

From: david.wille [EMAIL ADDRESS REDACTED]
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To: alice_2014
Cc: [EMAIL ADDRESS REDACTED]
Subject: Belated Comments on New Rules

I realize that these comments are after the deadline but I thought I would send them anyway for whatever internal consideration of them can still be made. These are my personal views and not those of my firm, my clients, or the University where I am an Adjunct Professor.

I think the proposed guidelines do a pretty good job of capturing the limited guidance provided by the Supreme Court in Alice Bank. However, I think there are some considerations missing. If the decision is read too broadly, it would seem to eliminate an art unit at the PTO. But Bilski held (and this was not changed by Alice Bank) that there was no rule preventing business methods from being patented. The question then is how to determine which business methods are patentable and which are not. The first two bullets in Part 2 of the guidelines, while flowing from what the Supreme Court said, do not really answer that question. Those bullets really say, "If the patent is really claiming an improvement in technology (such as a computer) rather than a business method, then it is statutory subject matter." Assuming a "STEM" type definition of technology, which I think is what is intended here, that does not really tell us much. (FOOTNOTE: Bilski rejected the technological arts test in the en banc decision because it would merely spark a debate about what was "technological." I believe there is a footnote in the opinion contrasting the views in two amicus briefs addressing that subject. It is not clear how carefully the Supreme Court thought about its language before dropping the dictum concerning technology into the opinion.) The real question is what business methods are patentable (because Bilski tells us they are) that are NOT improvements in technology. And its not enough to say "Any that are improvements in technology are patentable." Because that is not what the Supreme Court said. They had another opportunity to say that in Alice Bank (especially given the concurrence of those who would say no business methods are patentable), and did not.

So the question is how the patent office should draw the line between those non-technological (for lack of a better term), business methods that are patentable and those that are not.

The Supreme Court has provided guidance in Alice Bank on this issue, but it is unclear which prong of the two part test to apply. The Supreme Court reemphasized in Alice Bank that the concern underlying the exclusions from 101 is "one of preemption." Slip Op. at 5. The concern is that the patent law not inhibit future discovery by "improperly tying up the future use of these building blocks of human ingenuity." Slip Op. at 6. As the guidelines recognize, however, at some level all inventions "embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas." Thus, the Supreme Court indicated that in applying Section 101, the key is to distinguish between patents that claim the "building blocks" and those that integrate the building blocks into something more. Slip Op. at 6.

The analysis of the Supreme Court treats the claims of both Bilski and Alice Bank as claiming no more than the basic building blocks. Bilski essentially claimed computerization of hedging. Alice Bank essentially claimed computerization of mediated settlement—the paper and pencil version of which had existed since the 1800s. Slip op. at 9. In Bilski, the Supreme Court did not indicate that ANY method of

hedging using a computer would not be patentable. Nor did the Supreme Court in *Alice Bank* indicate that ANY computerized method of negotiated settlement would not be patentable.

For example, suppose that an inventor does years of analysis and figures out that ocean temperatures in the South Pacific and the performance of the Dallas Cowboys have an impact on oil futures that impacts hedging. The “building block” involved in that method would be hedging itself (and maybe some other mathematical building blocks). A specific claim that takes into account ocean temperatures and the performance of the Dallas Cowboys is obviously not a claim to the “building block” of hedging itself.

The claim could pass muster under either prong of the test. As to the first prong, one could say that the claim is not directed to an abstract concept because it is not a claim directed to the fundamental building block of hedging itself. It is also not directed to a minor variant of hedging such as putting it on a computer or using hedging for a specific commodity, etc. The Supreme Court rejected the patentability of such minor variants in *Bilski*. So it is possible that one would find that this claim is patentable because it does not claim a fundamental building block itself. A patent on this specific method of hedging leaves plenty of usages of the basic building block of hedging for others. While the guidelines do reflect the above analysis to a certain extent, some examples might illuminate the inquiry a bit better. In addition, the guidelines should make clear that in considering whether the claim applies the abstract idea in a meaningful way, the Examiner should consider whether the claim is reads on a basic building block itself (such as hedging or intermediated settlement) or a minor variation of the basic building block (put it on a computer, use it in a field of use) or whether, instead, the claim reads on a specific application of the basic building block.

The guidelines indicate that claims that include abstract ideas “like” the few listed examples should be examined under Part 2. Without a bit more guidance about basic building blocks (which really is the judgment to make), the two part test really becomes a one part test. The Supreme Court indicated that almost every patent claims (as the guidelines recognize) involve an abstract idea. The Supreme Court would not have created a two-part test if it intended virtually every patent to fail the first part of the test. As drafted, the guideline might really cause the first prong of the test to turn into an inquiry into whether the claim “involves” an abstract idea rather than whether the claim is “directed to” an abstract idea. There is a real difference between those two and the guidelines should do more to reflect that difference.

As to the second prong of the test, the hedging method above could pass this prong of the test too. Because the claim is directed to a specific method of hedging, one could say that it includes meaningful limitations beyond the abstract idea of hedging itself. Those limitations are meaningful also because they go beyond simply applying the basic building block of hedging on a computer or to a specific commodity. While the guidelines also reflect this type of analysis to a certain extent as well, some examples might also illuminate the inquiry a bit better. The guidelines ought to emphasize that the inquiry should consider whether the claim is to the basic building block itself or to a minor variation thereof. In the second set of bullets for the second prong, the guidelines should recognize the guidance from *Bilski* that merely applying a basic building block to one field (e.g. doing hedging for a specific type of commodity) is not enough to make the claim patentable.

There is obviously some potential overlap in the two inquiries. But the fundamental concern of the Supreme Court should be an important factor in analyzing both prongs of the test.

David Wille

David Wille
Baker Botts LLP
2001 Ross Ave. Suite 600
Dallas, TX 75201
214-953-6595 (Office)
214-673-4051 (Cell)
[EMAIL ADDRESS REDACTED]