

# U.S. Patent Updates

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# Topics

- 2018 Developments in Subject Matter Eligibility under Section 101 of U.S. Patent Law.
- “BRI” Practice in U.S. - Broadest Reasonable Interpretation of Claim Element
- After-Final Practice - What to do after receiving a Final Office Action
- Patenting Strategies of Different Size Companies

# Patent Eligible Subject Matter

- Along with the requirements of: (1) novelty, (2) non-obviousness, and (3) utility, a U.S. patent claim must also represent Patent Eligible Subject Matter.
- The law of Patent Eligible Subject Matter has been changing in the U.S. over the last 8 years.
- The current test to determine if a claim recites patent eligible subject matter is the famous “*Alice*” test.
  - ◆ The *Alice* test came from the 2014 U.S. Supreme Court case *Alice Corp. v. CLS Bank International*

# Patent Eligible Subject Matter

- The “Alice” test has two steps:
  - ◆ In the first step, the examiner determines whether the claim is directed to a “judicial exception,” such as an abstract idea.
    - ◆ If the claim is NOT directed to a “judicial exception,” then the claim represents patent eligible subject matter.
    - ◆ If the claim is directed to an abstract idea, the second step of the test is carried out.
  - ◆ In the second step, the examiner determines if the claim recites additional elements that amount to “significantly more” than the abstract idea.
    - ◆ If the claim doesn’t recite “significantly more” than the abstract idea, then the claim is rejected under section 101 as not representing patent eligible subject matter.

# Patent Eligible Subject Matter (1<sup>st</sup> Step of Alice Test)

- Examples directed to an abstract idea:
  - ◆ Collecting information, analyzing it and displaying certain results of the collection/analysis
  - ◆ Data recognition and storage
  - ◆ Organizing and manipulating information through mathematical correlations
  - ◆ Classifying and storing digital images in an organized manner
  - ◆ Encoding and decoding image data
  - ◆ Creating an index and using the index to search and retrieve data

# Patent Eligible Subject Matter (1<sup>st</sup> Step of Alice Test)

- In January 2018, the Court of Appeals for the Federal Circuit (often called just “Federal Circuit”) held that software-related inventions that **improve computer technology** may **not** be “directed to” an abstract idea.
  - ◆ *Finjan Inc. v. Blue Coat Systems, Inc.* (decided January 10, 2018).
  - ◆ *Core Wireless Licensing S.A.R.L. v. LG Electronics, Inc.* (decided January 25, 2018).

# Patent Eligible Subject Matter (1<sup>st</sup> Step of Alice Test)

- In the Finjan case, claim 1 recited:

A method comprising:

receiving by an inspector a Downloadable;

*generating* by the inspector *a first Downloadable security profile* that identifies suspicious code in the received Downloadable; and

*linking* by the inspector *the first Downloadable security profile to the Downloadable* before a web server makes the Downloadable available to web clients.

# Patent Eligible Subject Matter (1<sup>st</sup> Step of Alice Test)

- The following features of the claim were deemed important in the court's finding:
  - ◆ The claim recited an improvement to computer functionality.
  - ◆ The claim recited specific steps that accomplish a result that realizes an improvement in computer functionality, rather than a mere end result.
  - ◆ The specification described the shortcomings of the state-of-the-art.
  - ◆ The specification enables a computer to perform tasks that it could not do before.



# Patent Eligible Subject Matter (1<sup>st</sup> Step of Alice Test)

- In the Core Wireless case, claim 1 recited:

A computing device comprising a display screen, the computing device being configured to *display on the screen a menu* listing one or more applications, and additionally being configured to display on the screen *an application summary that can be reached directly from the menu*, wherein the application summary displays a limited list of data offered within the one or more applications, each of the data in the list being selectable to launch the respective application and *enable the selected data to be seen within the respective application*, and wherein *the application summary is displayed while the one or more applications are in an unlaunched state*.

# Patent Eligible Subject Matter

## (1<sup>st</sup> Step of Alice Test)

- The following features of the Core Wireless claims were deemed important to a finding of patent eligible subject matter:
  - ◆ The claims are directed to an improved user interface for computing devices (i.e., “computer functionality”).
  - ◆ The claims recite precise language delimiting the type of data to be displayed and how to display it.
  - ◆ The specification describes the shortcomings of prior art interfaces (users had to scroll around and switch views many time to find the right data/functionality).
  - ◆ The claimed invention improves the efficiency of using an electronic device.

# Patent Eligible Subject Matter (1<sup>st</sup> Step of Alice Test)

- Lessons learned from the Finjan and Core Wireless decisions are:
  - ◆ For software-related inventions, emphasize how *computer technology* is improved.
  - ◆ Claim the specific steps and manner in achieving a result. Do not claim only the end result.
  - ◆ The specification should discuss the problems and shortcomings of prior art systems.
  - ◆ The specification should explain that the claimed invention enables something that was not previously possible with the prior art systems.

# Patent Eligible Subject Matter (2<sup>nd</sup> Step of Alice Test)

- On April 19, 2018, the USPTO issued a memorandum after Federal Circuit decision in *Berkheimer v. HP, Inc.* (decided February 8, 2018).
  - <https://www.uspto.gov/sites/default/files/documents/memo-berkheimer-20180419.PDF>
- The USPTO memorandum was about the 2<sup>nd</sup> step of the *Alice* test.

# Patent Eligible Subject Matter (2<sup>nd</sup> Step of Alice Test)

- As stated in slide 4 in this presentation, the second step of the Alice test is as follows:
  - ◆ The examiner determines if the claim recites additional elements that amount to “significantly more” than the identified abstract idea.
    - ◆ If the claim doesn’t recite “significantly more,” the claim is rejected.

# Patent Eligible Subject Matter (2<sup>nd</sup> Step of Alice Test)

- An examiner can deem an element or step in a claim to be “well-understood, routine, or conventional.”
  - ◆ Elements/steps that are “well-understood, routine, or conventional” do NOT represent “significantly more” under the 2<sup>nd</sup> step of the Alice test.

# Patent Eligible Subject Matter

## (2<sup>nd</sup> Step of Alice Test)

- To deem an element/step in a claim to be “well-understood, routine, or conventional,” the examiner **must** provide (or refer to) one of the following:
  - ◆ 1) an express statement in the **patent specification** or statement made by the applicant during prosecution that demonstrates that the element/step is well-understood, routine, or conventional.
  - ◆ 2) a **court decision** discussed in the MPEP that demonstrates that the element/step is well-understood, routine, or conventional.
  - ◆ 3) a **prior art publication** that demonstrates that the element/step is well-understood, routine, or conventional.
  - ◆ 4) a statement that the examiner is taking **Official Notice** of the well-understood, routine, conventional nature of element/step.

# Patent Eligible Subject Matter (2<sup>nd</sup> Step of Alice Test)

- For case no. 1 (express statement in patent **specification**):
  - ◆ The Examiner can rely on the specification to illustrate that a claim element is “well-understood, routine, or conventional” if the specification states, for example, that the element is sufficiently well known in the art so that the particulars or details of that element need not be described.
  - ◆ Advice: if an element is not completely well-understood, routine, or convention, it may be desirable to describe that element in detail in the specification.



# Patent Eligible Subject Matter

## (2<sup>nd</sup> Step of Alice Test)

- For case no. 3 (**prior art publication**)
  - ◆ It is important to note that mere disclosing of the element/step in a prior art publication is insufficient for the examiner to deem that element/step to represent that it is “well-understood, routine, or conventional.”
  - ◆ Therefore, an element/step recited in a claim may represent “significantly more” than the abstract idea of the claim even though that element/step is not novel.

# Patent Eligible Subject Matter (2<sup>nd</sup> Step of Alice Test)

- For case no. 4 (“**Official Notice**”):
  - If the examiner has taken Official Notice that the element/step is well-understood, routine, or conventional, the applicant may challenge this finding by the examiner.
  - If challenged, the Examiner must then either:
    - Provide evidence for case no. 1, 2 or 3 (stated in slide 15), or
    - Provide an affidavit (statement under oath) that sets forth specific factual statements and an explanation that supports the Examiner's position.

# Patent Eligible Subject Matter

## (2<sup>nd</sup> Step of Alice Test)

- If the examiner is unable to provide evidence for case no. 1, 2 or 3, and is also unable to provide a reasonable affidavit then the examiner must withdraw the rejection of the claim as not representing patent eligible subject matter.

# Patent Eligible Subject Matter

- In conclusion, if a claim is rejected as not representing patent eligible subject matter, it is important to analyze all of the details of that rejection.
  - Although difficult, it may be possible to successfully argue that the claim is NOT directed to an abstract idea (Alice test step 1).
  - Each step/element in the claim should be analyzed to see if it represents “significantly more.” Also, the examiner’s stated proof that an element/step is “well-understood, routine, or conventional” also should be analyzed (Alice test step 2).

# “BRI” Practice in U.S.

## Broadest Reasonable Interpretation of Claim Element

- The USPTO uses the **broadest reasonable interpretation** (“BRI”) standard to determine the scope of claims:
  - during examination of all patent applications, and
  - during all USPTO invalidity proceedings before the Patent Trial and Appeal Board (PTAB)

# “BRI” Practice in U.S.

- Because the USPTO uses the “BRI” standard to determine the scope of claims, applicants often believe that U.S. patent examiners construe claim terms much too broadly.

# “BRI” Practice in U.S.

- Quite differently, U.S. Courts use a narrower “*Philips* construction” standard when interpreting patent claim language
  - During infringement and validity proceedings in the U.S. Courts, the claims, specification, prosecution history and extrinsic evidence (e.g., dictionaries, testimony of technical experts) are used to interpret the scope of patent claims
  - Typically, a claim term in a U.S. patent is construed narrower by a U.S. Court in a litigation as compared to how that same claim term is construed by the USPTO

# “BRI” Practice in U.S.

- The “BRI” Standard used by the USPTO requires that pending claims must be given their broadest reasonable interpretation (“BRI”) **consistent** with the specification. This means that:
  - The meaning of a claim term must be consistent with the *ordinary and customary meaning* of the term (unless the specification provides a special definition for the term);
  - The meaning must be consistent with the use of the term in the specification and drawings; and
  - The broadest reasonable interpretation of the claims must be consistent with the interpretation of those skilled in the art.



# “BRI” Practice in U.S.

- Examples of application of BRI standard
- The claim term: “hair brush”
  - The broadest reasonable interpretation (BRI) is not limited to a brush for hair on the top of one’s head, but may include a brush for facial hair (*In re Bigio*, Fed. Cir. 2004).

# “BRI” Practice in U.S.

- Examples of application of BRI standard
- The claim term: “around”
  - The BRI of “around” is “to encircle or surround”
  - The BRI is not “in the immediate vicinity of” or “near” because the specification **always** used “around” when referring to encircling or surrounding
  - *PPC Broadband Inc. v. Corning Optical Comm’ns*, Fed. Cir. 2016).

# “BRI” Practice in U.S.

- Examples of application of BRI standard
- The claim term: “integrally formed”
  - The BRI of “integrally formed” includes devices that are formed separately and then later fixed together
  - The BRI is not limited to only devices formed simultaneously as a single unit
  - *In re Morris*, Fed. Cir. 1997

# “BRI” Practice in U.S. Advice

- To understand the scope of claim terms when drafting a patent application:
  - Use terms in the claims that are established terms in the art
  - Use claim terms that are consistent with terms that are used in the specification
  - Use broad terms, particularly terms with multiple meanings, consistently throughout the specification
  - Be aware that descriptions in the specification and drawings may limit the interpretation of a claim term

# “BRI” Practice in U.S. Advice (continued)

- Use dependent claims to meaningfully narrow broad concepts and to further define broad terms
- During prosecution, consider whether the Examiner is interpreting the terms in a reasonable manner
  - Rather than arguing that the Examiner is construing a claim term too broadly, it may be better to amend the claim term in a manner that forces the Examiner to construe it as precisely desired by the applicant
- Also, arguing that a claim term should be construed in a specific manner may result in an undesirable “estoppel” that excludes reasonably foreseeable infringement of the claim

# “BRI” Practice in U.S.

- In May 2018, the USPTO proposed a rule to change the BRI standard in proceedings before the Patent Trial and Appeal Board (PTAB)
  - The proposal is to replace the BRI standard with the standard used by courts in the following USPTO proceedings:
    - *inter parte* reviews (IPRs)
    - post-grant reviews (PGRs) and
    - covered business method reviews (CBMs)
  - Any rule changes that are adopted will be applied to all pending IPR, PGR and CBM proceedings

# “BRI” Practice in U.S.

- The USPTO set a deadline of May 9, 2018 for comments by the public
  - Many companies, organizations and individuals submitted comments, including
    - Japan Intellectual Property Association (JIPA)
    - Japan Patent Attorneys Association (JPAA)
    - Japan Electronics and Information Technology Association (JEITA)
    - Japan Business Machine and Information System Industries Association (JBMIA)
    - and U.S. entities including IBM Corporation, Intel Corp. and others

# “BRI” Practice in U.S.

- Companies that are worried about non-practicing entities (NPEs) prefer the USPTO to continue to use the “BRI” standard in all USPTO proceedings
  - It is often easier to invalidate a U.S. patent based on the prior art in a USPTO proceeding as compared to a court proceeding since the “BRI” standard typically results in a construction that is broader than how a U.S. court would construe that term



# “BRI” Practice in U.S.

- However, many companies prefer consistency in the courts and the USPTO when assessing the validity of an already issued patent
- The USPTO has not yet issued the final rule on its proposal

# After-Final Practice

## What to do after receiving a Final Office Action

- In the U.S., a “Final” Office Action signals **closing** of substantive prosecution
- After receiving a Final Office Action, the application will be abandoned unless one of the following courses of action is taken:
  - (1) File a Response After Final
  - (2) File a Request for Continued Examination
  - (3) File a Notice of Appeal
  - (4) File a New “Continuing” Application

# After-Final Practice

- Option 1: File a Response After Final
  - A Response After Final may include:
    - Claim Amendments
    - Arguments
  - However, entry of claim amendments are at the discretion of the examiner

# After-Final Practice

- Option 1: File a Response After Final (continued)
  - Examples of types of claim amendments that will likely be entered by the examiner:
    - Canceling the rejected claims so that only allowed claims remain in the application
    - Amending a claim to conform to an allowed claim
    - Amending a rejected claims to place it in better form for consideration on appeal

# After-Final Practice

- Option 1: File a Response After Final (continued)
  - Example of a claim amendment that will likely not be entered by the examiner:
    - A claim amendment that introduces a new limitation that was not previously presented in the claims

# After-Final Practice

- Option 1: File a Response After Final (continued)
  - A USPTO Pilot Program called “AFCP 2.0” provides an Examiner with additional time to conduct further searching and/or consider the submitted Response After Final
  - “AFCP” means ”After Final Consideration Pilot”
  - When a Response after Final is filed with the USPTO, the applicant has the option of also filing a Request for Consideration under AFCP 2.0.
    - The request is a 1-page USPTO form that is quick to complete

# After-Final Practice

- Option 1: File a Response After Final (continued)
  - A Request for Consideration under AFCP 2.0 may be filed with the Response After Final if:
    - (1) the Response After Final includes a non-broadening amendment to at least one independent claim
    - (2) The Response After Final does not include a broadening of any independent claim
    - (3) The applicant agrees to a telephone interview at the Examiner's request

# After-Final Practice

- Option 1: File a Response After Final (continued)
  - If the requirements are satisfied, it is recommended to file a Request for Consideration under AFCP 2.0
    - There is no cost to file the request
    - If the Examiner wants to conduct an interview, it should be positively perceived as another opportunity to address the issues with the Examiner
  - Even if the applicant does not want to amend the claims, it may be desirable to make a negligible non-broadening amendment so that the request can be filed.
    - Examiners have indicated that they like when the request is filed since it gives them additional time to conduct further searching



# After-Final Practice

- Option 1: File a Response After Final (continued)
  - The deadline to file a Response after Final is 3 months from the mailing date of the final office action
  - A Response after Final may be filed late with payment of an extension fee
    - Fee for a 1-month extension is \$200\*
    - Fee for a 2-month extension is \$600\*
    - Fee for a 3-month extension is \$1400\*. 3 months is the maximum extension.
  - \* All fees indicated are for a large entity. Fees are reduced by 50% for a small entity. Fees are reduced by 75% for a micro entity.ç

# After-Final Practice

- Option 2:  
File a Request for Continued Examination (RCE)
  - If a Response after Final does not result in the allowance of the application or the Response after Final is not entered, the applicant must file an RCE to reopen prosecution
  - The RCE must be filed within 6 months from the mailing date of the final office action, otherwise the application will be abandoned

# After-Final Practice

- Option 2: File a RCE (continued)
  - After an RCE is filed, the examiner must enter and consider the last filed response.
  - **Advice:** if the examiner already considered and entered the last filed response, it is recommended to accompany the RCE with a submission that presents new arguments and/or new amendments in order to avoid an office action that merely repeats the same rejections that were previously presented
  - If the examiner had considered and entered the Response after Final, the examiner will issue a short Advisory Action that explains why the application is not allowed

# After-Final Practice

- Option 2: File a RCE (continued)
  - There is no limit as to how many times an RCE is filed.
  - After an RCE is filed, if the examiner doesn't allow the application, the examiner will issue a non-final office action

# After-Final Practice

- Option 2: File a RCE (continued)
  - Unfortunately, there is a relatively high USPTO fee for filing an RCE
    - The fee for submitting the first RCE is \$1300 (large entity)
    - The fee for submitting a second and subsequent RCE is \$1900 (large entity)

# After-Final Practice

- Option 3: File a Notice of Appeal
  - Filing a Notice of Appeal resets the time to make the next submission
  - The USPTO fee for filing a Notice of Appeal is \$800 (large entity)

# After-Final Practice

- Option 3: File a Notice of Appeal (continued)
  - After filing a Notice of Appeal, the applicant must file either an appeal brief or an RCE (with a submission) within 2 months
  - The Deadline can be extended an additional 5 months at the maximum. Therefore, the final submission deadline is 7 months from the date of filing of the Notice of Appeal
    - The extension fees (for large entity) are:
      - 1 month: \$200
      - 2 month: \$600
      - 3 month: \$1400
      - 4 month: \$2200
      - 5 month: \$3000

# After-Final Practice

- Option 3: File a Notice of Appeal (continued)
- **Pre-Appeal Brief Request for Review Pilot Program**
  - When a Notice of Appeal is filed, the applicant may optionally submit a “Pre-Appeal Brief Request for Review”
  - Under this USPTO pilot program, the applicant submits a document that is a maximum of 5 pages that includes succinct, concise and focused set of arguments.
  - There is no USPTO fee for this program



# After-Final Practice

- Option 3: File a Notice of Appeal (continued)
- **Pre-Appeal Brief Request for Review Pilot Program**
  - A 3-person panel at the USPTO then formally reviews the applicant's 5-page submission and the rejections set out in the last office action
  - The 3-person panel includes the examiner, the examiner's supervisor and another examiner who is a "quality assurance specialist"
  - The panel determines whether the rejection(s) in the office action is proper and mails the result of that determination with 45 days.

# After-Final Practice

- Option 3: File a Notice of Appeal (continued)
  
- **Pre-Appeal Brief Request for Review Pilot Program**
  - The panel's decision only identifies the status of each of the claims (rejected or allowed)
  - The panel's decision does not include the reasoning for the decision
  - If the application is not allowed, the applicant can do the following:
    - Proceed with filing an appeal brief
    - Accept the allowed claims (an amendment may be submitted)
    - File an RCE to reopen prosecution
    - File a Continuing Application

# After-Final Practice

- **Is it worthwhile to submit a Pre-Appeal Brief Request for Review or is it better to proceed directly with filing an appeal brief?**
  - Generally, a Pre-Appeal Brief Request for Review is appropriate if the applicant believes that there is a **clear legal or factual deficiency** in the rejection
    - Examples:
      - A claim element is clearly not present in the prior art
      - There is no rationale in the office action for combining the prior art in an obviousness 103 rejection
      - A reference is not in fact prior art
      - The specification clearly enables the invention set forth in the claims (when the claims are rejected for lack of enablement)

# After-Final Practice

- **Is it worthwhile to submit a Pre-Appeal Brief Request for Review or is it better to proceed directly with filing an appeal brief? (continued)**
  - Sometimes, a Pre-Appeal Brief Request for Review may not be worthwhile (that is, would likely not be successful)
    - Examples:
      - The applicant believes that the examiner is not properly interpreting a prior art reference (but where the argument is complicated and requires many pages to explain)
      - The applicant believes that the examiner is combining the references in an improper way
      - A challenge to an examiner's taking of Official Notice

# After-Final Practice

- Option 3 (continued)  
**Proceeding with the Appeal**
- The deadline to submit the Appeal Brief is:
  - 2 months from the filing the Notice of Appeal, or
  - if a Pre-Appeal Brief Request for Review was filed, then 1 month from mail date of the panel's decision
  - These deadlines are extendable with an extension fee (for up to 5 months of extension)
  - There is no USPTO fee for filing an appeal brief

# After-Final Practice

- Option 3 (continued)  
**Proceeding with the Appeal** (continued)
- After the Appeal Brief is filed, the Examiner may:
  - Withdraw the rejection(s) and allow the application
  - Reopen prosecution and issue a new office action that contains a new rejection
  - Issue an Examiner's Answer that maintains the rejection
    - The Examiner's Answer may include additional discussion that addresses the applicant's points presented in the appeal brief

# After-Final Practice

- Option 3 (continued)  
**Proceeding with the Appeal** (continued)

If the Examiner issues an Examiner's Answer, the applicant can do the following:

- (a) Submit a Reply Brief that addresses new points of discussion in the Examiner's Answer (optional, no fee)
- (b) File a Request for Oral Hearing (optional, \$1300 fee)
  - The oral hearing can be in person at the USPTO or via telephone
  - The examiner does not attend the oral hearing
- (c) Pay a mandatory fee of \$2240 to forward the appeal to the Patent Trial and Appeal Board (PTAB).

# After-Final Practice

- Option 3 (continued)  
**Proceeding with the Appeal** (continued)

After the optional oral hearing, the PTAB renders its decision

- If the PTAB decision favors the Examiner, the applicant has 63 days to:
  - File an RCE with a submission
  - File a Continuing Application
- Also, the PTAB decision can be appealed to the U.S. courts



# After-Final Practice

- Option 4: File a Continuing Application
  - A continuing application can be:
    - a continuation application,
    - a divisional application, or
    - a continuation-in-part application
  - The continuing application must be filed while the parent application is pending
  - The continuing application and the parent application must have at least one common inventor

# Patenting Strategies of Different Size Companies

- We represent companies that are large, mid-size, and small
- Patenting strategies are often very different

# Patenting Strategies of Different Size Companies

- Large Companies
  - Large companies seek a large number of patents, with each patent being directed to a very specific invention
    - Often patent claims are very narrow in scope
    - Prosecution costs are kept low since the average number of rejections are usually low (e.g., an allowance issues after one office action)

# Patenting Strategies of Different Size Companies

- Large Companies
  - It is common to file U.S. non-provisional patent applications, followed by a PCT application, before entering the national phase in select countries
  - Sometimes, U.S. provisional applications are filed to get a quick filing date
  - Patents are acquired mostly for licensing revenue (or cross-licensing purposes)
    - Multiple patents are “pooled” together and then licensed as a package

# Patenting Strategies of Different Size Companies

- Smaller companies (mid-size and small companies)
  - Many of our smaller clients seek a relatively small number of patents, but the patent protection that is desired often is very broad
  - Sometimes, prosecution costs are high since including broad claims invites multiple rejections by the USPTO
  - If narrower claims are allowed, clients commonly accept the narrower protection, but then file a continuation application to continue to pursue broader protection

# Patenting Strategies of Different Size Companies

- Mid-size and small companies
  - It is common to file U.S. provisional patent applications, following a U.S. non-provisional patent application
  - It is very common to file a PCT application, but enter the national phase in very few countries
  - In the U.S., requests for expedited handling are more commonly filed by smaller companies

# Patenting Strategies of Different Size Companies

- Mid-size and small companies
  - Patents are acquired for different purposes:
    - To cover developments that are very likely to be copied by competitors
    - Licensing value, including to increase negotiating power over competitors
    - For benefit of investors or potential investors
    - To increase value of company when sold
    - For marketing purposes
  - Some of these reasons also are why large companies files

**Questions?**



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A large, stylized, light blue ampersand logo is positioned to the right of the firm name, partially overlapping the text.

Thank you

Please email all questions to Mark Montague  
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