



January 18, 2017

The Honorable Michelle K. Lee
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
Mail Stop Patent Board
P.O. Box 1450
Alexandria, VA 22313-1450

Via email: 2014_interim_guidance@uspto.gov

Re: **Response to Notice of Roundtables and Request for Comments
Related to Patent Subject Matter Eligibility**

BSA | The Software Alliance (BSA)¹ welcomes the opportunity to provide comments on the United States Patent Office's (USPTO) "Notice of Roundtables and Request for Comments Related to Patent Subject Matter Eligibility." Federal Register

¹ *BSA | The Software Alliance (www.bsa.org) is the leading advocate for the global software industry before governments and in the international marketplace. Its members are among the world's most innovative companies, creating software solutions that spark the economy and improve modern life. With headquarters in Washington, DC, and operations in more than 60 countries, BSA pioneers compliance programs that promote legal software use and advocates for public policies that foster technology innovation and drive growth in the digital economy.*

BSA's members include: Adobe, ANSYS, Apple, Autodesk, Bentley Systems, CA Technologies, CNC/Mastercam, DataStax, IBM, Intuit, Microsoft, Oracle, salesforce.com, SAS Institute, Siemens PLM Software, Splunk, Symantec, Trimble Solutions Corporation, The MathWorks, Trend Micro and Workday.

Vol. 81, No. 200; Oct. 17, 2016. BSA appreciates the USPTO's continued attention to the issue of subject matter eligibility. The technology-neutral application of patent protection is central to ensuring the incentives that lead to job creation and innovation in America.

A well-functioning and predictable patent system that does not discriminate among fields of technology is crucial to investment and development across all industries. Patents provide an important incentive for innovation, regardless of the field of use. The software industry, in particular, acts as a catalyst to economic growth and job creation across every sector of the economy, which would be curtailed if there were new limitations on patent-eligibility. BSA members are among the companies that receive the most US patents each year; they are also among the most frequent targets of abusive patent litigation.

In recent years, court opinions have caused confusion over what inventions involving software are patent-eligible. Although case law has been improving, increasing clarity and predictability remains an important priority for the patent system. BSA therefore urges the USPTO to continue its work toward creating clarity and certainty about subject matter eligibility for software-implemented inventions under 35 U.S.C. § 101.

Challenges of the Subject Matter Eligibility Issue

In order to cultivate a predictable and well-functioning patent system, the law on what can and cannot be patented must be stable and clear. This is vital for both inventors and the businesses investing substantial amounts of capital, often betting

their future on that patent by commercializing those inventions to the benefit of both individuals and the economy, and those deciding to design around or pay fair value for licensing valid patents. The only parties who benefit from uncertainty are those wishing to misuse the system.

The United States patent system is the foundation for both our current and future economic health. But the cost of uncertainty in our patent system is not limited to just the United States; it affects our global competitiveness. When inventors are unsure whether they can obtain enforceable patent protection in the United States, they will choose to perform their research and development in other markets.

Discrimination based on subject matter eligibility against one technology over another is harmful for innovation. The United States is the world's leading voice in calling-out practices in other nations that discriminate among technology fields in patent protection. This principle has served American innovation and job creation well. If the United States allows subject matter eligibility requirements to discriminate against specific technology sectors, other countries will use this as an excuse to implement policies that favor their indigenous industries at the expense of American innovators.

While the overall lack of predictability is problematic, we are seeing incremental, encouraging progress towards a more stable system from both the courts and the USPTO.

USPTO's Subject Matter Eligibility Guidelines

The USPTO has done excellent, diligent work developing, implementing and updating its Guidelines for Subject Matter Eligibility. The USPTO has responded in a timely manner to the evolving case law from the Supreme Court and Federal Circuit. Most recently, the PTO's November 2, 2016 Memorandum provides concise summaries of the *McRO, Inc. v. Bandai Namco Games America Inc.*, No. 15-1080, 2016 WL 4896481 (Fed. Cir. Sept. 13, 2016), and *BASCOM Glob. Internet Servs., Inc. v. AT&T Mobility LLC*, 827 F.3d 1341 (Fed. Cir. 2016) opinions, and directs examiners to avoid relying on non-precedential decisions. This will help examiners make appropriate subject matter eligibility determinations. Furthermore, the examples in the Guidelines are extremely helpful for both examiners and applicants. Overall, the Office has performed remarkably well in its efforts to make sense of what sometimes appears to be inconsistent instructions from courts.

BSA has suggestions for further improving the USPTO's practices on this very complicated issue. First, the USPTO should fully incorporate new case law into the actual Guidance as soon as practical. The USPTO has been quick to distribute supplemental guidance to examiners when the Federal Circuit releases new opinions, but prompt incorporation in the actual Guidance during examination would avoid confusion.

Second, the Guidelines should provide additional examples based on recent cases, such as *BASCOM, McRo, Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016), and *Amdocs (Israel) Ltd. v. Openet Telecom, Inc.* (Fed. Cir. Nov. 1,

2016). This will give examiners a consistent understanding of the examples, which can then be applied in a predictable way. We would request the USPTO promptly add examples based on these recent cases, as well as additional examples that will provide more certainty and allow other sections of the patent law to do their work.

Third, the USPTO should update interim guidance to examiners to give examiners the most up to date guidance available from Federal Circuit precedents. For example, recent Federal Circuit cases, including *Enfish*, *McRO*, *Amdocs*, and *BASCUM* have emphasized the importance of determining whether the claimed invention represents an improvement. We strongly urge directing examiners to use streamlined analysis for claims, which are specific asserted improvements in computer functionality or capabilities, or advances in any other field of technology.

Finally, the Guidelines should highlight the recent precedent emphasizing that if the software adds new capabilities, it constitutes an improvement. As reflected in the USPTO's recent memorandum to examiners, the guidance should emphasize that an "improvement in computer-related technology" is not limited only to improvements in the core operation of a computer or a computer network *per se*, but may also consist of an algorithm or set of "rules," which either improve the functioning of a computer or add new capabilities (i.e., "allowing computer performance of a function not previously performable by a computer").

Exploring the Legal Contours of Patent Subject Matter Eligibility

BSA is grateful for the USPTO's continued attention to the legal contours of patent subject matter eligibility. The Federal Circuit has issued several opinions

recently that help to define the contours of eligibility. Nevertheless, we remain concerned that the law is still being interpreted in an unpredictable manner.

In many instances, districts courts are using Section 101 as a shortcut to invalidate patents that are clearly invalid under other sections of the patent law. A disturbing trend is clear: courts are finding that patent claims are ineligible subject matter, using an eligibility analysis rather than analyzing whether the claims are obvious, or do not meet the written description and enablement requirements. This trend is detrimental to the patent system. Instead, the USPTO should emphasize to examiners that they focus on all the statutorily required criteria for patentability, including sections 102, 103, and 112, and not impose a disproportionate and unintended by law burden on Section 101. This approach will also produce patents that are appropriate in scope and clearly define the invention.

BSA urges the USPTO to consider whether developing and presenting positions on behalf of the USPTO in litigation would continue to clarify subject matter eligibility in a way that does not discriminate among fields of technology.

There have been some positive recent cases from the Federal Circuit, but the law of subject matter eligibility is continuing to develop and the USPTO has an important role to play in ensuring greater clarity and predictability. BSA urges the USPTO to continue to draw guideposts from the best developments in the recent case law as it continues to improve its important contributions to our national economic health through this inquiry.

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BSA is grateful for the USPTO's attention to the subject matter eligibility issue and appreciates the opportunity to comment on the questions raised by the USPTO. We look forward to working with the USPTO as the law and analysis surrounding the subject matter eligibility continues to evolve.