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Subject: Comments on Alice Corp. preliminary guidelines

Office of Patent Legal Administration:

Comments Regarding Examining Guidelines Under a Sec. 101 “Abstract Ideas” in Response to the Holding of the Supreme Court of the United States in the “Alice Bank” case.

The holding by the SCOTUS in the Alice case that the scheme for mitigating settlement risk constituted an abstract idea under Sec. 101, was incorrect. In fact, the idea in that case was quite specific and “concrete”, as can be seen in exemplary claim 33, below.

33. A method of exchanging obligations as between parties, each party holding a credit record and a debit record with an exchange institution, the credit records and debit records for exchange of predetermined obligations, the method comprising the steps of: (a) creating a shadow credit record and a shadow debit record for each stakeholder party to be held independently by a supervisory institution from the exchange institutions; (b) obtaining from each exchange institution a start-of-day balance for each shadow credit record and shadow debit record; (c) for every transaction resulting in an exchange obligation, the supervisory institution adjusting each respective party’s shadow credit record or shadow debit record, allowing only these transactions that do not result in the value of the shadow debit record being less than the value of the shadow credit record at any time, each said adjustment taking place in chronological order, and (d) at the end-of-day, the supervisory institution instructing on[e] of the exchange institutions to exchange credits or debits to the credit record and debit record of the respective parties in accordance with the adjustments of the said permitted transactions, the credits and debits being irrevocable, time invariant obligations placed on the exchange institutions.

It is my contention that an abstract idea is, as the USPTO has correctly defined it in the preliminary guidelines, “An idea of itself”. In other words, a mere idea that provides no instruction to a person of skill on how to realize or capture the idea in terms of a machine, an article of manufacture, a chemical compound or through method/process steps. To illustrate, “flying to the moon” is an example of an abstract idea/science fiction that, with nothing more, is totally non-enabling. However, the plans that show how to accomplish that idea, e.g., a Saturn booster, a command module, a lunar landing module, etc. is clearly a concrete example of a way to accomplish that abstract concept. Thus, I believe the proper analysis in the Alice case was not to deny patentability on the basis of Sec. 101, as the idea was sufficiently concrete to be put into practice, but to determine its novelty or lack thereof under Sec. 102. In fact the court stated, “On their face, the claims before us are drawn to the concept of intermediated settlement, i.e., the use of a third party to mitigate settlement risk. Like the risk hedging in *Bilski*, the concept of intermediated settlement is “a fundamental economic practice long prevalent in our system of commerce.”. I believe what the court has done is to improperly characterize what are simply well know prior art processes with abstract ideas. I suppose that there is a sense in which a process can be so notoriously well known that it can be viewed as a basic “building block” of human knowledge free to everyone, but I think such characterizations in both the Alice and *Bilski* cases were off the mark and painted with too broad a brush in defining what constitutes an

abstract idea. The correct approach would have been to find lack of novelty as to the processes in both cases under Sec. 102 and obviousness under Sec. 103 regarding the implementing of such well known processes on a standard general purpose computer.

One difficulty of including concrete ideas with mere non-enabling abstract ideas is that it will be difficult for the USPTO and probably applicants as well to know when an idea, though concrete, fits into the special category of being an abstract idea by virtue of it being very well known. I think this is a distinction that need not be made because if the idea has substance it is that substance that should be examined under Sec.'s 102 and 103. So, at the very least, this new definition of an abstract idea adds a level of complexity that is unneeded as the traditional 102/103 analysis is perfectly adequate to protect society from patents issuing to undeserving inventions. Moreover, this approach may add to the cost of prosecuting an application by requiring the applicant and the examining attorney to engage in a useless dialog on the level of substance of the idea, and at worst may result in a deserving invention from obtaining patent protection. And clearly, where the "concreteness" of the idea appears lacking the examiner can also provide for an enablement rejection under Sec. 112.

We also have to remember that Section 101 provides: "Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title." (*emphasis supplied*) Thus, we have to be careful about being overly broad with respect to any exclusion under this section. Therefore, I believe that the analysis guidelines pursuant to an abstract idea exclusion should be to first determine if the idea provides any guidance to a person of skill as to how the invention it is to be manufactured or otherwise implemented. If it does not provide such guidance, then it is an abstract idea and not patentable subject matter. If however, the idea provides such guidance then it is not an abstract idea but a disclosure that the examiner must analyze under 102/103 and 112. Where the disclosure is not novel under Sec. 102, then the implementation thereof can possibly be found obvious if that implementation was merely to use a standard computer. If part of the disclosure is novel then that part must be examined under 103 and if found obvious then the entire disclosure may be obvious if merely implemented on a general purpose computer.

I understand that defining an abstract idea under Sec. 101 as one that is not enabling would make that exclusion quite narrow, but it is my contention that the correct interpretation of Sec. 101 is that it was not written to be broadly exclusionary.

Best regards,

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