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VIA EMAIL AND FIRST CLASS MAIL

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RE: *Comments to the October 26, 2005, Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility, 70 Fed. Reg. 75451 (December 14, 2005)*

The FINANCIAL SERVICES INDUSTRY INTELLECTUAL PROPERTY ASSOCIATION ("FSIIPA") thanks the PTO for the opportunity to comment the PTO's *Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility* (the "Interim Guidelines") of October 26, 2005, and the PTO's questions on those guidelines posed in a December 14, 2005 request for public comment on the Interim Guidelines.

FSIIPA is an international, unincorporated association of financial services industry companies who own intellectual property, and attorneys and agents who represent such companies. FSIIPA includes many of the largest financial services companies in the world, several of the Federal

Government's loan guarantee agencies. FSIIPA's members have a collective interest in promoting and preserving a worldwide environment that fosters innovation and competition through a system of strong IP rights. Membership is voluntary and open to all financial services industry organizations (e.g., accounting, insurance, banking, investment banking, brokerage, trading, etc.). Many law firms, consulting firms and members of academia that are interested in IP issues within the financial services industry are also members of FSIIPA.

These comments are submitted solely by FSIIPA as its consensus view. They are not the views of any individual member, any firm, or any client.

I. The Guidelines Should Take Into Account the Evolving Standard for Application of the Law to Facts, and Consequent Reduced Scope of the Judicial Exceptions

In 1994, the Federal Circuit's *en banc* decision in *In re Alappat*, 33 F.3d 1526, 31 USPQ2d 1545 (Fed. Cir. 1994) brought about two major shifts in the law, and neither is squarely recognized in the Interim Guidelines. *Alappat* shifted the threshold for application of the law to particular facts: almost identical facts that used to be considered "abstract" are now "useful, concrete and tangible." Concomitantly, the scope of the judicial exceptions is narrowed.

The Interim Guidelines do not discuss either shift, and in some cases, move the threshold in the direction opposite the court's.

I.A. After *Alappat*, the Standard for "Abstract" Is Essentially Coextensive With "Practical Utility" and May be Satisfied by Pure Information; a "Physical" Article is No Longer Required

The shift in the standard of application of law to facts originates in the Supreme Court's *Diamond v. Diehr*, which adopted Congress' view that "anything under the sun made by man" is patentable subject matter. 450

U.S. 175, 182, 209 USPQ 1, 6 (1981). *State Street* explained, “As the Supreme Court expressly stated in *Diehr*, its own holdings in *Benson* and *Flook* ‘stand for no more than these long-established principles’ that abstract ideas and natural phenomena are not patentable.” 149 F.3d at 1374 n.7, 47 USPQ2d at 1602 n.7. Encrustations onto § 101 that are not based on statutory language, such as “physical transformation,” “express” recitation of a useful result vs. being useful because “capable of” producing a useful result, and the like, are not part of a § 101 inquiry after *Diehr*.

Revised Guidelines should make clear that any invention that is “useful” as claimed meets the § 101 “subject matter” requirement, subject to the judicial exceptions. The judicial exceptions are narrower than they were before *Alappat*, and are limited essentially to pure discoveries of pre-existing principles of natural science and pure mathematics. The broader construction of the judicial exceptions, and narrower scope of patentable subject matter, set out in the Interim Guidelines is inconsistent with the three most-recent decisions of the Federal Circuit.

For example, *State Street Bank v. Signature Financial*, 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998) and *In re Schrader*, 22 F.3d 290, 30 USPQ2d 1455 (Fed. Cir. 1994) considered facts that are essentially identical, at least insofar as § 101 is concerned. Under the post-*Alappat* threshold, *State Street* finds that “a final share price momentarily fixed for recording and reporting purposes” is “useful, concrete and tangible.” The same kind of purely financial information was regarded as “abstract” in *Schrader*. Yet the Interim Guidelines cite the obsolete reasoning of *Schrader*, and do not discuss the application of the law to the facts of *State Street*.

Similarly, the “PIC indicator” at issue in *AT&T Corp. v. Excel Communications Inc.*, 172 F.3d 1352, 1354, 50 USPQ2d 1447, 1448-49 (Fed. Cir. 1999) is equivalent in all respects that are relevant to § 101 to the data structure of *In re Warmerdam*, 33 F.3d 1354, 31 USPQ2d 1754 (Fed.

Cir. 1994). Applying the post-*Alappat* threshold, *AT&T* finds the “PIC indicator” to be “useful, concrete and tangible,” even though the *AT&T* claim is a method claim that recites no physical substrate or other component in the body of the claim. *AT&T* finds a single element of a data structure to be “useful, concrete and tangible” because it is an “indicator [that] represents information about the call recipient’s telephone carrier.” Again, the Interim Guidelines cite the obsolete standard for application of the law to the facts of *Warmerdam*, and are apparently silent on the new standard for application of law to facts in *AT&T*.

I.B. The Interim Guidelines Over-Rely on Pre-*Alappat* Cases and Insufficiently Address Post-*Alappat* Cases, and Reach Conclusions Opposite the Federal Circuit’s

The Interim Guidelines rely extensively on pre-*Alappat* case law. *Alappat*, *State Street*, and *AT&T* are cited rather sparingly. *Alappat* was an *en banc* holding of the Federal Circuit. Both *State Street* and *AT&T* noted that *Alappat* largely supplanted all pre-*Alappat* case law. The Interim Guidelines are somewhat anachronistic in failing to recognize the Federal Circuit’s own rule that pre-*en banc* cases are no longer sound precedent.

For example, the Guidelines quote the core holding of *State Street* – that the § 101 categories are no longer central, rather § 101 focuses on “the essential characteristics of the subject matter, in particular, its practical utility” – in an off-hand way at page 15. However, the Guidelines are nearly silent on applying this holding, consigning it to an Annex at page 39. The Guidelines then depart from *State Street*, mentioning “categories” 150-200% as often as they mention *State Street*, *AT&T*, or “utility,” and grafting a number of additional requirements onto § 101, above “practical utility.”

As a second example, though Annex III of the Interim Guidelines states that the *Freeman-Walter-Abele* test is improper for determining eligibility under § 101, and *Freeman-Walter-Abele* is never mentioned by name, *Freeman-Walter-Abele* reasoning and case law pervades the Interim

Guidelines. For example, in § IV(C)(2)(b) at page 20, the Interim Guidelines states as follows:

In determining whether the claim is for a “practical application,” the focus is not on whether the steps taken to achieve a particular result are useful, tangible and concrete,¹ but rather that the final result achieved by the claimed invention is “useful, tangible and concrete.” The claim must be examined to see if it includes anything more than a § 101 judicial exception.

Though using different words, this is remarkably similar to – and somewhat narrower than – the *Freeman-Walter-Abele* test, in its focus on “anything more.” Further, the Guidelines rely almost exclusively on *Freeman-Walter-Abele* era, pre-*Alappat* standards for an application of law to facts to determine what that “anything more” might be. Finally, the Guidelines cite no authority for the idea that “useful, tangible and concrete” steps cannot contribute patentability – and this statement is clearly wrong.² If the Guidelines maintained focus where *Alappat*, *AT&T*, and *State Street* direct it, on “useful, concrete and tangible” and “practical utility” (as properly construed – see § II.C at page 10 of this letter) this discussion would simply never arise.

Because of this anachronism, and failure to recognize the shift in the standard for application of the law to the facts, the Interim Guidelines lead to wrong conclusions. If an examiner were to apply the Interim Guidelines to the facts of *Alappat*, *State Street* and *AT&T*, the examiner would very likely find all three claims to be unpatentable. For example, the oscilloscope

¹ As a nit-pick, the courts use the phrase “useful, concrete and tangible.” The Interim Guidelines often refer to “useful, tangible and concrete.”

² *In re Iwahashi*, 888 F.2d 1370, 12 USPQ2d 1908 (Fed. Cir. 1989) (“read only memory” saves the claim); *In re Pardo*, 684 F.2d 912, 916-17, 214 USPQ at 676 n.6 (CCPA 1982) (“said data processor performing” saves the claim); *In re Taner*, 681 F.2d 787, 214 USPQ 678 (CCPA 1982) (“generating a plurality of reflection signals in response to the seismic energy waves at a set of receiver positions” saves the claim).

trace of *Alappat* and share price of *State Street* are the outcome of random processes, and would therefore could not produce “substantially the same result again” as required by the Interim Guidelines at IV(C)(2)(b)(3) (page 22). *State Street*’s “share price” and *AT&T*’s “PIC indicator” are information only, materialized at most as a signal, with no “tangible” article in the manner required by the Interim Guidelines. The physical substrate is only implicit in the § 112 ¶ 6 construction of the *State Street* claim, and totally absent from the body of the *AT&T* claim, yet the court found both to be “useful, concrete and tangible.” The reasoning and standard of application of the law to the facts set out in revised Guidelines must reach the same result as the court.

FSIIPA also notes that the Interim Guidelines rely on a number of legal principles that have been expressly overruled. For example, in *In re Alappat*, 33 F.3d 1526, 31 USPQ2d 1545 (Fed. Cir. 1994) (*en banc*), the Federal Circuit disapproved of its earlier *Freeman-Walter-Abele* line of cases. Yet much of that precedent is resurrected in the Interim Guidelines. In *AT&T Corp. v. Excel Communications Inc.*, 172 F.3d 1352, 1360, 50 USPQ2d 1447, 1453 (Fed. Cir. 1999), Judge Plager notes that his own earlier decision in *In re Schrader*, 22 F.3d 290, 30 USPQ2d 1455 (Fed. Cir. 1994) is “unhelpful” after *Alappat*, because it was based on *Freeman-Walter-Abele* reasoning, yet *Schrader* is extensively cited in the Interim Guidelines.

As another example, the Interim Guidelines explain that the data structures of *In re Warmerdam* were unpatentable because they involved only the inputting of data. This reasoning was repudiated, almost verbatim, in *State Street*, 149 F.3d at 1374, 47 USPQ2d at 1602 (“the mere fact that a claimed invention involves inputting numbers, calculating numbers, outputting numbers, and storing numbers, in and of itself, would not render it nonstatutory subject matter”).

In contrast, *Street Bank & Trust Company v. Signature Financial Group, Inc.*, 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998) and *AT&T Corp. v. Excel Communications, Inc.*, 172 F.3d 1352, 50 USPQ2d 1447 (Fed. Cir. 1999) appear to be remarkably under-cited.

FSIIPA urges that the PTO prepare its first draft of revised Guidelines based solely on *Diehr*, *Alappat*, *State Street*, and *AT&T*. Once that first draft is complete, earlier cases may be used in a “gap filling” role, but only when the reasoning and standard for application of the law to the facts can be squared with the later cases, and the later cases have not reinterpreted the earlier cases. The PTO should carefully consider the extent to which any pre-1998 precedent remains good law and worthy of being cited at all.

II. Questions Posed in the Request for Comments

II.A. Question 1: “Data Transformation” Necessarily Involves “Physical Transformation” – There is No Distinction to be Drawn, and Both are Patentable Subject Matter

(1) While the Patent Subject Matter Eligibility Interim Guidelines explain that physical transformation of an article or physical object to a different state or thing to another establishes that a claimed invention is eligible for patent protection, Annex III to the Patent Subject Matter Eligibility Interim Guidelines explains that identifying that a claim transforms data from one value to another is not by itself sufficient for establishing that the claim is eligible for patent protection. Therefore, claims that perform data transformation must still be examined for whether there is a practical application of an abstract idea that produces a useful, concrete, and tangible result. Is the distinction between physical transformation and data transformation appropriate in the context of the Patent Subject Matter Eligibility Interim Guidelines? If not, please explain why and provide support for an alternative analysis.

Both the premise of the question, and the corresponding analysis in the Interim Guidelines, are inconsistent with the laws of physics and the precedent of the Supreme Court and Federal Circuit precedent. The Guidelines quote the relevant language of *AT&T*: a physical transformation “is not an invariable requirement, but merely one example of how a

mathematical algorithm [that is, a data transformation] may bring about a useful application.” Interim Guidelines at 20, *quoting AT&T*, 172 F.3d at 1358-59, 50 USPQ2d at 1452. That is, the useful process, such as a data transformation, is the central fact in the analysis; a “physical transformation” is simply one way to show that the process is useful. “[P]hysical limitations analysis seems of little value” after *Diehr* and *Alappat*. *AT&T*, 172 F.3d at 1359, 50 USPQ2d at 1453. Under the modern standard for applying the law to the facts, “data transformations” are “useful, concrete and tangible,” not “abstract.”³

The question presupposes that the legal reasoning and alternative analyses of *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ 673 (1972) survive. But “As the Supreme Court expressly stated in *Diehr*, its own holdings in *Benson* and *Flook* ‘stand for no more than these long-established principles’ that abstract ideas and natural phenomena are not patentable. *Diehr*, 450 U.S. at 185, 209 USPQ at 7-8 (citing *Chakrabarty*, 447 U.S. at 309 and *Funk Bros.*, 333 U.S. at 130).” *State Street*, 149 F.3d at 1374 n.7, 47 USPQ2d at 1602 n.7. The alternative holdings and analyses of *Benson* and *Flook*, including the notion of “transformation,” are no longer good law. Whatever survives of *Benson* and *Flook* is subsumed into “abstract ideas and natural phenomena.”

Further, it is difficult to imagine a “data transformation” that would fall into one of the judicial exceptions, and that would not be “useful, concrete and tangible” as those terms are applied in *Alappat*, *State Street*, and *AT&T* (see § II.C at page 10) “Data transformations” that are purely natural, *e.g.*, the reorganization of nucleotides into a DNA strand, are unquestionably

³ Even *In re Schrader*, 22 F.3d 290, 295 n.12, 30 USPQ2d 1455, 1459 n.12 (Fed. Cir. 1994) notes that pure information may be patentable subject matter: “Thus, it is apparent that changes to intangible subject matter representative of or constituting physical activity or objects are included in the definition.”

patentable, and the law provides no basis to distinguish other “data transformations” such as those performed by computers or business methods.

Finally, as a matter of physics, there is no distinction to be drawn between “data transformation” and “physical transformation”⁴ First, “data” cannot exist without some form of “physical” substrate – either a memory substrate (magnetic, optical, DNA, etc.), or energy propagating as modulated by the data. Second, information cannot be transformed or destroyed without expenditure of energy and increase in entropy, both of which are physical transformations. Therefore, “transformation of data” **necessarily** involves a “physical transformation.”

II.B. Question 2: A Useful, Concrete and Tangible Result is Patentable, Without Regard for Any “Physical Transformation” and Whether that Result is “Necessarily” Produced

(2) Is the PTO interpretation of *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998), as holding that if there is no physical transformation, a claimed invention must necessarily, either expressly or inherently, produce a useful, concrete, and tangible result (rather than just be “capable of” producing such a result) either too broad or too narrow? If so, please suggest an alternative interpretation and reasons therefor.

The distinction between “capable of” producing a “useful, concrete and tangible result” and “necessarily” producing it is not cognizable under the law. A brief review will demonstrate that 95% or more of apparatus claims are drafted in “device for...” or “device capable of ...” or “device designed to...” form, and almost never in “device that is this very second accomplishing...” The Guidelines cite no current case law that supports a

⁴ This was shown by Leo Szilard – one of the great physicists of the 20th century – in the 1920’s, and that observation was further refined by Claude Shannon in the 1940’s and Ralph Landauer in the 1960’s.

“necessarily” vs. “capable of” distinction, and the PTO lacks the authority to create new substantive law. *Merck & Co. v. Kessler*, 80 F.3d 1543, 1550, 38 USPQ2d 1347, 1351 (Fed. Cir. 1996) (the PTO does “NOT ... have authority to issue substantive rules,” emphasis the court’s).

“Capable of” or “device for” claims are absolutely crucial to effective patent protection, to catch infringements such as the following:

- situations involving imports and exports
- parts designed for a particular purpose, but not assembled
- divided infringement, where no single party practices an entire claim – for example, in telecommunications, or in business transactions that require a buyer, a seller, and a financing source.
- infringement without knowledge of the patent, and other “technical” limits on induced and contributory infringement – well-drafted patents sidestep these limits by claims drafted in “device for...” or “device capable of...” form as opposed to “device performing” or “device that necessarily performs” claims
- replaceable or repairable parts
- known products made by new processes

The proposed test is also simply impractical. Some algorithms reach a useful result on some inputs, but other inputs confound the algorithm - a useful result is not “necessarily” achieved, but the algorithm is nonetheless useful. Likewise, insurance is issued solely because it is “capable” of reaching a result – even though everyone involved hopes it never happens.

A claim directed to “capable of” a useful result is one instance where disclosure in the specification is sufficient to impart “useful, concrete and tangible” character to a claim.

II.C. Question 3: “Useful, Concrete and Tangible” is a Unified Concept, Essentially Coextensive With “Practical Utility”

(3) As the courts have yet to define the terms “useful,” “concrete,” and “tangible” in the context of the practical application requirement,

are the explanations provided in the Patent Subject Matter Eligibility Guidelines sufficient? If not, please suggest alternative explanations.

The premise of the question is incorrect. The courts have defined “useful, concrete and tangible” by noting that it is synonymous with the “practical utility” requirement of § 101. Note the way that the court in *State Street* and *AT&T* repeatedly juxtaposes the trio “useful, concrete and tangible” and the single word “useful,” switching back and forth between them in successive sentences, or sometimes within a single sentence, to demonstrate that the two are synonymous. Further, *Alappat*, *State Street*, and *AT&T* make quite clear that the phrase “useful, concrete and tangible” refers to a single unified test, essentially equivalent to the “practical utility” test of § 101 (and possibly identical), not three separate requirements. 172 F.3d at 1358-60, 50 USPQ2d at 1451-53. Thus, the Interim Guidelines’ assertion that the term is undefined, and the breakout of the “useful, concrete and tangible” test into three distinct elements in § IV(C)(2)(1)-(3), unfortunately introduce more confusion than analytical clarity.⁵

Importantly, the courts give a number of examples of “useful, concrete and tangible:” the “share price” of *State Street*, the “PIC indicator” of *AT&T*, and the “trace” of *Alappat*. Yet all three of these cases would fail the criteria of the Interim Guidelines § IV(C)(2)(b) at pages 20-22 – the Guidelines are too conservative.

The “definition” of “tangible” at § IV(C)(2)(b)(2) at pages 21-22 is particularly problematic, in that it does not state what “tangible” is but only what “tangible” is not.

The definition of “concrete” at § IV(C)(2)(b)(3) at page 22 is not correct. There has never been a requirement that an invention be “substantially repeatable.” *In re Swartz*, 232 F.3d 862, 56 USPQ2d 1703

⁵ Perhaps some of this material would more appropriately appear in § II.A of the Interim Guidelines which discusses of the utility guidelines of MPEP § 2107.

(Fed. Cir. 2000) does not support the proposition for which it is cited – *Swartz* is a cold fusion “inoperable” case, addressing a “utility” issue, not a “subject matter” issue, and speaks of “irreproducible,” never “substantially repeatable.”

The experience of many FSIIPA members is that many examiners have misinterpreted this portion of the Interim Guidelines. If “repeatability” is retained as a subject matter consideration, revised Guidelines must make clear that an invention fails “repeatability” only if the invention is totally “irreproducible.” Further, as a matter of examination procedure, it is the examiner’s burden to “[provide] evidence showing that one of ordinary skill in the art would reasonably doubt the asserted utility.” *Swartz*, 232 F.3d at 864, 56 USPQ2d at 1704. The Guidelines should clarify that no rejection exists, and no burden shifts to an applicant to do anything more than demand such an explanation and evidence, until the examiner provides them. See *Swartz*, 232 F.3d at 864, 56 USPQ2d at 1704.

Revised Guidelines must take care not to impair patentability of Monte Carlo simulation methods, insurance inventions that are intended to never be actually performed in full and then only in response to unpredictable future occurrences, contractual business methods that cover contingencies that almost never occur, pledges of security interests that are intended never to be executed on, inventions directed to management “rules of thumb” for decisions that might be made differently under different circumstances, etc.

II.D. Question 4: “Preemption” is Subsumed Within “Useful, Concrete and Tangible”

(4) What role should preemption have in the determination of whether a claimed invention is directed to a practical application of a 35 U.S.C. 101 judicial exception?

Diamond v. Diehr, 450 U.S. 175, 192 n.14, 209 USPQ 1, 10 n.14 (1981) rejects “preemption” as a test *per se*, along with all of the other

alternative grounds in *Benson* and *Flook*, as discussed above in § II.A at page 7. Preemption, to the degree it survives at all, can be subsumed within the “useful, concrete and tangible” test discussed throughout this letter.

II.E. Question 5: Signals *Per Se* Are Patentable if Useful

(5) Annex IV to the Patent Subject Matter Eligibility Interim Guidelines explains why the PTO considers claims to signals *per se*, whether functional descriptive material or non-functional descriptive material, to be nonstatutory subject matter. Does the PTO analysis represent a reasonable extrapolation of relevant case law? If not, please explain why and provide support for an alternative analysis. If claims directed to a signal *per se* are determined to be statutory subject matter, what is the potential impact on internet service providers, satellites, wireless fidelity (WiFi), and other carriers of signals?

Signals are “physical” as well as “useful, concrete and tangible,” and therefore patentable on the same terms as any other object in the physical world. The Interim Guidelines (Annex II, Section B at 37) quote *State Street*, which noted that the invention in *Alappat* “constituted a practical application of an abstract idea ... because it produced ‘a useful, concrete and tangible result’ – *the smooth waveform.*” 149 F.3d at 1373, 31 USPQ2d at 1601 (emphasis added). *State Street* expressly states that under the post-*Alappat* standard of application of law to facts, a “smooth waveform,” that is, a man-made signal, is *per se* “useful concrete and tangible.”

Citations to authority are conspicuously absent in this portion of the Interim Guidelines, as is any attempt to distinguish authority holding that signals are **necessarily** physical and non-abstract. *Arrhythmia Research Technology Inc. v. Corazonix Corp.*, 958 F.2d 1053, 1059, 22 USPQ2d 1033, 1038 (Fed. Cir. 1992) (“The view that there is nothing necessarily physical about ‘signals’ is incorrect,” citations and quotations omitted); *In re Taner*, 681 F.2d 787, 790, 214 USPQ 678, 681 (CCPA 1982) (“signals [are] viewed as physical,” and calculations on “signals” are not an “algorithm in the abstract”); *In re Sherwood*, 613 F.2d 809, 819, 204 USPQ 537, 546 (CCPA 1980) (claim whose preamble recites converting one set of seismic data to

another “converts one physical thing into another physical thing just as any other electrical circuitry would do”); see MPEP § 2106(B)(1)(c) (8th ed., Rev. Aug. 2005) (“However, a signal claim directed to a practical application of electromagnetic energy is statutory regardless of its transitory nature. See *O’Reilly*, 56 U.S. at 114-19; *In re Breslow*, 616 F.2d 516, 519-21, 205 USPQ 221, 225-26 (CCPA 1980)”).

The Interim Guidelines (Annex IV, Section (c) at 56), quote *Diamond V. Chakrabarty* for a definition of a “manufacture” as recited in § 101:

The production of articles for use from raw or prepared materials by giving these materials new forms, qualities, properties, or combinations, whether by hand-labor or by machinery.

447 U.S. at 308 (*quoting American Fruit Growers, Inc. v. Brogdex Co.*, 283 U.S. 1, 11 (1931)). Electromagnetic signals “made by man” meet this definition. The raw materials for a manufactured electromagnetic signal can be, for example, a carrier wave with no signal encoded. The carrier wave is then modified to produce the desired manufactured signal. The new signal has new properties, such as content and structure. These new properties are readily detectable, such as by a modem attached to a computer. Thus, any useful signal produced by a machine is a “manufacture” for purposes of § 101.

Lastly, claims directed to “signals” provide an effective means to protect U.S. commerce. United States businesses rely on patents to prevent the importation of objects manufactured by processes protected by U.S. patents. Electromagnetic signals are what computers produce. Thus, if such signals were eligible for patent protection, inventors could properly exclude the importation of such signals into the U.S. Parties could not simply avoid infringement of a patented, computer-implemented process by merely locating a computer server outside of the U.S. and then transmitting the results of a computation (*i.e.*, via an electromagnetic signal) into the U.S.

III. Comments On the Guidelines

FSIIPA offers the following section-by-section comments on issues not already discussed in connection with Questions 1-5.

III.A. The Guidelines are Binding on Examiners. The PTO is Obligated to Promulgate Binding Guidelines, and May Not State that they Will Not Be Enforced During §§ 131/132 Examination

FSIIPA agrees that the Interim Guidelines are not promulgated pursuant to APA rulemaking procedures and therefore lack the “force and effect of law” that would create enforceable obligations on applicants. However, the Supreme Court and Federal Circuit have repeatedly held that published agency guidelines and procedural manuals, and the MPEP in particular, are unilaterally binding, and define obligations of the agency on which the public is entitled to rely. *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1425, 7 USPQ2d 1152, 1154 (Fed. Cir. 1988) (MPEP “does not have the force of law, but it ‘has been held to describe procedures on which the public can rely.’”); *In re Kaghan*, 387 F.2d 398, 847-48, 156 USPQ2d 130, 132 (CCPA 1967) (“an applicant should be entitled to rely not only on the statutes and Rules of Practice but also on the provisions of the MPEP in the prosecution of his patent application”).

Thus, when the Federal Circuit or the Interim Guidelines state that PTO personnel must set forth showings on particular factors, a failure to make findings on those factors is a procedural breach for which the PTO is obligated to provide a procedural remedy during the 35 U.S.C. §§ 131 and 132 examination phase. The PTO cannot leave examiners to unfettered discretion, free from oversight by both the Director and the Board, unaccountable to anyone for making appropriate showings. Neither prosecution nor appeals can progress when an examiner is silent, *Ex parte Schriker*, 56 USPQ2d 1723, 1725 (BPAI 2000) (refusing to decide an appeal when an examiner fails to state a position on a *prima facie* element: “We are

not good at guessing [at an examiner's unstated position]; hence, we decline to guess."). Examiners are required to fully disclose their positions on all relevant issues; the PTO is obligated to have mandatory guidelines for minimum notice that must be given on § 101 issues – as every other – and to enforce them. 35 U.S.C. § 3(b)(2)(A) (Commissioner is obligated to "provide management and direction" on "all aspects" of examination).

FSIIPA requests that the PTO clearly articulate a chain of supervisory authority that will ensure that all Office Actions make showings appropriate to Supreme Court and Federal Circuit 35 U.S.C. § 101 case law. This is an essential procedural discipline to reduce substantive errors. Further, articulated findings are essential to any other remedy: if an application is not allowed, an applicant must have a fully-developed record that allows a focused issue for appeal. Once an examiner states something on paper, FSIIPA acknowledges that appeal is the appropriate remedy. However, when an examiner is simply silent, the Board cannot and will not act.

FSIIPA observes that Petition is the appropriate path of review to obtain supervisory encouragement for full examination, as a fallback to informal telephone calls to the examiner and SPE . FSIIPA requests that the PTO remove statements or suggestions that no one in the PTO has an obligation to enforce PTO rules.

III.B. Non-Limiting Language of Claims

The Interim Guidelines include a list of alleged "examples of language that may raise a question as to the limiting effect of the language in a claim." (Section II.C at 7.) However, FSIIPA suggests that this list should be modified as follows:

- (a) "statements of intended use" in claim preambles are not limiting under the "broadest reasonable interpretation" standard applied during examination. In contrast, in a claim body, functional recitation (including statements of results or intended use) is always limiting, subject to (B) and (C), and the rule for "product-

by-process” claims of MPEP § 2113. *See, e.g., C.R. Bard, Inc. v. M3 Systems, Inc.*, 157 F.3d 1340, 1350 (Fed. Cir. 1998).

- (b) “Adapted to,” “adapted for,” and “capable of” clauses in the body of a claim are limiting as to functional capability, but are not limiting as to subjective intent. *See, e.g., In re Schreiber*, 128 F.3d 1473, 1478, 44 USPQ2d 1429, 1432 (Fed. Cir. 1997); *In re Venezia*, 530 F.2d 956, 959, 189 USPQ 149, 152 (CCPA 1976).
- (c) “Whereby” and “thereby” clauses in the body of a claim are not given weight when the clause merely expresses the intended result of a process step positively recited.

“Wherein” clauses (formerly item (C)) should be deleted from the list – “wherein” clauses are always limiting, except possibly as “statements of intended use” in preambles. *See, e.g., Griffin v. Bertina*, 285 F.3d 1029, 1033-34 (Fed. Cir. 2002) (distinguishing “whereby” and “wherein” clauses). “whereby” clauses

III.C. The Process for Determining Eligibility under 35 U.S.C. § 101

The Interim Guidelines state that “Annex I . . . includes a flow chart of the process PTO personnel should follow.” (Section I at 3.) The flowchart purports to summarize the discussion of Section V (*i.e.*, pp. 11-25) of the Interim Guidelines. The flowchart, in attempting to summarize 15 pages of case law, however, is not too helpful for the Examining Corps. Thus, FSIIPA suggests that the last “box” of the flowchart on page 30 read as follows:

1. Does the invention meet the utility guidelines of MPEP § 2107? If so, stop, the claim is directed to patentable subject matter.
2. Does the invention fall within any one of the § 101 categories (*i.e.*, is it a process, machine, manufacture or composition of matter?)
3. Does the claim avoid the judicial exceptions (*i.e.*, law of nature, natural phenomena or abstract idea)?
 - a. Does the claim recite at least one limitation that results in some “physical transformation?”; OR

- b. Does the claim recite at least one limitation that goes beyond a mere law of nature, natural phenomena or abstract idea by having a “useful, concrete and tangible result?”
4. Does the claim recite at least one limitation that results in non-preemption of a law of nature, a natural phenomenon or an abstract idea?
5. If the application fails all of 1-4, the Examiner must establish such failure on the record by setting forth factual findings and citing evidence where appropriate.

While the above proposed new “box” for page 30 presumes (as do the Interim Guidelines) there is an analytical distinction to be made between the “utility” requirement and the subject matter requirement of § 101, FSIIPA believes that the Federal Circuit intends “useful, concrete and tangible” to refer to a unified test under the subject matter requirement of § 101 that is coextensive with “practical utility,” and not three separate requirements.

III.D. Claims That Cover Statutory and Non-Statutory Subject Matter are Patentable

The Interim Guidelines state that “a claim that can be read so broadly as to include statutory and non-statutory subject matter must be amended to limit the claim to a practical application.” (Section IV(C)(2)(1) at 21.) FSIIPA is unaware of any legal authority for this principle, at least in the “predictable arts” (which includes most, if not all, computer-related and business method inventions). Section IV(C)(2)(1) also overlooks the core holding of *State Street*, that a “useful result” may be “expressed in numbers, such as price, profit, percentage, cost, or loss.” 149 F.3d at 1375.

III.E. Annex IV Should be Maintained and Expanded in the Final Guidelines

Annex IV is a crucial part of the Guidelines, and should not be dropped from the Guidelines that will be permanently incorporated into the MPEP.

Annex IV needs to stress that the considerations set out in the § 101 Guidelines are only relevant to § 101. For example, between ¼ to ½ of the examining corps believes that “descriptive matter” is to be disregarded for §§ 102/103 purposes. The Guidelines, and MPEP §§ 2112 and 2143.03 should make clear that all claim language is to be given “patentable weight” for §§ 102/103 purposes, except as discussed above in § III.B of this letter.

III.F. The PTO Should Carefully Fact Check its Bases

A number of technical statements in the Interim Guidelines are simply incorrect. For example, at page 52, the Guidelines state “Data structures not claimed as embodied in computer-readable media are descriptive material per se and are not statutory because they are not capable of causing functional change in the computer.” This is neither a correct paraphrase of *Warmerdam* nor a correct statement of computer science. For example, the title of one of the most famous computing textbooks ever is “Programs = algorithms + data structures” – data structures are as crucial to a “useful, concrete and tangible” result as anything else. Also, recall that the “PIC indicator” of *AT&T* is a data structure element.

The PTO should obtain careful review of knowledgeable reviewers.

IV. Conclusion

FSIIPA encourages the PTO to proceed in accordance with Supreme Court and Federal Circuit precedent. The PTO lacks the authority to interpret § 101- or any other section of the Patent Act – more narrowly than instructed by its reviewing courts, and should not do so. FSIIPA believes that several situations discussed in the Interim Guidelines are better addressed under §§ 102 and 103, rather than § 101. *See Diamond v. Diehr*, 450 U.S. 175, 191 (1981) (“[I]t may later be determined that the respondents’ process is not deserving of patent protection because it fails to satisfy the statutory conditions of novelty under § 102 or nonobviousness

under § 103. A rejection on either of these grounds does not affect the determination that respondents' claims recited subject matter which was eligible for patent protection under § 101.").

Respectfully submitted,

/s/

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