

DBA Intellectual Property Law Section

Section 101 Patent Eligibility Panel: Perspectives From Litigator, Prosecutor, and Portfolio Manger



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USPTO DIRECTOR IANCU THIS WEEK IN CHICAGO DISCUSSING SECTION 101

“[T]he **USPTO cannot wait**. We have thousands of examiners who struggle with these issues on a daily basis. Our examiners need additional guidance now. And so do patent applicants, patent owners, and the public. Whether through legislation or otherwise, there is a growing consensus that the issue must be promptly addressed.”

“Let me put this in my own words: **How can a claim be novel enough to pass 102 and nonobvious enough to pass 103, yet lack an “inventive concept” and therefore fail 101?** Or, how can a claim be concrete enough so that one of skill in the art can make it without undue experimentation, and pass 112, yet abstract enough to fail 101? How can something concrete be abstract?

These problems confound the most sophisticated practitioners in our patent system.”

Syllabus

NOTE: Where it is feasible, a syllabus (headnote) will be released, as is being done in connection with this case, at the time the opinion is issued. The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U. S. 321, 337.

SUPREME COURT OF THE UNITED STATES

Syllabus

ALICE CORPORATION PTY. LTD. *v.* CLS BANK
INTERNATIONAL ET AL.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR
THE FEDERAL CIRCUIT

No. 13–298. Argued March 31, 2014—Decided June 19, 2014

THOMAS, J., delivered the opinion for a **unanimous Court**. SOTOMAYOR, J., filed a concurring opinion, in which GINSBURG and BREYER, JJ., joined.

²The parties agree that claim 33 of the '479 patent is representative of the method claims. Claim 33 recites:

“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.” App. 383–384.

ALICE – POOR CLAIM DRAFTING LED TO BAD LAW

- The representative claim in *Alice* was poorly written.
- Opinion overly relies on ancient case law related to “Abstract Ideas”.
- There is no issue with the application of the other two main categories of ineligible patent matter: laws of nature and physical phenomena.
- *Alice* raises the analysis of “abstract idea” far beyond its importance in the *structure of patent law*.

INTRODUCTION TO § 101

35 U.S. Code § 101 - Inventions patentable

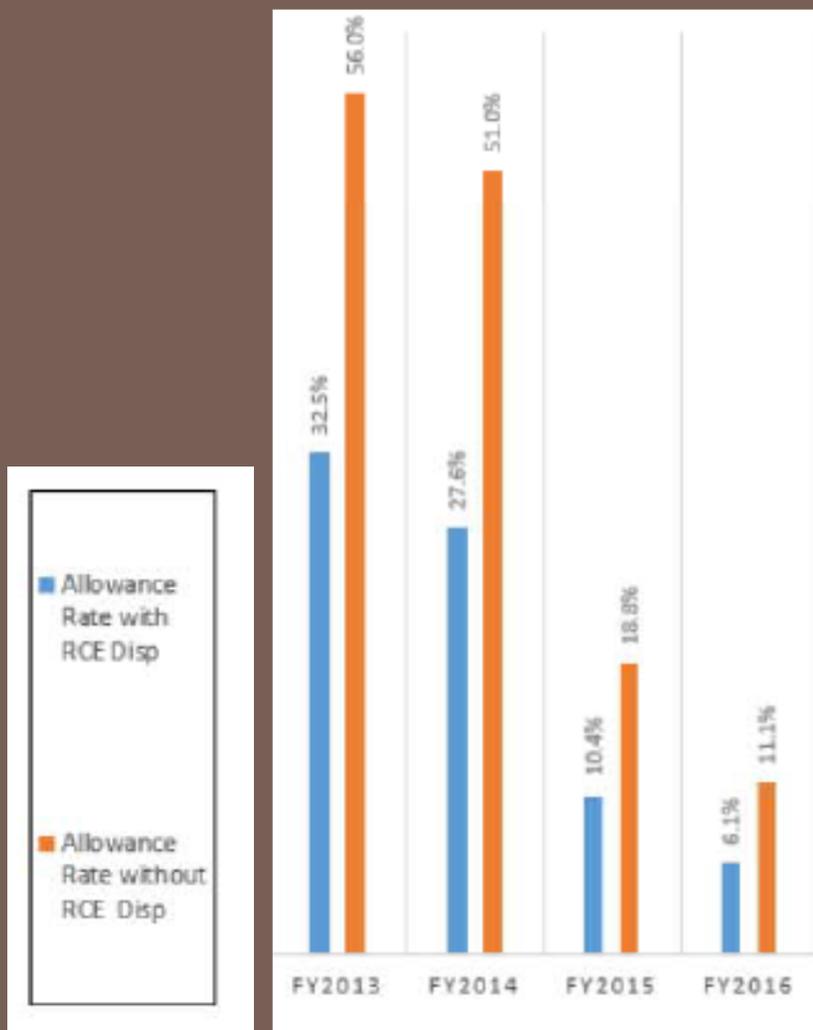
Whoever invents or discovers any new and useful **process**, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

(July 19, **1952**, ch. 950, 66 Stat. 797.)

Alice Corp. v CLS Bank Intl. (U.S. Supreme Court, 2014)

- (1) The “**abstract ideas**” category embodies “the longstanding rule that ‘[a]n idea of itself is not patentable.’ ”
- (2) we must examine the elements of the claim to determine whether it contains an “**inventive concept**” sufficient to “transform” the claimed abstract idea into a patent-eligible application.

PORTFOLIO CHALLENGES AFTER ALICE



Source: USPTO

PORTFOLIO MANAGEMENT AFTER ALICE

(1) Prosecution

- Stop ?
- Slow Down ? (Options to wait it out)
- Speed Up ? (Prioritized Examination)
- What are my competitors doing?

(2) Litigation/Licensing

- Plaintiff/Patent Owner – hybrid licenses; avoid litigation
- Defendant – more aggressive competition

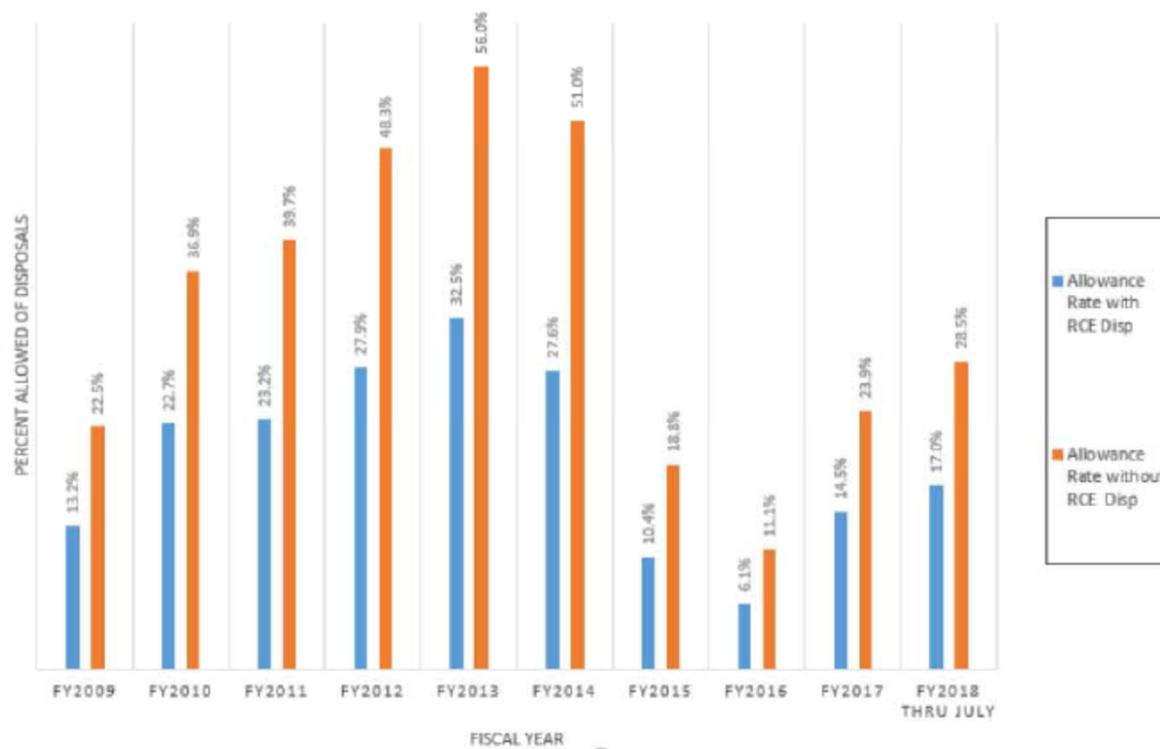
PROSECUTION PROBLEMS AFTER ALICE

- Rejections based on subject matter categories instead of actual claimed substance: Art Group 3600 vs. All Others.
- Still no definition of “an Abstract Idea” by any court, the USPTO or Congress, yet an entire body of law has been developed around deciding if something is an Abstract Idea or not.
- Decisions on eligibility being made based on what is or is not “Conventional” or “Routine”.
- Director Inacu’s speech specifically addressed defining an “Abstract Idea”:
 1. Mathematical Concepts
 2. Methods of Organizing Human Interactions
 3. Mental Processes

BUSINESS METHOD INITIATIVES AT USPTO

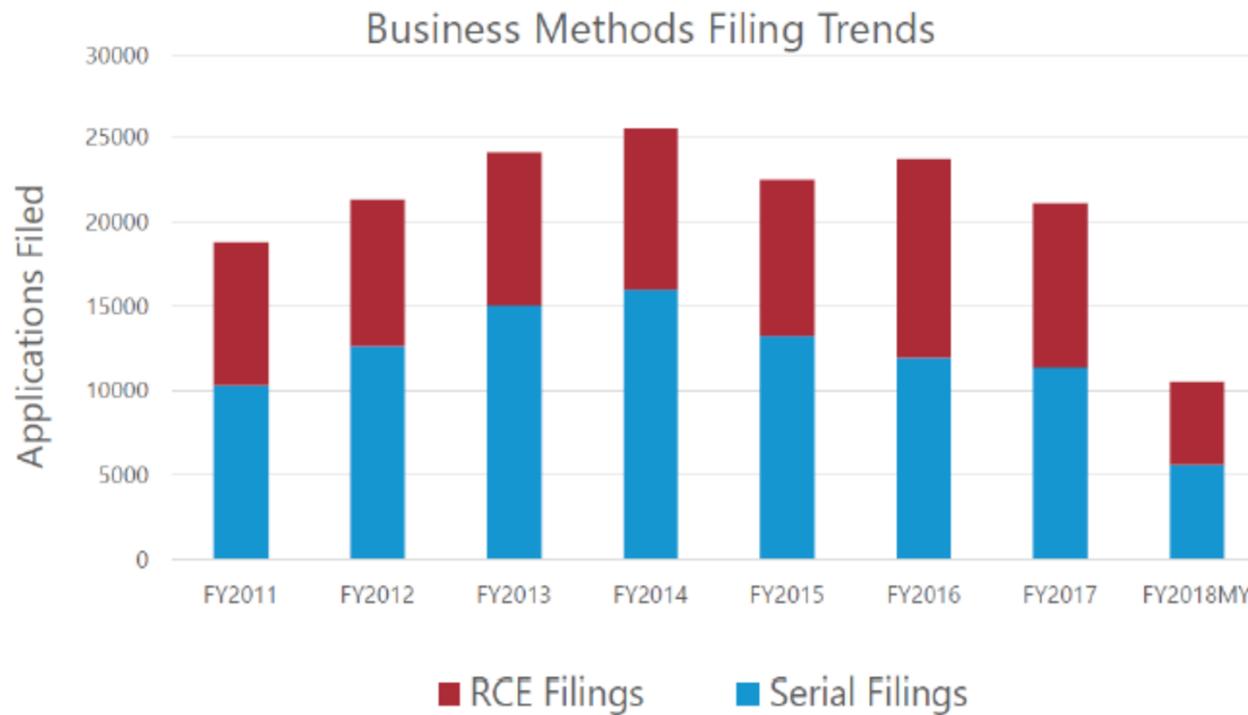
- Managers are reviewing the prosecution history of the oldest pending cases in their workgroups to resolve any outstanding issues and advance prosecution – proactive approach.
- Examiners may receive assistance and additional time.
- Examiners may “bank” additional training hours related to section 101 issues.
- Calls to SPE’s and Patents Ombudsman are encouraged to resolve customer issues.
- Customers with specific technical expertise may apply to provide Patent Examiner Technical Training.

Data Update: Business Methods Allowance Rates



Source: USPTO

Data Update: Filing Trends in Business Methods



Source: USPTO

Data Update: Examiner Growth/Patent Grants

Fiscal Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018MY
Number of Examiners in Business Methods in TC 3600	125	110	116	133	147	260	300	328	316	324	325	346	387	384	372	404	400*
Patent Grants From Business Methods Examiners in TC 3600	494	486	271	687	1055	1186	1571	1659	3515	4042	4432	5205	6094	1657	1395	2481	1786

- Data on this chart represents Examiner counts at the end of a fiscal year and does not include Examiners currently in the Patent Training Academy
- *Does not include 76 BM new hires that joined or will join TC after 2018MY

Source: USPTO

PROSECUTION STRATEGIES AFTER ALICE

- New Applications:
 - Emphasize Technical Features that Improve Computer Functionality (*Enfish*) or Improved Execution on a General Computer (*McRO*).
 - For Known Claim Elements, Describe a Novel Arrangement that Enables New Functionality (*Bascom*).
 - Extensive Technical Discussion(s) in the Specification that Specifically Define Claim Elements (*Amdocs*).
 - Draft Claims with an Eye Towards Art Groups Other Than 3600 When Possible (a Tangible System Having the Inventive Process).

PROSECUTION STRATEGIES AFTER ALICE

- Existing Applications:
 - Amend Claims to Include Technical Features or Improvements in the Specification Rather Than Just Claiming Desired Results.
 - Cancel and Rewrite Claims Rather Than Repeated Amending (RCEs) (Examiners Get Dug In On Certain Claims).
 - Obtain Narrow Protection Now When Possible, Then File Continuations for Broader Coverage.
 - Interview with Examiner Supervisors and Push Them to Give Examples of What Would Be Allowable.
 - Work with Correct Examples in the Guidelines and Expressly Map Your Claim Elements to those Examples.

LITIGATION AND POST-GRANT ISSUES



Good article today analyzing current trends in 101 motions, with a “surprising twist” involving the EDTX. (Okay, if

you read this weblog, it’s not going to come as a surprise, but work with me here).

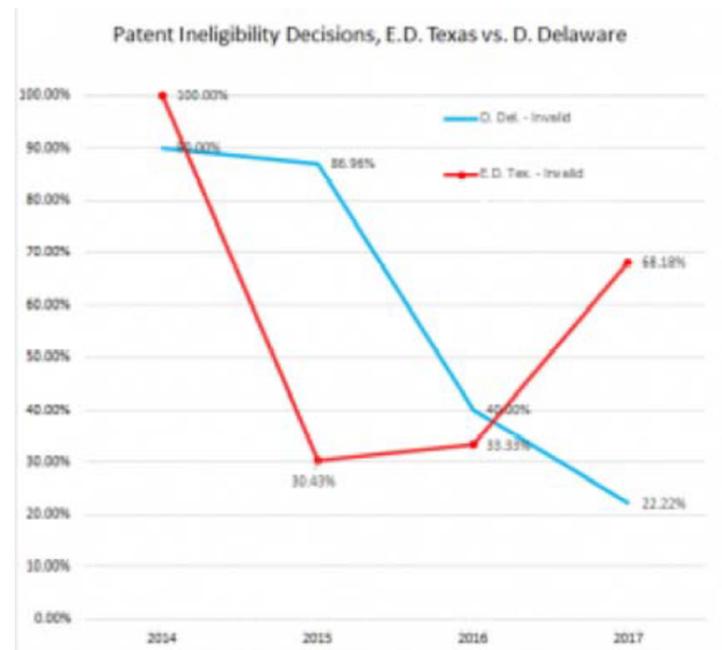


Chart by BilskiBlog

Source: Michael Smith, Esq.

**United States Court of Appeals
for the Federal Circuit**

STEVEN E. BERKHEIMER,
Plaintiff-Appellant

v.

HP INC., FKA HEWLETT-PACKARD COMPANY,
Defendant-Appellee

2017-1437

Appeal from the United States District Court for the
Northern District of Illinois in No. 1:12-cv-09023, Judge
John Z. Lee.

Decided: February 8, 2018

While patent eligibility is ultimately a question of law, the district court erred in concluding there are no underlying factual questions to the § 101 inquiry. *Id.* at 642. Whether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination. Whether a particular technology is well-understood, routine, and conventional goes beyond what was simply known in the prior art. The mere fact that something is disclosed in a piece of prior art, for example, does not mean it was well-understood, routine, and conventional.

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UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

SUPERCELL OY,
Petitioner,

v.

GREE, INC.,
Patent Owner.

Case PGR2018-00029
Patent 9,636,583 B2

Before MICHAEL W. KIM, LYNNE H. BROWNE,
and CARL M. DEFRANCO, *Administrative Patent Judges.*

KIM, *Administrative Patent Judge.*

DECISION
Granting Institution of Post-Grant Review
35 U.S.C. § 324(a)

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addresses the “panel selection function.” *See* Pet. 28. In particular, Petitioner asserts that independent claim 1 fails to provide an inventive concept because it recites a “panel selection function,” along with a “data storage function” and “panel layout function,” all of which “are no more inventive than storing, selecting, and retrieving data, a function the Federal Circuit routinely finds cannot supply an inventive concept.” Pet. 28 (citing *Smartflash*, 2017 WL 786431, at *5).

Petitioner asserts that these claim elements are “conventional computer methods to provide functionally-claimed solutions” with “no commensurate technical disclosure for *how* those solutions are to be achieved or any technical or programming advance suggested to achieve the solutions.” Pet. 29. We view Petitioner’s discussion of the “panel selection function” as also addressing the limitations immediately following each occurrence of the term “panel selection function” in claim 1, in that Petitioner argues there is no commensurate technical

DIRECTOR IANCU PROPOSES NEW TEST

So I propose that we go back and heed Judge Rich's direction, and keep rejections in their own distinct lanes—as directed, in fact, by the 1952 Act. Let's stop commingling the categories of invention on one hand, with the conditions for patentability on the other. Section 101 is about subject matter. It is meant to address categories of matter that are not ever eligible on their own, no matter how inventive or well-claimed they are.

Here is a hint: If the claims can be fixed by slightly different claiming, by narrower claiming, or by more definite claiming, this is likely a "conditions" problem—not a subject matter problem. A pure discovery of nature, like gravity for example, is not eligible no matter how new, how brilliant, and how carefully the claims are written. This is an example of a subject matter issue. The category itself is problematic.

PROPOSED NEW TEST FOR “ABSTRACT”

And so, the proposed PTO guidance would synthesize “**abstract ideas**” as falling into the following **three categories**:

- Mathematical concepts like mathematical relationships, formulas, and calculations;
- Certain methods of organizing human interactions, such as fundamental economic practices commercial and legal interactions; managing relationships or interactions between people; and advertising, marketing, and sales activities; and
- Mental processes, which are concepts performed in the human mind, such as forming an observation, evaluation, judgment, or opinion.

Source: Director Iancu

NEW TERM: “PRACTICAL APPLICATION”

It is important to note that the first step of our analysis does not include questions about “conventionality,” which are addressed in *Alice* Step 2. That is, it **does not matter** if the “integration” steps are arguably “**conventional**”; as long as the integration is into a **practical application**, then the **101 analysis is concluded**. This helps to ensure that there is a meaningful dividing line between 101 and 102/103 analysis. A fully “conventional” yet patent-eligible claim may still be unpatentable as obvious. But it is better to address such a claim with obviousness law that has been developed over 65 years of practice....Put another way, the examination does not conclude merely because we overcome Section 101; we must still examine for patentability under sections 102, 103 and 112. And so for claims that pass 101 because they do not articulate matter in a defined category, or that integrate the matter into a practical application, we can rest assured that other sections of the code should still prevent a patent if the claim is not inventive or is merely on a non-enabled or undescribed or indefinite idea.

[Source: Director Iancu]

FINAL THOUGHTS