By Email

March 8, 2019

Andrei Iancu
Under Secretary of Commerce for Intellectual Property
Director, United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314
Eligibility2019@uspto.gov

***Re*: Request for Comments on 2019 Revised Patent Subject Matter Eligibility Guidance, 84 FR 50**

Dear Director Iancu:

I write on behalf of Askeladden L.L.C. ("Askeladden") in response to the Office's Request for Comments on the 2019 Revised Patent Subject Matter Eligibility Guidance ("2019 Guidance"), 84 FR 50.

We greatly appreciate the Office's attention to improving examination quality with respect to patent subject matter eligibility. We also appreciate the Office's consideration of our thoughts, concerns, and suggestions related to the 2019 Guidance provided below.

Askeladden's Patent Quality Initiative

Askeladden is an education, information and advocacy organization which, through its Patent Quality Initiative ("PQI"), is dedicated to improving the understanding, use, and reliability of patents in financial services and elsewhere. Through the PQI, Askeladden strives to improve patent quality and to address questionable patent holder behaviors. Askeladden files amicus briefs that highlight issues critical to patent quality and petitions the Office to take a second look at patents under *inter partes* review (IPR) that it believes are invalid. In addition, Askeladden works to strengthen and support the patent examination process by coordinating educational briefings on the evolution of technology in financial services.

Askeladden is a wholly owned subsidiary of The Clearing House Payments Company L.L.C. Since its founding in 1853, The Clearing House has delivered safe and reliable payments systems, facilitated bank-led payments innovation, and provided thought leadership on strategic payments issues. Today, The Clearing House is the only private-sector ACH and wire operator in the United States, clearing and settling nearly $2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume. It continues to leverage its unique

capabilities to support bank-led innovation, including launching the RTP® network, a real-time payment platform that modernizes core payments capabilities for all U.S. financial institutions. Askeladden pursues its PQI independently of the business and activities of The Clearing House.

The Importance of Improving Examination of Subject Matter Eligibility

Askeladden believes that a strong patent system is vital to continued innovation in the United States. Patents claiming abstract concepts, however, undermine real innovation and threaten the soundness and security of our nation's financial infrastructure. The patent examination process should reward actual technological innovation with appropriately tailored patent protection over the inventive technology. Ensuring the quality of patent examination with respect to questions of subject matter eligibility under 35 U.S.C. § 101 is critically important to appropriately incentivizing and rewarding such innovation.

Patents directed to financial and other business methods performed by software are an area of particular relevance to the financial services industry. Members of the financial services industry spend significant time and resources on innovation and frequently seek patent protection over their own important advances in the financial services space. It is thus in the interest of and of great importance to the financial services industry to ensure that patents continue to be issued on patent-eligible inventions, and that the Supreme Court's decision in *Alice* and its progeny do not have an unwarranted chilling effect on the issuance of patents claiming inventions that involve patent eligible computer software.

At the same time, the financial services industry has for many years experienced patent litigation based on patents that claim longstanding financial or business practices that are abstract ideas performed using computers. The issuance of such patents leads directly to costly and wasteful litigation that is detrimental to economic progress and actual innovation. The financial services industry therefore has an equally strong interest in fostering improvement in the patent examination process, so that examiners can weed out claims to patent ineligible abstract ideas during patent examination.

Askeladden's Comments on the 2019 Revised Patent Subject Matter Eligibility Guidance

The 2019 Revised Patent Subject Matter Eligibility Guidance attempts to address stakeholder concerns regarding the clarity and consistency of the application 35 U.S.C. § 101 during patent examination by revising Step 2A of the examination procedure in two ways. First, the 2019 Guidance defines three groups of subject matter considered to be "abstract ideas" to replace the prior methodology of looking to example Federal Circuit decisions provided in the "Eligibility Quick Reference Sheet Identifying Abstract Ideas" to determine whether a claim recites an abstract idea. Second, the 2019 Guidance clarifies that a claim reciting a judicial exception to patent eligibility is patent eligible if it integrates the recited judicial exception into a practical

application thereof. In addition, the Office published six new subject matter eligibility examples pertaining to "abstract ideas" for use in conjunction with the 2019 Guidance.

We believe that the overarching priority of patent examination must be ensuring that all issued claims that emerge truly meet all of the requirements for patentability. To that end, we believe that examiners should not be discouraged from issuing § 101 rejections in the first instance where they are merited. After all, an applicant has the opportunity to address § 101 rejections, even incorrect ones, during prosecution. However, failure to issue a valid § 101 rejection in the first instance will often result in the issuance of patent claims invalid under § 101 along with the well-known adverse effects stemming from the issuance of poor quality patents.

With this in mind, we commend the Office for its continuing diligence in reviewing the effectiveness of § 101 examination procedures and its attempts to improve examination with respect to § 101 by revising the procedure from time to time. However, for the reasons discussed below, we are concerned that 2019 Guidance may result in examiners no longer issuing § 101 rejections in some cases where they are merited and may increase the issuance of patent claims that are ineligible under § 101.

"Abstract Ideas" Definition

Citing the impracticality of examiners looking to decided court cases to determine whether proposed claims are directed to an abstract idea, and inconsistent results stemming from that approach, the 2019 Guidance "extracts and synthesizes key concepts identified by the courts as abstract ideas to explain that the abstract idea exception includes the following groupings of subject matter," when included a claim limitation:

- Mathematical concepts—mathematical relationships, mathematical formulas or equations, mathematical calculations;
- Certain methods of organizing human activity—fundamental economic principles or practices (including hedging, insurance, mitigating risk); commercial or legal interactions (including agreements in the form of contracts; legal obligations; advertising, marketing or sales activities or behaviors; business relations); managing personal behavior or relationships or interactions between people (including social activities, teaching, and following rules or instructions); and
- Mental processes—concepts performed in the human mind (including an observation, evaluation, judgment, opinion).

Notably, the 2019 Guidance goes on to state that, except in "rare circumstances," "[c]laims that do not recite matter that falls within these enumerated groupings of abstract ideas should not be treated as reciting abstract ideas." When an examiner believes a claim recites an abstract idea

that does not fall within the three defined groups, he/she is required to follow an additional arduous procedure which requires that the examiner bring the application under examination to the attention of the Technology Center Director and requires the Technology Center Director to approve treating the claim limitation as an abstract idea before the rejection can be issued. As such, the 2019 Guidance acknowledges that the three provided groupings for determining abstract ideas do not fully encompass all subject matter that should be considered abstract ideas for the purposes of examination under § 101. Despite this tacit acknowledgement, the 2019 Guidance sets forth a process that will likely discourage examiners from pursuing patent eligibility rejections based on abstract ideas that do not fall within the three groups, thereby likely resulting in the issuance of claims invalid under § 101.

We recommend revising the 2019 Guidance to permit examiners to treat claim limitations they believe recite abstract ideas (e.g. based on familiarity with prior Federal Circuit decisions) as abstract ideas in the first instance (with written justification in the Office Action) without being required to obtain approval of the Technology Center Director. Then, in the event an applicant disagrees with an examiner's view, allowing the applicant to seek review by the Technology Center Director. This approach would be less likely to discourage examiners from pursuing valid § 101 rejections based on the recitation of an abstract idea that does not clearly fall within the three defined groups while also providing a path forward for applicants to resolve improper § 101 rejections based on an examiner's mistaken belief that a claim recites an abstract idea.

Integration into a Practical Application

The 2019 Guidance further revises Step 2A of the patent eligibility examination procedure such that "if a claim recites a judicial exception (a law of nature, a natural phenomenon, or an abstract idea [within the defined groups]), it must then be analyzed to determine whether the recited judicial exception is integrated into a practical application of that exception." If a claim reciting a judicial exception (e.g. an abstract idea) integrates the judicial exception into a "practical application of that exception," then the claim is patent eligible. The 2019 Guidance attempts to define what it means to integrate a judicial exception into a practical application[1], sets forth exemplary considerations that may indicate whether additional claim elements integrate the judicial exception into a practical application, and provides three examples in which court cases have found that a judicial exception was not integrated into a practical application. Notably, the 2019 Guidance goes on to explicitly instruct examiners "that a claim that includes conventional elements may still integrate an exception into a practical application, thereby satisfying the subject matter eligibility requirement of Section 101."

[1] "A claim that integrates a judicial exception into a practical application will apply, rely on, or use the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception."

We again commend the Office for its attention and efforts to improve the accuracy and consistency of § 101 examination procedures. However, these aspects of the 2019 Guidance raise further concerns. Despite the Office's attempt to define what it means to integrate a judicial exception into a practical application along with relevant considerations and examples, this remains an amorphous determination that lends itself to inconsistent results—including the issuance of patent-ineligible claims—across various applications with different examiners and with different practitioners attempting to exit the 101 examination analysis through this escape hatch. We find it especially likely that applicants will latch on to the notion in the 2019 Guidance that they may leverage conventional elements that are widely used, and therefore not very limiting, to elevate a claim that would otherwise be directed to a judicial exception to be a claim that integrates the judicial exception into a practical application, and thereby exit § 101 examination.

Accordingly, we strongly urge the Office to continue its leadership in this area by paying especially close attention to this analysis in its quality reviews of examinations, to continue to revise the § 101 examination process as needed, and to develop supplemental training to address issues that may arise from these aspects of the 2019 Guidance. The Office should also consider whether panels of SPEs and/or primary examiners should be formed to quickly respond to inquiries from examiners regarding the integration into a practical application analysis as it applies to particular sets of pending claims.

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Askeladden is grateful for the opportunity to comment on the Office's 2019 Revised Patent Subject Matter Eligibility Guidance. Askeladden remains committed to working towards an improved patent system together with the Office.

Very truly yours,

Sean Reilly

General Counsel
Askeladden L.L.C.