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WONDERING IN *ALICE*-LAND: THE EFFECTS OF RESTRICTIONS ON PATENT-ELIGIBLE SUBJECT MATTER

TECHNOLOGY MAY-RATHON

Doug Crisman and Erik Hawes

May 11, 2016

About Morgan Lewis Technology May-rathon

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Where We're Going

1. The *Alice* Decision
2. Post-*Alice* Federal Circuit Developments
3. Stats from the District Courts
4. Post-*Alice* Guidance from the PTO
5. Stats from the PTAB
6. Strategies from the Trenches: What Patent Prosecutors are Doing

SECTION 01

THE *ALICE* DECISION

The Statute (35 U.S.C. § 101)

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.

The “important implicit exception”

“Laws of nature, natural phenomena, and **abstract ideas** are not patentable.”

Alice Corp. Pty. Ltd. v. CLS Bank Int'l, 134 S. Ct. 2347, 2354 (2014)

The *Alice* Two-Step: Step One of *Alice*

"First, we determine whether the claims at issue are directed to one of those patent-ineligible concepts."

– *Alice's* intermediated settlement was an abstract idea analogous to *Bilski's* risk hedging.

- "abstract ideas" include: "*fundamental economic practices,*" "*method[s] of organizing human activity,*" and "*an idea of itself.*"

Alice Corp., 134 S. Ct. at 2355–57 (quotations, citations, and alterations omitted)

The Alice Two-Step: Step Two of *Alice*

“We have described ***step two*** of this analysis as a search for an ***inventive concept***—*i.e.*, an element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself.”

- “[M]ere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.”

Alice Corp., 134 S. Ct. at 2355, 2358

The method, system, and computer readable medium claims were all invalidated.

SECTION 02

**POST-*ALICE* FEDERAL
CIRCUIT
DEVELOPMENTS**

All but 1 have held patent claims ineligible

Ineligible:

- *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014)
- *Digitech Image Techs. v. Elecs. for Imaging, Inc.*, 758 F.3d 1344 (Fed. Cir. 2014)
- *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014)
- *Planet Bingo, LLC v. VKGS LLC*, 576 F. App'x 1005 (Fed. Cir. 2014)
- *Univ. of Utah Res. Fdn. V. Ambry Genetics Corp.*, 774 F.3d 755 (Fed. Cir. 2014)
- *CET LLC v. Wells Fargo*, 776 F.3d 1343 (Fed. Cir. 2014)
- *DietGoal Innovations LLC v. Bravo Media LLC*, No. 14-1631 (Fed. Cir. Apr. 8, 2015) (per curiam)
- *Vehicle Intelligence and Safety LLC v. Mercedes-Benz USA LLC*, 2015 WL 9461707, ___ Fed. App'x ___ (Fed. Cir. Dec. 28, 2015)
- *Mortgage Grader Inc. v. First Choice Loan Svcs. Inc.*, 811 F.3d 1314 (Fed. Cir. 2016)
- ***Eligible:*** *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014)

Ultramericial: The Representative Claim

1. A method for *distribution of products over the Internet...:*
 - a first step of *receiving*, from a content provider, *media products that are covered by intellectual-property rights protection...;*
 - a second step of *selecting a sponsor message to be associated with the media product...;*
 - a third step of *providing the media product for sale* at an Internet website;
 - a fourth step of *restricting general public access* to said media product;
 - a fifth step of *offering to a consumer access* to the media product without charge to the consumer *on the precondition that the consumer views the sponsor message;*
 - a sixth step of *receiving* from the consumer *a request to view the sponsor message...;*
 - a seventh step of, ... *facilitating the display of a sponsor message* to the consumer;
 - an eighth step of, if the sponsor message *is not an interactive message, allowing said consumer access* to said media product...;
 - a ninth step of, if the sponsor message *is an interactive message, presenting at least one query* to the consumer and *allowing said consumer access to said media product after receiving a response...;*
 - a tenth step of *recording the transaction event to the activity log...*
 - an eleventh step of *receiving payment from the sponsor...*

Ultramercial: The Alice Two-Step

Step 1 – Abstract Idea: "a method of *using advertising as an exchange or currency.*"

Ultramercial, 772 F.3d at 715

Step 2 – Inventive Concept: "Adding routine...steps such as:

- updating an activity log;
- requiring a request from the consumer to view the ad;
- restrictions on public access; and
- use of the Internet

does not transform an otherwise abstract idea into patent-eligible subject matter."

Ultramercial, 772 F.3d at 716

***Ultramercial*: On Invoking the Internet**

Using the Internet is not enough to create patentable subject matter.

- The method steps are routine, conventional activities.
- “That some of the eleven steps were not previously employed in this art is not enough—standing alone—to confer patent eligibility.”

Ultramercial, 772 F.3d at 716

DDR Holdings: The Eligible Claim

19. A system useful in an outsource provider serving web pages offering commercial opportunities, the system comprising:

- (a) a computer store containing data, for each of a plurality of ***first web pages***, defining a plurality of ***visually perceptible elements*** ...;
 - (i) wherein each of the first web pages belongs to one of a plurality of web page owners;
 - (ii) wherein each of the first web pages displays at least ***one active link associated with a commerce object associated with a buying opportunity*** of a selected one of a plurality of merchants; and
 - (iii) wherein the selected merchant, the outsource provider, and the owner of the first web page displaying the associated link are each third parties with respect to one other;

DDR Holdings: The Eligible Claim

- (b) a computer server at the outsource provider, which computer server is coupled to the computer store and programmed to:
 - (i) receive from the web browser of a computer user a signal indicating activation of one of the links displayed by one of the first web pages;
 - (ii) automatically identify as the source page the one of the first web pages on which the link has been activated;
 - (iii) in response to identification of the source page, automatically retrieve the stored data corresponding to the source page; and
 - (iv) using the data retrieved, automatically generate and transmit to the web browser ***a second web page*** that displays:
 - (A) ***information associated with the commerce object*** associated with the link that has been activated, and
 - (B) the plurality of ***visually perceptible elements visually corresponding to the source page.***

DDR Holdings: The Alice Two-Step?

- “[I]dentifying the precise nature of the abstract idea is not as straightforward as in *Alice*...”
- “[T]hese claims...do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet.”
- “Instead, the claimed solution is ***necessarily rooted in computer technology*** in order to overcome a problem ***specifically arising in the realm of computer networks.***”

DDR Holdings, 773 F.3d at 1257

DDR Holdings: Step Two of Alice

The *DDR* claims are different from *Ultramercial* because:

- They don't claim routine, conventional use of the Internet.
- Instead, they recite a specific way to create a composite webpage:
 - Presenting product information from the merchant with the "look and feel" from the host website.
- They are directed to solving an Internet-centric problem.

Vehicle Intelligence: Representative Claim

8. A method to screen an equipment operator for impairment, comprising:
- screening an equipment operator by one or more expert systems to detect potential impairment of said equipment operator;
 - selectively testing said equipment operator when said screening of said equipment operator detects potential impairment of said equipment operator; and
 - controlling operation of said equipment if said selective testing of said equipment operator indicates said impairment of said equipment operator, wherein said screening of said equipment operator includes a time-sharing allocation of at least one processor executing at least one expert system.

Vehicle Intelligence: Alice Step One

- Step One satisfied because “[t]he claims at issue are drawn to...the abstract idea of testing operators of any kind of moving equipment for any kind of physical or mental impairment.”
- Plaintiff focused on requirement of an “expert system,” but court rejected this argument because “neither the claims at issue nor the specification provide any details as to how this ‘expert system’ works or how it produces faster, more accurate and reliable results.”
- Plaintiff also argued that patent did not preempt all uses of equipment operator testing, but “the mere existence of a non-preempted use of an abstract idea does not prove that a claim is drawn to patent-eligible subject matter.”

Vehicle Intelligence: Alice Step Two

No “inventive concept” was identified

- Plaintiff argued that using “specialized existing equipment modules” (e.g., gas and brake pedals) was inventive, but court rejected this because “markedly absent from the ‘392 patent is any explanation of how the methods at issue can be embedded into these existing modules.”
 - If claims had actually recited use of such equipment, query whether a holding of invalidity under § 112 would have been more appropriate
- Court also noted that plaintiff’s argument “harkens back to our pre-*Alice* machine-or-transformation test in arguing that the claimed methods are tied to particular machines” but “post-*Mayo/Alice*, this is no longer sufficient”

Vehicle Intelligence: Distinguishing DDR

- Plaintiff invoked *DDR*, arguing that invention was “necessarily rooted in computer technology in order to satisfy a need for faster, more accurate and reliable impairment testing of vehicle operators.”
 - But this ignored the second part of the *DDR* holding that claims may be patent-eligible if “necessarily rooted in computer technology **in order to overcome a problem specifically arising in the realm of computer networks.**”
 - Testing a vehicle operator for impairment is not “a problem arising in the realm of computer networks.”

Mortgage Grader: Representative Claim

1. A computer-implemented system for enabling borrowers to anonymously shop for loan packages offered by a plurality of lenders, the system comprising:
 - a database that stores loan package data specifying loan packages for home loans offered by the lenders, the loan package data specifying, for each of the loan packages, at least a loan type, an interest rate, and a required borrower credit grading; and
 - a computer system that provides:
 - a first interface that allows the lenders to securely upload at least some of the loan package data for their respective loan packages to the database over a computer network; and
 - a second interface that prompts a borrower to enter personal loan evaluation information, and invokes, on a computer, a borrower grading module which uses at least the entered personal loan evaluation information to calculate a credit grading for the borrower, said credit grading being distinct from a credit score of the borrower, and being based on underwriting criteria used by at least some of said lenders;
 - wherein the second interface provides functionality for the borrower to search the database to identify a set of loan packages for which the borrower qualifies based on the credit grading, and to compare the loan packages within the set, including loan type and interest rate, while remaining anonymous to each of the lenders and without having to post a request to any of the lenders, said second interface configured to display to the borrower an indication of a total cost of each loan package in the set, said total cost including costs of closing services not provided by corresponding lenders; and
 - wherein the computer-implemented system further enables the borrower to selectively expose at least the personal loan evaluation information to a lender corresponding to a selected loan package.

Mortgage Grader: Alice Step One

- “The claim limitations...recite nothing more than the collection of information to generate a ‘credit grading’ and to facilitate anonymous loan shopping.”
- “The series of steps covered by the asserted claims...could all be performed by humans without a computer.” (*Cf. CyberSource*)

Mortgage Grader: Alice Step Two

- Because the claims add only “generic computer components such as an ‘interface,’ ‘network,’ and ‘database,’” they did not “improve the functioning of the computer itself” or “solve a problem unique to the Internet” and thus plaintiff could not take advantage of *DDR*.

Mortgage Grader: Propriety of Summary Judgment

- Plaintiff argued summary judgment was inappropriate because there was a factual dispute, as evidenced by conflicting expert declarations.
- Court rejected the argument because the opinions of plaintiff's expert did not actually relate to required steps of the claimed process.

SECTION 03

STATS FROM THE DISTRICT COURTS

District Court Scorecard

- From 2010-2014 (the year *Alice* was decided), there were a total of **37** challenges to subject-matter eligibility under § 101 decided in District Court litigation
 - Only **13** were granted – a success rate of 35%.
- In 2015 and 4 months of 2016, there have been **83** such challenges decided (including 35 already this year)
 - **39** were granted, with another 10 granted in part – a success rate of around 50%.

District Court Scorecard

- Not surprisingly, most active courts in this area have been the Eastern District of Texas and the District of Delaware – results, however, might surprise some
 - Eastern District of Texas
 - Had never granted a motion under § 101 prior to end of 2014
 - In 16 months since then, 7 of 18 such motions have been granted – a success rate of around 40% (not far from the national average)
 - Half of § 101 motions (4 of 8) have been granted in 2016
 - District of Delaware
 - Decided 20 motions since start of 2015 – but granted only 6
 - In 2016, none of 8 motions have been granted (although one was granted in part)

District Courts decisions finding eligibility post-*DDR*

Intellectual Ventures I, LLC, et al. v. Motorola Mobility LLC, 2015 WL 846532 (D. Del. Feb. 24, 2015)

- **Rejects '054 patent:** “presenting,” “sending,” and “receiving” are “specified at high level of generality” and “generic computer components”
- **Finds '450 patent eligible:**
 1. A method comprising:
 - coupling one or more subscriber customer premise equipment (CPE) stations with a base station over a shared wireless bandwidth using a packet-centric protocol; and
 - allocating said wireless bandwidth and system resources based on contents of packets to be communicated over said wireless bandwidth, wherein the contents of each packet include a packet header and wherein the allocating is responsive to at least one field in the packet header.
 - Claim “expressly ties the method’ to a tangible machine in the form of CPE stations coupled to a base station over a shared wireless bandwidth”
 - Solves “problem specifically arising in the realm of computer networks,” and “specifies how interactions with the [network] are manipulated to yield a desired result” – “inventive concept lies in the limitation of using packet headers to allocate bandwidth”

District Courts decisions finding eligibility post-*DDR*

***Trading Techs. Int'l, Inc. v. CQG, Inc. et al.*, 2015 WL 774655
(N.D. Ill. Feb. 24, 2015)**

- **Step 1:** “This Court concludes...from the apparent differences between the analog versions of trading and electronic trading that the claims...are not directed to the abstract idea of ‘placing an order for a commodity on an electronic exchange.’”
 - “The asserted claims similarly do not preempt every way of [placing such an order,] as systems for doing so existed before this invention, and systems exist now that allow traders to buy and sell commodities on electronic exchanges without infringing the claims of the patents in suit.”
- **Step 2:** “at least the ‘static price axis’ element of the patents in suit was an ‘inventive concept,’ which eliminated some problems of prior GUIs relating to speed, accuracy and usability...”
 - “the claims are directed to a technological improvement of GUIs”

District Courts decisions finding eligibility post-*DDR*

3. A data access terminal for retrieving data from a data supplier and providing the retrieved data to a data carrier, the terminal comprising:
a first interface for communicating with the data supplier;
a data carrier interface for interfacing with the data carrier;
a program store storing code; and
a processor coupled to the first interface, the data carrier interface, and the program store for implementing the stored code, the code comprising: code to read payment data from the data carrier and to forward the payment data to a payment validation system;

code to receive payment validation data from the payment validation system;
code responsive to the payment validation data to retrieve data from the data supplier and to write the retrieved data into the data carrier; and
code responsive to the payment validation data to receive at least one access rule from the data supplier and to write the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.

District Courts decisions finding eligibility post-*DDR*

Smartflash LLC, et al. v. Apple Inc., et al., 2015 WL 661174 (E.D. Tex. Feb. 13, 2015)

- **Step 1:** “conditioning and controlling access to data based on payment” is “abstract and a fundamental building block of the economy in the digital age.”
- **Step 2:** “The asserted claims contain meaningful limitations that transform the abstract idea...into a patent-eligible invention.”
 - “[DRM] is a technology that was developed after widespread use of the Internet. Entry into the Internet Era presented new and unique problems for digital content providers in combatting unauthorized use and reproduction of protected media content.”
 - “The patents also address the unique problem of controlling a user's access to data that the user already possesses by tracking use data and restricting access according to use rules. This sort of access control was also unknown in the pre-Internet era.”
 - “the claims...improve the functioning of the computer itself by providing protection for proprietary digital content.”
 - No preemption of all inventions re exchanging access to data for payment on the Internet: “the claims recite specific ways of combining system components and method steps beyond the routine use of the Internet.”

District Court Decisions Concerning Requests for Attorneys' Fees under § 285

- *eDekka LLC v. 3Balls.com, Inc.*, Civ. Action No. 2:15-cv-541 (E.D. Tex. Dec. 17, 2015)
 - Patent was “demonstrably weak on its face” because “claims are not tied to a generic computer, let alone a specialized one.”
 - “However, rather than acknowledging the inherent weaknesses of the '674 Patent, eDekka proffered completely untenable arguments to the Court throughout the § 101 briefing process and at the September 10, 2015 hearing.”
 - Plaintiff’s “litigation history” was final nail in the coffin.
 - Sued more than 200 defendants, reflecting “an aggressive strategy that avoids testing its case on the merits and aims for early settlements falling at or below the cost of defense.”
 - Two days before hearing, offered to settle with remaining defendants for \$3,000.

District Court Decisions Concerning Requests for Attorneys' Fees under § 285

- *eDekka LLC v. 3Balls.com, Inc.*, Civ. Action No. 2:15-cv-541 (E.D. Tex. Dec. 17, 2015)(cont.)
 - “A finding of exceptionality is something that this Court arrives at reluctantly, lest we unintentionally narrow the public’s access to the courts by chilling future decisions to seek redress for a case in which success is not guaranteed.”
 - Total sanctions = \$390,829 (\$13-30,000 for each defendant)
 - eDekka had been most prolific plaintiff for 2 straight years, so this decision has been credited with single-handedly causing a decrease in new patent filings, both in E.D. Tex. and nationwide.

District Court Decisions Concerning Requests for Attorneys' Fees under § 285

Other courts have begun to follow *eDekka*

- *Garfum.com Corp. v. Reflections by Ruth d/b/a Bytephoto.com*, Civ. Action No. 14-5919 (D.N.J. Mar. 30, 2016)
 - After defendant disclosed annual revenue of \$500, plaintiff offered license for \$2500 and defendant then obtained pro bono counsel from Electronic Frontier Foundation
 - After forcing defendant to file § 101 motion and set a hearing, plaintiff voluntarily dismissed all claims
 - Citing *eDekka*, court concluded that “the present case presents the type of conduct of serial filings on a non-defensible patent that should be deterred.”

District Court Decisions Concerning Requests for Attorneys' Fees under § 285

Other courts have denied such motions due to continuing uncertainty about the state of the law under *Alice*

- *YYZ, LLC v. Pegasystems, Inc.*, Civ. Action No. 13-581 (D. Del. May 2, 2016) – “Defendant’s characterization of plaintiff’s arguments as ‘reckless’ and its claims as ‘clearly invalid’ is in contradiction to the court’s position that the § 101 analysis is an evolving state of the law and a difficult exercise, which does not lend itself to, e.g., shifting fees pursuant to 35 U.S.C. § 285.”
- *Credit Acceptance Corp. v. Westlake Svcs. LLC*, Civ. Action No. 13-01523 (C.D. Cal. Nov. 2, 2015) – “The contours of Section 101 have proven difficult to apply in practice both before and after *Alice*, and the Court declines the opportunity to read Section 285 so broadly as to impose such a harsh and unfeasible fee-shifting rule on patent owners.”

District Court Takeaways

- Courts are applying *Alice* to invalidate abstract idea patents that are:
 - **Commonplace business function**
 - **Aspirational in nature** (*i.e.*, they recite the function without any improvement other than a computer)
 - A **generic computer** for performing generic computer operations
 - *Loyalty Conversion Sys. Corp. v. Am. Airlines, Inc.*, --- F. Supp. 2d ----, 2014 WL 4364848, at *13 (E.D. Tex. Sept. 3, 2014) (Bryson, J.)
- Successful challenges are becoming more and more common, even in places like the Eastern District of Texas
- Need more Federal Circuit opinions to determine exact contours of software eligibility
 - Law is still unclear, making some judges reluctant to require unsuccessful plaintiffs to pay defendants' attorneys' fees

District Court Takeaways

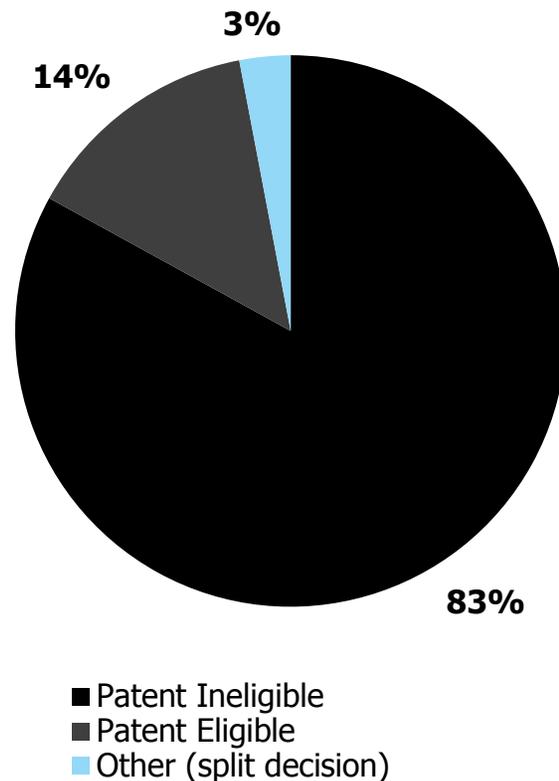
- Strategies for Defeating Challenges
 - Show limitations cannot be performed by mental steps/pen & paper
 - Show abstract idea cannot be articulated
 - Show no preemption of abstract idea
 - Expressly tie method to tangible machine and/or show claims necessarily rooted in computer technology to overcome a specific computer/network problem
 - Argue claim construction required first

SECTION 04

**POST-*ALICE* GUIDANCE
FROM THE PTO**

Post-Alice Landscape at the PTO

Post-Alice PTAB Statistics as of December 2015 (151 total decisions)



101 Rejection Form Paragraphs

7.05.01 Rejection, 35 U.S.C. 101, Non-Statutory (Not One of the Four Statutory Categories) [REVISED] the claimed invention is directed to non-statutory subject matter. The claim(s) does not fall within at least one of the four categories of patent eligible subject matter because [1]

7.05.015 Rejection, 35 U.S.C. 101, Non-Statutory (Directed to a Judicial Exception without Significantly More) [NEW] the claimed invention is directed to a judicial exception (i.e., a law of nature, a natural phenomenon, or an abstract idea) without significantly more. Claim(s) [1] is/are directed to [2]. The claim(s) does/do not include additional elements that are sufficient to amount to significantly more than the judicial exception because [3].

Overview

- **PTO's Post-*Alice* Guidance Documents**
- **PTO's Subject Matter Eligibility Test**
- **PTO's May 2016 Subject Matter Eligibility Update (NEW)**
- **Takeaways**

PTO's Post-*Alice* Guidance Documents

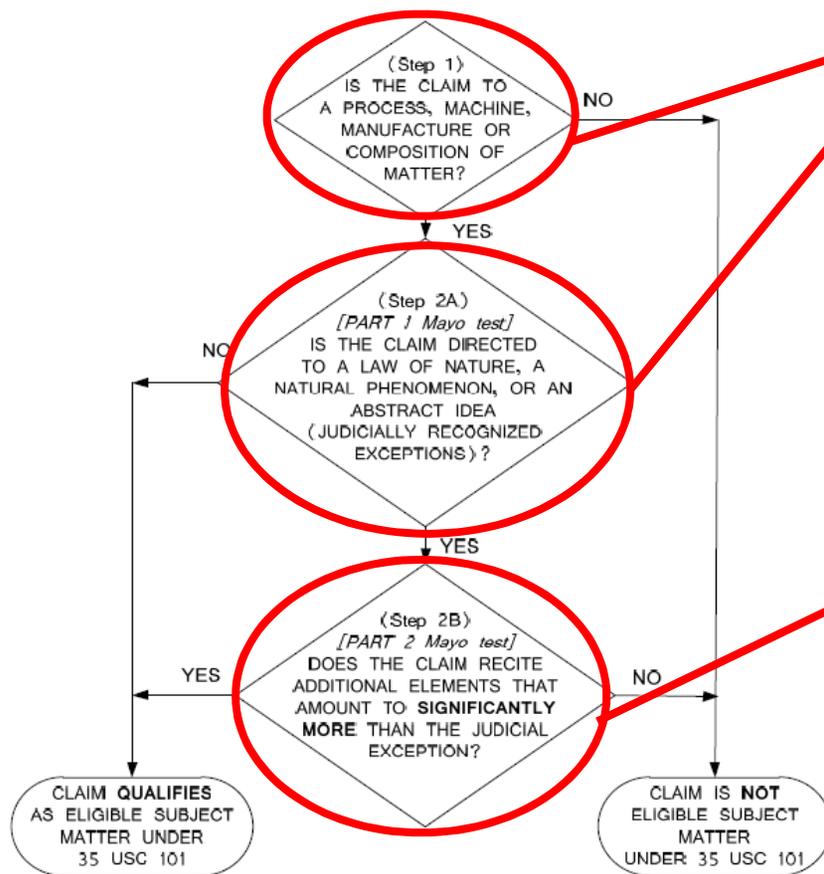
- Preliminary Examination Instructions in view of the Supreme Court Decision in...*Alice* (June 2014)
 - Instructs Examiners to use the same analysis for all judicial exceptions (e.g., abstract ideas and laws of nature) and all categories of claims (e.g., product and process claims)
- 2014 Interim Guidance on Patent Subject Matter Eligibility (December 2014)
 - Supplements the June 2014 Preliminary Examination Instructions
 - Instructs Examiners to continue applying MPEP 2103(I)-2103(VI), MPEP 2104, and MPEP 2106(I)-2106(III) (excluding subsections (II)(A) and (II)(B))
 - Flowchart test for analyzing judicial exceptions
 - Analysis of landmark Supreme Court decisions using the flowchart
 - Summaries of court decisions relating to the judicial exceptions
- Examples: Abstract Ideas (AI) (January 2015)
 - Four examples of eligible subject matter (one hypothetical claim, *DDR Holdings* claim, and two modified claims based on Fed. Cir. cases) and four examples of ineligible subject matter

PTO's Post-Alice Guidance Documents

- Examiner Training – 2014 Interim Guidance on Patent Subject Matter Eligibility
 - Computer Based Training (CBT) (March 2015)
 - CBT Slides (February 2015)
- July 2015 Update on Subject Matter Eligibility (July 2015)
 - Appendix 1: Examples (apply SME Test to classic patent claims – Parker v. Flook (ineligible), Diamond v. Diehr (eligible))
 - Appendix 2: Index of Eligibility Examples
- **May 2016 Subject Matter Eligibility Update (NEW)**
 - Memorandum – Formulating a Subject Matter Eligibility Rejection and Evaluating the Applicant's Response to a Subject Matter Eligibility Rejection
 - May 2016 Update: Index of Eligibility Examples
 - May 2016 Update: Subject Matter Eligibility Court Decisions (Formerly Appendix 3)

The PTO's Subject Matter Eligibility Test

PTO's Flowchart of the Test



The *Alice* Two-Step

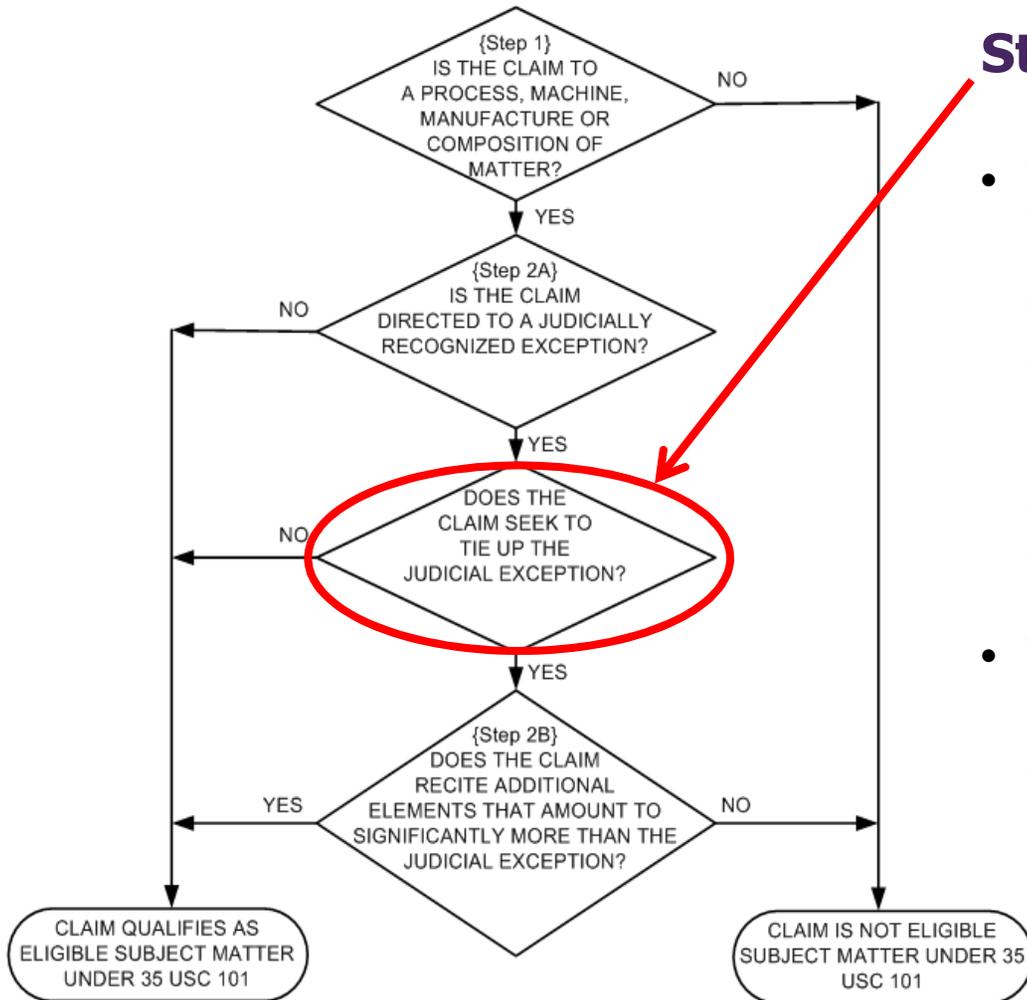
Step 1 -> "determine whether the claims at issue are directed to one of those patent-ineligible concepts."

Step 2 -> "search for an *inventive concept*—i.e., an element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself."

A Hidden Path: Refining the PTO's Test

Streamlined Eligibility?

- “A claim is **directed to a judicial exception when a law of nature, a natural phenomenon, or an abstract idea is recited (i.e., set forth or described)** in the claim. Such a claim **requires closer scrutiny for eligibility because of the risk it will “tie up” the excepted subject matter and pre-empt others** from using the law of nature, natural phenomenon, or abstract idea.” Dec. Guidelines at 11 (citing Mayo).
- “[A] **streamlined eligibility analysis can be used for a claim that may or may not recite a judicial exception but, when viewed as a whole, clearly does not seek to tie up any judicial exception** such that others cannot practice it. Dec. Guidelines at 24-25.



Applying Step 1

{Step 1}
IS THE CLAIM TO
A PROCESS, MACHINE,
MANUFACTURE OR
COMPOSITION OF
MATTER?

Step 1: Yes (Continue Analysis)

- Process
 - “a series of acts for protecting a computer from an electronic communication containing malicious code.” Abstract Idea Example #1.
 - “a series of acts for generating a blue noise mask and using that blue noise mask to halftone a gray scale image.” Abstract Idea Example #3.
 - “a series of steps including calculating pseudo-ranges and wirelessly transmitting those pseudo-ranges.” Abstract Idea Example #4.
- Manufacture
 - “[a] non-transitory computer-readable medium.” Abstract Idea Example #3.
- Machine
 - “[a] system comprising a computer server and a computer store.” Abstract Idea Example #2.
 - “a system comprising a processor, a first memory and a second memory.” Abstract Idea Example #3.
 - “a portal” with a user interface, a transaction management portal engine, and a management database. *Ex Parte Martin Khang Nguyen*, 2015 Pat. App. Lexis 55, *3.

Step 1: No (Ineligible)

- transitory forms of signal transmission (for example, a propagating electrical or electromagnetic signal *per se*), *In re Nuijten*, 500 F.3d 1346, 1357 (Fed. Cir. 2007)
- a legal contractual agreement between two parties, see *In re Ferguson*, 558 F.3d 1359, 1364 (Fed. Cir. 2009)
- a game defined as a set of rules
- a computer program *per se*, *Gottschalk v. Benson*, 409 U.S. at 72, 175 USPQ at 676-77
- a company, *Ferguson*, 558 F.3d at 1366, USPQ at 1040
- a mere arrangement of printed matter, *In re Miller*, 418 F.2d 1392, 1396 (CCPA 1969)
- a naturally occurring organism, *Chakrabarty*.
- a human *per se*, The Leahy-Smith America Invents Act (AIA), Public Law 112-29, [sec. 33](#), 125 Stat. 284 (September 16, 2011)

Escaping Step 2A



- **Not “Directed To” an Exception**

- “If the invention is merely **based on or involves** an exception, **but** the **exception is not set forth or described in the claim**, the claim is not directed to an exception and is eligible.” Examiner Training Slides at 11.

- **Hypothetical Claim**

- A **teeter-totter comprising an elongated member pivotably attached to a base member**, having seats and handles attached at opposing sides of the elongated member.

- **Analysis**

- “This claim is **based on the concept of a lever** pivoting on a fulcrum, which involves the natural principles of mechanical advantage and the law of lever,” **but** “the claim **does not recite these natural principles.**” *Id.*

Other Ways to Escape: Streamlined Eligibility

DOES THE
CLAIM SEEK TO
TIE UP THE
JUDICIAL EXCEPTION?

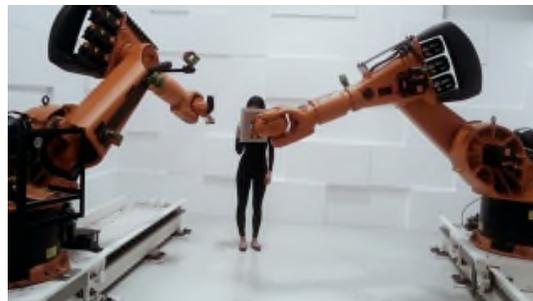
PTO's Hypothetical Claim

A **robotic arm assembly** comprising:

a robotic arm having an end effector that is capable of movement along a predetermined motion path,

a sensor that obtains movement information about the end effector, and

a control system that uses the movement information from the sensor to adjust the velocity of the end effector in order to achieve a smooth motion along the predetermined motion path.



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Analysis

- “The claim **operates using certain mathematical relationships**, e.g., velocity is a relationship between the position of an object with respect to time.” Examiner Training Slides at 32.
- “However, the **claim clearly does not seek to tie up these mathematical relationships**. For example, **others are clearly free to use velocity in other applications** such as in a radar gun.” *Id.*

Step 2B: Significantly More

- *Alice*:
 - mere recitation of a generic computer is not “significantly more”
 - “a claim that recites an abstract idea must include **additional features** to ensure that the [claim] **is more than a drafting effort designed to monopolize** the [abstract idea]”
- PTO Guidance Examples:
 - improvements to another technology or technical field
 - improvements to the functioning of the computer itself
 - adding a specific limitation other than what is well-understood, routine and conventional in the field, or adding unconventional steps that confine the claim to a particular useful application
 - other meaningful limitations beyond generally linking the use of the judicial exception to a particular technological environment
- PTO Guidance: “[A] streamlined eligibility analysis can be used for a claim that may or may not recite a judicial exception but, **when viewed as a whole**, clearly does not seek to tie up any judicial exception such that others cannot practice it.”

Another Tip: Require Examiner to Establish a *Prima Facie* Case of Ineligibility under 101

- Examiner needs to establish a prima facie case of ineligibility under 101
 - MPEP 2103(VI): “review all the proposed rejections and their bases to **confirm that they...set forth a *prima facie* case of unpatentability...** The **Office action should clearly communicate the findings, conclusions and reasons** which support them.” *See also* MPEP 2016(111).
 - MPEP 2142 confirms the meaning of “prima facie case” in the context of obviousness: “[t]he examiner bears the initial burden of factually supporting any prima facie conclusion of obviousness.” *See also In re Oetiker*, 977 F.2d 1443, 1445.
- The PTAB has reversed at least one 101 rejection on this basis. *Ex parte Poisson*, Appeal 2012-011084 (PTAB, February 26, 2015) (“**absent supporting evidence in the record** - of which there is none, the **Examiner’s opinion is an inadequate finding of fact** on which to base the *Alice* analysis”)

May 2016 Subject Matter Eligibility Update – Memorandum (1)

- Instructions to Patent Examiners
 - How to formulate a subject matter eligibility rejection under 35 U.S.C. 101
 - How to evaluate an applicant’s response to rejection under 35 U.S.C. 101
- Formulating a Rejection
 - Identify judicial exception
 - Refer to what is recited in the claim(s) and explain why it is considered a rejection
 - Identify specific claim elements beyond the identified judicial exception
 - Explain that the additional elements taken individually and taken as a combination do not result in the claim as a whole amounting more than the judicial exception
- If Exception is Abstract Idea
 - Identify abstract idea that is recited
 - Explain why it corresponds to concept that courts have identified as abstract idea.
 - Refer to examples identified in July 2015 Update.
 - Refer to Subject Matter Eligibility Court Decisions (Updated April 22, 2016)

May 2016 Subject Matter Eligibility Update – Memorandum (2)

- Explain Why Additional Claim Elements Do Not Render Claim Patent Eligible
 - Identify additional claim elements beyond the judicial exception
 - Address claim elements individually and in combination
 - “A new combination of steps...may be patent eligible even though all steps...were individually well known...”
 - **“Critical to address the combination of additional elements because while individually-viewed elements may not appear to add significantly more, those additional elements when viewed in combination may amount to significantly more than the exception by meaningfully limiting the judicial exception.”**
 - “A rejection should be made only if it is readily apparent to an examiner relying on his or her expertise in the art in the Step 2B inquiry that the additional elements do not amount to claiming significantly more than the recited judicial exception.”
 - “Examiners should keep in mind that the courts have held computer-implemented processes to be significantly more than an abstract idea (and thus eligible), where generic computer components are able in combination to perform functions that are not merely generic (*DDR*)”
- Examples Should Not Be Relied Upon in 101 Rejections
 - “The [Abstract Ideas (July 2015) and Life Sciences (May 2016)] examples should not be used as a basis for a subject matter eligibility rejection.”

May 2016 Subject Matter Eligibility Update – Memorandum (3)

- Evaluating Applicant's Response
 - Reviewing a proposed amendment to the claims:
 - “When an additional element is considered individually by the examiner, the additional element may be enough to qualify as “significantly more” if it meaningfully limits the judicial exception, improves another technology or technical field, improves the functioning of the computer itself, or adds a specific limitation other than what is well-understood, routine, conventional activity in the field or unconventional steps that confine the claim to a particular useful application.”
 - Reviewing applicant remarks:
 - “If applicant responds to an examiner’s assertion that something is well-known, routine, conventional activity with a specific argument that the additional elements in a claim are not well understood...activities...engaged in by those in the relevant art, the examiner should reevaluate whether it is readily apparent that the additional elements are...well-known activities to those who work in the relevant field.
 - “If applicant argues that the claim is specific and does not pre-empt all applications of the exception, an appropriate response would be to explain that “pre-emption is not a stand-alone test for eligibility.”

Takeaways

- **Challenge definition of abstract idea if:**
 - Abstract idea identified by examiner is not recited in claim
 - Poor explanation of correspondence to “a concept that the courts have identified as an abstract idea” (reference “Subject Matter Court Decisions (May 2016)”)
- **Find a path to streamlined eligibility**
 - Demonstrate that your claims do not pre-empt all applications of the alleged abstract idea (note: per May 2016 update, this is not a stand-alone test)
 - Analogize your claims to the PTO’s robotic arm assembly hypothetical
- **Use the PTO’s examples to your advantage**
 - Find ways to analogize your claims to examples of eligible claims from July 2015 Examples (#1-#4)
- **Demonstrate that your claims are merely “based on or involving” an exception**
 - Analogize your claims to the PTO’s teeter-totter hypothetical
- **Require the examiner to base any *Alice* rejection on facts and evidence, not opinion**
 - Cite *Ex parte Poisson*
- **Mine USPTO Updates – especially July 2015 and May 2016 Updates**

SECTION 05

**STRATEGIES FROM THE TRENCHES:
*WHAT PATENT PROSECUTORS ARE DOING***

Strategies for Prosecutors Post Alice

- **Arguments**
- **Application Drafting**
- **Prosecution at USPTO and Beyond**
- **Statistics**

Step 2A: Abstract Idea & Pre-Emption

- Abstract ideas
 - fundamental economic practices
 - certain methods of organizing human activities
 - an idea of itself
 - mathematical relationships/formulas
- Arguments
 - Challenge definition of abstract idea if:
 - Abstract idea identified by examiner is not recited in claim
 - Poor explanation of correspondence to “a concept that the courts have identified as an abstract idea” (reference “Subject Matter Court Decisions” (May 2016))
 - Claimed invention:
 - “a challenge **particular** to the Internet”, not “routine or conventional” (DDR)
 - “a concept **inextricably tied to computer technology** and distinct from the types of concepts found by the courts to be abstract” (PTO Example)
 - “the claimed solution is **necessarily rooted in computer technology** in order to **overcome a problem specifically arising in the realm of computer networks**” (*Alice*)
 - claims do not wholly pre-empt the field, post no risk of pre-emption, non-infringing alternatives are significant and substantial (*Alice*)

Application Drafting

- Alice: “the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks”
- Written Description, Claims, Drawings
 - Unique to computer context
 - title
 - technical field
 - background
 - Steps and examples to show components and interactions
 - Claims directed to systems, user interfaces (consider detailed preambles to avoid casting of preamble as the abstract idea)
 - Avoid using terms associated with business/financial transactions
 - Detailed drawings that go beyond blocks (flow charts, action diagrams showing component interactions)
 - Show how invention “improves another technology or technical field, improves the functioning of the computer itself, or adds a specific limitation other than what is well-understood, routine, conventional activity in the field or unconventional steps that confine the claim to a particular useful application.” (May 2016 update)

Prosecution at USPTO and Beyond

- Unwritten policy: all claims reciting financial or business methods are presumed to be directed to “abstract ideas”
 - Any subject matter relating to banking, investments, or payment transactions would be categorized as either a matter of “fundamental economic practices” or “methods of organizing human activities”
- “Very hard” for applications related to financial subject matter to escape the designation of “abstract ideas.”
 - Many examiners in 3600 art units indicate that they have allowed only a few applications since January 2015.
- Best bet may be demonstrating the invention is “significantly more” than the abstract idea itself

Prosecution at USPTO and Beyond (Cont')

- Within PTO
 - File continuation with strategically-drafted claims (for assignment to different art unit)
 - Interview
 - Appeal to PTAB
 - Park application while law in flux
 - Provides time for new court decisions
 - Provides time for new PTO process
 - Try same arguments with more receptive audience
 - Build up backlog of appeals
- Beyond PTO
 - Courts (lots of open questions: meaning of: “abstract idea” and “significantly more,” relationship to claim construction...)
 - Lobby (AIPLA, IPO, Congress, Rulemaking/comments, PTO: Patent Quality Summit, Surveys...)

Morgan Lewis – Success Overcoming Alice Rejections

Morgan Lewis

PRESS RELEASE

MORGAN LEWIS AMONG MOST SUCCESSFUL FIRMS IN OVERCOMING ALICE PATENT REJECTIONS

November 24, 2015

PALO ALTO, November 24, 2015: Data visualization and analytics software provider Juristat has recognized Morgan Lewis among the top 10 firms to have overcome the highest number of "Alice" patent application rejections in 11 months.



Morgan Lewis overturned more than half (63%) of the rejections it filed during the time period between June 19, 2014 and May 1, 2015, coming in at eighth place. Juristat found that during the timeframe 48 firms had responded to *Alice* rejections in at least 15 applications and overcame the rejections only 47% of the time on average.

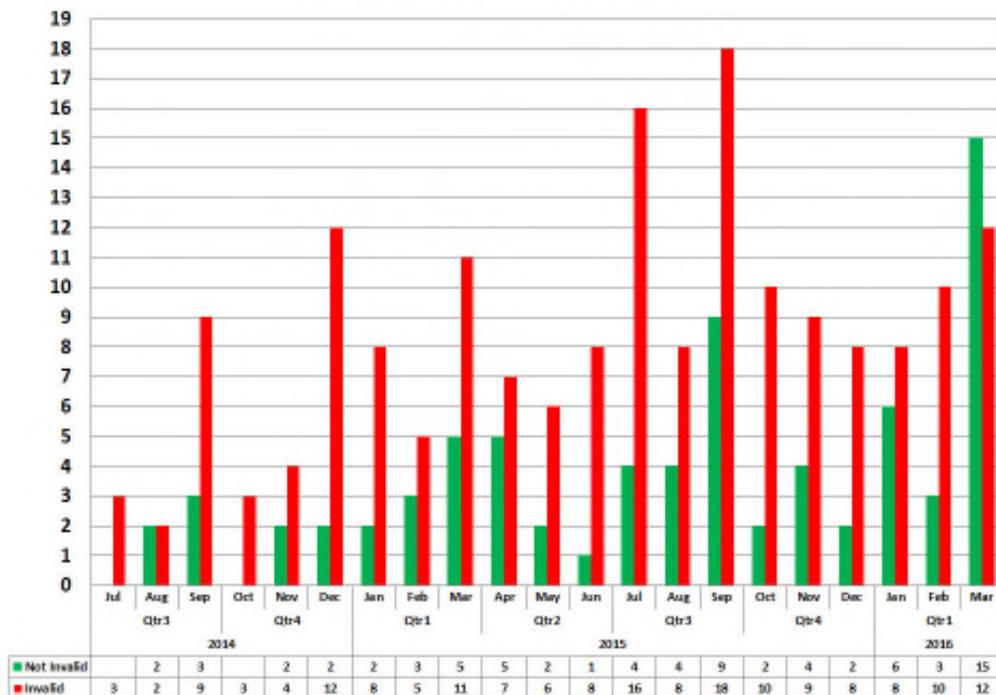
In June 2014, the US Supreme Court issued a landmark ruling in *Alice Corp. v. CLS Bank International* which significantly changed the landscape for software patents in terms of eligibility. As a result of the *Alice* decision, software patents are more challenging to obtain and 5 101 rejections have become much more common. Juristat reviewed more

than 6.8 million patent applications to determine the top 10 firms with the highest success rate in overcoming *Alice* rejections.

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Chance of Success (PTAB & Courts)

Patent Eligibility Decisions Per Quarter

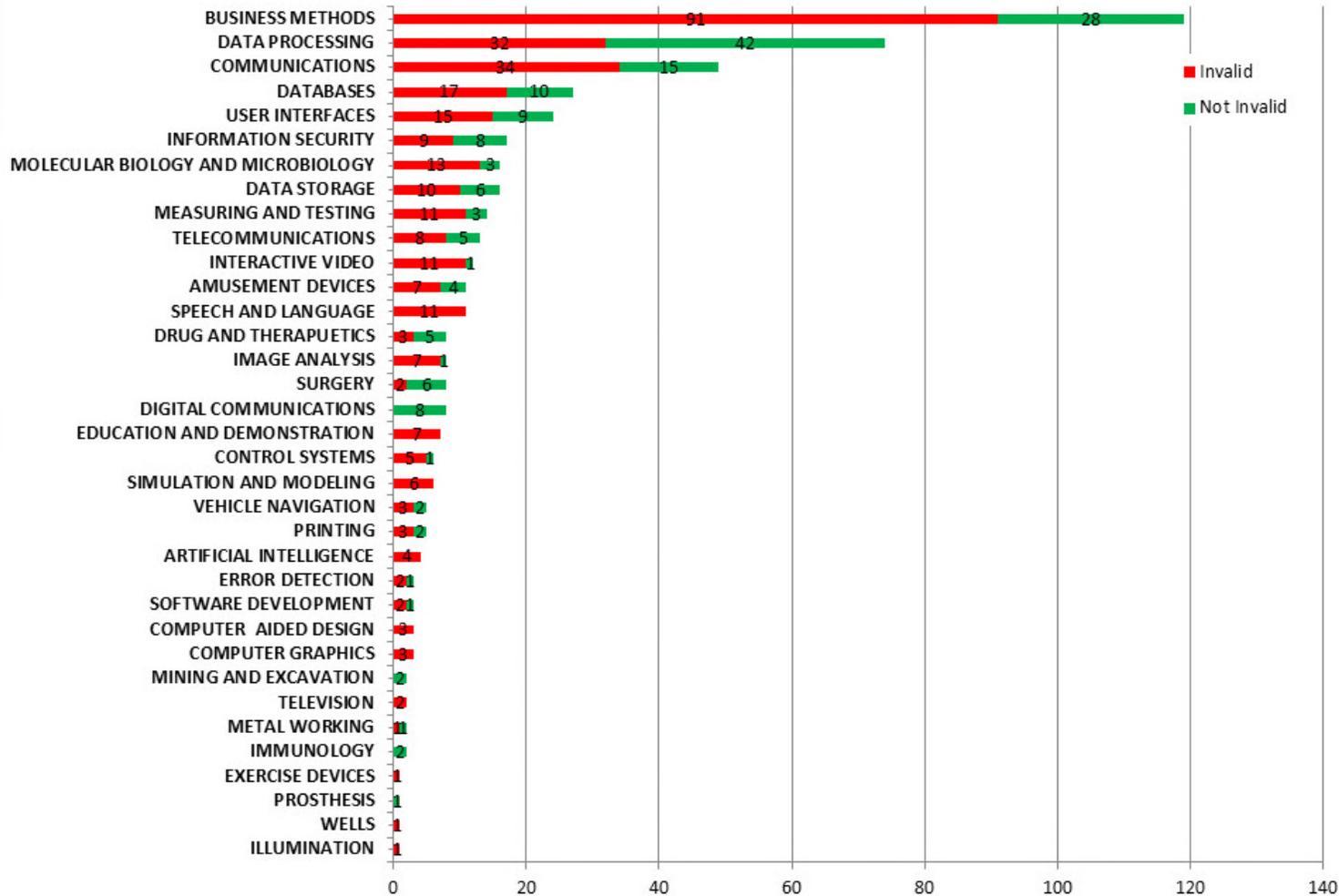


See <http://www.bilskiblog.com/blog/2016/04/update-on-patent-eligibility-decisions-for-first-quarter-2016.html>

	Total Invalid		
	Total	Under §101	% Invalid
Fed. Ct. Decisions	253	177	70.0%
Federal Circuit	31	30	96.8%
District Courts	222	147	66.2%
Patents	492	325	66.1%
Claims	14488	9246	63.8%
Motions on Pleadings	112	81	72.3%
PTAB CBM Institutions	114	96	84.2%
PTAB CBM Final	58	57	98%

Chance of Success (PTAB & Courts)

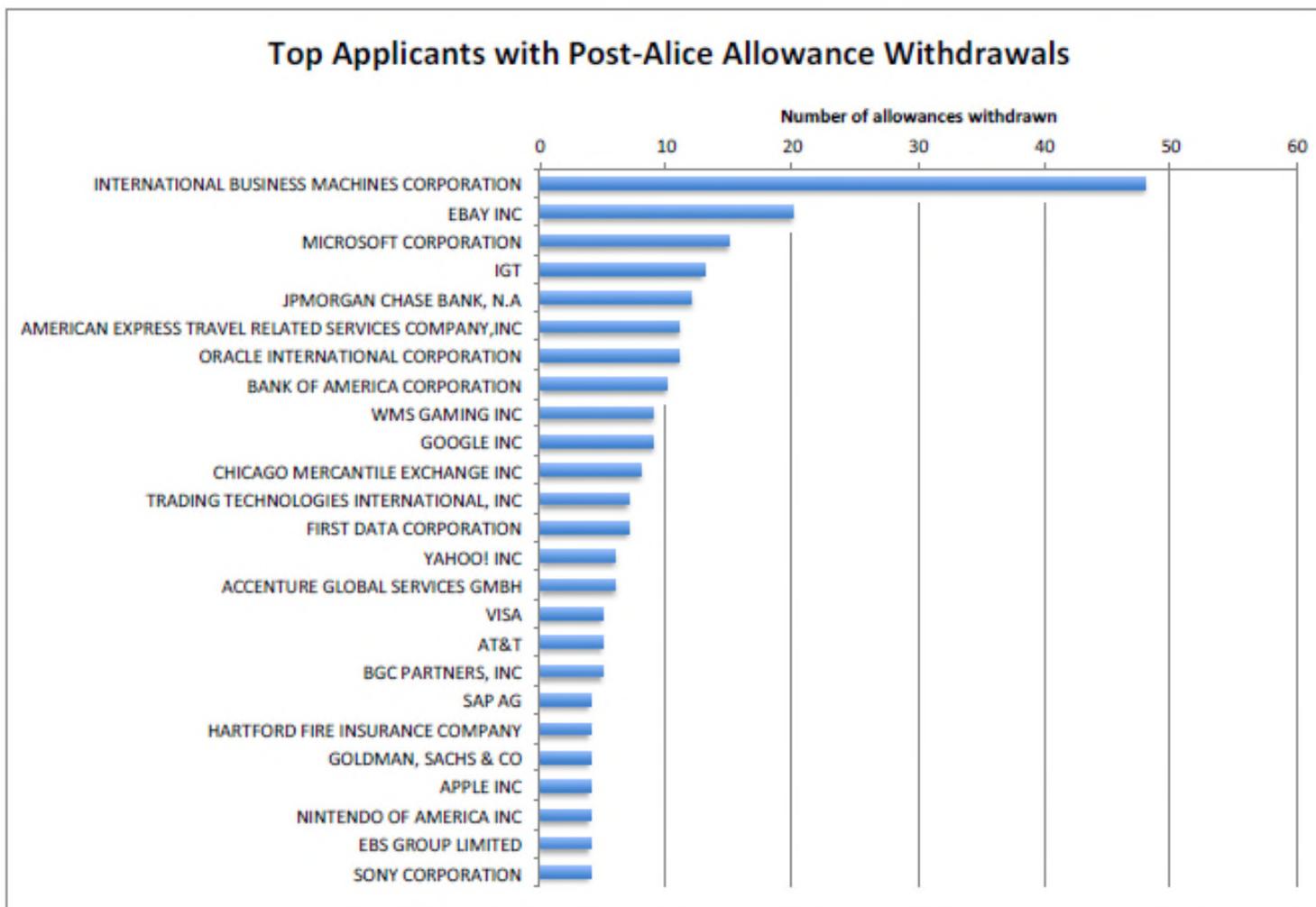
Patents Challenged in Federal Courts, by US Patent Class (n=492)



Chance of Success (PTAB & Courts)

Tribunal	§101 Invalidity		Total §101 Decisions
	Decisions	% Invalid	
[-] District	147	66%	222
JMOL		0%	4
Motion for JOP	41	72%	57
Motion to Dismiss	53	65%	82
MSJ	51	69%	74
Post-trial motion for judgment	1	100%	1
Rule 52	1	25%	4
[-] Fed. Cir.	30	97%	31
Appeal-CBM	1	100%	1
Appeal-JMOL		0%	1
Appeal-JOP	5	100%	5
Appeal-MSJ	11	100%	11
Appeal-MTD	9	100%	9
Appeal-Prelim Inj.	1	100%	1
Appeal-PTAB	3	100%	3
Grand Total	177	70%	253

Post Alice Strategies (Lobby)



Biography



Douglas J. Crisman

Silicon Valley

T +1.650.843.7508

E douglas.crisman@morganlewis.com

Douglas J. Crisman brings the perspective of a software designer and intellectual property (IP) director for a leading computer hardware company to his patent law practice, which includes patent preparation, licensing, and pre-litigation opinions, as well as IP transactions, due diligence, and counseling. He routinely works with standards-setting bodies and consortia on IP issues, and provides advice on strategic IP management and open source legal issues ranging from software development to code review and licensing.

Because of his technical background, Douglas focuses on projects that relate to software applications, the Internet, computer operating system software and system architecture, computer graphics and visualization, communications systems, memory devices, integrated circuit design and processing, and signal processing.

Biography



C. Erik Hawes

Houston

T +1.713.890.5165

E erik.hawes@morganlewis.com

C. Erik Hawes serves intellectual property clients in patent litigation and pre-litigation counseling, patent prosecution, management of patent and trademark portfolios, trade secrets and confidentiality issues, due diligence concerning IP issues in transactions, and day-to-day counseling concerning IP issues of every size and shape.

In the arena of IP disputes, Erik handles all aspects of patent cases in jurisdictions from California to New York and from Texas to Minnesota. He has also handled numerous matters at the Patent Trial and Appeal Board, including appeals from the PTO and IPR proceedings as both patentee and petitioner. He has managed numerous patent disputes between direct competitors, as well as large, multi-defendant suits brought by non-practicing patent owners. He has tried multiple patent cases and argued nine *Markman* hearings.

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