

August 17, 2018

Hon. Andrei Iancu
Deputy Under Secretary of Commerce for
Intellectual Property and Deputy Director of
the United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22313

Via e-mail: Eligibility2018@uspto.gov

Re: Comments on Berkheimer Memorandum

Dear Deputy Director Iancu:

Osha Liang LLP is pleased to submit the following comments on the United States Patent and Trademark Office's memorandum titled "Changes in Examination Procedure Pertaining to Subject Matter Eligibility, Recent Subject Matter Eligibility Decision (*Berkheimer v. HP, Inc.*)," dated April 20, 2018 (hereinafter "*Berkheimer* Memorandum"), and the Federal Register notice requesting public comments.¹

We at Osha Liang LLP appreciate the current and past guidance provided by the United States Trademark and Patent Office (hereinafter "USPTO") in regard to patent subject matter eligibility. As Osha Liang LLP is a full-service, international intellectual property law firm, we have significant experience prosecuting cases before the USPTO and many foreign patent offices. Therefore, we fully understand the difficulty in administering a patent system for a diverse range of technologies within a complicated, ever-changing body of judicial case law. We hope our remarks below provide a perspective from the trenches with respect to the situation faced by patent practitioners and patent applicants, and offer constructive solutions for improving the patent examination process.

¹ *Request for Comments on Determining Whether a Claim Element Is Well Understood, Routine, Conventional for Purposes of Subject Matter Eligibility*, 83 Fed. Reg. 17536 (April 20, 2018).

Hon. Andrei Iancu

August 17, 2018

Page 2

1. USPTO Must Improve Implementation of the *Berkheimer* Memorandum by the USPTO Examining Corps

Following the Federal Circuit decision in *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018) (hereinafter “*Berkheimer* decision”) and the *Berkheimer* Memorandum, we have experienced a mixed reaction among the Examining Corps to the new guidance. First, many examiners and their supervisors are unaware of the changes to the examination procedure indicated in the *Berkheimer* Memorandum.² Office actions are still being issued with conclusory rejections under Step 2B of the USPTO’s Subject Matter Eligibility test³ in regard to individual claim elements and the combination of elements considered as a whole in a claim. In particular, few office actions have any actual mention of the *Berkheimer* decision and examiners are finding the elements and combination of elements to be well-understood, routine, and conventional without providing the necessary support specified in the *Berkheimer* Memorandum as being required.

Moreover, when we bring the matter to the attention of most examiners, we are often receiving a positive response. Most examiners and their supervisors have volunteered to vacate pending office actions and issue new office actions based on the guidance in the *Berkheimer* Memorandum upon learning of its existence. Still, almost four months have passed since the USPTO issued the *Berkheimer* Memorandum, and many examiners remain oblivious to the subsequent changes in examination procedure and subject matter eligibility case law.

Accordingly, this situation further illustrates many problems that exist among patent applicants and patent practitioners in determining patent eligible subject matter with any certainty. Osha Liang LLP has decades of experience in obtaining patents for inventions focused on, inter alia, business methods, pure software applications, biotechnology, and the chemical arts. In particular, we have seen the USPTO’s stance on patent eligible subject matter evolve from the time before *Bilski v. Kappos*⁴, through the immediate aftermath of *Alice Corps. v. CLS Bank Int’l.*⁵, and continuing through the *Berkheimer* decision. Most inventors, new patent applicants, and many patent practitioners focused primarily on hardware technologies lack our experience with respect to the many patent eligibility issues. Thus, rather than promoting a patent system that supports small inventors and protects all scientific discoveries alike, the current patent system **only** rewards clients who have the best legal representation and to the detriment of many other patent applicants.

² See *Berkheimer* Memorandum at pages 3-5 (“This memorandum revises the procedures set forth in MPEP § 2106.07(a) (Formulating a Rejection For Lack of Subject Matter Eligibility) and MPEP § 2106.07(b) (Evaluating Applicant’s Response).”).

³ See MPEP § 2106 (III).

⁴ 130 S.Ct. 3218 (2010).

⁵ 134 S.Ct. 2347 (2014).

Hon. Andrei Iancu

August 17, 2018

Page 3

While Osha Liang is happy to provide our expertise where we can, we strongly believe a healthy patent system needs to be predictable and determine patent eligibility based upon the actual merits of the patent application. In contrast, the focus of the current patent system is directed toward a patent practitioner's skill at practicing before the USPTO. Specifically, the current patent system fosters gamesmanship where avoiding certain unfavorable art units and examiners is almost as important as the actual subject matter of the claimed invention. Accordingly, the *Berkheimer* Memorandum is a valuable and important step forward. Unfortunately, we believe that far more remains to be done to bring uniformity to the USPTO that allows both examiners and patent applicants to be confident on what subject matter qualifies for the eligibility of a patent.

2. USPTO Must Be Proactive in Confirming Past and Future Effects of *Berkheimer v. HP, Inc. on USPTO Proceedings*

The *Berkheimer* decision opened a Pandora's box that results in many new questions, while providing few actual answers to past questions. For example, by introducing issues of fact under Step 2B of the Subject Matter Eligibility Test, patent applicants must now determine how much of the previous subject matter guidance and the MPEP remains applicable to future proceedings before the USPTO. As patent practitioners, we greatly appreciate the USPTO's past analyses of hypothetical claims and claims drawn from case law that were provided in the 2014 Interim Guidance on Patent Subject Matter Eligibility, the July 2015 Update, and the May 2016 Update. However, the *Berkheimer* Memorandum fails to address which past guidance remains applicable after the *Berkheimer* decision. Where there is confusion and uncertainty concerning a relevant legal authority, in our experience, most examiners will err on the side of caution and ignore arguments from the patent applicant that lack clear support from the USPTO and the Federal Circuit.

We believe it is paramount that the USPTO provide a future memorandum confirming what past subject matter guidance remains applicable in addition to providing further exemplary analyses using hypothetical claims and claims drawn from case law based on the *Berkheimer* Memorandum.

Furthermore, the USPTO guidance has typically played a reactionary role with respect to Federal Circuit decisions. When a relevant precedential case issues, the USPTO sometimes follows with a memorandum.⁶ However, many questions presented by the

⁶ We respectfully note that in the USPTO memorandum titled "Recent Subject Matter Eligibility Decisions," dated November 6, 2016, the USPTO states that the *Amdocs*' decision "will be discussed further in the forthcoming update to the SME guidance," but the next subject matter eligibility memorandum was the *Berkheimer* Memorandum that was issued over a year after that memorandum.

Hon. Andrei Iancu

August 17, 2018

Page 4

Berkheimer decision may remain unanswered for years to come. For example, it remains unclear who is the hypothetical trier of fact under the *Berkheimer* decision, *e.g.*, an ordinary judge, a person having ordinary skill in the art, or an ordinary member of the public? What level of deference should be given to an examiner's findings of fact under 35 U.S.C. § 101? Likewise, are claims still analyzed for subject matter eligibility under the broadest reasonable interpretation for subject matter eligibility, using the *Phillips*' standard, or under a standard favorable to patent applicants as demonstrated in *Amdocs, Ltd. v. Opennet Telecom, Inc.*⁷? Likewise, examiners typically determine patentability based on a preponderance of the evidence. Does this standard of review still apply to *Alice* rejections under 35 U.S.C. § 101?

We believe that the USPTO needs to advance advisory positions on these and other issues to prevent examiners from injecting personal bias towards patent applications for "unpopular" technologies, such as those applications for business methods and pure software inventions.

3. USPTO Must Provide Subject Matter Eligibility Guidance for Patent Trial and Appeal Board Judges

One issue unaddressed by the *Berkheimer* Memorandum and past USPTO memoranda is the scope of subject matter eligibility guidance for Patent Trial and Appeal Board (hereinafter "PTAB") judges. This is an important issue for both *ex parte* patent applications and AIA trial proceedings, *i.e.*, post grant review and the transitional program for covered business method patents, as patent subject matter eligibility can form the basis for invalidity. We at Osha Liang have typically had a very positive experience regarding the work performed by most PTAB judges. Even in situations where we may disagree on some of the legal and factual issues, most PTAB judges operate with the upmost professionalism. However, we have encountered some reoccurring issues that we believe need to be addressed at the agency level.

First, the amount of weight given to past subject matter eligibility guidance varies dramatically from panel to panel at the PTAB. Some PTAB decisions emphasize that the legal issues are limited to Supreme Court and Federal Circuit case law. Other PTAB decisions rely on concepts introduced by the USPTO's Subject Matter Guidance, *e.g.*, the "reasoned rationale" described in the July 2015 Update. By knowing in advance whether a PTAB panel will consider arguments based on the USPTO guidance, patent professionals and patent applicants can tailor their arguments and amendments for better consideration before the USPTO.

Secondly, without any USPTO guidance, many PTAB judges treat novel arguments as ones of first impression. Accordingly, such arguments are routinely decided against the patent applicant with very little support in judicial precedent. For example, given the

⁷ See 841 F.3d 1288, 1299 (Fed. Cir. 2016).

Hon. Andrei Iancu

August 17, 2018

Page 5

expense of *ex parte* appeals to the Federal Circuit, the role of the *prima facie* case of unpatentability with regard to 35 U.S.C. § 101 rejections lacks a significant body of precedential case law. Thus, many PTAB panels ignore those arguments on the basis that they are exclusive to novelty and nonobviousness.

We believe that the USPTO needs to articulate a strong position that the *Berkheimer* Memorandum and other USPTO guidance provide persuasive authority for **all** PTAB panels. Only by taking a strong position can patentees and patent applicants have faith that PTAB decisions are being decided correctly.

Conclusion

In conclusion, we greatly appreciate the effort put forth by the USPTO on handling patent subject matter eligibility and understand the many difficulties regarding the task before the agency. We thank you again for considering Osha Liang's comments and proposed recommendations for improving the future guidance on this very important issue.

Very truly yours,



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