MR. BAHR: I'm sorry. In many of the
12 cases it seems that the courts looked to the
13 specifications to see is there an improvement, if
14 you will, in computer technology. They look to
15 the spec to see this.

16 So, for this way of analyzing these
17 cases, does it matter that the claim covers the
18 specific way or can the claim also just cover the
19 result but the specification disclose a way to
20 accomplish the result?

21 MR. DEAN: Right, now I understand.

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1 So, going back to our first principle, which is
2 that in any healthy patent system what you
3 contributed to the public store of knowledge
4 should be protected but no more and the rest of
5 commentary, of course a claim should be limited
6 solely to the particular way of achieving the
7 result that the applicant contribute to the
8 public store of knowledge. The very reason that
9 we anguish about our patent system today is
10 because, too often, a claim is construed to
11 capture ways of achieving a result that were
12 never invented, much less contributed to the
13 public store of knowledge by the applicant.

14 So, if we can realign ourselves to our
15 first principles and recognize that in any
16 rational world you get protection for what you
17 contributed but no more, then, of course, the
18 claim has to be limited to the particular way of
19 achieving the result. Now, that doesn't mean
20 that we offend the prohibition against construing
21 claims to be limited to the preferred

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1 embodiments. We have a rich and mature
2 vocabulary how to avoid that. But yes, I think
3 we run smack dab into the preemption problem when
4 we say you get ways of achieving that result that
5 you never conceived as evidenced by your patent
6 application.

7 MR. BAHR: Thank you.

8 MR. KELLY: So, I have a question
9 about the function versus way. And you brought
10 it up but anybody can answer it. Right now, if
11 somebody has a functional result and it is
12 enabled so that somebody could do that, a claim
13 that recites delivering packages with small
14 airplanes -- attach the package to an airplane;
15 dispatch the airplane; land it; release the
16 package; return, that is probably not enabled as
17 I just explained it but assume it is enabled.
18 Then why shouldn't that patent issue?

19 I mean at some point, we will have to
20 get into layers of deeper and deeper specificity
21 until it is enabled. But if someone comes up

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1 with an invention that is enabled, albeit broad,
2 what is wrong with that?

3 MR. DEAN: So, years ago we asked
4 exactly that question in the context of 112,
5 coming out of the biotech area. And the question
6 was is there a separate requirement for written
7 description, other than just the enablement
8 requirement. And that got answered by the
9 Federal Circuit in a number of cases and the point
10 was that they achieve different purposes.

11 Obviously, you need to enable the full
12 scope of the claim because that has its own
13 protections against a certain kind of preemption.
14 But the written description requirement protected
15 us from awarding patents for things people had
16 not in fact invented or conceived. And that
17 meant over-rewarding the applicant and
18 overburdening the public, that second engine of
19 innovation.

20 So, we made sure that we invigorated
21 a separate written description requirement to

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1 assure us that there was evidence that you
2 actually contributed this to the public. Forget
3 that 15 years later a professional expert witness
4 can take the stand and say yes, reading only this
5 application that was filed in 1981, I could have
6 invented amazon.com website, which is a case
7 argued this morning in the Federal Circuit.

8 So, they serve different purposes.
9 And 101, of course, serves the third purpose,
10 which is to ask the question is there a candidate
11 for examination in the first place. That is, is
12 there a way at all in the patent? Once we have
13 satisfied that, then we can interrogate that way
14 according to the other requirements for
15 patentability. But let's first remember that it
16 is extremely important not to burden our public
17 resources of this office, much less the public in
18 expensive litigation, to subject a patent claim
19 to the interrogations of patentability when there
20 isn't a candidate invention in the first place.

21 MR. HANNON: I have a question for Ms.

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1 Israel. You mentioned TRIPS Article 27. And my
2 question is is the AIPLA's position that under
3 Article 27, the Mayo two-step framework is
4 somehow an additional patentability criteria?
5 Is that your comment?

6 MS. ISRAEL: I don't want to go that
7 far at this point but we are concerned about how
8 the case law has developed that we are getting
9 into an area where we may no longer be TRIPS
10 compliant.

11 MR. BAHR: Some follow-ups. There
12 were several comments about, I am going to call
13 it, the comingling of Section 103, obviousness
14 standard, and 101 and then another comment that
15 perhaps the 103 tool should be used, I am going
16 to say, before 101 to sort of resolve difficult
17 questions there.

18 Does anybody -- I am just curious do
19 other members of the panel have any comments on
20 that, either of those?

21 MR. DEAN: Briefly, I do think they

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1 are doing different things. So, we know that
2 there are new things. Let's go back to the
3 delivering the packages. No doubt that ways of
4 doing that will be new. And yet, if you don't
5 disclose a way, query whether you have an
6 invention, at the same time, there are arguably
7 ways of doing very old things but those ways are
8 new.

9 And so if we just looked at the result
10 and said well that is an old result; we can't
11 possible issue a patent for that. But maybe you
12 can if, in fact, the way is innovative. So that
13 question of is there a way in the first place
14 really is a critical threshold question because
15 we could avoid a lot of the examination if it is
16 not.

17 MR. SUTTON: For efficiency, I think
18 it is often more efficient to look at 101 first
19 because, like in the case that was on my slide,
20 if the invention is just trying to send a
21 communication until it is successful, then you

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1 probably don't have to look at the prior art.
2 And 103 requires a very detailed analysis that
3 considers a person of ordinary skill. And that
4 analysis requires a rational underpinning, as
5 stated in KSR, first in re Kahn. And I think
6 that full analysis can be avoided in some cases,
7 where there is no technical point of novelty.

8 MR. BACHMAN: And I would just like
9 to add that oftentimes, practically speaking,
10 when there is a 101 rejection, there is also,
11 very often, a 103 rejection in the same office
12 action. So, they often are kind of approached
13 in parallel.

14 But I think, like Eric mentioned, I
15 think it would be much more efficient to keep the
16 101 on a technical level, a technical analysis,
17 without considering the prior art just for a more
18 efficient either does it pass or not pass 101
19 and, therefore, you don't even need to get to the
20 103.

21 MR. BAHR: If no one else -- I have

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1 a -- sorry to put you on the spot again, Sharon.
2 My question is I know your organization, AIPLA,
3 doesn't have a specific proposal but many of the
4 concerns you raised are inconsistencies or
5 confusion in applying the various tests or the
6 frameworks.

7 Now, just from an administration point
8 of view, or someone who writes guidelines, I will
9 tell you that rigid tests are easy to apply
10 consistently. Flexible tests are more difficult
11 to apply consistently. Is there any thought of
12 any, you know the tradeoffs that are inherent
13 there? Is there a preference for a flexible
14 approach, or a more rigid test, or is this just
15 something that is not discussed?

16 MS. ISRAEL: I think I could say it
17 is something I am not prepared to address right
18 now.

19 MR. BAHR: Well, that tells us
20 something.

21 MS. ISRAEL: It is a complex issue.

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1 We have had a Task Force that has spent two years
2 looking at the problems, at potential solutions,
3 and we have identified a lot of pros and cons on
4 potential solutions. And it is just not easy to
5 come up with the silver bullet.

6 MR. BAHR: Sorry, I guess my other
7 question was for Mr. Sutton about you had made a
8 group of suggestions. Now, were those
9 suggestions things you have for changes to
10 examination practices or were you thinking things
11 that needed to be done, I am going to say,
12 legislatively or something; something we could
13 just do or something that you thought maybe the
14 law needs to be changed so that it would operate
15 in that manner?

16 MR. SUTTON: I actually don't think
17 any of my suggestions required a change in the
18 law. I think that they can be addressed on all
19 fronts. It would be clearer, if there was a
20 change in the law in some cases. But for the
21 first three things on that list, those were from

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1 the positive slides about the current state of
2 the law. So, that is kind of the way it already
3 is.

4 The first three bullet points there
5 were just don't mess that up when we start to
6 think about what needs to be done.

7 And so the latter slides, especially
8 the forum-shopping issue, is something that I do
9 think the Patent Office can address and really
10 legislation can't address. And it is the
11 balancing of technologies among the art units in
12 a way that these tools, these art unit
13 forum-shopping tools become less important. But
14 right now, when you have two art units that relate
15 to e-commerce, one with a two percent allowance
16 rate and the other one with ninety-ish percent
17 allowance rate and you are filing a patent for an
18 invention in the e-commerce field, I think it
19 would be dumb to not try to write your patent so
20 that it has key words that match one of those two
21 art units and not the other.

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1 MR. BAHR: Thank you.

2 MS. NELSON: I have one more question
3 for Mr. Dean. When you talked about looking for
4 or expecting there to be some sort of a
5 description of a way and not just a result, you
6 are talking in terms of an algorithm. And I
7 think that is something that the court has sort
8 of struggled with in how to define that because,
9 obviously, at its narrowest meaning, it would be
10 almost like a computer software but at a broader
11 definition it is almost just a series of steps
12 which doesn't seem to get you much further to get
13 where you want to be.

14 So, I am just curious if you have a
15 definition for algorithm.

16 MR. DEAN: So, I am going to
17 disappoint you and say no. But I do think,
18 though, that we are in a better world if we say
19 this should be the focus of our intellectual
20 energy, how to define that, the sufficiency of
21 algorithmic instructions in a patent application.

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1 That would be a terribly profitable way for us to
2 spend our time, knowing that if there isn't one,
3 then we don't have a candidate for further
4 examination and that is why it is more than a
5 course eligibility filter. It is an essential
6 aspect of whether we should devote public
7 resources to the question.

8 And then as far as what satisfies,
9 what level of rigor should we have for 101, I
10 don't have an answer to that. But I think it is
11 a very important question. And I think we can
12 benefit from some of the thinking that is going
13 on both from the Office with respect to the 112
14 area, and 112(f), especially, and also the
15 Federal Circuit.

16 Obviously, in 112 area, we don't allow
17 structureless patents. And so if you don't claim
18 under 112(f), that is okay. You can still have
19 your structure in the claim. For example, you
20 can still have your algorithm in a claim so that
21 you wouldn't have to resort to 112(f).

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1 At the same point, you could construe
2 like, for example, the court did, I think in
3 Amdocs, a claim limitation to have some of the
4 structure that comes from the specification, just
5 as a matter of pure claim construction.

6 But if you don't have structure in the
7 claim or the specification, then it really
8 shouldn't matter what magic words you use, for
9 example. You don't have a candidate for
10 examination. But I do think if you really put
11 your finger on the question, I think that is where
12 the energy should be in the software area, how to
13 define that.

14 MR. BAHR: I would like to thank our
15 third panel for being with us and invite the next
16 panel to come up. But thank you all very much.

17 MS. NELSON: I would like to welcome
18 Mr. Frank Cullen.

19 MR. CULLEN: Thank you very much. My
20 name is Frank Cullen. I am the Executive
21 Director at the U.S. Chamber of Commerce Global

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1 Intellectual Property Center. I head up the
2 Chamber's Intellectual Property Advocacy and
3 Policy work.

4 The U.S. Chamber of Commerce is the
5 world's largest business federation,
6 representing the interests of more than three
7 million businesses of all sizes, sectors, and
8 regions, as well as state and local chambers and
9 industry associations. We are dedicated to
10 promoting, protecting, and defending American's
11 free enterprise system, and long supported
12 appropriate intellectual property policies to
13 help support and drive innovation, economic
14 growth, and job creation.

15 On behalf of the U.S. Chamber of
16 Commerce, I am grateful for the U.S. Patent and
17 Trademark Office, and specifically to Director
18 Lee, for holding today's important roundtable and
19 providing this opportunity for the Chamber's
20 Global IP Center to submit comments on behalf of
21 our members on this important topic.

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1 The issue of patent subject matter
2 eligibility is of great interest and growing
3 concern to the IP sector industries and those who
4 invent and innovate. Numerous studies have
5 established the link between a strong IP system
6 and economic growth and job creation.

7 The Chamber's Global Intellectual
8 Property Centers annual IP index report includes
9 metrics related to individual countries' patent
10 systems as part of the criteria and data and that
11 data is number one indicator of the strength of
12 a country's IP environment. Our nation's strong
13 IP system has helped America become the world
14 leader in bringing new technologies, life-saving
15 drugs, creative works and innovative new products
16 to consumers around the globe.

17 According to the U.S. Department of
18 Commerce, IP-intensive industries account for
19 over 38 percent of our nation's GDP, generate
20 over \$6 trillion in revenue, over 45 million
21 good-paying jobs in 81 different industries that

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1 pay higher than the national average and account
2 for more than two-thirds of all our exports.
3 Clearly, these numbers are significant and we
4 must ensure that our strong IP system and
5 policies that help drive our economic success are
6 not weakened.

7 Recent court and administrative
8 rulings have created serious concerns amongst the
9 GIPC members. The jurisprudence related to
10 patentable subject matter is undermining the
11 U.S.'s global leadership, especially in
12 technology and biopharma industry sectors. It
13 is important that we acknowledge the negative
14 impacts of patentable subject matter
15 jurisprudence in the life sciences and
16 information technology sectors and effectively
17 respond to rulings that impact American
18 competitiveness and threaten American jobs.

19 In addition to some of the specific
20 examples I will cite, the overall impact of
21 recent rulings has been diminished clarity

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1 regarding patent subject matter eligibility,
2 which results in confusion among patent-intensive
3 industry sectors, individual inventors and
4 innovators. While it is clear there are cases
5 where reasonable limitations may be and should be
6 placed on patent subject matter eligibility, such
7 as the fundamental building blocks of science,
8 abstract ideas and laws of nature, the scope of
9 that concern should be limited.

10 In the Alice v. CLS Bank and Mayo v.
11 Prometheus cases, as in subsequent cases since,
12 it is our members' belief that none of the patent
13 at issue involved the fundamental building blocks
14 of science. However, the courts went far beyond
15 this standard and, perhaps equally troubling,
16 declined to adequately describe what terms such
17 as abstract ideas and substantially more actually
18 more.

19 In the life sciences field, Ariosa v.
20 Sequenom, Judge Linn wrote that it is hard to
21 deny that Sequenom's invention is truly

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1 meritorious but that the Federal Circuit was
2 bound by the sweeping language set out in Mayo,
3 basically inviting the Supreme Court to grant
4 cert, which they later declined to do, despite
5 the fact that Judge Linn recognized that the
6 invention was both meritorious and that the
7 invention was literally saving lives of pregnant
8 women. And under the Mayo standard, it was not
9 patentable.

10 The patent incentive that fuels
11 innovation in all of our economy works exactly
12 the same in fueling innovation in the life
13 sciences and information technologies. Denying
14 patent protection by carving out life sciences
15 and information technology is essentially
16 throwing the baby out with the bath water. As
17 Mark Andreessen famously observed, software is
18 eating the world and present and future
19 innovation in all field is enabled by information
20 technology or software. Denying patent
21 protection of software-related inventions does

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1 not just impact the traditional software industry
2 but in fact impacts all industries.

3 The Chamber is not insensitive to
4 concerns regarding abuses of the patent system
5 and has previously responded to these concerns by
6 filing an amicus brief in *Symbol v. Lemelson* that
7 expressed great concerns with the impact of
8 patent abuse on our economy. But narrowing the
9 scope of patent-eligible subject matter is not
10 the way to address this problem. To remain
11 competitive, America must maintain a strong IP
12 system that does not discriminate against
13 specific industries and we must have clarity in
14 that system so that the life sciences and
15 information technology are eligible. Overly
16 narrowing the scope of patent-eligible subject
17 matter to exclude two of the most important areas
18 of American innovation is both counterproductive
19 and intellectually unsupportable.

20 If our nation does not have a strong
21 IP system, we run the risk of losing our position

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1 as the world leader in innovation, as our
2 industries and inventors look elsewhere to
3 conduct their important research and production.

4 We applaud the U.S. Patent and
5 Trademark Office for providing this forum to
6 receive input from many stakeholders who are
7 impacted by this issue and it is imperative that
8 this process help provide guidance and clarity to
9 all those who depend on our patent system and
10 that the appropriate balance is achieved so that
11 American can continue to lead the world as the
12 most innovative and creative economic engine.

13 The U.S. Chamber of Commerce is
14 committed to working with your office and all
15 others interested in addressing this important
16 issue and we, once again, appreciate the
17 opportunity to provide comments today.

18 Thank you.

19 MS. NELSON: The next speaker is Mr.
20 Benjamin Jackson.

21 MR. JACKSON: Thank you. On behalf

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1 of Myriad, I, again, thank the Patent Office for
2 this opportunity to speak on the subject of
3 subject matter eligibility. Second slide,
4 please.

5 These views are my own and not
6 necessarily those of Myriad, especially once I
7 get into the specifics of some of the language I
8 will talk about today. Next slide.

9 The Federal Register posed several
10 questions across the range of patent eligibility
11 and I wanted to just quickly direct the Office to
12 some written comments that were submitted by the
13 Coalition for 21st Century Medicine during the
14 past iterations of the guidance that addressed
15 some of the specific questions, meaning questions
16 7 through 13. I was one of the principal authors
17 on those written comments and I think if you go
18 on to the next slide, those comments do a decent
19 job of addressing preemption and very specific
20 questions on life science inventions. So, again,
21 I recommend those comments, those written

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1 comments back to the Office. Next slide.

2 What I mainly wanted to talk about
3 today, though, are the questions addressing the
4 Federal Register questions 3 to 6. And this asks
5 about legislative action. And I think the last
6 roundtable and this one has shown that there are
7 concerns and there is pretty strong evidence of
8 a problem. I will note, in particular, that last
9 bullet about companies responding to the changed
10 landscape. I have got experience in talking to
11 individuals across the industry about companies
12 not pursuing certain technologies not because
13 there is a clinical risk of the product failing
14 or anything but now there is a new risk of not
15 being able to get a patent or moving towards other
16 types of protection, such as trade secret, which
17 I don't think is really where we want to go in
18 this area. Next slide.

19 And then the question is, what is the
20 root of the problem? These exceptions to
21 eligibility are entirely judicially created. It

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1 is an invention, to use that word, one that should
2 have been rejected, frankly. There is no basis
3 in the statute. There is no requirement or basis
4 in the Constitution even. Next slide.

5 I really love this language from In re
6 Bergy. This was a decision by Judge Rich, where
7 he basically says that the only restraints were
8 the means by which Congress would promote the
9 arts and that Congress was given full freedom to
10 do so. Next slide.

11 So, what are the potential fixes? One
12 is a judicial solution. I think the Supreme
13 Court has shown that it is unwilling to, at least
14 for now, dive back into this area. The Sequenom
15 denial of cert was a big deal from that
16 perspective. Agency solution: What can the PTO
17 do to help? I think the guidance has done a
18 great job so far in helping in solving the
19 problem. I think the PTO can play a very
20 important role but, again, the PTO is, to some
21 extent, bound by the Supreme Court and the

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1 Federal Circuit -- next slide -- which raises the
2 question of a legislative solution, ultimately
3 getting back to those Federal Register questions.

4 Here, I think the PTO does play an
5 important role. This forum is a great start.
6 But I pose the question how do you fix a statute
7 that is not broken. We talked about 101 being a
8 tool to get rid of bad patents but when you look
9 at the text of the statute, there is no suggestion
10 of anything like that, that this section can be
11 used to deny patentability. Next slide.

12 A lot of proposals have been floating
13 around for legislative fixes. I will only
14 address two, and really only one in detail. Next
15 slide.

16 One thought has been just to eliminate
17 the exclusions entirely. There is a little bit
18 of superficial appeal here because it is pretty
19 simple. You could just write into the statute
20 and in the congressional history, note that we
21 are overturning all judicial exceptions. I think

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1 this is not the best approach. I think, frankly,
2 we have moved past where this a palatable or a
3 practical solution. This is my opinion. I have
4 a little bit of experience dealing with unpopular
5 patents and the popular reaction to those. And
6 I just think that we have moved beyond that.
7 Next slide.

8 I think the better approach is to
9 enumerate specific exceptions to patent
10 eligibility. It is a lot more complicated to
11 draft. That is a problem you will have to deal
12 with building coalitions, pet issues, maybe
13 getting bogged down in certain areas. So, there
14 is an uphill climb but I, ultimately, think that
15 this is the better way to go. It brings clarity
16 and predictability and it deals with what I think
17 maybe is a problem of the judicial diversity that
18 we talked about earlier and it codifies specific
19 language that other judges will now have to
20 interpret, rather than sort of this amorphous
21 common law evolution with nothing tethered to any

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1 specific language that can set down the rules and
2 then work with them. Next slide, please.

3 And I think we can learn from the
4 European approach, as mentioned in the Federal
5 Register. Next slide, please. In that
6 approach, everything is eligible by default and
7 then there are exclusions, specific exclusions.
8 Now, in the European approach, that list is
9 expressly not exhaustive. So, if we go to the
10 next slide, I would suggest that we Americanize
11 that approach. Again, everything is eligible by
12 default but we would make a list of ineligible
13 things and make that list exhaustive.

14 Here, again, I have just sort of
15 thrown out some language. This is just my brief
16 attempt and others can work on this on how to
17 change and make a Section 101(a) that sets forth
18 the general rubric of default eligibility and
19 then address ineligibility and other things
20 elsewhere. Next slide, please.

21 For example, we can have a 101(b),

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1 which finally codifies the utility requirement.
2 And as long as we are cleaning out the closet,
3 let's get rid of these judicial ideas, judicially
4 created things. Next slide.

5 And so Section 101(c) can set forth
6 specific exceptions and those can be tailored to
7 whatever is appropriate, whatever Congress
8 decides really needs to be excluded. Next slide,
9 please.

10 Here, I have taken a swing at trying
11 to codify the judicial exceptions, themselves.
12 Romanette 1, a mental process. Romanettes 2 and
13 3, laws of nature, phenomenon of nature. You can
14 see that I struggled a little bit with the
15 language and I think we would have to work through
16 it but you get the idea. Let's just list them
17 out. Let's get it all on paper and give the
18 judges something they can work with. Next slide,
19 please.

20 Romanettes 4 and 5, products of
21 nature. This is a way that these things can be

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1 treated. And again, there was a detailed
2 discussion of this in the Coalition for 21st
3 Century Medicine's written comments. Next
4 slide.

5 We can even move on to things that we
6 have already sort of accepted as accepted from
7 patentability, such as human cloning and human
8 organisms.

9 I am out of time but you can see that
10 the idea is to set forth a framework in which we
11 can include or exclude certain types of subject
12 matter that we want to be out of the patent
13 system. Thank you.

14 MS. NELSON: Thank you, Mr. Jackson.

15 We will now move on to Konstantin
16 Linnik, please.

17 MR. LINNIK: Thank you. Good
18 afternoon. Thank you very much for this
19 opportunity. My name is Konstantin Linnik. I
20 am a partner with the law firm of Nutter McClennen
21 and Fish. I practice in the area of

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1 biotechnology and pharmaceuticals law and
2 represent clients that are of various stages in
3 the development, individual entrepreneurs, as
4 well as large companies. If you could, advance
5 the slide to the next slide.

6 More recently, my firm, myself and a
7 couple of colleagues of mine represented a number
8 of industry associations, several of them listed
9 on this slide, in the amicus brief filings at the
10 Supreme Court asking for a petition for cert and,
11 before that, in asking the Federal Circuit to
12 hear the case en banc. This particular case, if
13 you look at the spectrum of industry support that
14 have gathered collectively, we represent that
15 U.K. Industry Association, which has hundreds of
16 various enterprises and European by Technology
17 Industry Associations, several national industry
18 associations, industry associations in Canada,
19 Australia, and Japan. And there is a pretty
20 broad consensus among thousands of companies that
21 the current state of the law is unacceptable.

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1 Meritorious inventions are too often denied
2 protection and the outcomes across various
3 jurisdictions are inconsistent and
4 unpredictable. And the law, as it currently
5 exists, is really unworkable. Next slide.

6 So, the consensus position within the
7 industry, broadly, is that harmonized, clear, and
8 predictable intellectual property laws are
9 essential for the smooth functioning of the
10 economy in general and, particularly, biomedical
11 innovation and healthcare inventions, where
12 patent incentives are very important and billions
13 of dollars in investment are required to bring to
14 life health-saving, life-saving medicines. That
15 is where particular attention needs to be paid.
16 Next slide.

17 When Sequenom petitioned the Supreme
18 Court for cert, it was our hope that the Supreme
19 Court would take up the case and refine its tests,
20 particularly in view that Justice Breyer, who
21 seemed to be the mastermind behind the

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1 jurisprudence of the Supreme Court has recently
2 published a book where he promoted the idea that
3 U.S. Supreme Court should be mindful of laws of
4 other jurisdictions and make sure that they work
5 in harmony with laws in other countries and
6 across the world.

7 So, when the petition was denied, it
8 was somewhat of a surprise to us, however, the
9 fact that Justice Breyer holds a view of this and
10 his position is actually somewhat promising for
11 what the intent of the court might be. Next
12 slide, please.

13 So, in our view, as has been mentioned
14 by several speakers before and I am sure will be
15 mentioned later, the Supreme Court has read into
16 the statute something that is not literally in
17 there. And if we were to rewrite Section 101
18 according to what Supreme Court tells us, we
19 probably would add to 101 the words something
20 like shown in the slide in red, where whoever
21 invents or discovers any new and useful process

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1 or improvement thereof, is entitled to a patent,
2 provided that any such invention is significantly
3 more than an abstract idea, a law of nature, or
4 a natural phenomenon.

5 So, the significantly more part is
6 what has been the concern and the point of so
7 much discussion. It is pretty clear that our
8 understanding before the Supreme Court decisions
9 has been that laws of nature and natural
10 phenomenon or abstract ideas are not
11 patent-eligible. We thought it was pretty clear
12 how to distinguish these concepts from inventions
13 that are patentable. However, the fuzzy line of
14 significantly more turned out to be a lot more
15 difficult than we expected. Next slide.

16 So, what is interesting is that the
17 underlying policy rationale in these laws
18 actually is present in other jurisdictions as
19 well. And if you look at the European Patent
20 Convention, national laws of many industrialized
21 countries, you will find that discoveries,

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1 scientific theories, mathematical methods, are
2 specifically excluded from patentability. There
3 is a reference to specific sections. You will
4 find the same concepts in common law
5 jurisdictions across the world. If you can,
6 advance to the next slide.

7 For example, in Australia, they except
8 from patent eligibility discoveries with no means
9 of putting them into effect, mere ideas on
10 scientific principles. Very similar concepts on
11 Japan. Despite all of these similarities in what
12 is meant to be not patent-eligible, the outcomes
13 in the U.S. and other jurisdictions are now
14 widely different.

15 If you go to the next slide, this is
16 an example from the Sequenom case. It is a good
17 example where you look at the U.S. claim and
18 compare it to European claim. You will find that
19 they are very similar and the same is true for
20 the Canadian claims, the Australian claims, and
21 somewhat Japanese claims. In the U.S., this

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1 invention was found not patent-eligible and the
2 question has not even been ever brought up as an
3 issue in any other jurisdiction. This is not
4 unique to this particular case, even though this
5 case is a good example of discrepancies. Next
6 slide.

7 So, we are posing the question really
8 does the problem lie with the legal framework,
9 rather than the merits of specific inventions.
10 I will end on that. Thank you.

11 MS. NELSON: Thank you, Mr. Linnik.

12 And last, we will hear from Hans
13 Sauer.

14 MR. SAUER: Yes, and if the problem
15 lies with the legal framework, do we need to
16 change it?

17 So, good afternoon. I am Deputy
18 General Counsel for IP for the Biotechnology
19 Innovation Organization, on whose behalf I speak
20 today. But before I say anything, I do want to
21 thank the Patent Office for its sustained

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1 outreach to the patent user community on the
2 topic of patent-eligible subject matter and, in
3 particular, I want to thank the Patent Office for
4 convening this roundtable which, in our view, for
5 the first time, focuses not on the implementation
6 of case law in examination guidance but on what
7 the right policy ought to be and on, perhaps, the
8 need for change.

9 It won't surprise you, given what you
10 have heard earlier, at least from the few life
11 sciences participants so far, that there hasn't
12 been an area of substantive patent law that has
13 received more discussion within Bio's membership
14 than the topic of patent-eligible subject matter.
15 Bio's members do view, I can only reiterate this,
16 the development of extra-statutory law in this
17 area as a significant departure from
18 internationally accepted norms of patentability
19 and that has negative implications for the
20 commercialization of innovative, industrial,
21 agricultural, and pharmaceutical products and

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1 processes.

2 For example, inventive preparations
3 based on naturally-occurring substances have
4 historically been of great importance in
5 biotechnology. And innovation in this area has
6 been spurred, at least in part, historically, by
7 the availability of patent protection. This is
8 true for every sector of biotechnology. Examples
9 include vaccine antigens, crop protection
10 products, plant biotechnology, plant breeding,
11 industrial enzymes, immunosuppressive drugs,
12 anti-cancer compounds, and antibiotic
13 substances. Unfortunately, it is no longer news
14 that such promising naturally-derived compounds
15 are no longer patentable in the United States.
16 As a direct result of the Supreme Court's Myriad
17 decision, patent applications for antibiotics,
18 medicinal molecules, industrial enzymes and other
19 preparations that were first discovered or
20 derived from natural starting materials are being
21 rejected in the Office. And thousands of

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1 existing patents have come under a cloud of
2 unpatentability and invalidity after large
3 investments have been made over decades, even if
4 the patented substances have nothing to do with
5 human genes or genetic diagnostic testing.

6 Other areas of continuing concern for
7 our members involve diagnostic or prognostic
8 methods. Biomarker-assisted methods of drug
9 treatment and other applications of personalized
10 medicine, as well as the commercial explanation
11 of the microbiomes of humans, animals, or plants.

12 District Court litigants continue to
13 make creative use of patent eligibility theories,
14 at least in the life sciences. And meanwhile,
15 courts, at least in the life sciences, have been
16 struggling to find the outer boundaries of the
17 Supreme Court's broad and sweeping
18 pronouncements. So, I can only echo what you
19 heard from Professor Lemley earlier, that perhaps
20 in some respects there may be a sense of
21 stabilizing case law in the software and

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1 e-commerce area and there is not a similar sense
2 like that in the life sciences.

3 So, we do need a more stable solution
4 going forward. I think it is remarkable that
5 policymakers have, so far, been quiet or
6 completely absent from this debate. The law of
7 patent eligibility has been driven by the courts
8 alone. The USPTO has been concerned but
9 primarily with implementation. The Department
10 of Justice has opined formalistically on the
11 correct legal interpretation of Supreme Court
12 precedent but the U.S. Government's views, the
13 U.S. Government's policy views on the matter are
14 unknown. Throughout, Congress has focused on
15 other areas of patent policy. So, we hope, Bio
16 hopes, that today's roundtable is the opening of
17 a more robust dialogue with elected government
18 outside the forum of the courts.

19 So, to this end, Bio members have made
20 the following observations and recommendations.
21 First, we believe congressional involvement is

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1 necessary. It is not just appropriate. It is
2 necessary. The question of what can and cannot
3 even be considered for patenting is a fundamental
4 question of substantive patent law. This not
5 filling in gaps in the law. It is not regulating
6 around the margins. It is not the kind of thing
7 better left for the courts or better left to
8 agencies. Congress should own this question.

9 Second, we are having a huge debate
10 that other industrialized countries simply don't
11 have. To the extent that contours of patentable
12 subject matter needed to be defined in other
13 countries, it was done legislatively.
14 Internationally accepted standards can guide us,
15 too.

16 Third, we probably can't turn back the
17 clock. The Supreme Court's underlying concerns
18 deserve to be addressed. If assurance is needed
19 that patents do not withdraw the building blocks
20 of basic research from the public domain, that,
21 too, is appropriate for Congress to consider. I

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1 refer back to more than a decade ago. Many of
2 you have followed legislative developments for a
3 long time. So, you will recall that more than
4 ten years ago, we already had a robust
5 conversation about, for example, an experimental
6 use exemption, under which there would be no
7 liability for patent infringement. If somebody
8 were to experiment on a patented invention to see
9 if it can be made the way the patent owner says
10 it does, to see if it works the way the patent
11 owner says it does, to discover something new
12 about it, maybe to improve it, maybe to design
13 around it. That conversation was never
14 concluded.

15 And fourth, the Supreme Court's
16 two-part test should be abrogated. In its place,
17 Congress should reaffirm patent laws' traditional
18 boundaries between practical applications of
19 scientific knowledge in all fields of technology,
20 as contrasted with other manifestations of human
21 creativity that are not themselves technological.

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1 Other countries have been able to do this. They
2 have developed not just case law but workable
3 tests. So, why not be guided by experience in
4 other countries who haven't run into the same
5 problems we have?

6 Biotechnology is a field the United
7 States have created and led. Yet, patent
8 protection and our technology has become less
9 certain and is today less available than in other
10 countries with which the United States compete.
11 There are biotechnologies -- I am waiting for the
12 beep and then it is going to take five more
13 seconds.

14 There are biotechnologies for which it
15 is now easier to get patent protection in China
16 and in Europe than it is in the United States.
17 When U.S. companies want to compete in these
18 foreign markets, they will face patents like they
19 always have. But when foreign countries come
20 here, companies come here to compete in the U.S.
21 market, they will have a free for all and they

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1 will not face patents. We ought to have a
2 conversation about whether that is the right
3 recipe for U.S. competitiveness and domestic job
4 growth.

5 We look forward to a good dialogue on
6 the matter. Thank you very much.

7 MS. NELSON: Thank you, Mr. Sauer.

8 I would like to start out -- I know
9 you, all of the panelists, have been focused on
10 the need for a legislative fix but I first want
11 to start out with just sort of asking to what
12 extent -- and we have noticed and there is
13 evidence to sort of suggest filings have started
14 to remain consistent in the life science area.
15 And I am just wondering to what extent certain
16 technologies are amenable to workarounds. And I
17 give you as an example, isolated DNAs that are
18 then put in a vector to make a transgenic animal
19 or something, where a claimed drafting could get
20 you to something that is essentially what you
21 want to protect anyway and you could forego the

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1 claim to an isolated DNA.

2 And I am just wondering if there are
3 particular technologies where the workarounds are
4 working. In particular, let's focus on natural
5 products and then if there are particular areas
6 where that just is not an option at all.

7 MR. JACKSON: I can speak a little bit
8 to that. I think to some extent, at least in my
9 personal experience in talking to other members
10 of the Coalition for 21st Century Medicine, which
11 is mainly diagnostic companies, is there has been
12 an approach of adding limitations to the claims
13 in order to get the patents issued, limitations
14 that would not have been required five years'
15 ago, and limitations that, frankly, should not be
16 required. And so those applications are still
17 being filed. The claims are being presented and,
18 in some cases, the patents are increasingly being
19 issued but in a far narrower state than they would
20 have been before and I think in a far narrower
21 state than they should be. That is my

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1 experience.

2 MS. NELSON: And when you say not
3 required, can you sort of clarify what you mean
4 about putting limitations in that are not
5 required, that you don't think should be
6 required?

7 MR. JACKSON: In the case of a
8 diagnostic, a molecular diagnostic, instead of
9 simply setting forth all the ten biomarkers that
10 are in your test, an examiner may require that
11 you set forth the specific algorithm in which
12 those biomarkers are combined and get the score
13 and even beyond that, the performance of the
14 score, what its positive and negative predictive
15 value must be. The examiners start to layer on
16 requirements of specificity such that you get
17 down to a level that, ultimately, may be a patent
18 that is not really worth having, frankly.

19 MR. CABECA: That is interesting. I
20 have actually heard the opposite anecdotally as
21 well where you are just removing the diagnostic

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1 aspects actually gives you a broader claim that
2 gets through the eligibility test, which is kind
3 of interesting itself.

4 MR. LINNIK: Which is in the examples
5 that the Patent Office provided most recently in
6 May, where you have a method of detecting a
7 molecule in a sample that is perfectly
8 patentable. And as long as you add a step to
9 this claim that the step of diagnosing a patient,
10 it become patent-ineligible, which is very
11 difficult to reconcile rationally. It certainly
12 is a way to draft around Mayo v. Prometheus. I'm
13 not sure what the ultimate value of those claims
14 would be.

15 MS. NELSON: With diagnostics, is
16 there ever the opportunity to put in something
17 that is, I guess, sort of technological that
18 would sort of get you past the correlation and
19 into something that is more amenable to patent
20 eligibility?

21 MR. SAUER: Let me first give it a

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1 crack and then Ben probably has some observations
2 on that as well.

3 If there is no implementation step, if
4 you will, of any kind in the claim, but I do think
5 these claims have always been viewed with some
6 skepticism, so merely comparing information and
7 then drawing a conclusion is a claim that
8 probably, under the way we today understand
9 Section 112 and so on might be vulnerable under
10 other theories of invalidity as well.

11 What I hear much more often from Bio's
12 members, though, is like your claim to a typical
13 laundry detergent enzyme or another preparation,
14 claims like that run into problems in the Patent
15 Office and if patent protections can be had, if
16 it all, it can be had only at great cost of claim
17 scope.

18 So, I know one Bio member to whom I
19 talked about this who said well, I couldn't get
20 a claim to a laundry detergent enzyme but I could
21 get a claim to a method of washing laundry in a

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1 washing machine using a washing liqueur that
2 contains the enzyme. And those patents can be
3 procured. I do think applicants take the patent.
4 They report up to management that a patent was
5 procured and the objection might even be reported
6 as having been overcome. But at the end of the
7 day, everyone understands that claim scope is
8 vastly different under these circumstances and
9 has very different commercial applications.

10 MR. JACKSON: If I could just jump in
11 there. Another point I think to your question
12 is that at least within the molecular diagnostics
13 industry, there are tool and kit and equipment
14 manufacturers, and then there are those who work
15 with the diagnostics themselves. I think of it
16 is sort of platform makers and content makers.
17 And so on the question of new chemistry that can
18 be used to detect a molecule or new machines that
19 can be used to implement that chemistry, those
20 are done by a certain group of companies, the
21 tool makers. And they probably have a

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1 rip-roaring time at the Patent Office. I don't
2 know. I am sure they are getting their patents
3 through just fine. It is the content makers
4 that, in my experience, who are really
5 struggling, those who take those platforms and
6 implement them in a very specific way to detect
7 a new cancer or prognose a cancer using specific
8 biomarkers. They don't necessarily invent a new
9 chemistry but they implement that chemistry in
10 now a new way that is very useful from a
11 diagnostic perspective.

12 And I think it is very important that
13 both of those camps within the molecular
14 diagnostic industry receive ample protection and
15 investment.

16 MR. KELLY: So, I have a quick
17 question for Mr. Cullen. This was provided by
18 someone from the audience. So, your perspective
19 is different from a lot of people we have heard
20 from today coming from the Chamber of Commerce.
21 And the points that you raised were largely in

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1 support of patentability and that we need to
2 clear up the confusion that we have. But the
3 questioner asks how do you square that with the
4 commentary from somebody like we heard from
5 earlier from J.C. Penney, which is that, as a
6 functioning company, they are basically being
7 hindered by a lot of patents in the marketplace
8 right now. How do you speak to that from sort
9 of your Chamber of Commerce point of view?

10 MR. CULLEN: So, I think that is a
11 very important question. And as I mentioned in
12 my comments, we are certainly sensitive to the
13 issue of abuse. We recognize it occurs. We also
14 recognize that there has to be some kind of a
15 thoughtful discussion about how to curb that type
16 of abuse.

17 Our fundamental concern, though, is
18 that the confusion regarding eligibility is one
19 that also provides ripeness for abuse. So, when
20 you solve the problem and you provide more
21 clarity, then we think some of these problems

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1 will, perhaps, go away, to some extent. But
2 absolutely, the Chamber members, particularly,
3 our retailers and, indeed, some of our tech
4 members are friends from Amazon. A good example,
5 there were victims of these types of abuses.
6 That is a serious problem.

7 So, the Chamber does not look at this
8 as just simply an either/or. We think you have
9 to really address both. And from our
10 perspective, there is probably a reasonable
11 legislative path forward, particularly when it
12 comes to the issue of some patent reform.

13 When it comes to specific issues
14 legislatively on the issue of eligibility, we
15 have not yet taken a position on whether or not
16 congressional involvement is the only way to go
17 there. We would like to see what the language
18 is. The Chamber is very careful before it takes
19 a position on legislation. So, we think that
20 there is probably good work to be done. More
21 clarity from the Courts would be helpful but,

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1 again, it is also something that, at the PTO
2 having the necessary resources and the expertise
3 to do a better job of patent examination.
4 Although a very good job is being done, we think
5 that is an area that may also benefit from USPTO
6 just simply having the resources they need.

7 So, from our perspective, we think
8 that these are not issues you look at completely
9 separately. They are all part of the problem.

10 MR. SAUER: If I could briefly add to
11 that because this often comes up in the
12 legislative debate as well. And many of my
13 members keep asking if there are abuses in the
14 system or systemic problems with too many patents
15 or if there is something wrong about the way we
16 enforce and litigate patents, we query whether
17 the right answer to that should be to crank up
18 the exceptions. Because I do think the same
19 problems would persist even if no patent would
20 suffer from a Section 101 problem in the whole of
21 the United States. We would still be having the

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1 same debate in Congress.

2 MR. KELLY: Well, and that sort of
3 leads me to my follow-up question, which I did
4 want to direct to you and the life sciences
5 people, which is that when I hear or when we hear
6 discussions on what I will call the abstract idea
7 exception side of the debate, those commentators
8 usually say something along the lines of there is
9 a lot of patents out there that need to be dealt
10 with but the way the Section 101 jurisprudence
11 has evolved, you are not really dealing with them
12 correctly. You are maybe overcorrecting or
13 under-correcting. The problem is how do you fix
14 the test to get rid of the patents that those
15 people think should not have issued.

16 But on the life sciences side, is the
17 debate different? Is there a general agreement
18 that there are a lot of patents that issued in
19 the space that shouldn't have and so the test
20 needs to be fixed? Or is it just how do we get
21 rid of the tests that are out there and dial back

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1 the exceptions as they apply to our field? Maybe
2 that is too blunt a question.

3 MR. SAUER: No, I am trying to
4 compartmentalize it in ways that allows me to
5 easily answer it.

6 So, what I certainly don't hear from
7 Bio's membership are complaints that there are
8 too many patents out there that cover a patent-
9 ineligible subject matter. You know that is not
10 a concern I hear.

11 There are, of course, there is an
12 understanding of the needs of other industries
13 for whom the patent system might work differently
14 and that affects the way we advocate, for
15 example, to Congress in the context of patent
16 litigation reform, which is where Congress has
17 focused.

18 I do think there is a sense within
19 Bio's membership that queries whether the
20 exceptions, as they have been articulated, are
21 even needed in the patent system as we have it.

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1 We are caught in a rut where we tried to define
2 what an abstract idea is, what a natural
3 phenomenon is. And there is the sense that maybe
4 if we could define it well enough, then all our
5 problems would go away.

6 What might be helpful would be to ask
7 do we need these exceptions at all? If we
8 refocus the patent system on what it
9 traditionally always was understood to do, and
10 that is it works for technology and it doesn't
11 work for aesthetic creations or other
12 manifestations of human creativity, maybe if
13 Congress did that, the need for the exceptions
14 would go away because the constitutional mandate
15 that we have to follow and the patent laws would
16 be advanced much more affirmatively, rather than
17 trying to define the scope of what is not
18 patent-eligible.

19 Other countries have done it quite
20 that way. And in TRIPS, in fact, the United
21 States signed on to the notion that patents

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1 should be available in all fields of technology,
2 not art, not social innovations, and other areas.

3 MR. HANNON: I have one question.
4 So, one theme that emerged from this panel, I
5 think, if not in earlier panels, was the
6 importance of our domestic framework in relation
7 to the international global marketplace. And I
8 will direct this to you, Mr. Linnik, to what
9 extent should these international examples serve
10 as useful guideposts for our own eligibility
11 discussions?

12 MR. LINNIK: I think they are highly
13 informative. And as proposed by many,
14 specifically the European framework seems to be
15 working just fine and, at least in the area of
16 biotechnology and pharmaceuticals, have produced
17 consistent results, and results that have been
18 reliable and predictable.

19 I think one downside for having an
20 inconsistent framework, particularly in the area
21 of healthcare and life sciences, is if you have

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1 patents available outside of the U.S., you need
2 to disclose your invention in order to obtain
3 those patents, which essentially means there is
4 no way of maintaining trade secret related to
5 those inventions; which then means there is no
6 practical protection across the world, if you are
7 not able to get full patent protection or trade
8 secret for your inventions; which we think would
9 ultimately mean lower investment or no investment
10 in where we need it most.

11 MS. NELSON: I have a question for Mr.
12 Cullen or possibly for all the panelists. So,
13 it seems that a lot of the problem, and you speak
14 to the idea of wanting to have -- to not
15 discriminate between industries and there seems
16 to be a lot of effort to try to come up with a
17 one-size-fits-all approach. And yet at the same
18 time, we hear that the needs of the life sciences
19 are very different from software or other
20 technologies.

21 Is there something we should be

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1 considering as maybe not a one-size-fits-all? I
2 mean should we be bifurcating different
3 technologies and making the patent system work
4 the way it needs to work for each area of
5 technology?

6 MR. CULLEN: You know, that is a tough
7 question. I certainly think that trying to fine
8 tune it too much may become a little bit
9 dangerous. But I would have to defer to some of
10 my more technically expert fellow panelists on
11 that because I really just don't know the answer
12 off the top of my head. But I would be concerned
13 about trying to get too specific in this area
14 just simply because you don't know what is going
15 to come up in the future. There is so much
16 innovation that occurs that if you are being too
17 prescriptive that there is the opportunity you
18 may, at some point in time, exclude some future
19 innovation simply because you have not had the
20 opportunity to see it. So, I would be somewhat
21 concerned about that. But, again, I have talked

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1 a lot about the need for specificity. And so
2 there are some benefits. But I just really don't
3 have a good answer for you.

4 MR. JACKSON: I have thought a lot
5 about that and, at the outset, that has a certain
6 level of appeal because I think there are pretty
7 dramatic differences between industries in terms
8 of investment required, lead times for
9 development, and life cycle of products. In
10 internet or like a smart phone app might have
11 life cycle of a year or two, if it is really
12 successful. A drug or a diagnostic could have a
13 life cycle of 10 or 15 years. And along those
14 same lines, it might take three months to develop
15 that app, it will take five or ten years to
16 develop that drug or diagnostic.

17 But then at the same time -- so, that
18 might say maybe software could be treated
19 differently. At the same time, if you are moving
20 out of a smart phone app toward something like
21 enterprise software or things like that, I think

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1 you are talking about much larger degrees of
2 investment and development time and, ultimately
3 life cycle, such that they start to look a little
4 bit more like a drug from those perspectives.
5 But I don't know that you could broadly brush
6 everything as software versus life sciences.

7 I don't know if that is very helpful
8 but those are some thoughts.

9 MS. NELSON: So in terms of a
10 legislative proposal, do you think it makes more
11 sense to try -- or both options, to try to put
12 the judicial exceptions and draft them the way it
13 makes sense into the statute or to sort of leave
14 everything in and carve out sort of exclusions or
15 both? Like I guess I am envisioning maybe
16 ethical exclusions or things like that, if that
17 is the concern of the Supreme Court in the life
18 science world. Does that seem like a better
19 approach or to try to actually come up with
20 language that defines the reach of the judicial
21 exceptions?

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1 MR. SAUER: So, I have heard two basic
2 approaches to this. And this is now not Bio
3 talking. It is more what I have heard in talking
4 to colleagues and practitioners. One way would
5 be yes, just go the exclusion route and define
6 them more carefully, write out a list of things
7 that you just don't think ought to be within the
8 scope of patent law. And maybe with a lot of
9 effort, one can come up with an exhaustive list.

10 The other approach that I have also
11 heard described is get rid of the exclusions and
12 define for the first time in patent law the scope
13 of the useful arts that Congress, you know back
14 then actually the Constitution, wanted to
15 protect. Like what does it even mean to like
16 protect the useful arts?

17 The Patent Act doesn't describe what
18 that is. It describes that the arts have to be
19 useful, inventions have to be useful but not the
20 universe of patentable things. So, for example,
21 a painting could be described as an article of

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1 manufacture but everybody understands it is an
2 aesthetic creation and that is not within the
3 purview of patent law. But in other respects,
4 the Patent Act never said patents are only
5 available for technological inventions, if you
6 will, not aesthetic inventions or social
7 innovations.

8 You know this is not Bio's view but it
9 is a view I have heard expressed what if Congress
10 came in and enacted a substitute statement in
11 lieu of the exception staying patents are
12 available for inventions in all fields of
13 technology and underline that and say that is
14 where we mean, a kin to what we do for covered
15 business method patent review, where the Patent
16 Office already has to make a decision whether a
17 patent is for a technological invention, sort of,
18 or not. Maybe there is even precedent already
19 where the Patent Office has been trying to define
20 whether it is a patent for a technology or for
21 some other manifestation of human creativity.

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1 And then maybe that could be paired to
2 address specific concerns that the Supreme Court
3 might have had with the building blocks of human
4 knowledge and like and we could revisit the
5 national academy's recommendations for how to
6 craft maybe a research use exemption that would
7 give people more comfort that patents will never
8 interfere with basic knowledge creation and
9 follow-on innovation.

10 So, these are two approaches that I
11 have heard. Now, Konstantin I think was very
12 sophisticated in examining how other patent
13 systems have done it and they do all have lists
14 of exclusions. Even though they also say they
15 only give patents to technology, they follow-up
16 with things that they specifically exclude.

17 MR. LINNIK: Regardless of the
18 approach, one thing I want to point out is that
19 Myriad case, the question that the Supreme Court
20 was answering was are human genes patentable.
21 And the answer to that question is no. And I

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1 think the majority agrees of course not. So,
2 that was the wrong question. However, no matter
3 what amendments we make to 101 or any other
4 section, I don't think we need to revisit that
5 issue. And in fact, we may want to codify that
6 human genes are in fact not patentable, period.

7 MR. KELLY: You know we just had a
8 question come up that I have thought of before.
9 When I learned patent law a long time ago, I had
10 a professor say that Title 35 was basically the
11 Patent Law enabling act. It was a common law
12 enabling act, in that the patent law in the United
13 States would evolve through judicial decisions.
14 And that is very much like how 101 has been
15 interpreted. Section 101 is sort of like the
16 Sherman Act from the antitrust world, in the
17 sense that it is just very broad. It is very
18 simple and it has sort of lived and breathed
19 through judicial decisions. And that has led us
20 to a bit of a problem.

21 And if we go the legislative route

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1 change, are we creating a different problem,
2 which is that now, if we are going to legislate
3 in and hard wire in everything today that we want
4 to do, how are we going to fix that two years
5 from now? Because as I think everybody is aware,
6 legislation is difficult to come by in this
7 space. And so if we legislate a fix, are we
8 creating a whole new problem that will be even
9 more difficult to overcome?

10 MR. LINNIK: It is hard to imagine how
11 much worse it can get for life sciences. So,
12 from that perspective, I don't think there is a
13 danger in doing that.

14 MR. JACKSON: Yes, and there is the
15 classic saw of the devil you know and the devil
16 that you don't is right now we have got judges
17 just sort of making whatever decision seems to
18 make sense to them. And again, these decisions
19 are not tied to any specific statutory language.
20 I think that a statutory framework or amendment
21 could then be fleshed out by the courts, I think

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1 appropriately so. I think that was the intention
2 of Title 35 was that there be some framework to
3 work within. But the exceptions are currently
4 working without any framework. They are
5 untethered to any specific language or provision
6 of the statute. They were literally invented by
7 the courts with no basis in the statute of the
8 Constitution. And I think at least fixing that
9 is a step forward.

10 Now, you are right, it is going to be
11 difficult. I mean even within my slides if you
12 saw, once I got to the question of like human
13 cloning and germline editing of the human
14 germline, that starts to get pretty sticky and
15 those are ethical considerations. Maybe we say
16 that we are not going to touch those yet. So,
17 to some extent, Section 33(a) of the AIA already
18 addressed human organisms not being patentable.
19 So, we have already started down that road a
20 little bit. Let's explore it a little bit more.
21 That is my opinion.

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1 MR. CULLEN: I would just simply point
2 out from the Chamber perspective, you know we
3 would have to see it first. You know we
4 certainly recognize that there is a serious
5 problem that needs some clarity, it needs to be
6 fixed, but we are just not there yet in terms of
7 having either the prescription that we would like
8 to recommend to Members of Congress in terms of
9 what all the components would be and also the
10 danger that whenever you go down a legislative
11 path, you really never know what you are going to
12 get until you finish that process.

13 And so it may create other unintended
14 consequences or it may have limitations that
15 don't adequately solve the problem. So, you
16 might only get one bite out of that apple. So,
17 I think we need to be careful.

18 MR. KELLY: So, I have one more
19 follow-up and this is just me talking. But
20 another solution to some of this is a regulatory
21 solution. That is, a statute that provides that

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1 through regulation, through notice and comment
2 rulemaking, the Agency will devise the contours
3 of eligibility moving forward. I'm just
4 wondering if anybody has ever thought of that
5 possible solution and whether it is the kind of
6 thing that makes sense.

7 MR. LINNIK: So, there is parts
8 protection, data protection, and exclusivity
9 based on submission to the FDA, 5 years for small
10 molecules and 12 years for biologics, which is
11 supplementary to and independent of patent
12 protection. So, it is a separate sui generis
13 system for the pharmaceutical industry.

14 While it is a good system and a good
15 backup, what it doesn't accomplish, it doesn't
16 incentivize early stage innovation where multiple
17 players can contribute to the innovation, which
18 is what the patent system does. Multiple
19 independent players can innovate and share and
20 disclose information to each other while
21 benefitting from their innovation. And that is

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1 why we would see so much cross-licensing down the
2 line.

3 MS. NELSON: I just have one more
4 quick question and then we will stop for lunch.
5 And that is, I know, Mr. Cullen, you had talked
6 about trade secrets and I have heard that
7 frequently, that life science community is moving
8 towards trade secrets and I was just wondering
9 whether that is really a viable option in the
10 life science space. Or are most things, these
11 days, can be reverse engineered, so that is not
12 really going to serve any useful function?

13 MR. JACKSON: I have a thought on
14 that. I think, to the extent possible, a lot of
15 companies and innovators are moving toward trade
16 secrets. There are important limitations,
17 though, on the availability of trade secrets in
18 our industry both for drugs and for diagnostics
19 because of the requirement of publishing a lot of
20 details of your test in order to get
21 reimbursement in the case of diagnostics or to

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1 get regulatory approval in the case of drugs.

2 So, a trade secret doesn't provide a
3 lot of protection. But what little there is,
4 people are shifting that way.

5 MR. CULLEN: Yes, I would just point
6 out from our members' perspective, trade secrets
7 become an increasingly important part of the
8 portfolio. You know everything starts out as a
9 trade secret and, ultimately, the question of
10 patent eligibility becomes a very serious
11 consideration for those folks in terms of what is
12 going to work best in terms of their portfolios.

13 But we have seen a trend in commentary
14 from our members that trade secrets are
15 increasingly important to them. So, I just think
16 that patents still play that traditional role.
17 And so we want to make sure as much clarity can
18 be achieved in the marketplace.

19 MS. NELSON: Thank you very much.
20 And with that, we will close the session and have
21 an hour for lunch.

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1 (Whereupon, the above-entitled matter
2 went off the record at 12:51 p.m. and resumed at
3 1:55 p.m.)

4 MR. KRAUSE: I think I'm the only
5 person up here who has not been introduced. My
6 name is Tom Krause. I'm the Deputy Solicitor at
7 the PTO.

8 And I will be your moderator for this
9 panel. And I think we can just get started right
10 away with Jason Gardner.

11 MR. GARDNER: Great. So, thank you.
12 First I just want to thank my distinguished
13 panelists for joining me. This is actually a
14 great opportunity for Marqeta.

15 This is something we've actually been
16 talking about for some time. The company is
17 close to six years old. And we're actually very
18 grateful for the U.S. PTO to give companies like
19 Marqeta the opportunity.

20 We're a small technology company based
21 out of Oakland. About 80 people. We work within

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1 the financial services space.

2 So, the ecosystem is made up of four
3 primary players. And one of them is what we
4 built, which is issuing and processing.

5 So, I'm sure all of you have debit or
6 credit cards in your wallet. They have 16 digits
7 on them, if they're Visa and MasterCard. Those
8 16 digits, think of it as like an IP Address.

9 So when that card is swiped, tapped,
10 entered online, whether you're buying something
11 at Whole Foods or Amazon, that -- those 16 digits
12 correspond with a company like us. It literally
13 routes to us. And we make a decision of whether
14 to authorize that transaction or not.

15 So, we're actually a very important
16 and significant part of the payment card
17 ecosystem.

18 We also are inventors. So we have a
19 lot of firsts in what we do. And we have four
20 patents in process and have been in process for
21 some time.

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1 You know, Alice, the Alice ruling has
2 certainly affected us in a way where, you know,
3 we're not -- I know there's a -- there's been
4 some word of -- we haven't used the word patent
5 troll. So I'm going to be the first company to
6 use it.

7 We've never been on the receiving end
8 of that. Ultimately, the Alice decision was to
9 keep that from happening. To keep companies that
10 actually don't have a business plan and to
11 actually implement technology.

12 But companies like Marqeta do. We
13 actually -- we create the technology. We
14 implement the technology and it's up and running
15 today.

16 Several of the inventions that we made
17 are first within our industry. We don't have,
18 you know, the wherewithal actually, whenever we
19 have considered, we have considered going after
20 a company for infringing on our patents, it's
21 really pretty much the last thing we want to do.

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1 And but at the same time we have a
2 competitive nature. We have investors. And
3 really what we want to do is protect our IP. And
4 obviously patents is one of the ways to do that.

5 And Alice has certainly affected us in
6 a way that keeps us from protecting that IP.

7 MR. KRAUSE: Okay. Thank you, Mr.
8 Gardner Allen Lo from Google?

9 MR. LO: Thank you. Let me first
10 thank and commend the U.S. PTO for holding this
11 roundtable. And creating the forum for us to be
12 able to discuss this important topic of subject
13 matter eligibility of software patents under
14 Section 101.

15 My name is Allen Lo. I'm Deputy
16 General Counsel of Patents at Google.

17 My team is responsible for building
18 the patent portfolio to protect many of the
19 groundbreaking software innovations that Google
20 engineers make each year, based on the literally
21 billions of dollars of R&D investment that we

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1 make.

2 Over the past decade, Google has built
3 a significant portfolio. Now over 50 thousand
4 patent assets primarily concentrated in the
5 software field.

6 And because of that, we have a
7 significant stake in the outcome of Alice and
8 other decisions applying a subsection matter
9 eligibility standard.

10 And because of that, we've given
11 significant thought to the impact that this
12 decision has had. And we also look forward to
13 providing you written comments following the
14 roundtable.

15 First thing I would say about Alice,
16 and this really goes to sort of the general
17 commentary that's been out there around it.
18 Which is that contrary to what many have said and
19 claimed, Alice was not the death nail of all
20 software patents or the blow to innovation in the
21 software industry that some have said.

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1 As a company in the software space,
2 Google continues to invest heavily in software
3 innovation, as well as file patents on those
4 innovations. The rejections that we've seen from
5 the Patent Office and the decisions of the
6 Court's invalidating claims under Section 101
7 have largely been concentrated in areas that we
8 would describe as primarily business methods
9 implementing conventional computer techniques.

10 Many important and vital areas of
11 software R&D and patenting remain largely
12 untouched. Because they've always been viewed
13 and described as technological advances in
14 computer technology.

15 Such areas include computer security,
16 video compression, and cloud computing. Just to
17 name a few.

18 So, in our view, as far as our
19 portfolio is concerned, Alice only touched a
20 small, relatively small subset of our portfolio.
21 Instead, Alice -- we view Alice as really -- and

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1 the development of the law that followed Alice,
2 as a needed course correction.

3 The constitutionally mandated goal of
4 the patent system is to promote the progress of
5 the useful arts. We understand this to mean to
6 encouraging investment and development in
7 technology.

8 Before Alice, too many patents were
9 issued on claims like those in Alice, to abstract
10 concepts or functions performed on a computer on
11 the internet. Such patents often claimed a
12 desired result, but provided no explanation or
13 limitation of how to achieve that result using
14 advances in computer technology.

15 These kinds of patents have become the
16 source of many litigations targeting software
17 companies. Whether it's large companies, small
18 companies, resulting in resources being diverted
19 from software innovation to having to defend
20 spurious litigation.

21 We think it's important for the

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1 Supreme Court to clarify that these kinds of
2 patents should not be allowed. Applicants were
3 basically obtaining patents based on no technical
4 contribution and little disclosure to the public
5 that they could then use to tax real innovation
6 and real innovators that did the hard work of
7 finding the technical solutions necessary to
8 bringing valuable products to market.

9 The Supreme Court's Alice decision
10 reminds us that it is not sufficient, nor should
11 it be, to elevate form over substance by finding
12 patent eligibility based on the mere recitation
13 of generic computer components.

14 The analysis must now consider whether
15 the claimed invention is directed to
16 technological advance in computer technology.
17 And to be sure, Alice was a difficult opinion in
18 many ways.

19 It created initial uncertainty by
20 focusing on a test for what is not -- what is
21 ineligible subject matter. And leaving details

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1 to the lower courts to work out a test for what
2 is eligible subject matter.

3 But over the past two and a half years
4 since Alice was published, the emerging case law
5 is now filling in those details. We now see the
6 Federal Circuit in cases like Enfish, Bascom, and
7 McRO, examining whether a claim recites a
8 technical solution to a technical problem to
9 overcome the assertion that a claim is otherwise
10 directed to an abstract idea.

11 We believe this is the right question
12 to be focusing on when considering whether a
13 software claim recites patent-eligible subject
14 matter. The technical problem solution test
15 ensures that the patents protect advancements in
16 technology, not some other field, and thereby
17 promotes progress of the useful arts.

18 The test promotes innovation in the
19 software industry by rewarding concrete
20 advancements in computer technology rather than
21 a statement of vague results with little

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1 information about how the results should be
2 achieved.

3 As the Federal Circuit issues more
4 decision applying a technical problem/technical
5 solution approach, the line between patent-
6 eligible and patent-ineligible software claims
7 will become more and predictable.

8 This is the nature of the common law
9 process on which our legal system is built. And
10 we would want to allow the courts more time to
11 work this out.

12 In terms of how Alice and the standard
13 applies to Google, we have found that when we
14 draft applications and claims to clearly explain
15 how the invention provides a technical solution
16 to a technical problem, we draft higher quality
17 applications that have a better success, better
18 chance of success at the U.S. PTO, and in other
19 foreign Patent Offices as well.

20 These applications explain the
21 technical advance of the invention in more

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1 detail. They provide more information to the
2 public. And the scope of the resulting claims
3 are more clear.

4 Like many companies, we are building
5 a global portfolio. We file patents in the U.S.
6 as well as outside. And we view it as a hugely
7 positive development that the question of
8 software eligible is now converging across
9 multiple jurisdictions around this question of
10 whether a claim recites a technical contribution.

11 In conclusion, we'd like to see the
12 case law, whether at the Federal Circuit, or at
13 the PTAB, applying Section 101 to software
14 patents to continue to develop with a focus on
15 whether the claims recite a technical solution to
16 a technical problem.

17 With these developments underway --
18 oh, and we also encourage the U.S. PTO to instruct
19 examiners to apply the same test to claims in an
20 application, as also being fully supported by the
21 current case law.

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1 With these developments underway, we
2 see no need for action by Congress at this time
3 to address patent eligibility of software claims
4 and potentially risk creating more uncertainty
5 and disruption in this space.

6 MR. KRAUSE: Okay. Thank you, Mr.
7 Lo. Next we have Daniel Nazer, Electronic
8 Frontier Foundation.

9 MR. NAZER: Thank you. My name is
10 Daniel Nazer. I'm from EFF. Thanks to the
11 Patent Office for having us here.

12 I always appreciate that even though
13 EFF is -- its membership and its views are not
14 always aligned with the Patent Office, we always
15 get a very respectful hearing. And I really
16 appreciate that.

17 We have about 27 thousand paying
18 members. Most -- at least a plurality would be
19 working in tech. A lot in this area. And a lot
20 of our members write software for a living.

21 And we hear from our members pretty

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1 regularly about our patent work. And the
2 feedback I get as the sort of chair on patents
3 there is that -- is that we're too
4 accommodationists. And that Alice doesn't go far
5 enough. And that the rules should be no software
6 patents.

7 I'm not so naive that I expect the
8 Patent Office to make legislative recommendations
9 to the Congress along those lines. But, I do
10 think it is important that it's exposed to those
11 views and those communities that are the people
12 that write software for a living that are saying
13 this.

14 And that particularly in the free
15 software community, there's a very significant
16 population of people who are the creators and
17 inventors in this field. That feel that patents
18 are an imposition on them and slow down their
19 ability to create.

20 But, if you read my briefing matters,
21 then it doesn't say that EFF members get to say

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1 what the law is. It says that the Supreme Court
2 gets to say what the law is.

3 So, we live in Alice v. CLS Bank
4 world. And we do think it is a significant
5 improvement on the -- before the status quo. And
6 that it was a significant change.

7 And I think it's also -- I agree with
8 a lot of what other people are saying. That the
9 question here, particularly for this event, is
10 the big picture is Alice beneficial or harmful?

11 And the question of course is not just
12 for -- it undoubtedly creates challenges for the
13 Patent Office and prosecutors and the Federal
14 Circuit in its application.

15 But, it's a natural experiment. We
16 saw in the Federal Circuit's decision, we saw a
17 prediction from Judge Moore. She said that if
18 these claims were invalidated, it would decimate
19 the software industry. That's a direct quote.

20 And did that happen? No. No, to the
21 contrary. If you had invested in an exchange-

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1 traded fund of software companies the day Alice
2 was decided, you would have beat the market very
3 handily.

4 You can check my work. Look at I-
5 Shares ETF. It's a basket of large software
6 companies. Many of which have very significant
7 patent holdings, Microsoft, Adobe, and many of
8 which don't like Red Hat that operate more in the
9 free software world.

10 So it's a quite balanced
11 representative of the software world. That fund
12 outperformed the S&P 500 by almost 100 percent.
13 You would have doubled your returns if you had
14 invested in software the day Alice was decided.

15 So, I think we have to look back at
16 the predictions of doom. And the conclusion is
17 undoubtedly that they were inaccurate.

18 So I think when the Patent Office is
19 considering how it's going to look at reforms and
20 proposed reforms, that that's a very important
21 big picture thing to look at.

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1 So, and I also think in terms of the
2 practicalities of Alice, we've seen it be
3 extremely beneficial for smaller companies
4 targeted by low quality patents. There was
5 discussion from representatives from Amazon and
6 Intel that I think gave good examples of that
7 kind of experience.

8 And at EFF we tend to deal with
9 smaller companies that are contacting us because
10 they can't afford to call Fish & Richardson. And
11 we -- after Alice we finally have some reasonably
12 good news for them that it may be possible for
13 them to defend a suit for less than the kinds of
14 amounts that they were looking at previously.
15 Where you have claims that are clearly quite
16 vulnerable to an Alice challenge. And you can
17 bring a Rule 12 Motion to Dismiss.

18 The costs are vastly lower than under
19 the old rule. Where you really had to go through
20 discovery and get to Summary Judgment and spend
21 a million dollars to defend a suit.

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1 And I think if you look at the kinds
2 of cases where people have won 12(b)(6) motions,
3 many of them are just a rogue's gallery of really
4 low quality patents that were being used by the
5 worst of the worst of the -- of patent assertion
6 and that had no business model other than
7 leveraging the cost of defense.

8 So, we are big fans of Alice at EFF.
9 And urge the Office to be cautious about seeking
10 reform that would undo the good that it's done.

11 So turn, if I have time, to topics
12 about guidance. I think the -- I understand that
13 the Patent Office is looking at decisions that
14 sometimes are hard to read together.

15 But, I think the most useful thing for
16 it to do is to look at the language in Alice.
17 And I think the provision, the updated Section,
18 and it's 2106 in the MPEP could really use just
19 some more direct quotes and some block quotes
20 from Alice.

21 And in our written submissions, we'll

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1 suggest what we think would be most helpful
2 there. And I we particularly think the Office
3 should -- it's guidance should include a clear
4 statement and advise to examiners that In Re
5 Alappat is no longer good law.

6 That if you look again to the Federal
7 Circuit's decision in Alice, Judge Reyna -- then
8 Chief Judge Reyna explained under Alappat, this
9 was an easy case. This is especially programed,
10 general purpose computers. It's patient
11 eligible under Alappat.

12 And I think that was right. And the
13 Supreme Court clearly did not agree. In RE
14 Alappat is no longer good law. And it really was
15 the rules of the road for a long time.

16 I think that guidance would be really
17 much clearer if there was an explanation that
18 this is what the change was. And so, -- yes. So
19 that's it.

20 MR. KRAUSE: Okay. Thank you, Mr.
21 Nazer. Julie Samuels at Engine.

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1 MS. SAMUELS: Thank you so much. Oh,
2 that was loud. And thank you to the Patent
3 Office for coming out here and for hearing from
4 all of us.

5 And from everyone today, I think it's
6 been a really illuminating series of
7 conversations. And one of the things, I am here
8 as a representative of an organization called
9 Engine that works with very small startups
10 primarily in the high-tech space.

11 And quite frankly, the vast majority
12 of those startups are not dealing with the patent
13 system necessarily because they want to. They
14 tend to be very small.

15 They maybe don't even have enough
16 funding to have engaged in the patent process
17 yet, even though many do have plans to do so.
18 But they often find themselves on the receiving
19 end of, you know, a threat of litigation. Or
20 actually a complaint filed against them.

21 And so what I really hoped to be able

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1 to represent today are these two kind of crucial
2 overlapping constituencies. Which are these
3 small and innovative startup companies.

4 But also this constituency of people
5 who -- or companies, or innovators, however you
6 want to determine it, who find themselves working
7 very closely with the patent system. But maybe
8 not necessarily out of choice.

9 And some people have already said this
10 earlier, but I would just like to point out again
11 that that constituency is also a constituency of
12 the Patent Office, right? It's not just the
13 constituency of patent holders that the Patent
14 Office has to care about.

15 But the constituency of innovators who
16 are those who are pushing for the progress of the
17 useful arts and science. And so that's kind of
18 what I hope to speak to a little bit today.

19 And I think conceptually there are a
20 lot of people, probably in this room, part of
21 these conversations, who might even fault some of

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1 those companies for not doing more to interact
2 with the system sooner. Not filing patents even
3 earlier. Not engaging sooner.

4 But the system was in fact conceived
5 in a way that would incentivize that engagement
6 through a robust notice function. And I think
7 that many of us in the room know right now that
8 particularly when it comes to software, the
9 notice function is not working as I would argue
10 it was intended.

11 In fact, it makes that kind of
12 engagement that's based on notice impossible not
13 just for small companies, but for quite large
14 companies. I think even for Google it's
15 impossible to know what exists in the world of
16 patents on the books.

17 So there's some numbers out there on
18 this. Though they're kind of hard to find.
19 There's a 2012 paper that estimates that in the
20 software space in order for patent lawyers to
21 look at every software patent even briefly for

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1 ten minutes to determine if that patent might
2 apply to the invention at hand, we would need
3 approximately two million patent attorneys
4 working full time to compare every software
5 producing firm's products with every patent
6 issued in a given year.

7 And allowance rates have gone up since
8 2012. So those numbers I'm sure are even larger.

9 Which basically leaves companies with
10 very few options. And this is, I think, why we
11 often find companies who aren't more proactively
12 engaging with the system and with the Office.

13 And of course the second piece there
14 is quality. We cannot have a conversation about
15 the notice function, about proper incentives,
16 without discussing the quality of the underlying
17 patents.

18 And among the small companies that I
19 work with every day, we have seen quality improve
20 since the Alice decision. For a lot of reasons
21 Daniel talked about, and I now get to as well.

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1 Because now a lot of these small
2 companies have a tool to push back against
3 threats that they face. And we've seen that time
4 and again.

5 So, I want to talk for just one more
6 second about those small -- the small startup
7 companies. And some of these numbers actually
8 come from Professor Colleen Chien, who you'll
9 hear from later. So, I hope I'm not stealing
10 your thunder.

11 But, 82 percent of troll activity
12 targets small and medium sized businesses.
13 Fifty-five percent of troll suits are filed
14 against startups with revenues of less than ten
15 million dollars.

16 These companies are generally lacking
17 in resources to decipher vague and what are quite
18 frankly often bogus demand letters. So, these
19 startups find themselves vulnerable.

20 And these startups, new firms in
21 particular, research that Engine did with the

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1 Kaufman Foundation, showed that these new firms,
2 these startups, are responsible for all net new
3 job growth in the United States. So this is a
4 very real concern.

5 And what we're talking about is not
6 kind of some abstract problem. It actually is a
7 meaningful -- it's a meaningful piece of the
8 puzzle when we think about job growth and
9 economic development in this country.

10 And so what we've seen is that
11 stronger one on one protections that we have seen
12 in light of the Alice decision and in the past
13 two and a half years, have incentivized the kind
14 of risk taking that we want small companies to
15 make.

16 The majority of those new firms will
17 fail. But the ones that don't will create net
18 new job growth. And we want to incentivize risk
19 taking.

20 We do not want to incentivize
21 infringement. That is not my point at all. But

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1 we want to incentivize growth of companies.

2 And so when you have a situation where
3 the majority of patents are invalidated under
4 101, are cases that involve a non-novel, or an
5 abstract invention, that is actually in line with
6 how technology, technologists and new firms work
7 today. That is -- those are the kinds of risks
8 that we want to incentivize.

9 So, I've got a couple of examples that
10 come to mind. And I can't really say the names
11 of these companies because most of the times it
12 doesn't even get to litigation.

13 But, in the past couple of months I've
14 heard from at least three small companies on both
15 coasts who have, because of Alice, been able to
16 avoid incredibly expensive litigation.

17 In one instance, a group of companies
18 came together. It was a joint defense agreement.
19 They were able to draft an Alice 12(b)(6) Motion.

20 They sent it to the Plaintiff. And
21 the Plaintiff had sent a draft complaint. So

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1 nothing was ever filed. And when the Plaintiff
2 saw the motion, they dropped the suit.

3 Because I think that Plaintiff was
4 rightly concerned about the quality of the
5 underlying patent. In that instance, Alice is
6 an incredibly powerful tool.

7 And any efforts to dial that back that
8 come from the Office, that come from Congress, I
9 think are incredibly dangerous -- incredibly
10 dangerous for this country beyond just for the
11 Patent System, but for these job producing
12 companies.

13 While I'm on the topic of small
14 startups, one kind of piece of, one specific
15 suggestion I have for the Patent Office is to --
16 I would love to come up with a world where we can
17 better encourage interaction between examiners
18 and the founders of these companies and the
19 technologists at these companies. Literally
20 just in a social setting.

21 Have them interacting more. Talking

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1 about the types of technological problems,
2 technological solutions that these companies are
3 working on. So that when they come in front of
4 the examiners, you've got more familiarity with
5 what's going on.

6 I literally think we should like put
7 these people in a room with a couple bottles of
8 wine more often. And just let them -- let them
9 hang out.

10 I actually think that would go far
11 toward dealing with the quality issue. Because
12 I think people would just have better aligned
13 incentives in those instances.

14 Another question had to do with
15 investors and investment. I work with a lot of
16 investors, a lot of the VC community.

17 To be fair, there's some splits in the
18 community. Most of the Venture Capitalists I
19 know who invest in high tech and software
20 companies don't have much love for the patent
21 system.

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1 They see it as a drag on the economy.
2 They see the patent troll problem outweighing the
3 benefits of patenting under small companies.

4 I'm happy to -- I'll be mindful of the
5 time. But there's a lot of detail out there. I
6 know you've heard from Professor Robin Feldman
7 this morning. I unfortunately got here a little
8 bit later. She's written on this some really
9 interesting stuff, which I'm happy to share, and
10 we'll put in our written comments.

11 And finally, there are just a couple
12 of things that came up in the request for comments
13 that I did want to talk about. We talked a little
14 bit about -- this has come up a bunch today.

15 More consistency is needed. But I
16 would just like to echo other panelists who have
17 said that this is how case law works. This is
18 how common law works. And the process is
19 working.

20 And we are getting more and more
21 clarity as the year since Alice goes by. So,

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1 we're excited about that.

2 One thing I also -- I mean, this will
3 be my last comment. Well, I have two quick
4 comments.

5 I feel like the request for comments
6 was really focused -- it started from a premise
7 as if Alice were bad. And I think there are many
8 people here today, I think there are many people
9 particularly in the tech industry that I work in,
10 but beyond that, who actually think Alice is
11 great.

12 So with that, I would also say I don't
13 think we need legislative changes when it comes
14 to 101. I support Alice doing its job. Thank
15 you.

16 MR. KRAUSE: Okay. Thank you very
17 much for those panel members. And we hope to
18 receive written comments from all of you. It
19 sounds like some of you have promised those
20 already.

21 If you have questions for the

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1 panelists, put them on the cards. They'll be
2 collected. I can certainly start with a question
3 or two.

4 I was intrigued by the suggestion of
5 a wine party with the PTO. I'm not sure if we'd
6 all be invited to that.

7 But, as you're -- you're talking about
8 situations where your client's, the people you
9 work with, are seeking patent protection from the
10 Patent Office? And you're hoping that they could
11 interact with the examiners on that basis?

12 Or did I get that backwards?

13 MS. SAMUELS: I mean, I think the
14 benefit would come from examiners -- I think the
15 benefit would come from both sides of the coin.

16 But on the one, you know, from the
17 perspective of the Patent Office, I think if the
18 examiners were to spend time kind of
19 understanding the types of companies that these
20 -- a lot of these founders are building, the types
21 of challenges they were facing, and understanding

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1 what that looked like, I think that when a new
2 technology came across that examiner's desk, even
3 if it's in an art unit that that examiner is
4 really comfortable with, these things are new.

5 Right? The idea of these inventions
6 that come to the Patent Office is that they are
7 new.

8 I think it would be helpful if people
9 -- examiners had a better kind of idea of the
10 context in which those technologies were being
11 built.

12 And I think the flip side, I think
13 that a lot of people from companies would benefit
14 to understand how the system actually works.
15 Because when you are particularly at a small
16 company, these companies they don't have general
17 counsels.

18 Right? These companies are tiny.
19 And a patent, you know, that sounds great, maybe.
20 Or dealing with this that's a luxury for a lot of
21 really small scrappy companies.

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1 So I think if you create a space to
2 better -- to basically increase the connective
3 tissue between those two communities, I think
4 everyone would benefit.

5 MR. KRAUSE: Okay. Everybody wants
6 to talk about community that's not actually in -
7 - is on the wrong side of the patent game in that
8 they're more likely to be sued for patent
9 infringement? And apply --

10 MS. SAMUELS: That's what we've seen.

11 MR. KRAUSE: That's what you --

12 MS. SAMUELS: That's what we've seen.

13 MR. KRAUSE: Okay. Let's see, and I
14 sense a certain tension I guess between -- in the
15 positions that both Mr. Nazer and Ms. Samuels
16 had, even compared to the other two panelists.

17 And I was curious, Allen, we heard
18 from Daniel that a lot of software engineers just
19 don't like software patents. We're hearing that
20 kind of from Julie as well. And we heard that
21 earlier today as well.

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1 And yet you say there is a space for
2 patenting in the Google Corporation. Do the
3 Google engineers agree with that philosophy?
4 That software, if it provides a technical
5 solution, should be patented?

6 MR. LO: Tough question. They said
7 you asked tough questions. I heard that from
8 this morning.

9 (Laughter)

10 MR. KRAUSE: That's why I'm here.

11 MR. LO: You know, I think there's
12 different views philosophically on whether
13 software should be patented.

14 You have a lot of people who come from
15 the open source community and have ideas and
16 views and philosophies around what should be the
17 case. Whether it be various types of protection
18 including patents.

19 I think what is very clear, and this
20 is why you hear tension and you hear different
21 points of view is that there's a balance that

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1 needs to be struck between providing not too
2 little protection, but not too much protection.

3 And I think what Alice, from our
4 perspective, did was, it helped shift things back
5 to becoming more balanced. There was a point in
6 time when too many patents were being issued on
7 things that were abstract.

8 And companies then had to deal with
9 this from an infringement accusation stand --
10 assertion standpoint. And by providing more
11 balance to the system, we have not eliminated
12 software patents, but we've just in some ways
13 clarified and raised the bar in terms of what it
14 takes to get a software patent.

15 And ensured that the point of getting
16 patents and the standards that should be applied,
17 need to help achieve the purpose of the patent
18 system. Which is to promote the useful arts.

19 And I think we're still working
20 through that. I think that the big challenge
21 that we saw in the first year or so post-Alice

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1 was examiners not knowing how to apply that.

2 And so we saw lots of rejections under
3 101 with no opportunity or ability to try to
4 prosecute those claims into patentability.

5 What we are seeing now because of
6 Federal Circuit cases is more of an evolution and
7 more of an understanding of okay, now we not only
8 know what is not patent-able, or what is
9 ineligible subject matter, but now we're starting
10 to understand what is eligible subject matter.

11 And what I would encourage the U.S.
12 PTO to do with its examination corps is to
13 continue to look at the cases and from our
14 perspective, it really is focusing around
15 technical solution to a technical problem. We
16 think that is a positive resuscitation of the
17 standard as opposed to a negative resuscitation
18 of what's not patent-able.

19 And I think it gives something for all
20 patent applicants something to shoot for in terms
21 of how to get a patent allowed.

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1 MS. SAMUELS: If I could just really
2 quickly?

3 MR. KRAUSE: Go ahead.

4 MS. SAMUELS: I don't think that the
5 majority of companies that Engine works on behalf
6 of are -- would argue that there shouldn't be
7 patents. I actually don't think that's the case.

8 I think that the system, engaging with
9 the system can be so incredibly overwhelming at
10 the outset that it is -- you know, it's this kind
11 of proverbial put your head in the sand.

12 So I actually don't think that tension
13 entirely exists. And I agree with everything
14 Allen just said about Alice helping get back to
15 a place of balance. Where we do want to
16 incentivize the kind of small companies I work
17 with to effectively and responsibly engage with
18 the system to, where appropriate, get a -- apply
19 for a patent.

20 And I think right now most of them
21 just kind of feel like, oh, this is -- I can't

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1 handle this right now. This is too much.

2 MR. GARDNER: Yes. I mean it's -- if
3 I could comment on the same. So, I don't think
4 there's tension, I think there's sort of two
5 sides to the coin.

6 So, you know, Alice would certainly
7 help companies like us. In that it protects, you
8 know, companies who -- whose business plan is --
9 there is no intention to actually invent.

10 It's just an intention to drive
11 revenue by suing small companies. But on the
12 other hand, I mean, the patent system was built
13 to encourage innovation.

14 So, as an inventor, when we go out and
15 build things, we're not required to get a patent.
16 But if we want to take advantage of the patent
17 system, we can go and do that.

18 The issue with Alice is it kind of
19 threw the baby out with the bath water. And now
20 we're finding out, you know, over a couple of
21 years now we're seeing that, like, companies like

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1 us are actually affected by the process.

2 Now if you want to invent and go out
3 and have the right to pursue a patent, we should
4 be able to do that in the spirit of why the U.S.
5 PTO and the Patent Office was actually created.
6 Was to allow inventors to go out and to invent.

7 So I mean, we, you know, there are
8 some reforms that we thought about ourselves like
9 venue selection, discovery procedure and costs,
10 staying cases to allow the U.S. PTO to complete
11 invalidating changes, enhance pleading
12 standards, damage limitation. And most
13 importantly, enhancing the ability for unfairly
14 accused defendants to get back their attorney
15 fees and costs.

16 So, there are definitely measures to
17 strike the balance. And I think that's what
18 you're seeing here.

19 You know, Daniel was talking about,
20 you know, ETS and the S&P. These are public
21 companies that can use market forces against

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1 small companies.

2 Now, if we were going to throw out all
3 software patents that really levels the playing
4 field so that everybody can go out and build. I
5 actually would be supportive of that.

6 But currently that's not going to
7 happen. But if companies like Marqeta, it's
8 actually spelled wrong here. It's a Q-, not a
9 G- just in case you're looking for us.

10 If we want to go out and pursue a
11 patent, we should be able to do that. Especially
12 if we're inventing. And then obviously the U.S.
13 PTO has a process to take us through to make sure
14 whether that patent is going to be issued or not.

15 But in regards to Alice, it actually
16 affects us positively. Because it protects us
17 from trolls out there.

18 But it also affects us negatively,
19 because it doesn't really allow us to invent and
20 protect those inventions. Which is the whole
21 essence of why the U.S. PTO was invented.

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1 MR. KRAUSE: Would you describe your
2 inventions as meeting the test that Allen
3 articulated? Are they technical solutions to
4 technical problems?

5 Or are more of these conceptual
6 inventions?

7 MR. GARDNER: They are very technical
8 solutions. Because we're using software to
9 affect the financial services. Which everything
10 moves very, very quickly.

11 So, speed is all about algorithms and
12 how we go build things. So we have
13 mathematicians, physicists, who go out and build,
14 literally write computer codes to solve that.

15 So, I believe we apply to that
16 standard. But, you know, as Allen mentioned,
17 what the difficult part is, is we get these
18 responses back from the U.S. PTO and we really
19 don't know how to respond to them.

20 Saying, well, we actually did that.
21 You know, we actually put the right language in

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1 there. We feel like we wrote high quality
2 patents.

3 But the rejections we're getting are
4 -- some are based on, you know, prior art, which
5 we're defending. But some of them just don't
6 make real sense to us considering that, you know,
7 we not only applied, you know, a certain standard
8 to writing the patent, but we're actually having
9 implemented it.

10 We're actually using it in our
11 technology. We're affecting, you know, not only
12 the startup ecosystem who's leveraging our
13 platform, but also very large public companies,
14 which are using our platform.

15 We feel like we should be held to a
16 different set of standards because we actually
17 implemented them.

18 MR. KRAUSE: Do you have some kind of
19 legislative language in mind for us to take that
20 into account? Or how would we actually take into
21 account the difference between someone who's

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1 actually implemented the invention and somebody
2 who simply hasn't?

3 MR. GARDNER: Well, I think that's one
4 of the standards. So, if we've actually
5 implemented the invention using computer code, I
6 think that's one lens to look at.

7 I think going to Congress is probably
8 the last step. I frankly think that the
9 ecosystem itself and the U.S. PTO could probably
10 come up with a set of standards before doing that.

11 But I'm, you know, I'm on the side of
12 I want to be able to get my inventions approved.
13 But at the same point, Alice certainly protects
14 the startup ecosystem.

15 It certainly protected us in the
16 beginning when we were going out and building our
17 technology. So, there's certainly a balance
18 there.

19 MR. KRAUSE: Okay. Daniel, you
20 didn't have a chance to respond directly to
21 Allen. And so do you think -- I think you did

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1 say that you have a philosophy that software
2 shouldn't be patent-able.

3 And Jason actually said he could
4 accept that. Feel free to answer with or without
5 reference to the First Amendment.

6 MR. NAZER: Yes. Yes, I think
7 there's -- there's some big philosophical
8 questions.

9 That the free software community
10 believes that if you're writing software and
11 you're not copying someone else's software,
12 obviously patent is very different from copy
13 write in that you can collaterally attack
14 someone. You haven't free rode on their work.

15 And I think within the free software
16 community, even if you could prove to them that
17 the patent system was actually better in that it
18 incentivized more work, they still wouldn't be
19 moved by that. Because it's a personal freedom
20 question for them.

21 That and I think it was interesting

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1 for Allen, like within all these com -- you know,
2 there are going to be people like that who have
3 that view. At Google it's obviously not the
4 company line.

5 I think from the panelists'
6 perspective, your -- the -- you're not going to
7 necessarily be moved by that. But you will want
8 to look at the big picture in terms of well, is
9 the system in a particular area working to
10 incentivize innovation we wouldn't otherwise
11 have?

12 Or I think it was the gentleman from
13 Amazon who said, or are we getting patents that
14 are taking more out of the public domain than
15 they're giving into the storehouse of knowledge

16 And I think Alice worked very well in
17 terms of -- as to computer implemented
18 inventions, as to improving that calculus. Where
19 previously you could say, just do X with a
20 computer, and you didn't -- you claimed all
21 means.

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1 You know, so you're raising kind of
2 five -- 112 issues as well as 101 and 103 issues
3 perhaps. But that definitely the patents that
4 Alice is most clearly undermining are the patents
5 that were giving the least value to society.

6 And so I think even leaving aside the
7 kind of philosophical free software perspective,
8 I think Alice is independently and very important
9 for that reason.

10 MR. KRAUSE: Okay. Yes.

11 MR. HANNON: I have a question
12 regarding, Allen, you mentioned the technical
13 problem with the technical solution. Which is,
14 you know, reminiscent of the EPC approach to the
15 eligibility issue.

16 And to me there is an easy question in
17 relying that in that you sort of have to define
18 consensus of what is technical, right? And so
19 if we have the aim of a one size fits all solution
20 in our patent eligibility statute, do you have
21 any insight as to what we could do to better

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1 define what is technical?

2 MR. LO: I mean it's something that
3 we've and many large companies that file abroad
4 have to deal with now in Europe and in other
5 places. And we're seeing this show up in China
6 and India and other jurisdictions as well.

7 The whole reason for coming up with
8 that standard is to allow flexibility. I don't
9 think there is a way to describe technical in a
10 very broad sense. And have that be something
11 that everyone understands how to apply.

12 But if we at least have that concept
13 built in, what we're really talking about is, is
14 that -- and you know, Jason said, you know, in
15 his case, his -- the inventions from his company
16 are very technical in nature.

17 We kind of have a sense of what that
18 means. And we have a sense of what it isn't.

19 And when we see the kind of patents
20 that we've seen that are very broad, that have,
21 you know, very thin specification, and are very

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1 results oriented with no -- nothing fleshed out
2 in terms of detail, we -- and we have heard many
3 stories and cases of inventors, and I use that in
4 the very loosest sense, just, you know, sitting
5 around a dinner table brainstorming ideas and
6 just filing patents on these things. And then
7 going out and enforcing them.

8 There's really nothing technical
9 about a lot of what those patents contain. So,
10 while I don't have a very specific answer to the
11 question, I think it's something that would need
12 to be developed. And I think could be developed.

13 Because we've seen it being -- we've
14 seen it developed in other jurisdictions.

15 MR. CABECA: So just a quick question
16 related to that. So obviously before Alice, you
17 know, in the U.S. we could get a much broader
18 claim then you could in Europe per se.

19 You know, because they've had their
20 technical effect standard now for quite some
21 time. We saw it in the earlier panels today that

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1 we have a lot to learn.

2 That we -- you know, there's a
3 recommendation for the U.S. system to learn from
4 what other countries have put into their -- into
5 their laws. And then we saw the side by side
6 comparison in at least the life sciences example.

7 But even though we can't get as broad
8 of a claim in the software space as we could pre
9 Alice, now with the two step test and the evolving
10 case law that we're seeing, you know, post the
11 Alice decision from the Federal Circuit, what is
12 your sense -- the -- generally, you know, what
13 I'm hearing is you could still get a broader claim
14 in the U.S. even with the current two step test
15 then you can in Europe, compared to their
16 technical effects standard.

17 I'm just curious what your thoughts
18 are. Is where we are today, you know, more
19 restrictive, less restrictive, or about the same
20 as in comparison with the European standard? Or
21 perhaps the standard from another office?

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1 MR. LO: So, I put in my two cents.

2 I'll --

3 MR. CABECA: Direct it two cents.

4 MR. LO: I'll just give my two cents.

5 I'm sure these guys have their own thoughts as
6 well.

7 I think it's still evolving. I think
8 we -- it's early days to be able to say it's more
9 restrictive, less restrictive, same, right at
10 this point.

11 But I think what's clear is that the
12 data points are in play now. And it appears that
13 the Federal Circuit is starting to coalesce
14 around this standard. Because it's showing up.

15 And we've seen this, you know, going
16 back to, you know, decisions and concurrence
17 dissents by Judge Newman from the very early days
18 of the court around this subject matter, this
19 topic of 101.

20 So, this isn't a new concept in U.S.
21 jurisprudence as well. It's just now starting

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1 to take shape and form. Because of the Alice
2 decision, it now has meaning. And I think we'll
3 have to wait the next couple years to see how it
4 plays out.

5 I think the important thing though is
6 that the Office recognizes this standard and
7 think about how it wants to provide guidance to
8 examiners so that applicants who are now applying
9 for applications have the right ability to be
10 able to have the -- to be able to prosecute with
11 an examiner. And apply this now evolving
12 standard rather than waiting too many years and
13 just get blanket rejections without any direction
14 or guidance from the examiners.

15 MR. NAZER: I haven't followed the
16 international decision super closely. I know in
17 Australia there's been some decision that are
18 kind of like the Federal Circuit, have gone a
19 little -- following Alice and citing it
20 approvingly. And otherwise distinguishing it in
21 a way that -- that gives it less truck.

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1 I do think the technical effects at
2 some in -- at some -- I think there was a decision
3 out of the Central District of California that
4 had a sort of you know it when you see it take on
5 Alice. And I've certainly seen in Australia some
6 decisions like that.

7 There was a patent application that we
8 wrote about at EFF that was granted on filming a
9 yoga class. And the innovation was the camera
10 was placed at the back of the room, you know, in
11 a studio with a floor, you know, --

12 MS. SAMUELS: White walls. I think
13 it had white walls.

14 MR. NAZER: Like most of the yoga
15 studios. And the examiner couldn't find anything
16 about the camera at exactly four and a half feet
17 high.

18 And in Australia they ran the same
19 application. And the examiner was like this
20 isn't a technological innovation. This is just
21 filming a yoga class.

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1 So, it's certainly a tool. I know our
2 EFF, it was before my time, EFF filed an Amicus
3 Brief in IIskey, it was along those lines.

4 MS. SAMUELS: I would just add one
5 more thing when you're talking about
6 international standards. And earlier today at
7 least one person brought up TRIPS.

8 But, you know, thematically over the
9 course of the day it's been clear that different
10 industries by in large have different feelings on
11 where 101 jurisprudence is. And where we are
12 opposed to Alice.

13 And I live in the real world. And I
14 understand that we have a one size fits all
15 system. But I think conceptually a lot of people
16 could agree that sometimes that doesn't make that
17 much sense.

18 And I actually do think if you looked
19 and worked closely at TRIPS, there is a real
20 argument for treating software inventions
21 differently. I think you could do that under

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1 TRIPS.

2 I think that, you know, we've been
3 patenting software not for a very long time in
4 this country. There's a history that is
5 significantly shorter than other types of
6 technology. And so I think that there are very
7 real and very serious growing pains in this
8 industry.

9 And I think that to the extent we have
10 a one size fits all system, we need to address
11 those concerns. And other industries, you know,
12 it's not going to be perfect for everyone.

13 But I think that's a very real thing.
14 But that's why you guys get paid the big bucks.

15 MR. KRAUSE: Do you think we could say
16 no software patents whatsoever, consistent with
17 TRIPS? Even if they embodied technological
18 solutions?

19 MS. SAMUELS: I think that there is
20 a real argument that you could say that
21 consistent with TRIPS. Yes.

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1 I think politically that would be a
2 lot harder. But I think that intellectually and
3 -- I think you could do that, yes.

4 MR. NAZER: Certainly New Zealand
5 has.

6 MS. SAMUELS: Yes.

7 MR. NAZER: And if you look at the law
8 New Zealand passed about two and a half years
9 ago, they're a TRIPS signatory. And there's a
10 pretty major reform on software patents.

11 MR. HANNON: So the couple of
12 questions from the floor that I'll paraphrase
13 here. But essentially I think they're trying to
14 get some free legal advice from our distinguished
15 panelists.

16 But, what advice would you all give to
17 a software startup company post-Alice?

18 MR. GARDNER: Well, as a software
19 company post-Alice.

20 MS. SAMUELS: Yes. There's your guy.

21 MR. GARDNER: I mean, I think it's --

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1 well first off it's being involved in this. It's
2 like the fact that the U.S. PTO had, you know,
3 put together the day, and Virginia put a day here,
4 there is a general concern about, you know, the
5 current system and how Alice has affected it.

6 So I actually had been recommending,
7 and it turns out, you know, had spoken to a couple
8 of other CEOs who are just as worried as I am.
9 Who, you know, one, the CEO of Cabbage wrote a
10 book. He's actually involved in, you know,
11 several at least locally and I think it's
12 Atlanta, Georgia, around patent law.

13 I would recommend getting involved.
14 And I would recommend, you know, if you feel like
15 you have something that merits patentability to
16 enter the process.

17 The hard part is, is you know, this -
18 - how do you write a -- how do you create the
19 subject matter for a patent? I mean, when I sat
20 down with our patent attorney to actually write
21 a patent, you know, she was talking about, you

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1 know, subject matter and the things, you know, it
2 felt like I was speaking another language.

3 So, actually sitting down and taking
4 what we write in code and put it into something
5 that is actually patentable. So, that actual
6 process was great. To be able to do that.

7 So, as, you know, I talk to, I advise
8 a lot of small companies. I also advise
9 investors.

10 And some investors are, as Julie
11 mentioned, some investors are on one side where
12 they don't like patents at all. Because it
13 frankly affects the companies that they're
14 investing in. And Alice has actually protected
15 them.

16 But at the same point, you know, your
17 valuation goes up. I mean, if you do have a
18 patent, whether in process or not, whether it's
19 been rejected or improved, I mean, it increases
20 your valuation.

21 Of course if you go through a

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1 liquidity event, whether it's -- especially if
2 you're being acquired, larger companies acquire
3 companies for their patents. And there's a
4 promise there.

5 So, I think definitely as, you know,
6 small technology companies, if they believe they
7 have something that fits the standard, then they
8 should absolutely go and go through the process
9 of getting a patent.

10 MR. LO: I think for us it's -- and
11 it's really the big impact that we've had to --
12 the big change that we've had to make internally.
13 Which is how we draft applications.

14 And again, because it's not about
15 Alice saying that you can't get patents on
16 software or computer implemented inventions, it's
17 about whether or not there's a technological
18 solution to a technical problem.

19 And the more we can disclose,
20 technology and technological advance, the more we
21 can show the technical effect. The more we can

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1 ensure that the claims reflect that.

2 Then I think the more -- the higher
3 the likelihood that a company I would advise, or
4 our own company, will be able to get a patent
5 allowed. Whether it's from the U.S. PTO, the EPO
6 or our other jurisdictions as well.

7 This the thing for us that I think is
8 -- that goes a little bit -- and I mentioned it,
9 but I just want to sort of mention it again.
10 Having standards that are more similar, not
11 exactly sure whether they're the same or one is
12 slightly more liberal than the other, but closer,
13 it simplifies things for us.

14 Because now we know how to draft
15 applications globally as opposed to let's draft
16 a case for the U.S. and let's draft a case for
17 everywhere else. And so having the standards
18 start to converge makes it more uniform in terms
19 of our ability to make sure we're protecting our
20 software innovation.

21 MR. KRAUSE: Julie, you mentioned

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1 that venture capitalists aren't looking
2 necessarily for patents anymore. And yet you
3 just heard Jason say that patents can be an
4 important component of the valuation of a small
5 company.

6 Do you have statistics to back that -
7 - and we also heard anecdotally. Go ahead.

8 MS. SAMUELS: Yes, I've got a couple
9 I think in my notes here. And these are from a
10 paper that Robin Feldman put out. So, like I
11 said, I believe she was here earlier and I missed
12 her.

13 MR. KRAUSE: Yes.

14 MS. SAMUELS: I don't know if she
15 talked about this at all. She surveyed 200 VC
16 firms. Seventy percent of venture capitalists
17 have portfolio companies that received demand
18 letters.

19 The "vast majority" of claims came
20 from companies that essentially NPEs, Non-
21 Practicing Entities. This study found that

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1 existing patent claims could be "a major
2 deterrent to investing in startups, and cost on
3 average over one hundred thousand dollars to
4 combat."

5 There was another study by Katherine
6 Tucker, I believe. I might be getting her name
7 wrong. But I think that's right. And I can
8 include that in my comments.

9 That estimated in fact that VC
10 investment in startups would have been eight
11 billion dollars higher but for troll threats.
12 That was the five years' previous. And I think
13 that study is now two or three year's old.

14 That really has to do with both, I
15 think, of the numbers I have with me right now,
16 I have a little bit more to do with troll
17 activity. But, you can't separate the two.

18 So what we -- what I have seen
19 personally and what some of the data I know has
20 kind of pointed out is that the deterrent effect
21 of bad actors armed with low quality patents has

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1 been a real impediment to the flow of venture,
2 the flow of investment.

3 And while I don't disagree with
4 Jason's point, and I think that there are always
5 going to be investors who look for, you know, for
6 IP value, that's a real thing. I wouldn't
7 pretend otherwise.

8 We have seen that the negative
9 consequences of particularly pre-Alice software
10 patents has been incredibly problematic. And I
11 can also say, this is a little bit more
12 anecdotally, I work very closely with a lot of
13 venture capitalists.

14 And the vast majority of those folks
15 that I tend to work with don't look for a patent
16 portfolio as a determinant. They look for
17 network affect. They look for a business that's
18 in the marketplace, that's doing well.

19 And if there's a patent, great. But
20 that tends to not be the driver alone. And I
21 think pretending that patents as a driver for

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1 investment alone in the software space is I think
2 a potentially dangerous path to go down.

3 MR. KRAUSE: Okay.

4 MR. GARDNER: Yes. And I -- just to
5 point out, I mean, we're talking about Alice
6 protection versus Alice impact.

7 We're impacted by those decisions.
8 There are plenty of startups out there that are
9 protected by those decisions so that they're not
10 seeing, you know, getting the receiving end of a
11 demand letter from a patent troll.

12 And we have -- one of our strategic
13 investors, one of the reasons they actually
14 invested in us is because of the patent portfolio
15 we have. Even though it's in the process.

16 Because some of the things we're
17 doing, you know, Julie mentioned network affect.
18 I mean, like we don't necessarily have a network
19 affect.

20 We provide a very technical platform
21 to companies that want to build credit, debit and

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1 prepaid products. So, that is very technical in
2 nature. And that's what they're leveraging.

3 MS. SAMUELS: But you can't separate
4 those two things, right? You can't separate the
5 --

6 MR. GARDNER: Oh, yes. For sure.

7 MS. SAMUELS: Right. Somehow we have
8 to find a place where it all works together.

9 MR. GARDNER: Yes. So, when we meet
10 with VC's, I mean we meet with somebody who
11 understands how the financial ecosystem works.

12 And knows that there's a lot of, you
13 know, technical inventions and code and things
14 that go behind that. Not necessarily a network
15 affect. But for sure.

16 MR. NAZER: One, sort of an anecdotal
17 story I would tell. The way that Alice helps
18 smaller companies, is we, they would -- NPE
19 activity was very active right around the time
20 Alice was decided in apps for restaurants.

21 So, just providing menus and pretty

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1 basic apps. But, you know, when you have a big
2 customer it's a pretty big job to create these
3 apps.

4 And we had small companies were coming
5 to us because they would -- suddenly their work
6 was drying up. Because the clients, the larger
7 clients were demanding indemnification because
8 they were -- the market was getting hit sort of
9 hard by PAEs that no one wanted to do it unless
10 they were getting a giant company to provide
11 these services. So that they could indemnify
12 them.

13 And there was just -- it was just
14 washing the smaller companies out of that field.
15 And a lot of those particular PAEs have
16 subsequently had their patents invalidated under
17 Alice.

18 And so I think that was a real --
19 really encouraging event for that ecosystem.

20 MR. KRAUSE: Okay. This has been
21 great. I've just got -- we've got one minute

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1 left. I've got one question. Fifteen seconds
2 each.

3 It sounded like every single one of
4 you was not in favor of the legislative fix to
5 this problem. To maybe codify Alice and put some
6 clarity into this aspect of the laws.

7 Did I understand that correctly? To,
8 Julie.

9 MS. SAMUELS: With regard to, I think
10 there are a lot of legislative fixings the patent
11 system could use. When it comes to 101, I don't
12 think we need legislation.

13 MR. KRAUSE: Daniel?

14 MR. NAZER: Yes. I don't think the
15 legislation. I would want is what's on the
16 table. So, I'm going to say no.

17 MR. LO: I generally would not favor
18 legislation. Particularly in order to allow the
19 courts to have more time to work through Alice.

20 MR. GARDNER: I would see it as a last
21 resort if we had to get a legislative fix. But

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1 yes, if we could work it out ourselves, then by
2 all means.

3 MR. KRAUSE: Okay. Thank you very
4 much, all of you.

5 (Applause)

6 MR. KRAUSE: So we now have a ten
7 minute break. And then we'll be back at 3:00
8 p.m. for Panel Number Six.

9 (Whereupon, the above-entitled matter
10 went off the record at 2:51 p.m. and resumed at
11 3:01 p.m.)

12 MR. HANNON: If everyone can be
13 seated, please, we would like to begin the final,
14 second to last panel here. So first, we're going
15 to be starting from Dallas, Texas with Ms.
16 Jennifer Kuhn.

17 MS. KUHN: Hello, and thank you all
18 for staying this late in the day. And I would
19 like to thank the PTO for inviting me to speak
20 today. I'm Jennifer Kuhn. I'm Vice President
21 and Chief IP Counsel at a small software company

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1 called Mattersight Corporation.

2 I'm also one of the Chairs of the
3 Amicus Committee for the Austin IPLA. The views
4 I'm presenting today are my views and they are
5 not Mattersight's views or the Austin IPLA's
6 views.

7 But the Austin IPLA is on record with
8 the United States Supreme Court in advancing an
9 interpretation of Section 101 that was largely
10 adopted in the Supreme Court's Bilski decision,
11 and that is when you're interpreting Section 101,
12 you should interpret it the way you interpret any
13 section of any statute of American law.

14 Today I would like to talk about how
15 we should apply that same consideration to our
16 evaluation of how well Section 101 is working.
17 Let's advance to the next slide.

18 So this is a quote from Ray Chen when
19 he was a senior PTO official, before he was
20 confirmed with the federal circuit. But it
21 speaks directly to the concerns that I have about

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1 how Section 101 is being applied.

2 That is if patents are the currency of
3 the innovation economy, are we making that
4 currency available to all industries equitably
5 and not favoring some industries, disfavoring
6 others when there's no basis in the statutory
7 language or that favor or that disfavor.

8 So if we apply that kind of, we take
9 that kind of equitable approach, that kind of
10 efficiency approach, how well is 101 working to
11 support American innovation. We may see that,
12 advance to the next slide, please.

13 You will see that there is a lot of,
14 obviously we spent a lot of money on patent
15 prosecution. Thompson Reuters recently
16 estimated that up to \$2 billion is spent annually
17 on US Patent applications that never issue.

18 You also look at, and this is the
19 second point on the slide is, relates to
20 statistics that have been cited in different ways
21 throughout the day. But eight of the twenty

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1 lowest allowance art units relate to software
2 innovations.

3 This leads you to conclude that
4 perhaps the software industry is spending a lot
5 and not getting much for it when it comes to its
6 investments in the patent economy. Now let's go
7 on to the next slide, quickly.

8 So when you end up with low allowance
9 rates, you also end up hampering how well we can
10 evaluate what our issue patents are worth. If
11 you're a small software company, you are not
12 paying anybody outside your company to evaluate
13 your patents and tell you what you're worth.
14 You're doing that on your own.

15 So one of the metrics that I have used
16 at Mattersight and that I think is a solid way to
17 evaluate patents is to look at how many times my
18 portfolio has been cited in 102 or 103 rejections
19 in applications by other software companies,
20 other applications, other patent examinations.

21 And if you have a significant amount

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1 of software patent applications that are getting
2 tied up at the PTO, if they're never issuing, we
3 simply do not have the visibility that we should
4 have on whether or not our patients are actually
5 significant and having an impact in the
6 marketplace, that is they are preventing other
7 applicants from getting applications.

8 We never see those applications
9 because they are getting stopped not necessarily
10 on 102 or 103 grounds, but they may be getting
11 stopped solely on 101 grounds that end up proving
12 intractable.

13 So onto the next slide, please.
14 Software represents \$1 trillion GDP. Now what
15 this leaves me to say is what we need is that
16 software is treated equitably. There is no basis
17 in the statute for favoring other solutions and
18 disfavoring a software solution.

19 And clear standards, as Sharon Israel
20 pointed out this morning, clear standards are our
21 friend in this area. If we had clearer

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1 standards, we very likely would have less of a
2 variance in the low allowance rates versus higher
3 allowance rates units as they relate to software,
4 the software industry.

5 My final slide, a lot of the
6 discussions that today has focused rightly on the
7 concerns that companies that are behind
8 themselves on the defending patent entrenchments
9 lawsuits have. But in truth, less than one
10 percent of patents are litigated, or companies
11 like mine, they are largely used to secure
12 financing and attract investors.

13 And patents are frequently licensed.
14 In 2014, KPMG analyzed patent royalty rates
15 across industries and found that the software
16 industry has a relatively high royalty rate for
17 patent licenses relative to other industries.

18 So they do have value other than
19 litigation and litigation concerns should not be
20 the sole driver for whether or not, for how we
21 evaluate how well Section 101 is working. Thank

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1 you, that concludes my comments.

2 MR. HANNON: Great. Thank you, Ms.
3 Kuhn. Our next panelist will be Colleen Chien.

4 MS. CHIEN: So I'm going to present
5 today, thank you so much to the Patent Office for
6 being here and for inviting me to participate on
7 today's panel. And I'm going to be presenting
8 some research that Arti Rai and I are doing on
9 diagnostics innovation.

10 And this question of whether or not
11 putting aside kind of 101 policy and putting it
12 in focus, innovation policy more broadly, whether
13 we are seeing a decline in diagnostics innovation
14 in the post-Mayo period.

15 And we think this question is really
16 important for two reasons. One is because of the
17 importance of patents to diagnostics innovation.
18 A number of business models are based on having
19 patents. And so naturally, the impact of this
20 decision on this industry is important to look
21 at.

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1 But also because the importance of
2 diagnostics innovation to several national
3 priorities, in particular the precision medicine
4 initiatives including those that were launched by
5 the president starting in the State of the Union
6 in 2015 and a lot of the energy around the Cancer
7 Moonshot and trying to come up with different
8 types of targeted therapies that help people that
9 don't have other options as well as healthcare
10 reform and thinking about the costs of medicines.

11 So if you go to the next slide, we
12 simply were looking at this question of have
13 these decisions, focusing mostly on Mayo, but
14 have these decisions been making it more
15 difficult to patent diagnostics resulted in a
16 decline in innovation beginning around 2012.

17 And we have a lot of caveats to this
18 analysis, primarily that we can't really measure
19 innovation only by looking at the different
20 metrics that I'm going to show today which are
21 patent filings and transactions.

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1 There are other things that we're
2 looking at as well, and obviously a shifted trade
3 secret is something that is hard to measure. In
4 addition, I think something that's really
5 important is that there are a lot of other things
6 going on in the ecosystem.

7 And when we talk to companies, what we
8 hear about the most, and frankly in terms of
9 policy are things like reimbursement changes.
10 Also, things like the President's Precision
11 Medicine Initiative, other funding cycles are
12 going to be important.

13 Next slide, please. With that in
14 mind, we looked and tried to test two types of
15 hypotheses in terms of trying to tease out what's
16 happening. One is the kind of overall sense that
17 innovation as proxy by patent filings has
18 declined. That was the assertion that we set out
19 to test.

20 But we also wanted to look at whether
21 or not patent scope had narrowed. And we thought

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1 that there were, in both of these cases, going to
2 be winners and losers to both of these types of
3 shifts. Even if the patent scope has narrowed,
4 that might help certain types of innovators, even
5 if certain patents aren't being issued, that make
6 certain business models easier.

7 So if you're trying to create an array
8 based business where you have a number of
9 biomarkers, well if I don't have to get licenses
10 from every single biomarker company out there now
11 because I don't have patents, then I'm freer to
12 operate. I can offer more tests on one kit and
13 that's more beneficial to the consumer.

14 But it might hurt those young startup
15 biomarker companies who are going to be the next
16 myriad and can no longer be so. So we wanted to
17 think about those, both of those factors. Next
18 slide, please.

19 And what we did in particular is look
20 at the amount of innovation looking at patent
21 apps. We looked at the scope of protection,

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1 looking at patent claims and how long they were,
2 and we also looked briefly at the market for
3 innovation, and we focused on transactions.

4 And these are primarily SEC reported
5 transactions. When a public company enters into
6 a transaction which might affect its stock price
7 and its future work, it has to report it to the
8 securities and exchange commission.

9 So we looked for those and tried to
10 see what was happening in terms of those
11 publically reported transactions, which are just
12 a slice of the entire transaction market, but
13 they give us something.

14 Next slide, please. So I'm not going
15 to go too much into the details, but this
16 information will be available in our public
17 comments. What we did is look at innovation
18 before and after Mayo. It's as I mentioned
19 before looking through the lens of applications
20 and material transactions.

21 And we tried to create a control as

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1 well as look at what we considered to be
2 diagnostic innovation. So we focused on what we
3 called core DX, what others I think are calling
4 kit or content diagnostics innovation. That is
5 the biomarker based innovation that is pervasive
6 in this field.

7 And then we created a control group
8 that was looking more at enabling technologies.
9 And if you look at the next slide, you can see
10 that the enabling technology group had similar
11 but more upstream analysis of gene and gene
12 expressions.

13 And so it was a good indicator of
14 activity in this area, but not being at one of
15 these kind of technologies that depended really
16 on that particular type of protection. So we
17 think this is a good control group, but we have
18 some caveats to that analysis.

19 Next slide, please. Here's all the
20 fine print about some of the weaknesses of this
21 approach. You know, we don't actually know when

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1 once a decision comes out, how that's going to be
2 reflected in applications, what's the cycle
3 exactly.

4 So we looked really at 2011 as the
5 last year where you had the ability to get that
6 type of protection, and 2012 was the first year
7 where you couldn't, at least for most of the year.
8 And so we started to look at that difference.

9 But there might be more lagging going
10 on. There's all kinds of issues with using CPC
11 based or class based identification which is what
12 we did. We still think that's the best approach
13 that's available but it's, you know, hard to say
14 that these are perfect groups.

15 And as we heard earlier, there's gaming that
16 goes on to get your application into one or
17 another group. And so that's going to cloud the
18 analysis. Next slide, please.

19 And so with those caveats in mine, the
20 let's just look at these questions and what we
21 figured out, and I'll just kind of jump to the

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1 conclusions given the amount of time that I have
2 left.

3 So the first question about whether we
4 could measure decline or not. Next slide. We
5 looked at, if you go to the next slide, patent
6 filings through 2014, the end of 2014. We chose
7 that because you have this 18 month lag, and so
8 that was kind of the full last period where we
9 were pretty confident that we saw the patents.

10 Even that's a little bit problematic
11 though because you have non-publication requests.
12 So certain applications that may never make it
13 out of the Patent Office or may not make it out
14 for a lot longer. So that number is going to be
15 a little bit depressed.

16 But what you see on your slide here on
17 the left is the core DX applications. And you
18 do see that there was a decline in 2012. We
19 think that hit happened, we need to look more
20 granularly at the months. But we think it did
21 happen in the latter half of the year.

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1 But then a bit of a recovery where the
2 applications started to rise again. It looks
3 like they've fallen off a little bit at the end
4 of 2014. But again, we don't know how much of
5 that is truncation.

6 When you look at the pure technology
7 enabling applications in this space, our control
8 group, you do see that they registered a more
9 steady increase before leveling off or declining
10 a little bit in 2014. Next slide, please.

11 And so what you could say is that in
12 both cases, you know, applications are up,
13 they're growing, but that the pure kind of core
14 diagnostic applications have grown more slowly
15 than the tech enabled applications.

16 And so while one has increased eight
17 percent since 2011, that's the tech enabled
18 applications, the core diagnostics applications
19 have only grown at a rate of three percent.

20 So if you go to the next slide, you'll
21 see sort of our bottom line here which is that

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1 there is no real clear decline due to Mayo. And
2 I'll go through the rest of it in the comments.

3 So going to the next slide, in terms
4 of material transactions, and then the next slide
5 after that you'll see that transactions have gone
6 up dramatically since 2011. So we think that
7 that's evidence of robust activity there.

8 Going on the next slide, and the next
9 slide in terms of the actual scope of protection,
10 we do find that there has been some narrowing
11 there. And the slide before shows the kind of
12 length of the first claim.

13 But the first claims for core DX
14 applications are longer. They're about 12
15 percent longer whereas enabling tech applications
16 are only two percent. Thank you.

17 MR. HANNON: Great, thank you. Our
18 next panelist is Michelle Fisher.

19 MS. FISHER: Good afternoon. My name
20 is Michelle Fisher and I'm a CEO and Founder of
21 Blaze Mobile. First I wanted to thank the US PTO

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1 for hosting this round table, for your spirit of
2 collaboration, and soliciting feedback from the
3 public, especially having the Q&A this time to
4 compliment the session that you had in
5 Washington, DC.

6 I also wanted to compliment you on the
7 refresh rate of the guidelines. I think the
8 speed and quality has been impressive and helpful
9 at least in our case.

10 I'm here to represent the small
11 inventor, small business perspective today. And
12 I started my company 11 years ago, Pre-Alice and
13 its software and its payments. So we're sort of
14 right in the middle of the storm.

15 And my experience and what some of the
16 challenges that we found is that examiners aren't
17 reading the guidelines. And in one case, the
18 examiner actually didn't read the past three
19 guidelines before making an examination.

20 And so, you know, I think it's awesome
21 again as I mentioned that you guys are spending

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1 the time and resources to hold these round tables
2 to solicit feedback, to publish new guidelines
3 which incorporate new court cases.

4 And then all of us are here also, you
5 know, soliciting, providing feedback and trying
6 to understand it and apply it to our patents.
7 But when examiners aren't investing the time as
8 well, it hurts the process.

9 So as a result, these 101 rejections
10 have an impact for both the US PTO in terms of
11 spending time issuing rejections that aren't
12 justified spending time or money, as well as in
13 opportunity costs, that time that was spent on
14 issuing a false rejection could have been spent
15 on an application that's in queue for example.

16 For inventors such as myself, the
17 baseless 101 rejections have a lot of
18 implications, some that are apparent and some
19 that may not be apparent.

20 First, obviously it's costly in terms
21 of the expense for filing response as well as the

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1 US PTO fees, tens of thousands of dollars. It's
2 time consuming. And then for small businesses,
3 it's an additional burden to actually have to
4 file a response to a rejection that's not
5 warranted.

6 It represents an opportunity cost on
7 many levels for small business. First there's
8 lost revenue associated with not having a patent
9 that you can assert. There's a direct impact to
10 lack of venture funding because not only do you
11 not have the patent, but you can't assert it.

12 And for companies that are led by
13 women and people of color who actually receive
14 less than five percent, 0.3 percent respectively
15 of venture funding, it makes the playing field
16 even more unlevel.

17 For small businesses who represent
18 roughly 50 percent of the working population,
19 about 120 million individuals. Small businesses
20 also have generated over 65 percent of new jobs
21 since 1995.

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1 And so when small businesses are
2 burdened with additional costs associated with
3 getting patents and protecting their products,
4 it's actually bad for the economy.

5 Last but not least, it makes it
6 challenging to stay competitive while large
7 corporations with deep pockets continue to
8 benefit from the innovation of small companies as
9 well as innovation of not only my company but
10 other companies who are in some cases eclipsed by
11 the large corporations.

12 So I have several recommendations to
13 mitigate this problem. First obviously, the
14 examinations for 101 shouldn't be untethered from
15 the guidelines which we all spend so much time
16 and hard work putting together. It's not
17 optional reading.

18 And then I feel like if an examiner is
19 issuing a 101 rejection that doesn't incorporate
20 guidelines, then it should be vacated. That's
21 as plain and simple as that.

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1 Perhaps publishing a summary of all
2 the guidelines, there's probably been about four,
3 half a dozen since Alice came down, maybe in one
4 document would make it easier for the examiner to
5 go through it.

6 Similar to 103 rejections, and 102,
7 the 101 rejection should include reasoning, not
8 just a list of court cases. Instead of awarding
9 points to examiners for making rejections which
10 drives sort of the wrong behavior, perhaps
11 penalizing examiners who aren't actually sort of
12 following their rules.

13 And then last but not least, perhaps
14 training examiners or exposing them to the real
15 hard costs associated with filing applications,
16 filing RCEs and appeals, both in terms of the
17 legal costs and the costs associated with the
18 Patent Office.

19 So in summary, you know, I wanted to
20 again thank you again for providing this forum to
21 solicit feedback on what's a very important issue

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1 for small businesses such as myself.

2 MR. HANNON: Great, thank you. Our
3 next panelist will be Patrick Giblin.

4 MR. GIBLIN: Hi. Thank you very
5 much. I am honored to be here, and I truly am the
6 small entrepreneur. We are a very small startup
7 that's had the fortune of being able to have a
8 number of patents issued, and I'm here to speak
9 to that audience on both ends of what it means to
10 us and what we think is kind of important moving
11 forward.

12 So please go to the next slide. I
13 want to tell you who I am. I'm an inventor with
14 five US Patents. They're involved with
15 artificial intelligence, machine learning, and
16 natural language processing.

17 In sort, we read comments and reviews
18 on all content and create better search, content
19 recommendation, and ad tech. So there's some
20 very big companies that everyone knows that
21 obviously are in our footprint.

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1 I'm a geek, I love databases and
2 computers and I have no formal computer science
3 or computer engineering. That puts me at sort
4 of a detriment at times to some people. I'm a
5 law school dropout, flunk-out. So I get the law.
6 You know, I made it through first year and I said
7 I'm out of here.

8 That was something my parents are
9 still wondering about. Again, founder of an
10 artificial intelligence and machine learning
11 that's for comments, and I've already spoken to
12 that.

13 I'm broke. I'm raising funds every
14 day, you know, and trying to survive every storm
15 that comes my way. I owe \$892,000 and counting.
16 If you're an investor, I would like to talk to
17 you.

18 I build as fast as I can. I mean,
19 that's what you do as an entrepreneur. That's
20 what you do as an inventor. And I sleep on
21 couches because sometimes that's all I can do.

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1 My life sucks but I love it.

2 I don't work for the money, I build a
3 dream. Next slide. I think those are important
4 matters to discuss because it's really what's
5 important about the patent system and where there
6 is some failure I think.

7 You know, we're here to talk about
8 eligible subject matters for patents which is the
9 step one. You know, and there's case law and
10 it's like okay, am I back in law school as I was
11 reading this or is this about theory.

12 And what I really realized and
13 remembered was that the law is really, it's not
14 black and white, it's gray. And inside of that
15 there's always interpretation that we had each
16 way. There's four cases that everyone's
17 referencing here today, and I'm going to default
18 to the fact that much wiser people are making
19 those decisions.

20 I'm here to help give understanding to
21 what we can do to make the process maybe a little

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1 bit better and more aware to all spectrum inside
2 of it because I think there's a number of people
3 that are influencing and controlling this.

4 I do believe in the steps, you know,
5 is it obvious, is it unique, and is it useful.
6 And I think it's time that we start protecting
7 people who are doing very good things. Next
8 slide, please.

9 I believe in patents, and the reason
10 is they're important. They protect inventors,
11 and that was what the real purpose was when they
12 first established the patent and trademark
13 office.

14 You know, it's David versus Goliath in
15 many ways, big businesses versus inventors. The
16 first major issue with patents was during the
17 industrial revolution, and I kind of call it
18 civil war, you know, it was the second civil war
19 where there's a lot of battleground going on in
20 the American economy.

21 And now we're in the technology

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1 revolution which is the third civil war of this
2 great nation of ours that's built around
3 inventions and freedoms and ability to do things.

4 It's redefining subject matters,
5 right? There's new worlds. Protect them, honor
6 them, help build for inventors and not for big
7 business. That's what's important.

8 Trolling sucks. I mean, see lawyers.
9 That's who's doing this. This isn't inventors.
10 It's a bad platform. No inventor starts as a
11 troll, I guarantee you that. We all are building
12 a dream. We're all struggling to get something
13 going.

14 So try and help protect them and think
15 of them, you know? We're beat down with bad
16 things and partners and this has got to stop.
17 Extend the rights maybe, increase fees for
18 wrongdoing. Make it hurt when people violate
19 patents or when trolls do wrong with patents.

20 They know what they're doing is wrong.
21 And cap money after years rather than the life of

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1 the patent itself. Why does an inventor not be
2 able to carry that along in his lifetime when so
3 much has been put into it? What's wrong with
4 that?

5 Again, let people have reasons to
6 invent. Next slide, please. You know, I do
7 believe this becomes lawyers versus inventors.
8 You know, a lawyer's job is about cost and hours
9 billable. It's a greed formula.

10 You know, do we fight it or do we buy
11 it. Can we cut around this without paying for
12 it? Can we beat them with our war chest. How
13 does the logic work here. Cost management, is
14 that really what invention is supposed to be
15 about? But that's what it is.

16 Inventors are usually doing it for the
17 good. I have an idea. I want to build this.
18 Please help, I need money, I need team, I need
19 framework, I need a chance. And that's kind of
20 been lost in this whole process in my opinion.
21 Next.

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1 Strength and speech should not always
2 win, big business focuses on that. They've got
3 big war chests, lots of lawyers, lots of
4 engineers and they just kind of work around
5 things. And that's tough. It's really tough to
6 be a startup in that ecosystem.

7 And it does it too often. You know,
8 inventors are trapped and held under water, and
9 this pain is real. The things that we hear from
10 venture capitalists which has been spoken of
11 already today as well as big business that just
12 doesn't really honor the people who have invented
13 things ahead of them.

14 That's a real problem that needs to be
15 addressed inside of this system of how things are
16 relevant and how they're approved. Once you get,
17 you know, the process is slow as I've spoken to,
18 but once you get your patent issued there's,
19 like, this celebration.

20 And then all of a sudden you realize
21 oh my God, I've got to defend this. I need more

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1 money. I mean, that's a terrible way for it to
2 kind of go. And that's part of the system I
3 think that has to be addressed as well inside of
4 what we're trying to accomplish here today
5 regarding what subject matter is relevant. Next
6 slide, please.

7 So this goes back to new questions to
8 consider. Does subject create a market
9 opportunity or condition? You know, what is the
10 intent of the owner within the subject that
11 they're trying to create. What is the intent of
12 a litigator inside of, like, why this is or isn't
13 working from a case law standpoint moving
14 forward.

15 It's about who wrongs who, you know,
16 why are we here. Is it good or is it greed? And
17 if there is a subject matter that should be
18 considered, we really have to start opening up
19 the ideas and the parameters around that because
20 the world has changed significantly. Next slide,
21 please.

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1 It's the speed of technology. That's
2 a lot of what's been spoken about today. Look
3 at how much has been invented via the web since
4 the mid-1990s. There's a ton of content and
5 software and other things that are very important
6 and they should be recognized and they should
7 really be addressed.

8 We must be protecting those that are
9 inventing. These are new, eligible subject
10 matters for patents. Discover them, label them,
11 protect them. You know, speed causes more pain
12 and we have to address that. How does the big
13 business allow themselves to stand in front of
14 all this. Next slide, please.

15 You know, software as a service is the
16 new hardware. The software is a modern goldmine.
17 There's Bitcoin, there's big data, there's
18 machine learning, artificial intelligence, human
19 engagement, all of this is important for us to
20 define as subject matter and to recognize that
21 there's people building very, very useful

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1 applications inside of there that need to kind of
2 make sure that their position is protected in my
3 opinion.

4 It's a new economy. Protect the
5 property or we're going to have, you know,
6 there's going to be a lot of civil suits and
7 financial unrest that will begin to take over.
8 Next slide.

9 Help the good, crush the evil. Thank
10 you.

11 MR. HANNON: All right, so our final
12 panelist today is Kim Rubin.

13 MR. RUBIN: Welcome to Silicon
14 Valley, the new automotive innovation capital of
15 the world. Today in the Valley there are eight
16 companies developing a coal powered car. Come
17 on, guys, that was funny.

18 (Laughter)

19 MR. RUBIN: Though there's no such
20 thing as a software patent, who am I? I have a
21 degree, I have experience, I've done startups, I

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1 have a heap of inventions, I'm a patent agent, I
2 have a pretty good selling book on Amazon for a
3 book on patent law. And I have a bookshelf for
4 patents, and I have two file cabinets. There
5 they are.

6 I have to keep track here. So there's
7 no such thing as a software patent which I'm going
8 to try to prove to you in the next seven and a
9 half minutes, judges issue opinions, computer
10 scientists generate proofs.

11 There's no such thing as a rubber
12 patent. We're waiting for slides. We're using
13 PDFs. There we go. So I'm going to speak to you
14 today in plain English. No French, no Latin, no
15 legalese. And I'm going to leave citations as
16 an exercise for fourth year law students.

17 So we're going to start at the
18 Constitution. We missed a slide, but that's
19 fine, Nadine. Stay there. So there's no such
20 thing as a software patent. There's no such
21 thing as a rubber patent, there's no such thing

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1 as a steel patent, there's no such thing as an
2 electricity patent. There are only patents.

3 And everything that I'm going to talk
4 about today is firmly rooted in the law, starting
5 with the Constitution, Article 1, Section 8,
6 Sentence 8, "To promote the progress of science
7 and useful arts by securing a for limited time
8 for inventors the exclusive right to their
9 discoveries."

10 Right. So I reread the Constitution
11 several times. I cannot find the exemption for
12 software. If you prefer your law a little more
13 current than the Constitution, we have 1952 where
14 Congress said statutory subject matter includes
15 anything made by man under the sun, which I
16 consider narrowing of the Constitution, but
17 that's what Learned Hand said.

18 So jumping forward to 2011, the AIA.
19 Okay, here is the only text in the AIA regarding
20 patentable subject matter. Apparently none of
21 you find those things useful. All right.

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1 So is software not a thing? Is data
2 not tangible? Okay, so everybody in this room
3 that does not own a cell phone and has never used
4 a computer, raise your hand. Okay, great
5 audience participation.

6 All right, so back to the
7 Constitution. The key word here is useful.
8 You'll notice there are no other limitations. It
9 doesn't even have to be a thing. It only needs
10 to be useful.

11 So I used to tell my engineers don't
12 call it a computer. Okay, the meaning of the
13 word computer is so broad that the word itself is
14 meaningless. Okay, computer is directed to
15 everything from an abacus, a loom, logic, and
16 your microwave, control of a 787 Dream Liner to
17 the search for life on an extraterrestrial
18 planet.

19 So a computer is just a grammatical
20 placeholder. It's like the word device, it has
21 no actual significance. But if you don't have a

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1 computer and you don't have a computer program,
2 what you do have are method steps.

3 So we're going to look briefly at the
4 contours of method versus algorithm versus
5 process. Okay, now we know that processes are
6 patentable, it says so right here in the MPAT.

7 So let's look at the experts, how the
8 experts say about processes. So you know, here
9 are process, true love, a whole life, and my
10 favorite, fighting monsters said by an old law
11 professor. So clearly, a process is patentable.

12 On the other hand, algorithms,
13 computer programs, software. So for example,
14 algorithms for data encryption, DES, Diffie
15 Hellman, public key cryptography, RSA, okay, I
16 can't imagine anything less a thing than
17 multiplying the first prime number you see there
18 by the second prime number. But that's exactly
19 what Diffie Hellman does.

20 But without these mathematical
21 algorithms, we would not have the most important

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1 technology developed in the past 40 years. There
2 would be no web, no ecommerce, and no electronic
3 privacy.

4 So clearly, mathematics, numbers, and
5 software fail the useful test under the
6 Constitution, right? Well, we can always use the
7 prior art for ecommerce, we can trade seashells.
8 Ah, but you say we have to have significantly
9 more. That word's come up a lot today.

10 So the question, exactly how large
11 does a prime number have to be in order to be
12 significant? Now most of you multiply two times
13 three by the third grade. So all Diffie Hellman
14 does is use larger numbers. So exactly how big
15 does a prime have to be before it's significant?

16 So to summarize, processes are
17 patentable, okay, and algorithms are not. Okay,
18 so a little less sarcasm, but determining the
19 differences between methods, algorithms,
20 processes, and software is like parsing clouds,
21 fluffy.

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1 But I didn't come here today to whine,
2 I can do that at home. I have a solution. Okay,
3 and the solution is in the form of a flow chart.
4 MPEP loves flow charts. Okay, so here's mine.
5 First, is it abstract. And as every examiner
6 knows, and you're going to find out in your first
7 office action, yes.

8 In fact, the recent district court
9 just gave up and said assume abstract, which if
10 you're a prosecutor you're there. Next step, is
11 it novel. If not, reject it.

12 Next step, is it non-obvious? If not,
13 reject it. Okay, you're done. It's a patent.
14 Oh, but what happened to 112? Okay, you're
15 right. Let's look at the disclosure. Is it
16 full, clear, precise, and exact? If not, reject
17 it.

18 So there you have it, examining a
19 software patent application in three steps, is it
20 clear, novel, and non-obvious. If yes, it's a
21 patent, and this is how you examine all software

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1 patent applications.

2 In fact, this is how you examine all
3 patent applications. Oh, but Kim, you say what
4 happened to 101. Okay, so back we go to 101. Is
5 it patentable? Well then it adds significantly
6 more to the art. If it's not patentable, it does
7 not add significantly more to the art.

8 Okay, it's simple, 101 is just form
9 paragraphs as it ought to be. Okay. So by the
10 way, this flow chart, this simple three step
11 algorithm is totally compatible with supreme
12 court opinions and Director Lee's outstanding and
13 completely ignored guidelines.

14 So there's the court case, new and
15 better, 102 and 103 are used by the court to
16 determine 101. Okay, there's no such thing in
17 seven and a half minutes.

18 All right, one last point that's key.
19 Software methods have code. I prefer to put it
20 in Claim 1. If you can execute Claim 1, probably
21 you mute 112. If you don't have code, you have

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1 an idea, not an invention.

2 Okay, too much detail. So I'm out of
3 time, but I'm going to leave on a note of humor.
4 Okay, how many Supreme Court Justices can dance
5 on the head of a pin? All right, and the answer
6 is you all know is an even number.

7 All right, I have one more joke, but
8 we're going to have to leave that for Q&A.

9 MR. HANNON: Great, thank you. So
10 I'll start out with a question, I guess, for the
11 independent inventors on the panel. And I would
12 just ask how have your filing practices changed
13 after, in the wake of Alice? How has that
14 shifted things for your businesses?

15 MR. GIBLIN: I mean, I can begin. You
16 know, it's more difficult for us today. I work
17 with one of the biggest and best firms I think in
18 the world, the DLA Piper, and there's a hesitance
19 from their side because the investing it takes on
20 both ends from the legal side, the lawyer's time
21 as well as mine.

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1 Also just kind of building what's
2 called the picket fencing around your IP has
3 become a little bit less of a recognized ease.
4 I mean, there's a lot of ambiguity in what that
5 means to me with that until our technology is
6 challenged against it. Right? So we've kind of
7 slowed down, for lack of a better word or term.

8 MR. RUBIN: So I developed a 15 page
9 response to the first office action using
10 extensively the guidelines and the case law that
11 I file almost the same argument on every single
12 first office action.

13 I've gotten 101 rejections on
14 mechanical devices inside of vending machines.
15 And so half the time, the examiners just give up
16 and move on to substantive examination. The
17 other half of the time they just say, you know,
18 Applicants arguments are not compelling with no
19 argument, and they go eat lunch.

20 But I do now try to draft claims
21 basically isomorphic to the patentable subject

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1 matter. You know, I try to take those claims and
2 substitute words for my client's invention and
3 then hopefully that's going to be compelling.

4 Not always. You can probably count
5 the number of examiners that actually know the
6 guidelines on one hand.

7 MS. FISHER: Yes, I would just echo
8 the other panelists. You know, pre-Alice, we
9 would at least, I know in the law firms that I
10 work with here in Silicon Valley the advice was
11 to limit disclosure in your patent applications
12 11 years ago because otherwise, you know, if
13 you're putting the secret sauce in your patent
14 application, you're pretty much creating a
15 blueprint for your competitors to follow to
16 create products.

17 MR. RUBIN: Which I'll say is the
18 whole point of a patent is to disclose best way
19 and enablement. So I'm a big believer in having
20 code. I prefer python. I actually write Claim
21 1 so it's executable. You know, maybe Amazon and

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1 Google could loan some computers to the Patent
2 Office and the examiner can execute Claim 1 I
3 think it may meet 112.

4 MS. FISHER: So as I was saying --

5 MR. RUBIN: Oh, sorry.

6 MS. FISHER: As I was saying, 11 years
7 ago the advice was to limit disclosure so that
8 your patent application doesn't become a
9 blueprint for product development for your
10 competitors in the best case. In the worst case,
11 a way to reengineer around your idea.

12 And so obviously nowadays the idea is
13 to put more into your patent application. And
14 so you risk, you know, spilling more of the secret
15 sauce. That's kind of the short answer.

16 MS. KUHN: This is Sharon Kuhn in
17 Dallas. I just wanted to speak --

18 MR. BAHR: I heard a lot of comments
19 about examiners not applying the guidance. So
20 would you say the problem more is that there
21 should be a legislative or some sort of change to

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1 the law, or that we really need to do just a
2 better job of getting examiners to follow the
3 guidance?

4 MS. FISHER: I think the latter. I
5 mean, obviously the more elegant approach, cost
6 effective and time efficient approach is just to
7 get those examiners to follow the great
8 guidelines.

9 I mean, I've been prosecuting my own
10 patents for the past five years. And so to see
11 the speed at which you've been issuing guidelines
12 and incorporating the court cases actually has
13 been wonderful from my perspective.

14 If we just had the examiners follow
15 that, that's sufficient.

16 MR. RUBIN: Yes, I don't think that
17 we need a legislative solution to that. I would
18 sure like to see one on patent trolls and the
19 litigation and a bunch of other things that are
20 kind of broken on the litigation side. You know,
21 we're not going to get any legislation anyway.

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1 But I think the Patent Office can
2 really solve this problem I think between
3 training and motivating examiners properly.
4 Examiners don't even know now, you know, how many
5 of their rejected applications are appealed.
6 It's not even available information.

7 I've had supervisors tell me that
8 they're prohibited from supervising senior
9 examiners. I've had examiners whine bitterly to
10 me that they're not even in the right art unit.
11 So I think doing some restructuring of how
12 examiners are trained and motivated would go a
13 long way.

14 I think the guidelines are great. I
15 think the examiners are just not examining. And
16 you know, the Patent Office is a profit center
17 for the US Government, and you've got customers
18 standing in line three years holding money over
19 their head.

20 Some of them are holding \$4,500 spiffs
21 and yet, you know, you're not serving those

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1 customers. And you could.

2 MR. HANNON: Thank you.

3 MR. GIBLIN: I mean, just to add to
4 that --

5 MR. HANNON: I'm sorry.

6 MR. GIBLIN: No, it's okay. I was
7 very fortunate to be able to be represented by
8 someone who has filed, you know, thousands upon
9 thousands of patents.

10 And my interview with the examiner was
11 much more streamlined because she knew the
12 questions to ask, which was also, you know, so
13 the guidelines were kind of there and she was
14 able to navigate that.

15 And what I guess I'm saying to you
16 within the guideline issues, and what I think I'm
17 hearing from Michelle as well is I think more
18 transparency, right, and more just awareness of
19 really what's going on will add to a lot more
20 deal flow for lack of a better word because I
21 don't think the Patent and Trademark Office wants

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1 to get into deal flow counting.

2 But you know, that would matter. I
3 think that would be very important and helpful.
4 I don't think that has to come with legislation
5 from outside but maybe just with the transition
6 inside the patent end to end result.

7 MR. HANNON: Thank you.

8 MR. KRAUSE: Professor Chien, I don't
9 know if you saw but the panel before lunch was a
10 bunch of life sciences people saying it's the end
11 of the world because of diagnostic methods not
12 being as patentable as they were after Mayo.
13 What do you think they would think, and some of
14 them are still here, of your presentation?

15 MS. CHIEN: Well, I think that it's
16 important and I think that those folks would
17 agree that any policy decision should be evidence
18 based. It should be based on a state of what's
19 actually happening.

20 Now what I can see from looking at the
21 whole scope of patents and transactions is

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1 different from one individual company can see
2 from their own docket and the patent rejections
3 they're getting back.

4 But I did hear some consistencies in
5 what was discussed, and I actually talked to a
6 few folks as well during the break.

7 What I think is consistent is that
8 there is still innovation happening in these
9 areas right now. And overall I think there is
10 also a difference in this sector particularly
11 because it's so heavily dominated by non-profit
12 patenters and patent applicant, people are
13 applying for patent applications.

14 So in some of the slides I didn't get
15 to, I show that over 50 percent of patents are
16 applied for by entities that make less than \$10
17 million. And a lot of that is public entities
18 like University of California or others.

19 And so those folks are not as
20 particularly I think dependent on patents. So
21 overall they might be increasing the numbers of

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1 patent applications, you still might be seeing a
2 lot of pain in certain sectors and I think that's
3 worth teasing out a bit further as we go and look
4 at the data.

5 But another thing that we've seen is
6 not only are the patent applications still rising
7 to some degree, maybe not as much as they would
8 have in a different world, but that the
9 protection is narrower and that is consistent as
10 well with what I heard earlier on the panel,
11 especially the questioner from the PTO.

12 So those things I think actually are
13 consistent. The question again is though looking
14 beyond what we have in this data and try to look
15 at what's the saying about the next generation of
16 companies, something we've also heard during our
17 interviews is that IP centric business models are
18 not going to be viable anymore but that doesn't
19 mean that innovation isn't still happening. It's
20 just happening in different ways.

21 And then what we do with that is a

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1 question I think for all of us to consider.

2 MR. RUBIN: Can I comment on that?
3 The question about life sciences, you know, I
4 want to point out the Constitution actually uses
5 the word discovery, that inventors can have
6 discoveries which I think is directly related to
7 life science patentability.

8 But you know, on that topic, I would
9 really strongly encourage looking at what other
10 countries do, you know, Korea, China, EPO in
11 particular. I think that they've got a very
12 strong grasp on the idea that if you have a
13 discovery, the discovery itself is not
14 patentable, but if you apply it then it is.

15 And I think that really captures the
16 essence, and so I would really encourage looking
17 at consistency with the way the international
18 community deals with life sciences.

19 MS. CHIEN: If I can just weigh in on
20 that because I think it's a really important
21 point that was brought up earlier as well several

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1 times with the idea that we should really make
2 sure that, especially on a diagnostic side, we
3 need to look at other countries and try to
4 calibrate eventually to those standards.

5 And there is a difference now. We
6 also measured and seeing that some EPO patents
7 were broader than the ones that the US
8 counterparts got.

9 But I think that the question for us
10 as a country is about innovation and the price
11 that we're paying for it and whether that's
12 happening. So if a company is innovating because
13 it can get patents in Germany or in Europe but it
14 may not be able to get as much protection in the
15 US, that innovation is still happening.

16 And so if our consumers can benefit
17 from the additional competition that a lack of
18 patent production provides and pay lower prices
19 here, but this, the innovator can still get their
20 investments recouped by getting monopoly profits
21 elsewhere, I don't necessarily think that's a bad

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1 deal for our consumers.

2 And we know that the price of
3 healthcare is something that there's been a lot
4 of attention on. So I think that generally
5 speaking, we need to be thinking not only from
6 the perspective of an individual's company and
7 preserving a particular business model but more
8 generally about this innovation and making sure
9 we have the correct incentives.

10 MS. PERLMUTTER: Just to follow up on
11 that point, so Professor Chien, do you think, one
12 question I had as I was listening to some of the
13 discussion about different standards and
14 different countries, on a prior panel someone
15 made the point that if there's protection in
16 other countries but not in the US, that one of
17 the consequences might be that you could no
18 longer rely on trade secrets or patent protection
19 in the US because the disclosure in other
20 countries would eliminate the possibility of
21 having trade secrets protection here.

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1 So one question I had is do you think
2 there is any danger that the result of differing
3 standards internationally might be that US
4 businesses would rely more on trade secrets
5 protection leading to less disclosure.

6 MS. CHIEN: Yes, that's a really good
7 question. I think that's fairly complicated, and
8 it would depend on the situation. I would say,
9 for example, I was just in Utah where myriad has
10 been in the profile think of all of us, we've
11 understood that they had protection and then lost
12 it.

13 But because they were first to market,
14 they had a lot of data and they were able to use
15 that kind of trade secret protection to be a
16 market leader and continue to have that. People
17 would still buy their product even though it was
18 more expensive because if you're going to make a
19 decision about having a mastectomy, you're going
20 to want the data provider or the diagnostics
21 company that actually has all the information

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1 about all the different mutations and all the
2 variations that are out there.

3 But I think over time their advantage
4 will erode. So this is probably a long winded
5 way of saying it's a really good question. I
6 don't have the answer. I think it's going to
7 depend on a particular business.

8 MR. RUBIN: Yes, lack of conformity
9 on life sciences with other parts of the world is
10 definitely a problem in the US. I mean, I have
11 friends that work in that industry. And you
12 know, it's a serious issue to have companies that
13 aren't protected in the US. So yes, it really
14 matters a lot.

15 MS. CHIEN: I will say one thing that
16 surprised us in terms of thinking about this
17 question of other countries and domestically. I
18 think one of the biggest, again I think I said
19 this earlier, the biggest issue for these
20 companies in terms of getting compensated really
21 is reimbursement rates right now that are very

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1 compressed.

2 So even if you can get a great patent,
3 you can get a great product, if you can't get
4 somebody to pay for it, that's a big problem right
5 now for the industry and I think that's where
6 there's been a lot more focus, frankly.

7 MR. HANNON: I understand we have some
8 comments from Dallas. Ms. Kuhn, if you're able
9 to make your way to the microphone there and share
10 your views with us.

11 MS. KUHN: Well, I think the issue I
12 wanted to speak to is one of the questions was to
13 the independent investors, how has your practice
14 changed since Alice.

15 I am actually an inventor at my
16 company as well as being their chief IP counsel
17 one of the ways that we have had a lot of success
18 is we file as a small entity, and we have used
19 Track 1. And by both, by using Track 1 for our
20 patents, we have been able to significantly
21 increase the speed at which we're getting patents

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1 to issue.

2 I think we started in, when I first
3 started working for Mattersight as outside
4 counsel in 2011, they had one patent issued and
5 one about to issue the day I had my first meeting.
6 And then since then we've had 29 more patents
7 issued, and we're, you know, looking to keep that
8 pace going.

9 I think that Track 1 has a tremendous
10 advantage for software companies because I think
11 actually Track 1 has a tremendous advantage for
12 everybody because if you have a shorter period of
13 time that passes in between each office action,
14 you don't have to go through this reeducation
15 process with the examiner.

16 The examiner only has so much time
17 really to look at each office action and take his
18 or her next step. And if he worked on your
19 application just a couple of months ago, he or
20 she will remember everything that happened. And
21 that just has been tremendously valuable to us.

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1 So we've had a lot of success in that,
2 and I would say if you're struggling here and if
3 you're in an industry where the lifespan of your
4 current product or the product you're trying to
5 cover is shorter. I think a lot of the biotech
6 industry, you're looking maybe a longer lifespan
7 so you're maybe not needing to file under Track
8 1.

9 But like I said, we've had tremendous
10 success under Track 1, and it has really
11 highlighted the differences that are in certain
12 art units versus other art units where with
13 certain applications and certain art units, we
14 are having our fourth or fifth set of claims
15 issued for patent.

16 We will have another patent that we
17 consider to be just as technical and just as
18 innovative that will be on its third or fourth
19 request for continuing examination.

20 So we've had both success for Track 1
21 and I recommend Track 1, but I also say that it

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1 has really highlighted kind of the unevenness of
2 the application of the standards.

3 And quickly I would like to speak to
4 whether or not there should be a legislative
5 solution. I don't think we're currently at the
6 time for having a legislative solution.

7 Keep in mind that after KSR, the KSR
8 decision issued, there were several years of what
9 you really can only call churn where district
10 courts and the federal circuit were working out
11 how that standard was actually going to be
12 applied.

13 We're still in that churn period I
14 think for Alice. And I think the churn period
15 is actually going to be longer than the KSR
16 period, mostly because there is less applicable
17 case law for us to kind of draw on for examples.

18 But I mean, with obviousness, there
19 were decades of case law analyzing components of
20 the business analysis, we just don't have that
21 kind of prior case law to look back on for Section

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1 101. Those cases are very few, were very few and
2 far between prior to Alice.

3 So I think we're still in the churn
4 period. We're still not at the point where we
5 know whether or not legislative solutions can be
6 appropriate. Thanks.

7 MR. RUBIN: I would like to add speed
8 is great. But the Track 1 people are all butting
9 in line in front of my clients that can't afford
10 that. And so it doesn't ultimately benefit
11 everyone. It just benefits the people who, you
12 know, have more money.

13 MR. HANNON: Do the other panelists
14 agree with the concept that we might be in this
15 sort of post-Alice churn where things are still
16 somewhat volatile and they will eventually settle
17 down?

18 MS. FISHER: Yes. I mean, I think
19 from my perspective we're in the next chapter in
20 terms of trying to enforce the patents that we
21 have. And so unfortunately, Alice is

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1 retroactive, right? So even if you filed your
2 patent ten, five, ten years ago, and you were
3 sort of adhering to the advice of your attorney
4 to limit disclosure.

5 You know, you're still obligated to
6 point out improvements to a technical problem.
7 And so to the extent that you have that in your
8 patent application that was written five, ten
9 years ago, that's great. But if you don't, then
10 you're penalized for that, right.

11 In hindsight it's 20/20 vision. One
12 way to address that problem, I was listening to
13 some of the panelists earlier today and what's
14 interesting to hear both small and large
15 companies talk about the fact that, you know,
16 they don't like to be held accountable for paying
17 for patents from companies that really weren't
18 involved with inventing the idea.

19 And so there was a comment there
20 should be evidence, you know, provided by these
21 companies that they were actually involved in the

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1 invention. So as I was sitting here waiting to
2 come up I thought well what's one good way to
3 address that problem.

4 And the only parallel that I can think
5 of is with regards to 102 or 103, if you have to
6 provide proof pre AIA, first event, there are
7 procedures in the MPEP that call for reduction of
8 practice which includes a business plan and
9 product and testing.

10 Well, why not apply the same
11 procedures to 101? And so it's pre-AIA, first
12 to invent. And so if you didn't have that
13 information in your patent application, perhaps
14 it was available in your product engineering
15 functional specifications, not a patent spec but
16 a functional specification, or your engineering
17 inventor's notebook or source code.

18 So sort of leverage all the things
19 that you probably already have internally as your
20 company, or as your building your product that
21 you didn't put into your patent application

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1 because you wanted to protect your idea, and use
2 that as a vehicle for mitigating abstractness
3 because right now abstractness is basically a
4 euphemism for broad claims, and that's not fair
5 for people who ten years ago saw a void in the
6 marketplace and created a product and wanted the
7 product to have the broadest appeal to their
8 consumer base and decided to patent that. So
9 they shouldn't be penalized as a result of it.

10 MR. GIBLIN: I mean, from our
11 position, we're just waiting for the storm, I
12 mean, with what Alice is going to mean to what we
13 were because our patents were written pre-Alice.

14 We feel that based upon what we've
15 looked at and based upon advice from counsel at
16 DLA that we're still in a very strong position
17 because of just being forward thinking about it
18 in regards to how software really would be seen
19 or looked at and what we really do.

20 But ask you ask about, I think the
21 question was are we in hesitation mode or we on

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1 pause. I'm definitely on pause. You know, the
2 cost of time, effort, money, and mystery is
3 really a preventative. So I'm going to continue
4 to build what I have to see what's next.

5 MR. RUBIN: So, you know, Alice in
6 Wonderland is just complete fantasy as, you know,
7 the very first panelist we had here today and a
8 lot of other people have pointed out, you know,
9 has no basis in the Constitutional law.

10 But I mean, it has some good things
11 going for it which is that it's a fabulously blunt
12 tool to get rid of 10,000 really bad patents that
13 never should have been issued. You know, so
14 that's a good thing.

15 But all those awful patents would fail
16 102 and 103 and 112 if anybody bothered to look
17 at that. I mean, the intel's example of the cup
18 behind the piece of paper, I mean, all the
19 examiner had to do is clip a renaissance painting
20 to the back of the office action and you would
21 see things that are hidden, aren't presented.

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1 And you know, Amazon's complaint about
2 having a flying object deliver packages, I mean,
3 seagulls are prior art on that. If it's really
4 an ancient human activity, I mean, an examiner
5 can't find an example? It's just nuts.

6 If it's all those easy things, then
7 why not just have the examiner come up with
8 something and attach it and generate a 102
9 exemption. And so, you know, those huge bad
10 patents that are out there, 10,000 or more, I
11 would like to see those get rejected under
12 traditional rules and then sort of let Alice
13 peter out under its own foolishness, this kind of
14 giant dragon that it is.

15 MR. HANNON: All right, I think on
16 that note, unless there's another question, no?
17 We'll go ahead and end this panel before we bring
18 up the next and last panel. So thank you.

19 (Whereupon, the above-entitled matter
20 went off the record and resumed following a brief
21 recess.)

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1 MS. PERLMUTTER: Welcome to our last
2 panel of the day. We're going to start as our
3 first panelist, Bob Armitage speaking to us from
4 US PTO Headquarters in Alexandria.

5 MR. ARMITAGE: Good afternoon, or
6 good evening. Am I set to go?

7 MS. PERLMUTTER: Yes, we can hear you.

8 MR. ARMITAGE: Well, thank you for the
9 opportunity to open a discussion on the last
10 session today. I must say, in spite of the
11 skepticism on the need for legislation, I'm
12 actually going to focus on a possible role for
13 Congress to provide some remedial help,
14 particularly I think focused on the bio farming
15 industry.

16 As my opening slide suggests, I intend
17 to use the next seven minutes to address the
18 question can we find a rational, principled,
19 expansive, and politically palatable approach to
20 statutorily defining patent eligibility.

21 To avoid any suspense, my answer to

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1 this question is going to be yes we can. Many
2 in the patent profession have analyzed recent
3 Supreme Court Jurisprudence have come to the
4 conclusion that there is no Constitutionally or
5 policy justification for judicially imposing the
6 two part test set out in the Mayo and Alice
7 decisions of the Supreme Court.

8 Instead, a strong case can be made
9 that the explicit statutory requirements for
10 patentability suffice to address all the
11 articulated concerns of the court over patent
12 rights that might cover or otherwise relate to a
13 natural law or phenomenon or other abstract
14 concepts.

15 These two observations taken together
16 suggest that any Congressional action to address
17 the recent Supreme Court Jurisprudence should
18 have as its principle objective the outright
19 abrogation of the so called implicit exception
20 and its two part implementing test.

21 If this premise is accepted, then the

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1 only remaining question is what if anything more
2 should a new patent eligibility statute require.

3 In this regard, I think it's important
4 that any abrogation of the implicit exception
5 should not be an invitation by Congress to
6 develop an alternative extra statutory
7 requirement limiting patent eligibility.

8 Congress should exercise its
9 authority to define by statute all the conditions
10 and requirements for patentability including any
11 and all patent eligibility requirements.

12 Over the past two years, I've seen a
13 number of proposed approaches for such remedial
14 limitation, or legislation. Some of these
15 approaches, after careful vetting, unfortunately
16 appear to have produced dead ends.

17 Among what I believe to be the dead
18 end approaches are the so called reappraising
19 efforts. Proposals of this ilk attempt to
20 restate existing patentability requirements in
21 new words. In a new Section 101 provision on

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1 patent eligibility designed to moot the Supreme
2 Court's implicit exception jurisprudence.

3 These include proposals that would add
4 a human intervention or a practically useful
5 embodiment or application requirement to Section
6 101.

7 To the extent proponents of these
8 proposals assert that they instead add
9 substantively new patentability requirements
10 rather than merely being duplicative of existing
11 statutory requirements, it remains unclear what
12 objective, predictable, or administrable
13 standard they would impose to hold statutorily
14 patentable subject matter, patent-ineligible
15 under Section 101.

16 On November 9th, 10th, and 11th of
17 this year, I had the opportunity to participate
18 in a Banbury Center conference at Cold Spring
19 Harbor. In a statement filed yesterday with the
20 Patent Office as a response to the federal
21 register notice of today's round table, a group

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1 of participants from that conference described
2 one option for a new patent eligibility
3 requirement that might accompany the abrogation
4 of the implicit exception.

5 A number of Banbury Conference
6 participants, "recommended that Congress enact a
7 substitute requirement limiting patent
8 eligibility to technological inventions, i.e.
9 inventions contributing to the technological
10 arts. Such a measure would codify the standards
11 set out in the concurring opinion in *Kappos V.*
12 *Bilski* and foster greater harmony between US
13 patent law and the patent law in Europe."

14 These Banbury Conference participants
15 are not alone in making such a recommendation.
16 Numerous scholars have suggested that the
17 constitutional reference to the useful arts
18 translated into more contemporary language is a
19 synonym for the technological arts.

20 Indeed, there's a possibility that the
21 European standard for industrial applicability

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1 could be adapted into a Constitutionally constant
2 eligibility standard based on defining inventions
3 that contribute to the useful arts.

4 How specifically might a new Section
5 101 be crafted to accomplish all of these
6 objectives? Definitely you would need to
7 assemble together several moving parts to achieve
8 a fully codified eligibility law.

9 First, a new Section 101 could
10 expressly overrule the Supreme Court's two part
11 test in the implicit exception through an
12 unambiguous statutory provision.

13 Second, it could then continue by
14 recodifying in the new provision the existing
15 Section 101 requirement on statutory categories.

16 Third, it could add back a clear right to patent
17 provision that went missing from the patent
18 statute in enacting the AIA.

19 In addition, it could add a new
20 requirement expressly recognizing an implied
21 Constitutional limitation on patenting by

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1 recognizing that patent-eligible inventions must
2 contribute to the useful arts.

3 Fourth, a specific provision could be
4 added offering a per se bar on the patenting of
5 a natural law or phenomenon or other abstract
6 concept as such since concepts by themselves
7 don't contribute to the useful arts.

8 Fifth is last provision could be
9 accompanied by a further refinement that adds a
10 new safe harbor to prevent a relationship between
11 a claimed invention and an associated or
12 underlying concept from negating patent
13 eligibility.

14 As a last piece of this new Section
15 101, it could operate to effectively define the
16 useful arts as the technological arts consistent
17 with Justice Stevens' Bilski concurring opinion.
18 Over the years, the patent laws have been saddled
19 with several provisions that seek to diminish or
20 eliminate patents on non-technological subject
21 matter.

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1 The proposed amendment to Section 101
2 would moot the need for such limitations and
3 could justify the repeal. In a complete
4 legislative package, the Section 101 amendment
5 could be paired with a research use exemption,
6 implementing the 2006 recommendation of the
7 National Academies.

8 I would note that in the statement I
9 referenced earlier by the Banbury Conference
10 participants, it contains the specific
11 recommendation to this effect.

12 In summary, the preemptive priority
13 for any legislative effort should be the
14 abrogation of the implicit exception and the two
15 part test used to implement it. Doing so may not
16 be politically possible without some additional
17 threshold tests limiting patent eligibility.

18 While the reprising approaches fall
19 short on both legal and political grounds, the
20 useful arts approach, although by no means
21 perfect, appears highly promising. Indeed, it

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1 could be leveraged to justify removing the recent
2 patent limiting provisions placed into the patent
3 laws.

4 For the good of the patent system,
5 let's work together, let's find a rational,
6 principle, expansive, and politically palatable
7 approach for taking this effort before the new
8 Congress.

9 I offer these comments, and I hope
10 that they might assist in identifying such a path
11 forward. Thank you.

12 MS. PERLMUTTER: Thank you very much.
13 We'll now turn to our second panelist, David
14 Jones.

15 MR. JONES: That was very good. I'm
16 not going to provide nearly as much content as
17 Bob which is almost always the case. So I'm
18 going to try to keep things fairly short because
19 most of what I had in my notes to talk about
20 people have already addressed in the day and I
21 think we're all probably tired.

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1 And so the overall question here is
2 what is the impact of the changes and eligibility
3 line.

4 And Microsoft was very concerned when,
5 you know, when we first saw Mayo and tried to
6 imagine how Mayo would be applied to software
7 brought up the nightmares of the Benson Flook
8 days where it didn't matter how technological
9 your algorithm was, how it was implemented on the
10 computer, the practical impact of that, the
11 benefits technologically of that algorithm.

12 It was just not, you know, under
13 Benson and Flook it was just not patent-eligible.
14 And that was a real problem and concern for us.
15 Unlike some, we were actually encouraged by
16 Alice. Alice seemed to introduce new concepts.

17 This received a lot of discussion
18 today regarding the advancement of technology and
19 set up at least the potential for a dichotomy
20 between practical inventions that advance
21 technology and abstract ideas. Right? If you

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1 advance technology you're not an abstract idea
2 and vice versa.

3 That seems to have been taking hold in
4 recent cases like *McRO*, *Enfish*, *BASCOM*, and we're
5 actually quite encouraged by that. So at least
6 at the federal circuit level we actually believe
7 the case law is trending in the right direction.

8 I mean, the initial estimation when we
9 looked at *Alice* was if this were applied very
10 literally in the software area, we could lose 80
11 percent of our portfolio.

12 And now, you know, I would place that
13 number much, much lower and a lot of the negative
14 effects, at least in the software area, seem to
15 be focusing on inventions that I would not really
16 consider software that are closer to business
17 methods where they don't seem to have a lot of
18 technology or research behind them.

19 So that's point number one. I think
20 the case law is trending in the right direction.
21 We've also become much more comfortable with the

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1 examination process. I mean, I've spoken I think
2 individually to several of you but also at PTO
3 events before and expressed some frustration with
4 the 101 rejections that we get.

5 We still get a significant number, but
6 fewer actually than we were post Bilski. So
7 actually the rejection numbers are not as bad as
8 people, or at least as I might have expected, and
9 we're starting to see higher quality rejections.

10 We had early on some fairly hilarious
11 rejections. One involved a server algorithm for,
12 kind of an automated algorithm for optimizing
13 virtual network topology on server farms. And
14 we got a certain methods of organizing human
15 activity rejection, unexplained. Right?

16 So some of these rejections early on,
17 you know, it was clear the examiners were not
18 focusing on the guidelines and they didn't
19 explain. It made communication and responding
20 to these rejections very difficult.

21 That seems to have gotten quite a bit

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1 better than it was. In terms of kind of where
2 we go on policy and the overall legislative
3 question, I will say software patents are very
4 important to Microsoft.

5 I mean, we spend over \$11 billion a
6 year on research and development which I think
7 rivals most pharma companies. I mean, our
8 products are terribly expensive to develop. We
9 file a lot of patents. We care a lot about it,
10 and we do feel like the eligibility question has
11 harmed US innovation in some ways.

12 Certainly, the uncertainty about what
13 is patentable has been challenging. We are
14 getting rejections on in some cases from the US
15 PTO where the patent's allowed both in Europe and
16 in China which is slightly hilarious given that
17 software per se is excluded in Europe.

18 So I think that we have had some
19 challenges, we have had some uncertainty. But
20 things are very much headed in the right
21 direction. If that does not continue, we would

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1 certainly be open to legislative options.

2 At this point we believe that moving
3 towards an advance in technology notion,
4 something similar to the useful arts option that
5 Bob mentioned actually is already happening in
6 the courts and is very, very useful and avoids
7 the very trouble kind of claim dissection that
8 happened under Benson and Flook and has happened
9 to a certain extent under Mayo and Alice where
10 the courts ignore what they considered to be
11 routine conventional steps and dissect the claim
12 down to an abstract idea and a bunch of stuff
13 that they just don't consider to be all that
14 relevant.

15 But almost any patent can be
16 invalidated under that rationale and, you know,
17 it's really a line drawing problem and a question
18 of how abstract things are. And we would much
19 rather the courts and the PTO focus on
20 technological advancement.

21 We think that's consistent with the

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1 policy, of the patent system, and we think it's
2 likely to lead to more predictable outcomes for
3 companies and will drive innovation. So that's
4 all I have and I would be happy to answer any
5 questions.

6 MS. PERLMUTTER: Thank you very much. The
7 next panelist is Professor Peter Menell.

8 MR. MENELL: Nadine, if you can just
9 pull up my slides, thank you. Good afternoon,
10 everyone. This is a great, I think this is a
11 historic opportunity for all of us to share the
12 wide range of ideas. I was especially pleased
13 to learn from the people in the different
14 pockets.

15 As a scholar, I tend to look at things
16 from a I would say higher altitude. I'm trying
17 to look at a big picture historically and also
18 across the industries. And I have to say that
19 I'm inclined to believe that we are at a juncture
20 in US history where it will be necessary, or at
21 least I certainly hope Congress will take up this

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1 issue.

2 My three points, and I'll spend most
3 of the time on the first, is that the Mayo/Alice
4 cases are deeply flawed in terms of both
5 statutory legislative history and in terms of
6 jurisprudence.

7 We tend to romanticize the Supreme
8 Court, but we have to recognize, they're a very
9 busy body. They don't have technological
10 expertise as one of their comparative advantages.
11 Their law clerks don't come from the
12 technological fields.

13 And as I'll try to explain, I think
14 that we have some major failings in that part of
15 our patent system right now. I'll briefly talk
16 about the impact of 101 on innovation, and then
17 I want to close by calling for legislation along
18 the lines that Bob Armitage did, and for a bigger
19 role for PTO in that process.

20 So let's look at the Mayo case. Why
21 did we get here? I mean, it struck me and many

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1 scholars who had been following the Supreme Court
2 that this was a situation following Bilski in
3 which we wouldn't get much of a big bang.

4 Many of us didn't file briefs. We did
5 file in Bilski. Bilski seemed to say Supreme
6 Court's going to take a cautious approach. But
7 what did we get in Mayo? We got I think the most
8 radical departure from traditional principles of
9 any case in history.

10 And why? Well, as we've heard today,
11 it was driven largely by concerns about patent
12 trolls. There was concerns about nuisance suits
13 and I think the Supreme Court thought maybe the
14 101 lever could be used.

15 So one of the things that I've done
16 more recently is to pull all of the briefs in the
17 Mayo case. There were several dozen filed, and
18 there was exactly one brief that talked about
19 what the Supreme Court ultimately ruled.

20 There was only one brief that refers
21 to the Nielssen case, that refers to this earlier

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1 era. And it was filed by Josh Sarnoff, a
2 professor who I know and I admire, but I have to
3 say I think Josh missed the boat on this. And
4 we've since spoken and he has acknowledged that
5 he didn't see all of the issues.

6 So here in Section 1(a) of his brief
7 he says prior art treatment of excluded
8 discoveries and creativity in their application
9 are longstanding requirements of the Patent Act.

10 Well, the basis for it which is
11 summarized here, and this will be available for
12 those of you who are going to look online, are
13 some statements from the O'Reilly Morse case that
14 references the Nielssen case.

15 So O'Reilly and Morse was about
16 telegraphy. Most of the claims were granted, but
17 the final kicker was I don't propose to limit
18 myself. I'm going to claim every use of
19 electromagnetism.

20 And the Supreme Court promptly
21 rejected that. And in so doing, they talked

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1 about this case involving the hot blast furnace.
2 This was one of the most important inventions of
3 the industrial revolution and it involved a very
4 simple principle.

5 If we pre-heat the air that we inject
6 into a furnace, we can make the furnace hotter.
7 Now that seems pretty obvious, but it wasn't
8 obvious then and it was a very important
9 innovation.

10 The Supreme Court talked about it.
11 But as it has been reexplained in the Flook and
12 later Mayo decisions, they got it completely
13 wrong in the modern cases and it was completely
14 in the O'Reilly Morse case.

15 They said that Morse did not provide
16 a machine or apparatus, and therefore he was not
17 eligible whereas Neilssen had. And the fact that
18 he claimed it very broadly was fine because all
19 methods of preheating air worked, and the
20 apparatus was well known.

21 And when you go back to the case,

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1 you'll see there's an extensive quotation from
2 Baron Parke in the Neilssen case. And I've
3 highlighted it in yellow. I'm not going to read
4 it in detail. The highlighted language is what
5 we're going to come back to.

6 There is a statement, and I'll say
7 that this statement taken out of context supports
8 the Mayo decision. But when we learn the
9 context, it doesn't. So we think the case must
10 be considered as if the principle being well
11 known, the principle of preheating.

12 Okay, so let's come forward with this
13 concept. What's wrong with this case from the
14 standpoint of jurisprudence and legislative
15 history? Well, had I filed a brief I would have
16 asked the question what is the purpose of the
17 term discover in our statutory history?

18 And if you go all the way back to the
19 beginning, it's been referenced earlier today.
20 Discoveries is a touchstone for our patent
21 system. It's always been there, there's

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1 references throughout all of this case law. And
2 yet the Supreme Court doesn't give any credit or
3 doesn't ask why it's in the legislative history.

4 The most important source of
5 information in my review is the 1836 Act. We
6 don't talk a lot about it but it's the most
7 important act for the purposes of the Patent
8 Office. It created you.

9 And what did the Act do? Well, it
10 solved the problem that we had from 1793 update
11 36 which is we only had a registration system.
12 And I had studied this legislative history many
13 times before in trying to understand the history
14 of claiming.

15 But I went back and I looked at the
16 main report, the senate report. And it talks
17 about the problem of a registration system and
18 how this leads to nuisance claims in a lot of the
19 problems we hear about today.

20 But there's another portion of the Act
21 that talks specifically about the notion that the

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1 patent system extends to science and discoveries
2 of science. And it couldn't be stated more
3 clearly that the purpose of the patent system is
4 to reveal the mysteries of nature.

5 This is such beautiful language when
6 you realize that that's what is happening in the
7 laboratories. And as long as you apply it,
8 that's all that you need.

9 And the Supreme Court was unaware of
10 this language. And I mean, say it's old. Well
11 one can come forward and see that this discovery
12 concept finds its way throughout our history.

13 But the Planned Patent Act and it's
14 legislative history talked a lot about this
15 notion of discovery. And we allowed discoveries,
16 we allowed protection for planned patents. These
17 are not things that are made by humans.

18 They are discovered and protected for
19 nearly a century now. And so this is, I think,
20 a critical and underexplored office that the
21 Patent Office can really help in bring into the

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1 attention.

2 Now let's go to the Mayo case. The
3 Mayo case goes back to the same language. Here
4 it is, you can see that they have the same
5 quotation. Justice Breyer pulls it out, he says
6 that this is important to him and this is how
7 he's going to base the inventive application
8 requirement.

9 I'm almost done. I'll go as quick as
10 I can. And so he says in the opinion itself, he
11 says that there was an inventive application.
12 And well, that statement as compared to the
13 actual record in Neilssen. Here's what they said
14 in Neilssen, this is the case that he says there
15 was inventive application.

16 He says the mode of heating was
17 perfectly well known. It was perfectly well
18 known. They didn't read the case. Now this is
19 our Supreme Court, they're busy. But they ought
20 to raise the cases they cite. That's what
21 Neilssen says.

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1 What was Neilssen really about? It
2 was about whether it was a machine. And the
3 important line in this passage is the sentence
4 prior to we think the case must be considered as
5 if the principle being well known. It says we
6 think that the plaintiff does not merely claim a
7 principle but a machine.

8 And the reason they use this reference
9 to considering the principles well-known is
10 because they were drawing reference to an earlier
11 case, Minter v. Wells where there was a machine
12 versus principle issue.

13 And in that case, the principle was
14 well known. So they were merely postulating.
15 This is, like, a 1L, you know, failure to read
16 the case kind of problem. So that's what we're
17 dealing with.

18 So what I had hoped, and many did,
19 that the Supreme Court could fix that in the
20 Ariosa case. There we got I think a really clear
21 case of a scientific principle being applied, an

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1 important discovery that's important for all of
2 us. And yet, it was considered unpatentable.

3 So many of us who filed briefs, I
4 filed a briefs. I filed a brief with Jeff Lefson
5 and we said just go back and fix it. Well, the
6 Supreme Court didn't fix it. So now we live in
7 the world in which we all have to pretend that
8 the emperor has clothes.

9 Well, let me just tell you, it
10 doesn't. And the PTO, without being provocative,
11 can just say here's the history, you ought to
12 know it. It's an authoritative agency. And in
13 that respect, what I want to just say is that the
14 Supreme Court has a history in this area and they
15 used to be a little more shy about technological
16 superiority.

17 In the Benson case, they completed the
18 decision. And this is Justice Douglass who gave
19 us a lot of questionable patent jurisprudence.
20 But even he says if these computer programs are
21 to be patentable, we need to have Congress look

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1 at this issue.

2 So I don't think that we should act
3 like the common law can solve all ills here. We
4 have a pretty clear ill. It ought to be
5 addressed. Now I would like to open up that box
6 wider and have the Supreme Court, I mean have
7 Congress look at a variety of the questions that
8 have been raised.

9 But certainly, we shouldn't let this
10 issue stand as it's currently presented. Now
11 what's the role for the PTO here? Well, I think
12 the PTO can do things that it's doing in some
13 other areas like in the copyright area, produce
14 a report that tells the full history and explains
15 this kind of background information so that our
16 legislators know they're not seeing it from
17 lobbyists, they're seeing it from an
18 authoritative agency.

19 I'll mention the Copyright Office did
20 a similar thing recently on pre-72 sound
21 recordings and the making available right. These

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1 reports I think can help fuel very positive
2 legislative action.

3 I'm not worried about unintended
4 consequences because as has already been said,
5 we're living through very significant unintended,
6 and as I've tried to illustrate, just completely
7 mistaken decisions.

8 MS. PERLMUTTER: Thank you very much.
9 Let's turn to our third panelist, Wayne

10 MR. SOBON: Thank you very much.
11 Good afternoon, I'm Wayne Sobon. I've been a
12 patent agent and an attorney for the last 30-some
13 years. I'm a past President of AIPLA and I
14 recently served on the Patent Public Advisory
15 Committee of the US PTO.

16 But I'm here delivering these remarks
17 on behalf of myself alone. Similar to Mr. Ruben
18 and Professor Menell, I would like to go back
19 also to some first principles in history.

20 Article and Section 8 of the
21 Constitution neatly divided the promotion of on

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1 the one hand science, the fields of knowledge and
2 ideas by securing exclusive rights to authors of
3 their writings, things like books and maps and
4 charts.

5 And then the useful arts where science
6 and ideas are transformed into tools and actions
7 in the world by securing exclusive rights to
8 inventors of their discoveries.

9 Basic ideas in science remain free for
10 all. One of the first Congressional acts was,
11 as we know, the Patent Act of 1790 which granted
12 patents to any persons that, "have invented or
13 discovered any useful art, manufacture, engine,
14 machine, or device or any improvement therein not
15 before known or used provided that it was deemed
16 sufficiently useful and important."

17 I think it's instructive to go back
18 and understand what was meant by useful arts.
19 According to Sheridan's Dictionary of 1780,
20 useful meant, "convenient, profitable to any end,
21 conducive or helpful to any purpose," and art

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1 meant. "the power of doing something not taught
2 by nature and instinct, a trade, artfulness,
3 skill, dexterity, cunning."

4 It's also interesting for us modern
5 eras to know that the original sense of
6 technology was from the Greek technae which
7 simply meant art or craft as opposed to episteme,
8 or scientific knowledge or systems of
9 understanding.

10 Technology was much broader than its
11 current engineering focus meaning. Sheridan
12 defined technical as, "belonging to the arts, not
13 in common or public use, popular use." And
14 Webster in 1833 defined technology as simply a
15 treatise on the arts, an explanation of terms of
16 art.

17 The intellectual property system
18 framed in the Constitution and enacted in the
19 first of our patent laws, and to my mind was
20 elegant and sensical. Science was free to all
21 people to advance. The work advancing science

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1 was protected through copyrighted works, and
2 applied knowledge was protected by patents.

3 And the breadth of useful arts was
4 extremely wide, encompassing all that was useful
5 in the real world and in commerce, "the power of
6 doing something not taught by nature and
7 instinct."

8 This elegant scaffolding I would say
9 sufficed the US Patent system for the better part
10 of 200 years. And similar to Professor Menell,
11 in certain cases touched on the boundaries
12 between abstract idea, episteme, and protectable
13 useful art, technae.

14 The Morse Telegraph case I think is
15 really instructive. There the Supreme Court
16 denied Morse's super broad Claim 8, "the use of
17 mode of power of electric or galvanic current
18 which I call electromagnetism, however developed
19 for marketing or printing intelligible
20 characters, signs or letters at any distances."

21 The Court rejected this saying, "He

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1 claims an exclusive right to use a manner and
2 process which he has not described and indeed had
3 not invented, and therefore could not describe
4 when he obtained his patent. The Court is of the
5 opinion the claim is too broad and not warranted
6 by law."

7 While often cited as an early subject
8 matter case, really the Court was making what we
9 would now term a 112 indefiniteness and lack of
10 written description rejection.

11 It's also I think incredibly
12 instructive to note that the same Court allowed
13 Morse's Claim 5 which broadly claimed, "The
14 system of signs consisting of dots and spaces and
15 horizontal lines for numerals, letters, words, or
16 sentences substantially as set forth herein and
17 illustrated for telegraphic purposes."

18 A system of signs, but specifically
19 applied in the real world within telegraphy.
20 Query whether this would survive Alice.

21 Section 101 patentability challenges

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1 of the '70s in Benson and Flook culminated in the
2 Diamond vs. Diehr decision of 1981 and the
3 roughly contemporaneous Chakrabarty decision of
4 1980 which set out a broad ambit of patentability
5 on the advent of the digital and biotechnology
6 revolutions.

7 Coming as they did at the foundation
8 of the Federal Circuit, these decisions
9 reinforced a view that the US Patent system was
10 capable of broadly encompassing, "anything under
11 the sun that is made by man," as the Chakrabarty
12 court quoted the Senate Committee report on the
13 1952 Act.

14 The Diehr Court noted that Section 101
15 simply provides, "a general statement of the type
16 of subject matter that is eligible for patent
17 protection subject to the conditions and
18 requirements of this title."

19 The more substantive requirements for
20 whether a particular invention is novel, Section
21 102 and non-obvious, Section 103 stand wholly

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1 apart from whether the invention falls into a
2 category of statutory subject matter.

3 Quoting the '79 CCPA case In re Bergy
4 authored by Judge Rich who we all know was a co-
5 author of the Patent Act of 1952. And as Judge
6 Rich underscored in Bergy, Section 101 was never
7 intended to be a standard of patentability.

8 The standards or conditions as the
9 statute calls them are in 102 and 103. This is
10 consistent with the legislative history
11 accompanying the 1952 Act which explains that
12 Section 101 sets forth the subject matter that
13 can be patented subject to the conditions and
14 requirements of this title, that is 102, 103, and
15 112.

16 Of course, as a number of people have
17 noted, every innovation is a set of abstract
18 ideas given concrete application in the real
19 world. Unfortunately under current practice,
20 Section 101 has become a destructive rusted
21 machete for an area of law that calls for sharp

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1 scalpels.

2 There seems to be something especially
3 difficult for the courts and the PTO in handling
4 digital and biological innovations. It's far
5 easier today I would say to get a patent by adding
6 one more gear or lever to an 18th Century cuckoo
7 clock than trying to protect an elaborately coded
8 new application on a smartphone.

9 And the US is now falling behind
10 Europe and China in the protectability of these
11 inventions. I would say we have allowed the
12 Supreme Court to craft our US industrial policy.
13 And as noted by at least some today, there is
14 some evidence that failure to protect these
15 inventions is having an effect on early stage
16 funding and development.

17 Absent a strong turn by the federal
18 courts back to the Diehr and Chakrabarty vision
19 of patentability, I would argue we probably do
20 need a legislative adjustment, one that should be
21 as elegant and brief as possible in line with the

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1 adjustment that happened in the 1952 Act that
2 added the new brief Section 103 to, "stabilize
3 judicial jurisprudence about obviousness."

4 I would suggest something similar for
5 Section 101, something along the lines of adding
6 at the end a simple sentence saying, for purposes
7 of this Section, it is irrelevant whether the
8 invention or any of its claimed elements is
9 otherwise unpatentable under Sections 102, 103,
10 or 112.

11 I believe something this simple or its
12 equivalent accompanied by clear legislative
13 history can help undo so much of the new troubling
14 jurisprudence that imports these other conditions
15 of patentability at the outset and restore 101 to
16 the minimal, simple threshold for inventions of
17 the useful arts to which it was always intended.
18 Thank you.

19 MS. PERLMUTTER: Thank you very much.
20 So our last panelist on this panel is Marion
21 Underweiser.

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1 MS. UNDERWEISER: Thank you very
2 much. Thank you for the opportunity to speak
3 today. Subject matter eligibility law in the
4 United States is broken. The Supreme Court's
5 recent decisions in Bilski, Mayo, Myriad, and
6 Alice are the cause.

7 The Court has unapologetically
8 refused to define the metes and bounds of its
9 test, and has against the advice of the patent
10 community, including the PTO, used 101 to do the
11 work properly reserved for the other statutory
12 sections causing great uncertainty for both
13 patentees and potential infringers about the
14 enforceability of a broad swath of both software
15 and biotechnology patents.

16 This is not some minor issue that can
17 be worked out on a case by case, fact by fact
18 basis over the course of years. It's a critical
19 problem that undermines innovation and economic
20 success in the United States, and it is therefore
21 one that must be fixed in a holistic way that

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1 reflects a healthy innovation policy which is
2 something only Congress can do through
3 legislation.

4 We at IBM agree that patent quality is
5 important, and IBM has for many years worked with
6 the Patent Office and with Congress and with
7 other patent owners to improve patent quality.

8 But let me make this point very clear.
9 Subject matter eligibility is not a way to
10 determine, address, or improve patent quality.
11 Subject matter eligibility does not address the
12 matters that critics of the patent system
13 complain about such as patents that are vague,
14 old, or overbroad.

15 This is the work of the other
16 statutory requirements found in Sections 102,
17 103, and 112. Nor is subject matter eligibility
18 about whether a patent owner irresponsibly
19 asserts its patent rights.

20 The inevitable reality that some
21 patents are, sorry, that subject matter

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1 eligibility is about the areas of innovation that
2 a Government chooses to encourage or to
3 discourage.

4 The inevitable reality that some
5 patents are of poor quality or asserted by
6 irresponsible parties is not a reason to make it
7 impossible for anyone to obtain patents because
8 they happen to be in a certain technological area
9 as many people have mentioned today use the same
10 metaphor.

11 This overreaction is a classic example
12 of throwing out the baby with the bathwater. A
13 vague and narrow scope of what is patent-eligible
14 does not help us explore the specifics of any
15 particular invention, nor does it address abusive
16 litigation behavior.

17 Instead, it establishes a cramped
18 innovation policy that picks winners and losers,
19 awarding enforceable patent rights to those who
20 are lucky enough to work in a field arbitrarily
21 deemed to fall on the right side of the line.

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1 And where is this line being drawn?
2 Currently the law creates uncertainty and narrow
3 patent eligibility in the most cutting edge areas
4 of innovation including software and
5 biotechnology, fields that are the least
6 understood and most vulnerable to
7 misappropriation.

8 Undermining the incentives for
9 investment and innovation in these fields
10 discourages research and development and reduces
11 the availability of innovative products.

12 In IBM's field of information
13 technology for example, software exports generate
14 between \$50 and \$57 billion in 2012. Moreover,
15 exports of software and related services grew by
16 nine to ten percent per year between 2006 and
17 2012, nearly 50 percent faster than all US
18 exports.

19 And the software and information
20 technology industries have been a bright spot in
21 an economy that often struggles to create jobs,

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1 directly employing more than 2.5 million
2 Americans in 2014 and indirectly supporting
3 nearly 7.5 million more jobs.

4 Software has also become the medium of
5 modern innovation, revolutionizing industries
6 such as automotive, healthcare, and manufacturing
7 to name a few.

8 It's hard to conceive of a more
9 damaging policy direction for our country than
10 one that undermines R&D investment in this area.
11 But that's exactly the result of the current
12 narrow, uncertain state of subject matter
13 eligibility law.

14 IBM is a software company. The
15 cutting edge in software development is cognitive
16 computing or artificial intelligence. This year
17 the World Economic Forum named AI as one of its
18 top ten emerging technologies for 2016 because it
19 could unlock higher productivity and better
20 health and happiness for millions of people
21 within the next few years.

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1 Leading software companies are making
2 significant investments in AI. At IBM for
3 example, cognitive computing is driving whole new
4 categories of industry specific innovation in
5 areas such as finance, healthcare, and security.

6 But innovators can only afford to make
7 these types of paradigm changing leaps in
8 innovation if they are certain that patents will
9 perform their job of protecting their significant
10 investments in R&D.

11 Irving Wladawsky-Berger, a thought
12 leader and former strategist for IBM, recently
13 said that one of the key ways of assessing
14 progress in AI is to compare it to human
15 intelligence.

16 Any activity that computers are now
17 able to perform that was once the exclusive
18 domain of humans could be counted as an AI
19 advance. But the current state of eligibility
20 law makes vulnerable this new horizon, distorting
21 and oversimplifying inventions, leading to a

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1 determination that many are patent-ineligible.

2 Without any fact finding or claim
3 construction, a judge can simply declare that an
4 invention implemented through software is
5 something humans have previously done, now
6 enabled on a generic computer, and thus patent-
7 ineligible abstract idea.

8 We have heard some, many people today
9 point to recent cases where software is actually
10 found patent-eligible, to argue that the courts
11 are approaching a solution on patent eligibility.

12 While we are certainly gratified that
13 not all federal circuit judges read the Alice
14 decision as the death knell for software patents,
15 the fact that over two years after the Alice
16 decision, with over 12,000 claims invalidated,
17 some judges faced with clearly meritorious
18 inventions will work backwards to justify
19 eligibility does not mean we should call off this
20 type of conference and head home.

21 These cases use an ends justify the

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1 means analysis and they are thus inconsistent
2 with each other and provide no reliable rules
3 that can be used to predict outcomes going
4 forward.

5 This is the hallmark of failed
6 jurisprudence. Judges have no faith that
7 applying the test will yield what they believe
8 should be the proper outcome, so they bend the
9 test to suit their desired result. Step two
10 becomes step one, preemption matters, and then it
11 doesn't.

12 This is judicial anarchy aimed
13 directly at groundbreaking technology. We need
14 clear rules governing patent eligibility both for
15 the benefit of innovative firms and for society,
16 the ultimate beneficiary of these innovations.

17 We cannot afford to perpetuate the
18 failure of our subject matter eligibility laws.
19 Even now while China's Patent Office considers
20 ways to make it easier to obtain software related
21 patents, we continue to flounder and meander in

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1 confusion, not on whether to sanction bad actors
2 or how to find and apply the best prior art, but
3 on the simple question of what we think our patent
4 systems should protect.

5 A significant course correction in
6 subject matter eligibility law is required to
7 protect, sustain, and grow US R&D investments.
8 Time and again, the courts have shown that they
9 do not know how to address this issue.

10 The time has come to ask Congress to
11 sweep away the cases that have created this
12 problem by finding a legislative solution that
13 ensures we promote innovation in the fields so
14 important to our economy. Thank you.

15 MS. PERLMUTTER: So I would like to
16 thank all of the panelists for their
17 presentations. And let me kick off the Q&A part
18 of the discussion by noting that on this panel,
19 unlike some of the others, the majority, although
20 not necessarily everyone, seems to support a
21 legislative solution.

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1 We heard from Bob Armitage as the
2 first speaker a fairly detailed outline of a
3 legislative approach which would overrule the two
4 part judicial test in favor of a useful arts or
5 technological advancement approach.

6 And so I would like to throw the floor
7 open to the four other panelists for any views or
8 thoughts or reactions to that proposal,
9 recognizing that you may have heard it for the
10 first time a few minutes ago.

11 MR. JONES: So we've long thought that
12 the purpose of the patent system was to advance
13 technology and that a useful arts test made
14 sense. I mean, I think the, as I said, there is,
15 who knows if it will be sustained but there really
16 does seem to be a trend if you look at the Federal
17 Circuit decisions over the last year in the
18 software area.

19 Both the ones that hold patents
20 eligible and the ones that hold patents
21 ineligible already seem to be focusing on the

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1 advance in technology language from Alice.

2 So you know, I think you would have to
3 very carefully weigh, and I apologize, I worked
4 in Congress for a long time so maybe I'm overly
5 skeptical. I just, a lot of different things can
6 go wrong in the Congressional debates and then
7 you're stuck with, you know, assuming that
8 something's actually enacted you're stuck with
9 the language.

10 So I think you would have to weigh the
11 risks there to really believe something was going
12 to make things better. But in principle, I think
13 a technological arts, useful arts type of test,
14 or a technological effects type of test as is
15 applied by the EPO actually will lead to good
16 policy outcomes.

17 MR. MENELL: I think we probably all
18 have something to say, so we'll just go down the
19 line. So I think it, I think we heard a lot of
20 support for that type of test, although some
21 earlier panels thought that it can be done

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1 through the courts.

2 I question that, especially in, well
3 the diagnostic area is a completely, you know,
4 different kettle of fish and it wouldn't address
5 some of the concerns that exist there.

6 I do think that the courts have gotten
7 close to a part of the useful arts test in the
8 Alice decision, and certainly the concurrence in
9 Alice which seems to endorse Justice Stevens'
10 opinion from Bilski.

11 And I frankly think that the business
12 method path has been a very bad path for the
13 patent system. And I think even Judge Rich was
14 pushing the line based on some of his earlier
15 writings. We can talk about that separately.

16 I would like to see the diagnostic
17 issue addressed with some of the data and some of
18 the analysis. I can't say that Professor Chien's
19 preliminary results helped me that much because
20 we may have been seeing a real expansion in that
21 area.

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1 So even if there's modest growth, we
2 still might be losing. And the other thing we're
3 doing is pushing a lot of it into trade secrets.
4 We're doing a lot of things that I think are very
5 risky if we want to have disclosure and
6 advancement of knowledge through patent type
7 systems.

8 On software, I think machines have
9 long provided a basis for protecting software.
10 What I question is 20 years, and that is sort of
11 a verboten issue. But there is nothing
12 scientific or economic about 20 years for
13 everything. And that might have worked back in
14 the age of apprenticeship, but it doesn't work
15 today.

16 And so what I would push for for a
17 much longer term revision. Not something we
18 would have to do next year, but I would hope that
19 the Patent Office could see that we want to move
20 towards more of a technological zoning system
21 where we identify within pockets of technology

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1 ways of figuring out how best to promote instead
2 of just saying we have a one size fits all system.

3 Now I still think we can do something
4 sooner to help the diagnostic industries and to
5 clear up some of the confusion that's out there.
6 But for me, long term, I would like to see a much
7 greater emphasis.

8 There's now an Office of the Chief
9 Economist. We ought to be thinking about how to
10 go beyond what has been a centuries old system to
11 a truly sophisticated and forward looking system.

12 The other thing is, you know, people
13 say you have to do one size fits all because, you
14 know, software can be used in anything. There's
15 nothing to suggest that we can't be creative in
16 that enterprise.

17 The other thing is we can do things
18 prospectively. So we don't have to kill the
19 existing patents. We don't have to hurt the
20 existing stakeholders. But we can help the next
21 generation of stakeholders, some of the people

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1 perhaps that Julie Samuels was talking about, try
2 to bring them in without hurting the people like
3 IBM who have already made those investments based
4 on the system that was there.

5 MR. SOBON: I would say a couple
6 things. One is I am speaking also from my past
7 experience as I was Chief IP Counsel for
8 Accenture and we were very heavily involved in
9 the Bilski debate because that company especially
10 spent hundreds of millions, still continues to
11 spend hundreds of millions of dollars on research
12 in the field of industrial engineering which is
13 not necessarily, might not fall within the
14 technological arts in a narrow sense.

15 But as I tried to argue I think in my
16 comments, historically understood, useful arts
17 was a much broader thing than what we might think
18 of today as technology which I think gets seen as
19 transistors and gears and chemicals.

20 And we were actually very pleased that
21 the Bilski court ruled that, once again, what

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1 they had already ruled several times in the
2 Benson Flook and Diehr decisions which was they
3 had never said that there was a specific machine
4 or transformation test or a bright line test for
5 this.

6 And they also had never said and never
7 would say that a business method, absent any
8 actually specific mechanism wouldn't be
9 necessarily potentially patentable. I think
10 that was a good decision.

11 I think the key ill of the current 101
12 jurisprudence, which I think Professor Minell,
13 given what his comments would possibly agree with
14 me and what I tried to express is that the ill is
15 the importation in the two part test of a novelty
16 and/or obviousness test imported into the initial
17 101 analysis without factual discussion on it.

18 And it sounds great if you're on the
19 defense side to have at the pleading stage a
20 patent completely destroyed without any
21 discussion about whether it really truly was a

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1 novel or an unobvious improvement on the
2 background useful arts.

3 That I think is the key ill. And
4 that's what I think a very surgical legislative
5 fix should try to fix if the courts seem not to
6 be able to do so. And I think given the Supreme
7 Court's decisions after Prometheus, I find that
8 is going to be very hard to undo that gene, which
9 I think is the pernicious issue that we're facing
10 right now.

11 MS. UNDERWEISER: So I have to
12 apologize. I have not studied carefully Bob's
13 proposal, so I'm not going to specifically speak
14 to that language. But I just wanted to say a
15 couple of cautionary words about a kind of a
16 technical arts or technical effect test.

17 We do not have a definition for that.
18 The EU doesn't either. And I know that looking
19 at the case law in the EU, we see this and say
20 oh, it's stable. There are inventions that are
21 patentable in the EU and they're not patentable

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1 here.

2 But the truth is the EU has gone
3 through quite some time to get to where they are,
4 and it is my understanding that the way they
5 define their concept of technical is by how close
6 or far away a patent claim is from their stated
7 exclusions.

8 And the ones that I think you may have
9 seen in the statute to business methods or
10 software per se or games or other gaming methods
11 or other things of that nature which the EU has
12 made a policy decision to exclude.

13 Right, so we can have a debate in
14 Congress about whether or not we think certain
15 subject matter areas should be excluded, but it's
16 something we've never done in the US, and it's
17 never served us to promote innovation.

18 So I think we have to be careful about
19 how we define something like this. You know,
20 again, it sounds good, technical, non-technical,
21 right? But we know from looking at, someone

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1 earlier today referenced the cover business
2 method review statute and the concept of
3 technical being introduced into the definition.

4 And with all due respect, the
5 definition is a little circular. And so, you
6 know, there isn't really a separate definition in
7 there of what is meant by that. So it's
8 something that we all kind of struggle with to
9 figure out where is this going to be, not
10 necessarily going to be, you know, a panacea for
11 us.

12 And we do have to ask ourselves much
13 as things are in chaos in the US right now, is
14 the EU system our goal. Is that what we want?
15 Has the EU system promoted innovation in a way
16 that we think is what we deserve in the United
17 States to promote innovation.

18 MR. KRAUSE: Well, just following up
19 on something Marian just mentioned, and also I
20 kind of almost heard a reference to it when Wayne
21 was talking. Marian mentioned the fact that

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1 Europe doesn't allow patents on games, for
2 instance.

3 Wayne on the other hand endorsed the
4 definition of useful arts based on the dictionary
5 definitions from the 1700s which I think would
6 apply to games, am I correct on that?

7 MR. SOBON: You allowed the Monopoly
8 patent in the '30s. I think gaming and systems
9 of games is perfectly patentable. Those are
10 useful and they're creative and I see no reason
11 why you can't patent those. And when you in
12 fact, the Patent Office has routinely allowed
13 those sorts of things.

14 MR. KRAUSE: Okay, so that's --

15 PARTICIPANT: Do the other panel
16 members --

17 MR. SOBON: It's sort of like why not.
18 I mean, I don't understand what the real harm is,
19 frankly. So if you want to have a different
20 game, get a different game.

21 MR. KRAUSE: Well, the question is how

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1 much resources should patent examiners who are
2 trained in what we refer to as technology have to
3 devote to examining things that are clearly non-
4 technological which other countries, as Marion
5 says, have excluded completely.

6 MR. MENELL: Well, you know, earlier
7 we heard reference, I think it was the Amazon
8 representative, to sort of the overarching
9 principle. You know, we shouldn't just assume
10 because it's useful art that Congress should
11 exercise the power that the Constitution gives
12 it.

13 We should be continually evaluating
14 how to move forward to promote progress, and that
15 changes over time. One of the really complex
16 aspects of these puzzles that we're currently
17 working with is that there are other methods of
18 intellectual property, trade secrets,
19 copyrights, trademarks, that all come into play
20 as companies are developing their portfolios and
21 building these businesses.

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1 And we shouldn't assume that just
2 because it's not patented there isn't some
3 motivation. Network effects, first mover
4 advantage, there are a lot of ways in which
5 companies can and do strategize about these
6 issues.

7 So just because these are large
8 industries doesn't mean that sort of pumping up
9 the patents because we've also heard that there
10 can be negative effects when we give out a lot of
11 these rights, and then we wind up playing these
12 nuisance suit games.

13 And so I do think that there are
14 multiple ways of approaching this. But I do
15 agree that we ought to try to at least push us
16 back on the path of protecting fundamental
17 applications of scientific discoveries because
18 that is I think part and parcel of what does, you
19 know, deal with public health issues and
20 important issues.

21 Games, I don't know. I would like to

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1 see a study. But I certainly feel that, you
2 know, the Sequenom type patent was eligible. It
3 may well not have been patentable. But it was
4 the idea that we wouldn't allow a non-invasive
5 diagnosis to be even within that pool is just
6 seems, you know, completely outside of what I
7 think the patent system should be about.

8 MS. PERLMUTTER: I also want to make
9 sure that Bob Armitage has a chance to respond if
10 he would like to.

11 MR. ARMITAGE: Yes, maybe just a
12 couple of comments. You know, I know in my heart
13 perhaps what the perfect amendment would be to
14 the patent statute to solve the problem with the
15 Supreme Court jurisprudence.

16 And I would have stopped my slides
17 with the one that talked about abrogating the
18 entire body of jurisprudence and just relying on
19 the statutory provisions on the ground that they
20 do all the policy work the Supreme Court thinks
21 needs to be done.

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1 But having listened to the entire
2 program today, I'm fairly convinced that as
3 perfect as that amendment is, it politically
4 doesn't stand a chance of going anywhere.

5 So then the question becomes if we're
6 going to do something that from at least that
7 extreme point of view is not a perfect solution,
8 what do we do that's still principled and
9 palatable and yet has an expansive view on the
10 role of the patent system.

11 And therein lies, at least my belief,
12 that unless we start thinking about making
13 explicit what is implicit, that is if something
14 doesn't contribute to the useful arts I doubt
15 there is one Justice on the Supreme Court who
16 believes that that type of subject matter defines
17 something that's eligible for patenting.

18 So if we just start from that
19 principle, my question is can we make it work
20 because I have a hunch that if we could, that
21 might be an imperfect solution. Imperfect, yes,

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1 but yes, a solution because it just might be
2 something you could get through Congress.

3 MR. KRAUSE: But what's your
4 definition of useful arts, Bob? It sounds like
5 it's different than Wayne's.

6 MR. ARMITAGE: Yes, you know, it's
7 very interesting because I started working on
8 this out of a sense of desperation that
9 everything else I saw being done just didn't look
10 to me like it made sense for one reason or
11 another.

12 I came across and read again very
13 carefully Justice Stevens' concurring opinion
14 which has kind of a middle ground, not Wayne's
15 ground but a middle ground on what useful arts
16 means.

17 I took another look at actually Tony
18 Dutra's brief, his own personal brief in the
19 Alice, amicus brief in the Alice decision that
20 again went through the history of how useful arts
21 might distinguish from other types of human

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1 endeavor that wasn't considered eligible for
2 patenting.

3 If you fast forward and take the
4 contemporary view of the term technological and
5 technology, you have basically what was done with
6 the trips agreement saying as Hans Sauer did this
7 morning, patents are for fields of technology.

8 So I think basically you build on that
9 contemporary understanding. You have it
10 informed by what's going on in Europe. You don't
11 necessarily do exactly what the Europeans do, but
12 you adapt it to our Constitutional tradition of
13 limiting patents to contributions to the useful
14 arts for the purpose of promoting progress in
15 those arts.

16 MR. KRAUSE: Just one more quick one.
17 Wayne, you mentioned that there's evidence that
18 there's a deficit in early stage funding for
19 small businesses. Julie Samuels kind of said the
20 opposite in her remarks. Can you submit evidence
21 to us or can you talk about it a little bit here?

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1 MR. SOBON: I have seen people refer
2 to this, I'm not an expert in that area. You
3 know, and I think the Chamber of Commerce's
4 comments today were along the lines of just
5 almost the opposite.

6 There is an effect and I think there
7 is at least anecdotal evidence that, you know,
8 and some of us have focused on that venture
9 capitalists and others investing in new stage
10 funding on average, on the margin would rather
11 invest in something that's protected if there
12 are, especially if there's existing market
13 entrants who already could then see what the new
14 company is doing and rapidly take it on and use
15 their network effects to just adopt the new
16 technology.

17 That's obviously a very big danger, so
18 having something protectable like Microsoft found
19 with Stack Electronics is actually very powerful
20 for small and medium size enterprises.

21 MR. KRAUSE: Yes, what did you think

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1 of that case, Microsoft, Stack Electronics from
2 the 1990s?

3 MR. SOBON: I'm sorry, but it predates
4 me.

5 MR. KRAUSE: It's famously what
6 caused Bill Gates to change his mind about
7 patenting because it was a small company that
8 actually --

9 MR. JONES: And there a big damages
10 award. So I generally agree that it actually is
11 a large company. In some pays patents, although
12 we tend to be fairly pro-patent, I mean, we have
13 tens of thousands of engineers that can replicate
14 most technology once we understand how it works.

15 So it's very easy for large companies
16 to go out there and swamp the small guys. And
17 you know, our general counsel used to say, I don't
18 know if he still says it but he used to say there
19 are only two reasons for us to acquire a company,
20 to get their people or to get their IP.

21 Right, those are the two things that

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1 we can't, you know, build internally. We either
2 need to get their employees because they're
3 brilliant or we need to get their IP.

4 So I do think that IP, in the
5 acquisition context, actually matters a fair
6 amount to lots of companies.

7 MR. MENELL: Well, if you think about
8 what's been going on over the last decade, I mean,
9 Congress took up these issues in the early 2000
10 period after the bubble burst. And most of the
11 action was actually in the courts.

12 We get eBay, we get KSR, we got a whole
13 series of cases. What we ultimately get from
14 Congress is the AIA which sort of added a new
15 administrative process and first to file.

16 But we now are facing sort of a second
17 tier of problems caused by one part of that
18 Supreme Court jurisprudence. You know, I don't
19 have a problem with eBay, KSR. I mean, one could
20 quibble about whether they were consistent or at
21 least eBay was consistent with equity

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1 jurisprudence.

2 But I think it's generally been good
3 and has helped to solve a lot of what we're
4 calling the troll problem. But the 101
5 jurisprudence did throw out some of the baby with
6 the bathwater and I think just illustrates that
7 the Supreme Court is not institutionally well
8 situated to address these problems.

9 I think the PTO is an important
10 institution for helping, and I think ultimately
11 Congress is our main source for making the big
12 social decisions.

13 In copyright we do it every 50 or 60
14 years. We haven't really done it, at least on a
15 101 level, you know, in recent history.

16 MS. PERLMUTTER: All right, we are out
17 of time. I know there are still some questions
18 from the audience, and I think it's been a
19 fascinating conversation, so I would like to
20 apologize for not being able to get to all of
21 them.

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1 But let me just close by saying really
2 the day has been intense, it's been long, but
3 it's been an absolutely full and very rich
4 discussion I think with a lot of illumination in
5 a lot of respects and also a tremendous amount of
6 food for thought.

7 I wanted to extend thanks to all of
8 the participants for sharing their ideas and
9 their time. And I also particularly wanted to
10 thank the team from the US Patent and Trademark
11 Office that came out here to make this
12 complicated, multi-city event work.

13 So in particular let me mention
14 Elizabeth Shaw, Hollis Robinson, Nadine Herbert,
15 and Linda Taylor who are all here among you. So
16 thanks to everyone.

17 (Whereupon, the meeting in the above-
18 entitled matter went off the record at 5:01 p.m.)

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