



Intellectual Property Law Section of the State Bar of Nevada

August 1, 2018

The Honorable Andrei Iancu

Under Secretary of Commerce for Intellectual Property and

Director of the United States Patent and Trademark Office

U.S. Patent and Trademark Office

600 Dulany Street

Alexandria, VA 22314

Via email: Eligibility2018@uspto.gov

**Re: Request for Comments on Determining Whether a Claim Element Is Well-Understood,
Routine, Conventional for Purposes of Subject Matter Eligibility**

Dear Under Secretary Iancu:

The Intellectual Property Law Section of the State Bar of Nevada is pleased to have this opportunity to present its views on the USPTO's Patent Application Examination Procedures pertaining to Patent Subject Matter Eligibility. These comments are in response to the April 20, 2018 Federal Register Notice, 83 FR 17536 requesting public comment on the USPTO's subject matter eligibility guidance, and particularly the guidance outlined in the *Berkheimer* Memorandum issued April 19, 2018 to the Patent Examining Corps.

The USPTO's Examination Procedures pertaining to Patent Subject Matter Eligibility is an important issue to members of the State Bar of Nevada as several members represent entities that are significantly involved in obtaining patent protections for their clients. The gaming industry, in particular, has been significantly affected by the USPTO's interpretation of the U.S. Supreme Court's decision in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, and its application to patent applications related to gaming machines and wagering games. These comments are filed solely on behalf of the Intellectual Property Law Section of the State Bar of Nevada. It does not reflect the opinion of the State Bar of Nevada.

1. The Patent Subject Matter Eligibility Guidance should clarify that satisfaction of the Conditions of Patentability under 35 U.S.C. §102 and 35 U.S.C. §103 provides conclusive evidence that claim elements are not well-understood, routine, and convention activities.

The *Berkheimer* Memorandum should address the logical converse to the notion that obviousness or anticipation are insufficient to establish that the additional element(s) (or combination of elements) are well-understood, routine, conventional activities or elements to those in the relevant field.

The relevant portions of the last paragraph of Part II of the *Berkheimer* Memorandum are set forth below with the proposed additions underlined:

“The question of whether additional elements represents well-understood, routine, conventional activity is distinct from patentability over the prior art under 35 U.S.C. §§ 102 and 103. This is because a showing that additional elements are obvious under 35 U.S.C. §103, or even lack novelty under 35 U.S.C. §102, is not by itself sufficient to establish the additional elements (or combination of elements) are well-understood, routine, conventional activities or elements to those in the relevant field. See MPEP §2106.05. Conversely, a failure to show that the additional element(s) (or combination of elements) are obvious under 35 U.S.C. §103 or lack novelty under 35 U.S.C. §102 is conclusive that the additional elements (or combination of elements) are not well-understood, routine, conventional activities or elements to those in the relevant field and that the claimed invention is patent-eligible....”

In *Berkheimer v. HP Inc.*, 881 F.3d 1360 (CAFC 2018) the Court addressed Part II of the *Alice/Mayo* test for patent eligibility. Notably the Court held that whether something is well-understood, routine and conventional to a skilled artisan at the time of the patent is a factual determination. In this regard, and as noted in the *Berkheimer* Memorandum, the Court further held:

*“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.”* – *Berkheimer* at 1369.

It would seem to logically follow that if a showing of anticipation or obviousness is, by itself, insufficient to establish that the element(s) or combination is well-understood, routine,

conventional activities, a showing that the element(s) or combination is NOT anticipated or obvious should establish that the element(s) or combination are NOT well-understood, routine, and conventional activities and the claimed invention is patent-eligible.

2. The guidance outlined in the *Berkheimer* Memorandum appears to require Examiners to evaluate a “nature” of a claim element, rather than the features recited in the claim element, which may lead to improper factual analysis not supported by the *Berkheimer* Decision.

Demonstrating the well-understood, routine, and conventional nature of a claim element, is not a factual finding that the recited claim element is a well-understood, routine, and conventional activity. The term *nature of additional elements* is undefined, and is not a term used in the *Berkheimer* Decision. The *Berkheimer* Decision does not instruct the courts to look to the *nature of a claim element*. Instructing Examiner’s to consider a *nature of a claim element* may distort the fact finding analysis required under the *Berkheimer* Decision.

For example, formulating rejections based on a nature of a claim element requires Examiners to:

- 1) Determine what the nature of a claim element is; and
- 2) Establish facts to support an assertion that the nature of the claim element is a well-understood, routine and conventional activity.

This results in factual findings directed towards a nature of a claim rather than the recited claim element. Accordingly, language instructing Examiners to review the nature of a claim element should be removed from the patent subject matter eligibility guidance.

3. Citations to previous court decisions under *Formulating Rejections, Option 2*, should not be used as a substitute for factual findings.

The recent Federal Circuit *En Banc* decision on the *Berkheimer Petition for Rehearing En Banc*, 890 F.3d 1369, 127 U.S.P.Q.2d 1061 (Fed. Cir. 2018), further clarifies that the determination of well-understood, routine, and conventional activities is a question of fact, similar to a finding of fact required to prove anticipation under 35 U.S.C. §102.

As stated by the Federal Circuit in *Berkheimer Petition for Rehearing Ren Banc*:

“Berkheimer and Aatrix stand for the unremarkable proposition that whether a claim element or combination of elements would have been well-understood, routine, and conventional to a skilled artisan in the relevant field at a particular point in time is a question of fact.” – Berkheimer Petition for Rehearing En Banc at 1370

“Indeed, the Court recognized that “in evaluating the significance of additional steps, the § 101 patent eligibility inquiry and, say, the § 102 novelty inquiry might sometimes overlap.”” – Berkheimer Petition for Rehearing En Banc at 1370

Reliance on the reasoning of previous court decisions is not used as evidence that a claim limitation is found in the prior art under 35 U.S.C. §102 analysis, and does not have support in the *Berkheimer* Decision or the Supreme Court’s *Alice* Decision.

Accordingly, Examiners should not rely on the reasoning of previous court decisions as a substitute for factual findings under the Section 101 analysis, and *Formulating Rejections, Option 2* should be removed from the patent subject matter eligibility guidance provided to the Patent Examining Corps.

4. The use of the term “additional elements” in the *Berkheimer* Memorandum to describe the analysis under Step 2B appears misleading and may lead to improper claim analysis under the *Alice/Mayo* test.

The use of the term “additional elements” in describing the claim analysis under Step 2B appears to require Examiners to exclude certain claim limitations from the Step 2B analysis.

For example, *Part II. Well-Understood, Routine, Conventional Activity* of the *Berkheimer* Memorandum, states “As set forth in MPEP § 2106.05(d)(I), an examiner should conclude that **an element (or combination of elements)** represents well-understood, routine, conventional activity only when the examiner can readily conclude that the element(s) is widely prevalent or in common use in the relevant industry.”

Whereas, *Part III.A. Formulating Rejections* of the *Berkheimer* Memorandum states, “In a step 2B analysis, **an additional element (or combination of elements)** is not well-understood, routine or conventional unless the examiner finds, and expressly supports a rejection in writing with, one or more of the following....”.

In addition, the guidance outlined in the *Berkheimer* Memorandum appears to require Examiners to first identify claim elements that are directed to an abstract idea, and then identify *additional elements* that are not directed to the abstract idea. It appears to also instruct Examiners to only consider those *additional elements* not directed to the abstract idea in the Step 2B analysis. This is not the analysis illustrated in the *Berkheimer* Decision and is not the analysis performed by the Supreme Court in the *Alice* Decision.

5. The patent subject matter eligibility guidance provided to Patent Examining Corps under Step 2B should clearly state that each and every element recited in the claims, and the combination of each element, should be evaluated under Step 2B.

The *Berkheimer* Decision is clear that each and every limitation recited in the claim, and the combination of each recited limitation, is evaluated when determining whether a claim element or combination of elements would have been well-understood, routine, and conventional activities to a skilled artisan in the relevant field.

For example, in the *Berkheimer* Decision the Federal Circuit stated:

“The second step of the Alice test is satisfied when the claim limitations “involve more than performance of ‘well understood, routine, [and] conventional activities previously known to the industry.’” Content Extraction, 776 F.3d at 1347–48 (quoting Alice, 134 S. Ct. at 2359). The question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact. Any fact, such as this one, that is pertinent to the invalidity conclusion must be proven by clear and convincing evidence.” - Berkheimer v. HP Inc., 881 F.3d 1360, 1367-1368.

The requirement to evaluate each and every claim limitation, and the combination of each claim limitation, under Step 2B is illustrated by the U.S. Supreme Court’s *Alice* Decision. In the *Alice* Decision, the Representative Claim 33 of U.S. Pat. 7,725,375 recites a method comprising four claimed method steps. 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.”

When analyzing Representative Claim 33 under Step 2 of the *Alice/Mayo* test, the Supreme Court interpreted each of the four claimed method steps, and considered each of the four method steps under Step 2 of the *Alice/Mayo* analysis. The Supreme Court stated:

“The representative method claim in this case recites the following steps: (1) “creating” shadow records for each counterparty to a transaction; (2) “obtaining” start-of-day balances based on the parties’ real-world accounts at exchange institutions; (3) “adjusting” the shadow records as transactions are entered, allowing only those transactions for which the parties have sufficient resources; and (4) issuing irrevocable end-of-day instructions to the exchange institutions to carry out the permitted transactions . . . In light of the foregoing, see supra, at 11–14, the relevant question is whether the claims here do more than simply instruct the practitioner to implement the abstract idea of intermediated settlement on a generic computer.” Alice Corp. Pty. Ltd. v. CLS Bank Int’l, 134 S. Ct. 2347, 2359.

As illustrated by the Supreme Court, each element of the claimed invention is evaluated under Step 2 of the *Alice/Mayo* analysis.

The patent subject matter eligibility guidance provided to the Patent Examining Corps in the *Berkheimer* Memorandum should be revised to clarify that each and every element recited in the claims and their combination should be considered under the Step 2B analysis.

6. The Workshop Training Materials provided to the Patent Examining Corps appear to instruct Examiners to parse claim limitations under the *Alice/Mayo* test and only consider certain claim terms under Step 2B.

Workshop Training Materials provided to Examiners appear to instruct Examiners to perform a Step 2B analysis that is **not consistent** with prevailing jurisprudence under *Alice*, the guidance provided in the *Berkheimer* Memorandum, previous Subject Matter Eligibility memorandums, or the current MPEP 2106.05. Moreover the Step 2B analysis shown in the Workshop Training Materials does not appear to have a basis in the *Alice/Mayo* decisions or any

Federal Circuit decisions. This presents a significant concern as this flawed analysis appears to be consistently used by Examiners.

Based on a review of the Subject Matter Eligibility training materials made available on the USPTO website, it appears that Examiners are being instructed to evaluate a claimed invention under the *Alice/Mayo* test by parsing each claim limitation into 2 categories:

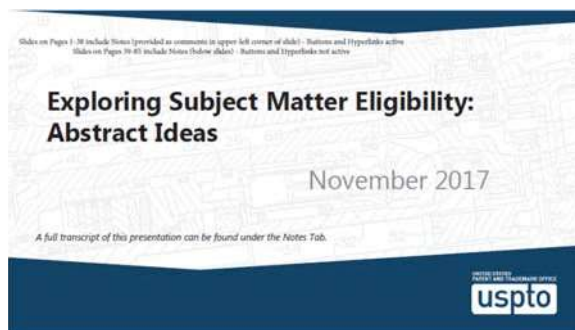
Category 1 – claim elements that are directed to an Abstract Idea; and

Category 2 – claim elements that are not directed to an Abstract Idea.

Then, at Step 2B, Examiners are instructed to evaluate *only those claim elements* in Category 2 – claim elements that are not directed to an Abstract Idea.

Below are selected slides taken from the November 2017 USPTO presentation to the Patent Examining Corps titled *Exploring Subject Matter Eligibility: Abstract Ideas* (posted February 2018), which illustrated this flawed analysis.

- Slide 15 shows the claimed invention including 3 claimed limitations.
- Slide 16 illustrates parsing a claim into separate claim elements and classifying the separated claim elements into Category 1 - claim elements that are directed to an Abstract Idea.
- Slides 23-24 illustrate the claim elements parsed into Category 2 – claim elements that are not directed to an Abstract Idea.
- Slides 28-30 illustrate the Step 2B analysis of only the claim elements in Category 2 – claim elements that are not directed to an Abstract Idea. As shown, under Step 2B, Examiners are instructed to review only two claim terms that are stripped of any meaningful limitations, i.e. the First Additional Element, and the Second Additional Element, rather than each of the three claimed limitations includes.
- Slides 31-32 show this analysis of a similar system claim, which reduces the claimed invention to a 4-element claim, with each claimed element stripped of the language that defines the claimed invention. For example, the claim term “verification component” becomes a meaningless term when stripped of the claim language that defines the term.



The Claim – Directed to an Abstract Idea?

A method of conducting a secure automated teller transaction with a financial institution by authenticating a customer's identity, comprising the steps of:

- obtaining customer-specific information from a bank card,
- comparing, by a processor, the obtained customer-specific information with customer information from the financial institution to verify the customer's identity, and**
- determining whether the transaction should proceed when a match from the comparison verifies the authenticity of the customer's identity.**

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Yes, The Claim Recites Additional Elements

A method of conducting a secure automated teller transaction with a financial institution by authenticating a customer's identity, comprising the steps of:

- obtaining customer-specific information from a bank card,**
- comparing, **by a processor,** the obtained customer-specific information with customer information from the financial institution to verify the customer's identity, and
- determining whether the transaction should proceed when a match from the comparison verifies the authenticity of the customer's identity.

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Evaluate the First Additional Element

What is the BRI of the step of obtaining data from a customer's bank card?

The specification does not indicate that this limitation would have a meaning that is different from the plain meaning of the words themselves as they would be interpreted by one of ordinary skill in the art. Therefore, the claim does not set any limits on how the data is read. This step covers methods known to those of ordinary skill in the art of obtaining data from a card, such as using a magnetic stripe, an RFID tag, a transponder device or microchip.

Does this step add significantly more?

No.

To use data in a verification process, the data must be obtained by some means. But this step doesn't recite any particular means that are used to obtain the data. Instead, this step is recited at a high level of generality. Courts have held that obtaining data at a high level of generality amounts to mere data gathering, which is a form of insignificant extra-solution activity.

Accordingly, this step does not impose any meaningful limits on practicing the abstract idea and thus does not add significantly more to the claimed invention.

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Evaluate the Second Additional Element

What is the BRI of the step of using a processor to compare information?

Here, also, the processor should be interpreted in accordance with the plain meaning of the term since the specification does not provide a special definition. The processor is a generic device used in the claim to perform the function of processing data.

Does this step add significantly more?

No.

The processor is recited at a high level of generality, *i.e.*, as a generic processor performing a generic computer function of processing data. Thus, this step is no more than mere instructions to apply the exception on a generic computer. In addition, using a processor to process data has been well-understood, routine, conventional activity in the industry for many years.

Accordingly, this step does not impose any meaningful limits on practicing the abstract idea and thus does not add significantly more to the claimed invention.

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In addition, this type of flawed claim analysis appears in the training materials titled *Subject Matter Eligibility Workshop 2016: Formulating a Subject Matter Eligibility Rejection and Evaluating the Applicant's Response to a Subject Matter Eligibility Rejection*. Specifically, *Section II: Exemplary (Partial) Office Action with a written rejection under 35 U.S.C. 101* appears to instruct Examiners to parse a claim into the 2 categories described above and evaluate only certain claim terms under Step 2B.

As shown in the attached illustration, once the Examiner has parsed the claim into separate claim elements and removed those claimed elements considered to be directed to the broad Abstract Idea concept (elements shown as underlined), the resultant claimed invention analyzed under Step 2B becomes devoid of any meaningful limitations. Moreover, parsing of claim elements undercuts the evaluation of the combination of those elements.

Sample Claim 1 evaluated in the Section II: Exemplary (Partial) Office Action

1. A system for creating a source of funds based on present value of future retirement payments, comprising:

a memory for storing an account for a beneficiary to receive future retirement payments, by electronic funds transfer, payable to the beneficiary from a source of the retirement payments for a preselected period of time;

*a processor programmed to perform the steps of
designating a benefit provider for providing a monetary benefit to the beneficiary;
periodically disbursing a predetermined portion of the retirement payments
deposited in the account to the benefit provider, by electronic funds transfer, during the
preselected period of time; and*

*authorizing the benefit provider to provide the monetary benefit to the beneficiary
based at least in part on present value of a designated portion of the future retirement
payments;*

*a network interface for providing electronic communication with the benefit
provider and the beneficiary; and,*

*a controller in communication with the processor and coupled to the network
interface that accepts input from the beneficiary and the benefit provider and outputs
instructions for dispersal of the monetary benefit to the beneficiary.*

Step 2A – Sample Claim 1 analyzed under Step 2A - *Identify the Abstract Idea*, with claim limitations parsed into limitations “directed to” shown in underline:

1. A system for creating a source of funds based on present value of future retirement payments, comprising:

a memory for storing an account for a beneficiary to receive future retirement payments, by electronic funds transfer, payable to the beneficiary from a source of the retirement payments for a preselected period of time;

a processor programmed to perform the steps of designating a benefit provider for providing a monetary benefit to the beneficiary; periodically disbursing a predetermined portion of the retirement payments deposited in the account to the benefit provider, by electronic funds transfer, during the preselected period of time; and

authorizing the benefit provider to provide the monetary benefit to the beneficiary based at least in part on present value of a designated portion of the future retirement payments;

a network interface for providing electronic communication with the benefit provider and the beneficiary; and,

a controller in communication with the processor and coupled to the network interface that accepts input from the beneficiary and the benefit provider and outputs instructions for dispersal of the monetary benefit to the beneficiary.

Step 2B – Resultant Sample Claim 1 analyzed under Step 2B – *Identify Additional Elements* with only limitations not “direct to” Abstract Idea considered:

1. A system for creating a source of funds based on present value of future retirement payments, comprising:

a memory;

by electronic funds transfer;

a processor;

a network interface; and,

a controller in communication with the processor and coupled to the network interface.

The illustrated analysis outlined in the *Section II: Exemplary (Partial) Office Action* presents a significantly flawed analysis for three main reasons:

- 1.) Requiring Examiners to separate a claim into individual claim elements and then classify the individual claim elements as being “directed to” one or more of the broad

and unbounded Abstract Idea concepts, results in the Abstract Idea swallowing the meaningful limitations that define the boundaries of the claimed invention; and

- 2.) The resultant claim that is reviewed by the Examiner under Step 2B is nonsensical, and includes claim elements that are devoid of any meaning that defines the claimed invention.
- 3.) This approach ignores the combination of each recited claim element and consideration of the claim as a whole.

As shown in the *Exemplary (Partial) Office Action*, the Step 2B analysis conducted by the Examiner becomes a meaningless exercise in determining whether the remaining claim terms, considered under a broadest reasonable interpretation, are well-understood, routine, and conventional activities.

This type of flawed analysis appears regularly in Office Actions issued by Examiners.

A proper analysis under the *Alice/Mayo* test requires that each claim limitation, in their entirety, should be considered both individually and in combination to determine whether the claimed invention amounts to significantly more than an abstract idea.

In *Alice*, the Supreme Court analyzed each of the limitations recited in the claim. As illustrated in *Alice*, the representative claim included 4 steps (a) – (d), (reproduced in footnote 2 of the *Alice* Decision), and under Step 2, the Court reviewed each of the 4 claimed steps both separately, and as an ordered combination (Section B2 of the *Alice* Decision). Notably, the Court did not parse the claim into separate claim elements, nor did the Court only look at certain elements.

In addition, MPEP 2106.05, also instructs Examiners to consider each claim limitation. An excerpt from 2106.05.I. states,

*“Evaluating additional elements to determine whether they amount to an inventive concept requires considering them both individually and in combination to ensure that they amount to significantly more than the judicial exception itself. **Because this approach considers all claim elements, the Supreme Court has noted that “it is consistent with the general rule that patent claims ‘must be considered as a whole.’”** Alice Corp., 134 S. Ct. at 2355, 110 USPQ2d at 1981 (quoting Diamond v. Diehr, 450 U.S. 175, 188, 209 USPQ 1, 8-9 (1981)). Consideration of the elements in combination is particularly important, because even if an additional element does not amount to significantly more on its own, it can still amount to significantly more when considered*

in combination with the other elements of the claim. See, e.g., Rapid Litig. Mgmt. v. CellzDirect, 827 F.3d 1042, 1051, 119 USPQ2d 1370, 1375 (Fed. Cir. 2016) (process reciting combination of individually well-known freezing and thawing steps was "far from routine and conventional" and thus eligible); BASCOM Global Internet Servs. v. AT&T Mobility LLC, 827 F.3d 1341, 1350, 119 USPQ2d 1236, 1242 (Fed. Cir. 2016) (inventive concept may be found in the non-conventional and non-generic arrangement of components that are individually well-known and conventional)."

As such, it appears that the Workshop Training Materials provided to Examiners is not consistent with the *Alice* Decision or the current MPEP 2106.05.

Correcting the Workshop Training Materials being provided to the Examiners is of utmost importance, as this flawed analysis has resulted in a significant number of improper rejections under Section 101.

We appreciate the opportunity to provide these comments on the USPTO's Patent Application Examination Procedures, and look forward to additional guidance on Patent Subject Matter Eligibility.

Sincerely,



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