IN THE MATTER OF REQUEST FOR COMMENTS ON 2019 REVISED PATENT SUBJECT MATTER ELIGIBILITY GUIDANCE

Docket No. PTO-P-2018-0053

COMMENTS OF THE ELECTRONIC FRONTIER FOUNDATION

The Electronic Frontier Foundation ("EFF") welcomes this opportunity to provide comments on the United States Patent and Trademark Office's ("USPTO") Request for Comments on 2019 Revised Patent Subject Matter Eligibility Guidance, Docket No. PTO-P-2018-0053, published Monday, January 7, 2019 ("Request").

EFF is a nonprofit civil liberties organization that has worked for more than 25 years to protect consumer interests, innovation, and free expression in the digital world. EFF and its more than 39,000 dues-paying members care deeply about ensuring that intellectual property law in this country serves the goal set forth in the Constitution: promoting the progress of science and technological innovation. To ensure the voices of consumers, end users, and developers are heard, EFF has often provided comments on behalf of the public's interest in the patent system to the USPTO, including on Section 101's requirements for patent-eligibility and the impact of those requirements on innovation in the software industry.[1]

I. Introduction

The Revised Guidance effectively instructs examiners on how to narrow the *Alice v. CLS Bank* decision instead of how to apply it correctly. As a result, it is as contrary to law as it is to the Constitution's mandate that our patent system promote rather than stifle technological progress. We strongly encourage the USPTO to reconsider and revise its guidance to ensure examiners apply *Alice* correctly.

First, the Guidance defines the category of ineligible abstract ideas to include only three possibilities: mental processes, mathematical formula, and methods of organizing human activity. No Supreme Court or Federal Circuit decision has ever said only three categories of

[1] *See, e.g.*, Comments of EFF Regarding Request for Comments on Determining Whether a Claim Element Is Well-Understood, Routine, Conventional for Purposes of Subject Matter Eligibility. Docket No. PTO-P-2018-0033, at https://www.eff.org/files/2018/09/03/eff_comments_re_docket_no._pto-p-2018-0033.pdf (August 20, 2018); Comments of EFF Regarding Request for Comments Regarding Subject Matter Eligibility, Docket No. PTO-P-2016-0041 (January 18. 2017), at https://www.uspto.gov/sites/default/files/documents/Comments_EFF_jan172017.pdf; Comments of EFF Regarding Guidance 2014 Interim Guidance on Patent Subject Matter Eligibility, Docket No. PTO-P-2014-0058 (April 2, 2015), at https://www.uspto.gov/sites/default/files/documents/ 2014ig_a_eff_2015apr02.pdf; and Comments of EFF Regarding Guidance Pertaining to Patent-Eligible Subject Matter, Docket No. PTO-P-2014-0036 (July 31, 2014), at https://www.eff.org/ files/2014/08/11/eff_comments_regarding_patentable_subject_matter_and_alice_corp.pdf.

abstract ideas exist. To the contrary, cases have identified numerous types of abstract ideas, including many that do not neatly fit into those three narrow categories. These rulings analyze claims by comparing them to ideas classified as abstract in other cases, not an exhaustive yet narrowly-drawn list of categories. The Supreme Court has approved the comparative method, and the Patent Office should be instructing examiners to apply that method instead of effectively rewriting the Supreme Court's decision to provide details the agency appears to wish had been included.

Second, the Guidance creates an entirely new and unprecedented step within the Supreme Court's two-step patent-eligibility test. Again, no Supreme Court or Federal Circuit case has ever identified such a step. Nor has any case suggested that any practical application of an abstract idea can become eligible without having to satisfy the inventive concept requirements. Even if it makes sense for the Federal Circuit, an appellate court, to resolve patent-eligibility as a matter of law at the first step of the analysis, the same is not true for examiners. Examiners should conduct the full, two-step patent-eligibility analysis in the first instance and make their findings part of the public record. That will lead to more accurate allowance decisions and more clarity as to the scope of issued patents. This would help reduce both the cost and complexity of future litigation.

By contrast, instructing examiners to avoid applying *Alice* in full will lead to more uncertainty and more patent litigation at the expense of innovation and economic growth, especially in the software industry. That is why more than one hundred people have already responded to EFF's call to action by submitting comments to the USPTO, asking for guidance that instructs examiners on how to apply *Alice* instead of how to narrow it. Otherwise, the patent system will fail to serve its constitutional mandate by promoting the proliferation of patents instead of technological progress.

II. The USPTO's Revised Guidance Distorts Supreme Court and Federal Circuit Precedents on Subject Matter Eligibility.

A. The USPTO's Decision to Limit the Range of Potential Abstract Ideas Is Contrary to Case Law.

The Revised Guidance limits the application of patent-eligibility precedents by narrowing the range of ineligible abstract ideas to three specific types. No Supreme Court or Federal Circuit has ever said or even suggested only three categories of abstract ideas exist. The USPTO's decision to create an exhaustive grouping of potential abstract ideas goes beyond the bounds of existing case law.

In narrowly defining the abstract-ideas category, the Revised Guidance does exactly what the Supreme Court has refused to do. For example, in *Alice*, the Court went out of its way to explain that it was *not* going to "labor to delimit the precise contours of the 'abstract ideas' category in this case." *Id.* at 221. The USPTO might wish the Court had chosen to undertake that labor. But it did not.

Instead, the Court endorsed another approach: comparing the idea at issue in a particular patent's claims to those classified as abstract ideas in prior cases. The comparative approach makes sense

because the question of whether a claim is directed to an abstract idea is only the beginning of the patent-eligibility analysis. The first step of the analysis should not devolve into a dispute about the precise bounds of each abstract idea grouping. Instead, it should serve as a coarse filter to ensure that any claims potentially directed to abstract ideas are scrutinized for the presence of an inventive concept.

Following *Alice*, courts have repeatedly recognized abstract ideas by comparing them to others found abstract. That approach has led to recognize numerous abstract ideas that do not fit within the Revised Guidance's narrow bounds. The following are just a few examples from the Federal Circuit:

- ***University of Florida Research v. General Electric Co.*, 2018-1284, at *10 (Fed. Cir. Feb. 26, 2019) (Moore, J.)**: abstract idea of "collecting, analyzing, manipulating, and displaying data";
- ***Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335 (Fed. Cir. 2018) (Chen, J.)**: abstract idea of providing a second set of data without disrupting a first set of data;
- ***BSG Tech LLC v. Buyseasons, Inc.*, 899 F.3d 1281 (Fed. Cir. 2018) (Hughes, J.)**: abstract idea of considering historical usage information while inputting data;
- ***RecogniCorp, LLC v. Nintendo Co.*, 855 F.3d 1322 (Fed. Cir. 2017) (Reyna, J.)**: abstract idea of encoding and decoding image data;
- ***Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1354 (Fed. Cir. 2016) (Taranto, J.):** abstract idea of "gathering and analyzing information of a specified content, then displaying the results";
- ***Affinity Labs of Tex., LLC v. Amazon.com, Inc.*, 838 F.3d 1266 (Fed. Cir. 2016) (Bryson, J.)**: abstract idea of delivering user-selected media content to portable devices;
- ***Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343 (Fed. Cir. 2015) (Newman, J.)**: abstract idea of retaining information in the navigation of online forms; and
- ***Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat. Ass'n*, 776 F.3d 1343, 1347 (Fed. Cir. 2014) (Chen, J.)**: "abstract idea of 1) collecting data, 2) recognizing certain data within the collected data set, and 3) storing that recognized data in a memory."

Judge Taranto's thoughtful opinion in *Electric Power* describes different types of abstract ideas identified in prior cases, including methods of "collecting and analyzing information" and "presenting the results of abstract processes of collecting and analyzing information," as distinct from methods comprising "steps people go through in their minds, or by mathematical algorithms," *i.e.*, "mental processes." *Electric Power.*, 830 F.3d at 1354.

Although that list does not purport to be exhaustive, it is enough to show that the groupings in the Revised Guidance are too narrow to capture the full range of abstract ideas identified by courts applying *Alice*. For example, abstract ideas that involve the collection, analysis, or display of information, but cannot be performed in the human mind or with human activity alone—ideas the Federal Circuit has repeatedly confirmed qualify as abstract—fall outside the narrow bounds of the Revised Guidance. At the very least, examiners should receive guidance that makes it easier, not harder, for them to apply the judicial decisions that govern this issue correctly.

B. The Decision to Exempt Claims from the Second Step of the Patent-Eligibility Analysis is Contrary to Case Law and Creates a Loophole for Invalid Patents.

A practical application of an abstract idea is not enough to establish patent-eligibility without going on to the second step of the analysis, and searching for an inventive concept attributable to the applicant. In *Alice*, the Court acknowledged that the claims, on their face, integrated the abstract idea into a specific application of the idea. Indeed, the "petitioner emphasize[d] that th[e] claims recite 'specific hardware'" configured to perform 'specific computerized functions.'" *Alice*, 573 U.S. at 227. But the Court held that claiming a practical application was not enough; there had to be a "meaningful limitation . . . beyond generally linking 'the use of the [method] to a particular technological environment.'" *Id.*

If a specific, concrete application of the abstract idea at issue in *Alice* was not enough to make it eligible for patent protection, such an application cannot be enough to bypass the second step of the patent-eligibility test altogether. *Alice* holds that a *meaningful* limitation is necessary, not just any *practical* application, and that this determination is part of the second step of the patent-eligibility analysis. Nothing in *Alice* suggests any intervening step could or should exist. The whole point of the second step is to assess the application of the abstract idea identified at step one. There is no intervening step 2A. That is just a loophole that allows applicants to avoid the inventive concept requirement.

While some Federal Circuit cases have concluded after step one that a patent is not directed to an abstract idea, that does not support the creation of an intervening step as a matter of course. Although we have concerns about the content of the USPTO's Guidance on the second step of the patent-eligibility test,[2] we believe the USPTO should at least instruct examiners to conduct that step of the analysis instead of encouraging them to bypass it altogether.

Skipping the second step of the patent-eligibility test will also undermine the clarity and comprehensiveness of the patent's intrinsic record. That will deprive the public of important information for understanding a patent's scope without engaging in expensive discovery and protracted litigation. Unlike the first step of the patent-eligibility analysis, the second step may raise factual questions (*e.g.*, whether a particular element is conventional). Instructing examiners to conduct the second step of the patent-eligibility analysis ensues that relevant fact findings are made by examiners, instead of judges, and that those findings become part of an issued patent's intrinsic record. That will increase the accuracy—and thus the reliability—of issued patents while reducing the uncertainty that drives up the cost and extent of litigation.

The creation of an intervening step will also create new inconsistencies between court and agency decisions on patent-eligibility. The USPTO and district courts have historically applied the same legal test for patent-eligibility. But under the Revised Guidance, examiners will apply a substantially different test than district courts. That will make it harder for district courts and parties alike to rely on information in a patent's prosecution history file and undermine the

[2] *See* https://www.eff.org/files/2018/09/03/eff_comments_re_docket_no._pto-p-2018-0033.pdf.

presumption of validity by limiting examiners to less information than courts will be able to consider when deciding patent-eligibility under *Alice* in litigation.

III. The USPTO's Revised Guidance Will Hurt the Public and Chill Innovation in the Software Industry by Ensuring that Invalid Patents Issue.

The dangers that invalid patents pose to software developers and users are real. *Alice* has been a critical tool in helping them defend against meritless patent lawsuits and litigation threats. That has allowed resources to flow to research and development and away from litigation. As we have previously explained, in the year before *Alice*, growth in R&D spending on "software & Internet" was strong at 16.5 percent, but in the year after *Alice*, the rate of growth became even stronger. During the year ending June 30, 2015 (approximately 12 months after the *Alice* decision), "[s]oftware & internet grew at over 27%, far greater than the growth of all other industries from 2014 to 2015." [3] This trend continued in the next year, when R&D spending in the software & Internet sector overtook the R&D spend in the automotive sector. And there is still massive growth in the software industry. In fact, investment in the software sector was projected to grow by 7% through 2018, more than doubling the 2.8% growth rate for GDP across all sectors.[4]

The USPTO's New Guidance will narrow *Alice* in ways that undermine these pro-innovation developments that have benefit individuals and businesses across the country. That is why over a hundred members of the public have responded to EFF's call for comments by urging the USPTO not to adopt guidance that will prevent patent examiners from giving *Alice* its full effect.

We hope the USPTO will consider the public's interest and the messages that members of the public have sent regarding the 2019 Revised Guidance. Unfortunately, the Revised Guidance appears to limit examiners' ability to do just that. As a result, it will guarantee that patents on basic ideas continue to issue despite *Alice*, and thus continue to tax and impede research and innovation that could otherwise spur further technological and economic advancement.

IV. Conclusion

We respectfully urge the USPTO to reconsider and revise its guidance on subject matter eligibility to ensure that examiners apply the *Alice* decision correctly by identifying the full range of abstract ideas and conducting both parts of the two-step analysis. The Revised Guidance's failure to do so is contrary to law and inimical to the public interest.

---

[3] *See* https://www.uspto.gov/sites/default/files/documents/Comments_EFF_jan172017.pdf (citing http://www.strategyand.pwc.com/media/file/The-2014-Global-Innovation-1000_media-report.pdf; http://www.strategyand.pwc.com/media/file/2015-Global-Innovation-1000-Fact-Pack.pdf; and http://www.pwc.com/us/en/press-releases/2016/pwc-2016-global-innovation-1000-study-press-release.html).

[4] *See* https://www.eff.org/files/2018/09/03/eff_comments_re_docket_no._pto-p-2018-0033.pdf (citing https://www.forbes.com/sites/adrianbridgwater/2017/12/18/the-future-for-software-in-2018/#64d4766070aa(last visited August 17, 2018) and https://markets.businessinsider.com/news/stocks/2018-economic-outlook-forecasts-7-0-expansion-in-equipment-and-software-investment-and-2-8-gdp-growth-1027365800(last visited August 17, 2018)).

Respectfully submitted,

Electronic Frontier Foundation
Daniel Nazer
Senior Staff Attorney
Alexandra H. Moss
Staff Attorney

815 Eddy Street
San Francisco, CA 94109 USA
Phone: (415) 436-9333

March 8, 2019