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TECHNOLOGY LAW WITH A BUSINESS PERSPECTIVE

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Via Email Eligibility2019@uspto.gov

June E. Cohan and Carolyn Kosowski
Senior Legal Advisors
Office of Patent Legal Administration
United States Patent and Trademark Office
P.O. Box 1450
Alexandra, VA 22313–1450

Re: Comments on 2019 Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50 (Jan. 7, 2019)

Dear Ms. Cohan and Ms. Kosowski:

I am a patent attorney in Boston and Cambridge, MA. In March 2018, I was the invited speaker at the Federal Circuit Judicial Conference to educate the court and audience on issues of administrative law. In the morning's opening session, Judge Plager noted to the entire room that a better understanding of administrative law would be helpful, and he recommended one of my papers, *The PTAB is Not an Article III Court: a Primer in Federal Agency Rulemaking*, ABA Landslide vol 10 no. 2, pp. 9-13, 51-57 (Nov-Dec 2017). This letter reflects some of that expertise in administrative law.

I. The PTO has authority to issue examination guidance on substantive law issues, in the form published in the Federal Register

Because I have expertise in this area, several people have asked me whether the PTO has authority to issue this guidance. The Director has not only the authority but a ***duty*** to issue this guidance, so long the PTO makes clear that it is guidance ***directed only to agency employees***, and has no substantive effect outside the Office.

A. Statutes defining the authority and obligation of the agency to instruct its employees, and to enforce those instructions

The three relevant statutes are (a) the Housekeeping Act, 5 U.S.C. § 301, (b) the rulemaking statute of the Administrative Procedure Act, 5 U.S.C. § 553, and (c) the duties of the Commissioners under the Patent Act, 35 U.S.C. § 3(b)(2). Also relevant is (d) a directive from the Executive Office of the President, the *Bulletin for Agency Good Guidance Practices*. Taken

together, these laws establish that the Director and Commissioner have the authority—indeed the duty—to issue guidance to examiners and to enforce it. The PTO is obligated to allow public comment, and to prepare a "robust response to comments document."

1. The Housekeeping Act, 5 U.S.C. § 301

The Housekeeping Act has been in effect since President George Washington's first days in office, and provides that all agency heads have authority to issue instructions for the conduct of agency employees:

> **§ 301. Departmental regulations**
>
> The head of an Executive department or military department may prescribe regulations for the government of his department, the conduct of its employees, the distribution and performance of its business…

2. The duties of the Director and Commissioner of Patents under the Patent Act, 35 U.S.C. § 3

The Patent Act appoints ***duties*** to the Director and Commissioners to ***both*** (a) "direct" and "define the authority" of examiners, that is, to issue prospective instructions, ***and*** (b) to "manage," and "define ... duties," that is, to exert day-to-day authority to enforce and ensure compliance with those instructions:

> **35 U.S.C. § 3. Officers and employees**
>
> (a) *Under Secretary and Director*.
>
> (2) *Duties*. … (A) *In general*. The Director shall be responsible for providing policy direction and management supervision for the Office and for the issuance of patents and the registration of trademarks. The Director shall perform these duties in a fair, impartial, and equitable manner. …
>
> (b) *Officers and employees of the Office*.
>
> (2)(A) *Commissioners*. … *Appointment and duties*. … The Commissioner for Patents … shall serve as the chief operating officer[ ] for the operations of the Office relating to patents … and shall be responsible for the management and direction of all aspects of the activities of the Office that affect the administration of patent …operations…
>
> (3)(B) *Other officers and employees*. The Director shall— …define the title, authority, and duties of such officers and employees and delegate to them such of the powers vested in the Office as the Director may determine.

3. The Administrative Procedure Act, 5 U.S.C. § 553

The central rulemaking statute of the Administrative Procedure Act exempts such instructions to agency employees from a requirement for notice-and-comment as a binding rule against the public:

> **5 U.S.C. § 553 Rule making.**
>
> (a) This section applies, according to the provisions thereof, except … (2) a matter relating to agency management or personnel …
>
> (b) [Most agency rules require notice and comment.] [T]his subsection [(b)] does not apply—
>
> (A) to interpretative rules, general statements of policy, or rules of agency organization, procedure, or practice…

Two points of § 553 are relevant:

- Because the courts have been so inconsistent in interpreting § 101 since the Supreme Court's erroneous decisions in *Mayo*, *Myriad*, and *Alice*, someone has to resolve that ambiguity to govern the behavior of the agency, and this guidance is the best way to do that. Because the guidance interprets ambiguity (as opposed to gap-filling a silence), it's permissible under the "interpretative" exemption of § 553(b)(A).
- Because it's directed only to governing the conduct of agency personnel, it's exempt from § 553 notice-and-comment (but not all notice-and-comment).

4. The *Good Guidance* Bulletin

Even though the January 2019 Guidance is exempt form § 553 notice-and-comment, notice-and-comment is required under other law. The *Good Guidance Bulletin* requires that all amendments to the MPEP, examiner training materials, and similar documents that guide examiner conduct "that may reasonably be anticipated to lead to an annual effect on the economy of $100 million or more or adversely affect in a material way the economy or a sector of the economy," must be circulated for notice and comment:[1]

> IV. *Notice and Public Comment for Economically Significant Guidance Documents*
>
> 1. *In General*: Except as provided in Section IV(2), when an agency prepares a draft of an economically significant guidance document, the agency shall:
>
> a. Publish a notice in the Federal Register announcing that the draft document is available;
>
> b. Post the draft document on the Internet and make it publicly available in hard copy (or notify the public how they can review the guidance document if it is not in a format that permits such electronic posting with reasonable efforts);
>
> c. Invite public comment on the draft document; and
>
> d. Prepare and post on the agency's Web site a response-to-comments document.

The *Bulletin*'s preamble requires "The agency also must prepare a ***robust*** response-to-comments document and make it publicly available."

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[1] Executive Office of the President, *Final Bulletin for Agency Good Guidance Practices*, OMB Memorandum M-07-07, https://www.obamawhitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2007/m07-07.pdf (Jan. 18, 2007), 72 Fed. Reg. 3432 (Jan. 25, 2007). § IV.

5. Consolidating these laws

The essential endpoint is that this is a "rulemaking" for agency staff, of rules that the PTO is obligated to promulgate and enforce against agency staff, even though they're substantive law. The 2019 Guidance does not result in rules that bind the public, and thus it's exempt from § 553. It's guidance for "agency management" covered by the Housekeeping Act and *Good Guidance* directive, and its "interpretation" of ambiguity governed by § 553(b)(A).

B. The Guidance is enforceable against agency employees by petition

1. Under general principles of administrative law that govern all federal agencies, guidance is binding against agency employees, and the agency has an obligation to enforce the guidance

Vis-à-vis agency employees, the January 2019 Guidelines are binding, under two different provisions of law.

First, because this interprets ambiguity in the statute and conflicting precedent of the Supreme Court and Federal Circuit, the 2019 Guidance qualifies as an "interpretative" rule of § 553(b)(A).[2] Under conventional principles of administrative law, "An interpretative rule binds an agency's employees, including its ALJs."[3]

Second, under the *Accardi* principle, when an agency issues guidance that uses mandatory language to state obligations of agency employees with respect to "important procedural benefits" to the public, agency employees are bound, the public is entitled to rely on employees' observing the guidance, and the agency is obligated to enforce the procedural commitments it makes to the public. An agency may amend its guidance after due deliberation and without notice and comment, but employees do not have individual authority to depart without appropriate justification and supervisory concurrence.[4]

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[2] A longer explanation of the "interpretative" exemption is in an article forthcoming in the Winter 2019 issue of the AIPLA Quarterly Journal, David E. Boundy, *The PTAB is Not an Article III Court, Part III: Precedential and Informative Opinions*, available at https://ssrn.com/abstract=3258694

[3] *Yale-New Haven Hospital v. Leavitt*, 470 F.3d 71, 80 (2nd Cir. 2006) (); KENNETH C. DAVIS & RICHARD J. PIERCE, JR., ADMINISTRATIVE LAW § 6.3 (3d ed. 1996 & Supp.1997).

[4] This administrative law principle originates in *United States ex rel. Accardi v. Shaughnessy*, 347 U.S. 260 (1954), and has been reiterated by the Supreme Court about a dozen times, and many dozen more by the Federal Circuit. See Thomas Merrill, *The* Accardi *Principle*, 74 Geo. Wash. L. Rev. 569 (Jun. 2006). An agency staff manual nearly on all fours with the MPEP was held to bind the Secretary of State in *Service v. Dulles*, 354 U.S. 363, 386–88 (1957) (stating that once an agency adopts an employee staff manual, even though unpublished, "having done so [the Secretary of State] could not, so long as the [staff manual] remained unchanged, proceed without regard to them"). *See also*, *e.g.*, *Vitarelli v. Seaton*, 359 U.S. 535, 539–40 (1959) (stating that "even though the agency had unlimited discretion to fire an employee, after it did so, but in violation of the agency's unpublished guidance, reversing and requiring the agency to observe its guidance."); *see also id.* at 546–47 (Frankfurter, J. concurring) ("An executive agency must be rigorously held to the standards by which it professes its action to be judged.

When an agency attempts to disclaim binding effect of guidance against the agency's own employees, courts see through the disclaimer, and reject the attempt by agencies that try to have things both ways.[5]

C. The disclaimer paragraph of the 2019 Guidance reflects confusion

The 2019 Guidance notice reads as follows:

> This guidance does not constitute substantive rulemaking and does not have the force and effect of law. The guidance sets out agency policy with respect to the USPTO's interpretation of the subject matter eligibility requirements of 35 U.S.C. 101 in view of decisions by the Supreme Court and the Federal Circuit. The guidance was developed as a tool for internal USPTO management and does not create any right or benefit, substantive or procedural, enforceable by any party against the USPTO. Rejections will continue to be based upon the substantive law, and it is those rejections that are appealable to the Patent Trial and Appeal Board (PTAB) and the courts. All USPTO personnel are, as a matter of internal agency management, expected to follow the guidance. Failure of USPTO personnel to follow the guidance, however, is not, in itself, a proper basis for either an appeal or a petition.

This paragraph conveys a number of misunderstandings of basic principles of administrative law:

- The January 2019 Guidance correctly notes that it is "a tool for internal USPTO management." That's true: as discussed above, the January 2019 Guidance is guidance promulgated under the Housekeeping Act. The term "rulemaking" under the Administrative Procedure Act generally refers to rules that affect the public. Therefore, the statement that the January 2019 Guidance "does not constitute substantive rulemaking" is true, but a *non sequitur*.
- This paragraph overlooks the PTO's *obligation* to provide examiners with mandatory "management and direction" for examination of patent applications.
- The 2019 Guidance accurately states that a housekeeping rule directed to agency staff, and issued without the full statutory requirements of rulemaking, does not have "force

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Accordingly, if dismissal from employment is based on a defined procedure, even though generous beyond the requirements that bind such agency, that procedure must be scrupulously observed."); *see, e.g.*, *Yale-New Haven Hosp. v. Leavitt*, 470 F.3d 71, 80 (2d Cir. 2006) ("An interpretative rule [in an agency manual] binds an agency's employees, including its ALJs, but it does not bind the agency itself."); *Lopez v. Federal Aviation Administration*, 318 F.3d 242, 246–47 (D.C. Cir. 2003) (explaining the relevant Supreme Court cases and the obligation of agencies to follow and enforce their own rules); *Warder v. Shalala*, 149 F.3d 73, 82 (1st Cir. 1998) ("[A] rule may lack [force and effect of law] and still bind agency personnel."); *Zhang v. Slattery*, 55 F.3d 732, 784 (2d Cir. 1995) ("a regulation need not necessarily be published in order to be enforced *against* the government"); *Powell v. Heckler*, 789 F.2d 176, 178 (3d Cir. 1986) (courts have no tolerance "in matters pertaining strictly to an agency's observance and implementation of its self-prescribed procedures").

[5] *Appalachian Power Co. v. Environmental Protection Agency*, 208 F.3d 1015, 1020–21 (D.C. Cir. 2000) (citations, quotations, and footnotes omitted).

of law" The Guidance errs in the inference: guidance that lacks force of law is still enforceable against agency employees.[6]

- There's no such thing as an "action … of any examiner in the *ex parte* prosecution of an application" that is neither petitionable or appealable. 37 C.F.R. § 1.181(a)(3) states clearly that any action that is not appealable ***must be petitionable***. The PTO cannot create exceptions to a regulation by making a contrary statement in guidance.

Because of these points of confusion, this paragraph incorrectly states the rights, obligations, and duties of both the public and PTO personnel. Part of the confusion arises because the January 2019 Guidance (and all of Chapter 2100 of the MPEP) occupy a rather obscure, seldom-litigated niche in the world of administrative law. The basic principle is simple: guidance outside an agency's statutory delegation of rulemaking authority has no binding effect on the public or on courts, but it *is* binding (asymmetrically) against the agency's employees.

I suggest the following replacement (and replacement of the analogous disclaimers stated at various points throughout Chapter 2100 of the MPEP):

> These examination guidelines are issued to the Patent Examining Corps pursuant to the Office's authority and obligation to manage and direct the conduct of its own employees, under 5 U.S.C. § 301, 35 U.S.C. § 2(b)(2), § 3(a)(2)(A).
>
> The PTO has no statutory authority to interpret substantive patent law, such as 35 U.S.C. § 102 or § 103. These guidelines are therefore limited to instructing the Patent Examining Corps as a matter of internal Office management. These guidelines also advise the public of the ascertainable and consistent standards that the Office requires examiners to use in examination. However, the Office takes no position on the interpretation of these statutes to be applied in any court.
>
> The guidelines set forth reasoning that examiners are required and authorized to use, and minimum procedural standards for setting forth a full statement of a rejection. Examiners are bound by these guidelines, and the public is entitled to rely on them, to the following extent. Because the guidelines state procedural obligations of examiners to set forth specific findings, these guidelines are enforceable against examiners during examination under 35 U.S.C. § 131 and § 132. An action may not be made final if it omits explanation of a required finding. The public may seek enforcement of the guidelines via the examiner's supervisory chain, via the ombudsman, via pre-appeal brief review, via petition to withdraw premature finality of rejection, and via petition to invoke the supervisory duty of the Commissioner under 37 C.F.R. § 1.181(a)(1) or (a)(3). These guidelines are enforceable by petition only as to procedural issues, where an examiner departs from these guidelines in the following respects:
>
> - examiner silence where the guidelines require that a finding or explanation be set forth;
> - application of a legal test by the examiner that is unauthorized by any written law; and

[6] *See Yale-New Haven Hosp.*, *supra* note 4 ("An interpretative rule [in an agency manual] binds an agency's employees, including its ALJs, but it does not bind the agency itself."); *Warder*, *supra* note 4 ("[A] rule may lack [force and effect of law] and still bind agency personnel."); *Zhang.*, *supra* note 4 ("a regulation need not necessarily be published in order to be enforced *against* the government").

- failure to answer material traversed.

Petitionable subject matter jurisdiction is limited to disagreements between an examiner and the Office's instructions, and to breaches of procedural law such as 37 C.F.R. § 1.104 and the Administrative Procedure Act. However, once a written rejection is procedurally complete (even if wrong), the petitions process has no further jurisdiction. Resolution of any disagreement between an applicant and an examiner's written findings is exclusively appealable to the Patent Trial and Appeals Board under 35 U.S.C. § 134 and 37 C.F.R. Part 41. Disagreements between an examiner and the Director are petitionable.

D. The disclaimer paragraph is contrary to the Patent Act

The PTO would be in violation of the law if it did *not* issue mandatory, binding, enforceable instructions to examiners. The Director and Commissioner are obligated to "manage and direct *all* activities" relating to examination, 5 U.S.C. § 3(b)(2)(A), § 3(a)(2)(A), to cause examination to be made "under the law," § 131, and to ensure that examination is carried out in a "fair, impartial, and equitable manner," § 3(a)(2)(A). The obligation to "manage and direct *all* activities" is an *extraordinary* charge, nearly unique among agency heads or supervisory staff. The Administrative Procedure Act requires agencies to have written procedures that specify ascertainable standards for agency adjudication.[7]

These duties ***obligate*** the PTO to issue written, uniformly-applied, standards, ***and to enforce those standards during examination***. Applicants have two separate sets of rights: those arising under § 102 *et seq.* of the Patent Act, *and also* rights to proper *procedure* during examination These latter rights arise under the Administrative Procedure Act, and §§ 2, 3, and 131 of the Patent Act, in the form of predictable, complete examination. If an examiner skips a

[7] "[D]ue process requires that [government programs] be administered to ensure fairness and freedom from arbitrary decision-making … [An agency head] has the responsibility to administer the program to ensure the fair and consistent application of eligibility requirements. … At the hearing [the agency head] admitted that he and his staff determine eligibility based upon their own unwritten personal standards. Such a procedure, vesting virtually unfettered discretion in [the agency head] and his staff, is clearly violative of due process." *White v. Roughton*, 530 F.2d 750, 753–54 (7th Cir. 1976); *see also Holmes v. New York City Housing Auth.,* 398 F.2d 262, 265 (2d Cir. 1968) ("It hardly need be said that the existence of an absolute and uncontrolled discretion in an agency of government vested with the administration of a vast program … would be an intolerable invitation to abuse. For this reason alone due process requires that selections among applicants be made in accordance with 'ascertainable standards.'"). *Holmes* goes on to explain that the existence of a reasonable regulation is insufficient, if it isn't followed, if some applicants are rejected for secret reasons, and never informed. *See also Moon v. U.S. Dep't of Labor*, 727 F.2d 1315, 1318 (D.C. Cir. 1984) ("an agency must provide a reasoned explanation for its actions and articulate with some clarity the standards that governed its decision."); *Duchek v. National Transportation Safety Bd.* 364 F.3d 311, 314, 318 (D.C. Cir. 2004) (Roberts, J.) (agency may not act beyond the authority it grants itself in its written regulations, and enforcement beyond them is arbitrary and capricious); *In re Henriksen*, 399 F.2d 253, 261–62, 158 USPQ 224, 231 (CCPA 1968) (when the Board acted without written rules, "The action of the board is akin to a *retroactive* rule change which may have the effect of *divesting* applicants of valuable rights to which, but for the change in Patent Office position brought about by the board's decision, they were entitled. Nothing appears in the Patent Office Rules of Practice or the Manual of Patent Examining Procedure which sanctions such a result.").

step in the January 2019 Guidance, or makes up an alternative analysis that has no basis in the January 2019 Guidance or any other law, the PTO is required to "manage and direct" during §§ 131/132 examination to get proceedings back on track.

The Administrative Procedure Act ***requires*** the examiner to explain all rejections, to frame that explanation within the applicable law, and to touch on every material issue in that explanation.[8] (This obligation is somewhat greater than the obligation under § 132.) An explanation that omits consideration of an essential claim element or legal element is inadequate to meet the examiner's procedural obligation.

The January 2019 Guidance errs in attempting to disclaim any obligation to enforce its guidance during examination. The PTO is required by both the Administrative Procedure Act[9] and the Patent Act[10] to give its examiners binding guidance on *prima facie* elements of various rejections and objections. Once guidance is issued and made public, the PTO is required by Presidential directive and the Administrative Procedure Act to enforce that guidance.[11] All too many SPEs, T.C. Directors, and petitions decision-makers read the disclaimer, that the January 2019 Guidance "are not intended to create any right or benefit, substantive or procedural, enforceable by any party against the Office," to imply that examiners are totally off-leash, free to do ***anything***, and an applicant's only remedy is appeal. It is difficult to see how such a disclaimer can possibly be either legal, consistent with the President's Good Guidance instructions, or consistent with Director Iancu's focus on predictability and efficiency.

The analytical error in the January 2019 Guidance is a failure to recognize that "rejection" and "failure of Office personnel to follow the guidelines" are two different agency

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[8] 5 U.S.C. § 555(e); *Iowa State Commerce Comm'n v. Office of Federal Inspector of Alaska Natural Gas Transp. System*, 730 F.2d 1566, 1578 (D.C. Cir. 1984) (explaining the importance of agency explanation of reasons); *Gechter v. Davidson*, 116 F.3d 1454, 1460, 43 USPQ2d 1030, 1035 (Fed. Cir. 1997) (PTO explanations of anticipation or obviousness rejections must state limitation-by-limitation findings); *In re Oetiker*, 977 F.2d 1443, 1445–46, 24 USPQ2d 1443, 1444 (Fed. Cir. 1992).

[9] *See supra* note 4.

[10] 35 U.S.C. § 3(b)(2)(A) (Commissioner for Patents shall be "responsible for the management and direction of all aspects of the activities of the Office that affect the administration of patent . . . operations").

[11] Agencies may not relieve themselves of rules "intended primarily to confer important procedural benefits upon individuals in the face of otherwise unfettered discretion." *American Farm Lines*, 397 U.S. at 538; *City of Fredericksburg Virginia v. Federal Energy Comm'n*, 876 F.2d 1109, 1112 (4th Cir. 1989) ("*American Farm Lines* held that an administrative agency has discretion to relax or modify internal housekeeping regulations … However, the exception announced in *American Farm Lines* does not apply if the agency regulations were intended 'to confer important procedural benefits upon individuals' or other third parties outside the agency. … The applicability vel non of *American Farm Lines* thus turns on whether the regulation … was designed to aid [the agency] or, instead, to benefit outside parties").

actions.[12] "Rejection" is one agency action: I agree with the PTO that this agency action is substantive and appealable.

However, failure to "follow the guidelines" is a *separate agency action*, one that is *not* appealable.[13] 37 C.F.R. § 1.181(a)(1) ensures that there is no such thing as an agency action by an examiner during *ex parte* prosecution that is "neither appealable nor petitionable"—the PTO may not use a guidance document to carve out exceptions to the procedural remedies granted the public by § 1.181(a). Therefore, an examiner's failure to follow mandatory instructions is petitionable and subject to management oversight, just as any other employee's misconduct and failure to follow a supervisor's instructions that may injure a third party are the responsibility of the supervisor to correct.[14]

I recently published an article explaining that the PTO's misuse of guidance puts and failure to conform itself to the law creates nearly ***$2 billion*** per year in direct attorney costs. When the value of lost patent protection, companies not formed, companies that fold because of delays and unpredictability of their patent applications, business opportunities not pursued, and similar economic effects are factored in, the economic damage caused by PTO's neglect of administrative law is well into the ***many billions*** each year. One hopes that with numbers like that the PTO will begin to take its legal obligations seriously.

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[12] It is commonplace that a single body of facts or single agency decision may give rise to separate "agency actions," 5 U.S.C. § 551(13), with corresponding separate claims for relief under different bodies of law, and those claims for relief may require parallel proceedings in different fora. *E.g.*, *Federal Communications Comm'n v. Nextwave Personal Communications*, 537 U.S. 293, 303–04 (2003) (bankruptcy proceeding on the merits originated in New York bankruptcy court, APA review of same facts originated in D.C. Circuit. The earlier case denied relief under bankruptcy, but the APA case resulted effectively in discharge of the debt, which the Supreme Court affirmed). Any notion that all issues relating to rejections of claims must necessarily all go to the same tribunal would have few if any analogies elsewhere in the law, and has no support in any known case from any appellate court.

[13] The Board lacks jurisdiction to hear issues that "dispute the administrative processing of [a rejection alleged to be procedurally improperly raised during] the prosecution." The Board insists that "the proper procedure is to seek review by way of petition…" *Ex parte Edwards*, Appeal No. 98-1396, http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&flNm=fd981396 at 4, 1998 WL 1736081 at *2 (BPAI Apr. 27, 1999) (non-precedential). In its decisions, the Board has often reiterated that "The board does not exercise supervisory authority over examiners." Board of Patent Appeals, Frequently Asked Questions page, http://www.uspto.gov/web/offices/dcom/bpai/bpaifaq.htm; *Ex parte Gambogi*, 62 USPQ2d 1209, 1212 (BPAI 2001) ("We decline to tell an examiner precisely how to set out a rejection").

[14] Restatement 2d (Agency) § 214 ("A … principal who is under a duty to … to have care used to protect others or their property and who confides the performance of such duty to a servant or other person is subject to liability to such others for harm caused to them by the failure of such agent to perform the duty."); *Allentown Mack Sales & Serv., Inc. v. NLRB*, 522 U.S. 359, 376–77 (1998) ("Because reasoned decisionmaking demands it, and because the systemic consequences of any other approach are unacceptable, the [agency] must be required to apply in fact the clearly understood legal standards that it enunciates in principle… Reviewing courts are entitled to take those standards to mean what they say…").

II. The Step One "directed to" concept should be based on a "focus," not a random scattering of claim language

In a number of recent cases, the Federal Circuit has told us that "The first stage of the *Alice* inquiry looks at the 'focus' of the claims, their 'character as a whole,'" especially if that "focus" is a "specific asserted improvement."[15] I know of no case in which the Federal Circuit has applied Step 1 to a bunch of claim bits scattered around like bomb shrapnel throughout a claim.

In contrast, examiners often take an approach to Step 1 that is at best scatter-shot, and often entirely random.[16] A Step One that grabs random bits of a claim is common (indeed, almost universal) in 3620/3680/3690.

Consistent with the general principle that the burden of proof lies with the examiner, one possible statement of appropriate guidance might read more or less as follows:

> Step 1 of the *Mayo/Alice* inquiry looks at the "focus" of the claims. The applicant's focus may be supported either by:
>
> - literal claim language
> - a result that flows from the literal claim language
>
> A "focus" for Step One must:
>
> - be based on a focused idea—Step One may not designate multiple bits of a claim that are unrelated to each other. If the examiner believes that more than one Step One abstract idea is present, then the examiner must set forth a complete § 101 analysis (with both steps), separately, for each such abstract idea.
> - consider each word of the claim language. Examiners are not permitted to reduce claims to stock phrases such as "obtaining, classifying, and displaying information." Claim interconnections must be given the same consideration as nouns.
>
> If an applicant designates a "focus" for step 1, the examiner may decline to accept the applicant's designation if it has no such support. An examiner may not otherwise substitute the examiner's own judgment or choice for the "directed to" concept for Step One.

Examination Guidance should expressly address situations in which an examiner believes that multiple distinct "abstract ideas" exist in a claim by requiring (a) that each "abstract idea" be independently identified, and (b) that for ***each*** such "abstract idea," ***all other*** claim elements shall be regarded as the "remainder" of the claim for purposes of Step Two analysis. Examination guidance should required that Steps One and Two must be *repeated* for each "abstract idea."

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[15] *SAP America Inc. v. InvestPic, LLC*, Appeal 2017-2018, slip op. at ___ (Fed. Cir. May 15, 2018); *Visual Memory LLC v. Nvidia Corp.*, 867 F.3d 1253, 1258-59 (Fed. Cir. 2017); *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335-36 (Fed. Cir. 2016)

[16] See, e.g, 11/929,594, Appeal Brief of Nov. 13, 2017 at pages 22-24; 11/627,902, Request for Reconsideration (without amendment) of Nov. 6, 2017 (24 pages), at pages 18-20.

III. The "inventive concept" may be supported by a source other than the literal text of the claim

An extremely important principle that appears not to be stated in any § 101 guidance is that the "inventive concept" need not be stated in the literal words of the claim; it may arise by technological inference from the claim. For example, in *Visual Memory LLC v. nVidia Corp.*, 867 F.3d 1253, 1256-57, 1259 (Fed. Cir. 2017), note the statement of the inventive concept—or at least the advantages of the concept—and the absence of corresponding literal words in the claim:

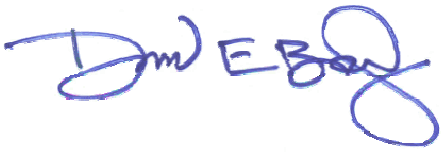
> Taken together, the "multiple mode operation" of the '740 patent confers a substantial advantage by "allow[ing] different types of processors to be installed with the [same] subject memory system without *1257 significantly compromising their individual performance." Id. at col. 5 ll. 25–29. The '740 patent's claims reflect these technological improvements. For example, claim 1 recites:
>
> > 1. A computer memory system connectable to a processor and having one or more programmable operational characteristics, said characteristics being defined through configuration by said computer based on the type of said processor, wherein said system is connectable to said processor by a bus, said system comprising:
> >
> > a main memory connected to said bus; and
> >
> > a cache connected to said bus;
> >
> > wherein a programmable operational characteristic of said system determines a type of data stored by said cache.
> >
> > …
>
> The specification explains that multiple benefits flow from the '740 patent's improved memory system. As an initial matter, the specification discloses that a memory system with programmable operational characteristics defined by the processor connected to the memory system permits "different types of processors to be installed with the subject memory system without significantly compromising their individual performance." … Although prior art memory systems possessed the flexibility to operate with multiple different processors, this one-size-fits-all approach frequently caused a tradeoff in processor performance. … The '740 patent's teachings obviate the need to design a separate memory system for each type of processor, which proved to be costly and inefficient, and, at the same time, avoid the performance problems of prior art memory systems. See J.A. 771. Finally, in addition to enabling interoperability with multiple different processors, the '740 patent specification explains that the selective definition of the functions of the cache memory based on processor type results in a memory system that can outperform a prior art memory system that is armed with "a cache many times larger than the cumulative size of the subject caches."

Visual Memory also demonstrates that implementation details in dependent claims may be relevant to evaluating parent independent claims, 867 F.3d at 1259, and that advantages discussed in the specification or discussion elsewhere in the record may be used to establish that there is an "inventive concept" in the claims. 867 F.3d at 1259-60.

IV. What past guidance remains in effect?

The January 2019 Guidance notice does not clearly specify which guidance remains in effect, and which has been superseded. This lack of clarity is problematic under the *Good Guidance Bulletin*,[17] as well as the Information Quality Act[18] and the PTO's own *Information Quality Guidelines*.[19] I respectfully request that the PTO identify which parts of previous guidance remain in effect and which are superseded.

Respectfully submitted,



[17] 44 U.S.C. § 3506(c)(3)(D) (agency rules must be "written using plain, coherent, and unambiguous terminology and is understandable to those who are to respond").

[18] Consolidated Appropriations Act, 2001 Pub.L. 106-554, § 1(a)(3) [Title V, § 515] (Dec. 21, 2000), codified in notes to 44 U.S.C. § 3516.

[19] U.S. Patent and Trademark Office, Information Quality Guidelines, http://www.uspto.gov/web/offices/ac/ido/infoqualityguide.html.