

In the Supreme Court's 2014 decision in *Alice Corp. v. CLS Bank Int'l*, the Supreme Court cemented a two-step framework for determining whether a patent claim is ineligible for patenting under § 101. The first step assesses whether the claim is directed to a judicial exception to eligibility, such as a law of nature, a natural phenomenon, or an abstract idea. If it is, the second step is determining whether the patent claims recites an element, or combination of elements, that is sufficient to ensure that the claim as a whole amounts to significantly more than the judicial exception.<sup>1</sup> If not, the claim is ineligible.

Following the *Alice* decision, both the lower courts and United States Patent & Trademark Office ("USPTO") have had to grapple with the contours of each step. Recently, on February 8, 2018, the Federal Circuit decided a case, *Berkheimer v. HP Inc.*,<sup>2</sup> that illuminates aspects of the second step. In particular, the Federal Circuit's *Berkheimer* decision addressed whether claims satisfy the second step (and are, therefore, patent eligible) by reciting limitations that are not well-understood, routine and conventional in the field of the patent. In response to the Federal Circuit's decision, the USPTO issued a memorandum ("*Berkheimer* Memo")<sup>3</sup> on April 19, 2018 and associated training ("*Berkheimer* Training")<sup>4</sup> on May 7, 2018 providing updated guidance to the Patent Examining Corps in issuing subject matter eligibility rejections. The *Berkheimer* Memo further supplements the growing body of subject matter eligibility materials<sup>5</sup> that have been promulgated by the USPTO in the wake of the *Alice* decision. The *Berkheimer* Memo provides some of the clearest guidance yet to the Examining Corps on how

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<sup>1</sup> *Alice Corp. v. CLS Bank International*, 573 U.S. \_\_\_, 134 S. Ct. 2347 (2014).

<sup>2</sup> *Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018).

<sup>3</sup> Memorandum on *Berkheimer v. HP, Inc.* from Robert W. Bahr, Deputy Comm'r of Patent Examination Policy, to the Patent Examining Corps (April 19, 2018), *available at* <https://www.uspto.gov/sites/default/files/documents/memo-berkheimer-20180419.PDF>.

<sup>4</sup> Subject Matter Eligibility: Well-Understood, Routine, Conventional Activity (May 7, 2018), *available at* <https://www.uspto.gov/sites/default/files/documents/berkheimer-training-20180427.pptx>.

<sup>5</sup> Subject matter eligibility, <https://www.uspto.gov/patent/laws-and-regulations/examination-policy/subject-matter-eligibility> (last visited May 8, 2018); *see also* MPEP § 2106 *et seq.*

valid aspects of rejections under 35 U.S.C. § 101 and *Alice* must be constructed and correspondingly provides useful tools to practitioners in responding to such rejections.

*Berkheimer v. HP*

The patent at issue in *Berkheimer v. HP* was U.S. Patent No. 7,447,713 (“713 Patent”) covering a system for and method of archiving a file in a computer processing system by parsing the file into multiple objects with searchable information tags and then evaluating the objects based on previously archived objects, predetermined standards, and user-defined rules.<sup>6</sup> The district court had held that the claims were ineligible under 35 U.S.C. § 101 because they merely recite a generic computer “employ[ing] only well-understood, routine, and conventional computer functions” and thus did not contain any inventive concepts.<sup>7</sup> Accordingly, the district court granted summary judgment for the accused infringer.<sup>8</sup> On appeal, the patent owner argued that although subject matter eligibility is ultimately a legal conclusion, the accused infringer offered no evidence to support the underlying factual inquiries of whether the subject matter of the claimed invention is in fact well-understood, routine, and conventional.<sup>9</sup> As the underlying factual inquiries had not been resolved, the patent owner argued that summary judgment was improper at that stage of the district court proceeding.<sup>10</sup>

The Federal Circuit concurred with the patent owner that “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” and, accordingly, must be proven by clear and convincing

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<sup>6</sup> ‘713 Patent at Claim 1.

<sup>7</sup> *Berkheimer v. Hewlett-Packard Co.*, 224 F.Supp.3d 635, 647; see *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1348 (Fed. Cir. 2014) (no inventive concept in using generic computers “to perform well-understood, routine, and conventional activities commonly used in industry”).

<sup>8</sup> *Berkheimer*, 224 F.Supp.3d at 648.

<sup>9</sup> *Berkheimer*, 881 F.3d at 1368.

<sup>10</sup> *Id.*

evidence.<sup>11</sup> Thus, where there is a genuine issue of material fact regarding whether subject matter recited by the claim is in fact well-understood, routine, and conventional, summary judgment under § 101 is improper.<sup>12</sup> The Federal Circuit summarily reaffirmed this holding in *Aatrix Software, Inc. v. Green Shades Software, Inc.*<sup>13</sup> and *Exergen Corp. v. Kaz USA, Inc.*,<sup>14</sup> demonstrating that the Federal Circuit's increased emphasis on the evidentiary burden in establishing invalidity of a patent under § 101 is here to stay.

In some ways, the analysis underlying *Berkheimer v. HP Inc.* marks a return to the concepts animating the “teaching, suggestion, motivation” (“TSM”) test previously implemented by the Federal Circuit for obviousness rejection under §103, which the Supreme Court shifted away from in *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 127 S.Ct. 1727 (2007) (“*KSR*”). The TSM test required that the prior art in an obviousness rejection provide an explicit impetus (i.e., a teaching, a suggestion, or a motivation) to combine the references.<sup>15</sup> Although in a different context, *Berkheimer v. HP Inc.* similarly requires that some explicit, written evidence or teaching be provided by a party challenging a patent on subject matter eligibility grounds, rather than simply supposition. If this trend continues, *Berkheimer v. HP Inc.* and its progeny could potentially have represented the beginning of a swing away from the flexible analytical frameworks consistently espoused by the Supreme Court since *KSR*. Of course, it remains to be seen whether the Supreme Court will endorse such a change.

#### *Berkheimer* Memo

Although noting that civil litigation standards “are generally inapplicable during the patent examination process,” the USPTO nonetheless elected to proactively issue additional guidance to the Examining Corps in order to harmonize its examination procedures with Federal Circuit

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<sup>11</sup> *Id.*

<sup>12</sup> *Id.*

<sup>13</sup> 882 F.3d 1121 (Fed. Cir. 2018).

<sup>14</sup> Nos. 2016–2315, 2016-2341, 2018 WL 1193529 (Fed. Cir. Mar. 8, 2018) (non-precedential).

<sup>15</sup> 127 S.Ct. at 1730.

precedent.<sup>16</sup> In formulating a subject matter eligibility rejection, the *Berkheimer* Memo requires that examiners expressly support any assertion that an element or combination of elements is well-understood, routine, and conventional by making at least one of the following findings of fact in writing:<sup>17</sup>

1. Citing an express statement made by the applicant, either in the specification of the patent application being prosecuted or during the prosecution thereof.
2. Citing one of the USPTO-approved court decisions listed in MPEP § 2106.05(d)(II).
3. Citing a publication (e.g., book, manual, or review article) “that describes the state of the art and discusses what is well-known and in common use in the relevant industry.”
4. Expressly taking Official Notice as to the conventionality of the particular elements.

The *Berkheimer* Memo further states that the mere presence of the elements in the prior art is not by itself sufficient to establish that the elements are conventional in the relevant industry.<sup>18</sup> In other words, the *Berkheimer* Memo emphasizes that the analysis of whether something is well-understood, routine, and conventional “goes beyond” whether it simply exists in the prior art.<sup>19</sup> Therefore, examiners cannot sidestep the increased evidentiary burden imposed by the *Berkheimer* Memo by simply bootstrapping a subject matter eligibility rejection with a prior art rejection under 35 U.S.C. §§ 102 and/or 103.

To understand the significant shift in examination procedures represented by the *Berkheimer* Memo, one must compare and contrast the guidance in the *Berkheimer* Memo with

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<sup>16</sup> *Berkheimer* Memo at pgs. 1–2.

<sup>17</sup> *Id.* at pgs. 3–4.

<sup>18</sup> *Id.* at 3.

<sup>19</sup> *Id.* (quoting *Berkheimer*, 881 F.3d at 1369).

prior guidance provided to the Examining Corps. The MPEP currently states that examiners can find that an element or combination of elements is conventional when they can “conclude, **based on their expertise in the art**, that the element is widely prevalent or in common use in the relevant industry.”<sup>20</sup> Furthermore, the MPEP does **not** expressly require that the examiners set forth their basis for making these determinations “based on their expertise in the art” in writing. Therefore, the *Berkheimer* Memo shifts examination procedure from allowing examiners to make determinations based solely upon their expertise, without any evidentiary basis, to requiring that examiners support the underlying factual determinations that they are making when formulating subject matter eligibility rejections by **citing facts in writing**. This is a significant boon to applicants because it forces examiners to explicitly put the bases for their subject matter eligibility rejections on the record, thereby allowing applicants to more cogently respond to the rejections and clarifying issues for appeal to the Patent Trial & Appeal Board (PTAB).

### Practice Points

A variety of different practice points can be gleaned from the particular categories of factual findings imposed on examiners when supporting subject matter eligibility rejections and other aspects of the *Berkheimer* Memo.

#### *a. Express Statements by the Applicant*

Even under pre-*Berkheimer* Memo best practices, applicants should have been avoiding stating that any particular feature is well-known or would be conventional to a person skilled in the relevant technical field (unless the feature was truly elementary). The *Berkheimer* Memo does not disturb these best practices. Therefore, it ideally will be rare for an applicant to have made a statement in the patent application or during the prosecution thereof that could be utilized by an examiner to support a subject matter eligibility rejection. However, finding a

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<sup>20</sup> MPEP § 2106.05(d)(I) (emphasis added).

statement made by the applicant itself will be the easiest way for examiners to meet the evidentiary burden imposed by the *Berkheimer* Memo. Accordingly, examiners will now be highly incentivized to pick through applicants' specifications and Office Action responses to locate any instance where the applicant has indicated that features are well-known and/or would be understood to persons in the field. Practitioners should thus take particular care to avoid providing even the appearance of stating that particular features are well-understood or conventional when drafting and prosecuting a patent application because any such statement could provide a hook for an examiner to latch a subject matter eligibility rejection onto.

b. *Court Decisions and Publications*

Applicants should welcome subject matter eligibility rejections that are explicitly supported by court decisions and publications demonstrating technical knowledge that is considered well-understood and conventional because, if the claims are legitimately patentable, the court decisions cited by the examiner can be distinguished and the applicant should be able to readily point to the technical details covered by the claims that are improvements over the routine knowledge in the field (or amend the claims accordingly). One particular point to note is that the *Berkheimer* Training states that elements in the examined claim that the examiner asserts are well-understood, routine, and conventional "must be the same as the element addressed in the court case."<sup>21</sup> Therefore, the applicant can overcome subject matter eligibility rejections based upon a specific court decision by demonstrating how their claim elements are different than those in the particular court decision that the examiner is citing or amending their claims to differentiate them accordingly.

Receiving rejections that are supported by these specific factual bases at any early stage in the prosecution process allows applicants to quickly hone issues with the examiner and honestly assess whether the claims are worth pursuing before substantial amounts of digital ink

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<sup>21</sup> *Berkheimer* Training at pg. 11.

are spilled. Under prior practice, it could be challenging to assess whether it was worth the time and effort to continue pursuing a patent application when the examiners were basing their rejections solely upon their feelings and beliefs. Although time will ultimately tell, arguing facts, rather than feelings and beliefs, with examiners should ultimately lead to a more productive examination process.

c. *Official Notice*

The final category of evidence that examiners can rely upon in formulating a subject matter eligibility rejection is taking official notice. Prior to the release of the *Berkheimer* Memo, examiners had essentially already been taking official notice, without actually using the term “official notice,” when making subject matter eligibility rejections because they had been making determinations that certain claim elements are conventional without any documentary or evidentiary basis, which is exactly what the function of official notice is. The *Berkheimer* Memo changes this practice by requiring that examiners specifically note when they are taking official notice, which in turn allows applicants to respond accordingly. In practice, examiners should rarely be able to rely upon official notice when setting forth a subject matter eligibility rejection because official notice is only proper when the facts that official notice is being taken for “are capable of instant and unquestionable demonstration as being well-known” and it is “never appropriate to rely solely on ‘common knowledge’ in the art without evidentiary support in the record.”<sup>22</sup> The *Berkheimer* Memo stresses that examiners should only be taking official notice when they are **certain** that the facts that they are taking official notice to are widely known in the relevant technical field.<sup>23</sup>

If an examiner has taken official notice to a fact regarding the alleged conventionality of a particular claim element or combination of claim elements that is not considered elementary in the technical field, practitioners should challenge the official notice in the subsequent response

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<sup>22</sup> MPEP § 2144.03(A).

<sup>23</sup> *Berkheimer* Memo at pg. 4.

to the office action because any failure to challenge the official notice is deemed an admission of the facts asserted thereby.<sup>24</sup> When official notice is challenged, the examiner is then required to provide documentary evidence from one of the other categories laid out in the *Berkheimer* Memo to support the facts to which the examiner previously took official notice.<sup>25</sup>

d. *Redressability*

The question of what recourse is available if an examiner refuses to follow the guidance provided by the *Berkheimer* Memo looms though. Unfortunately, the answer appears to be little, if anything. The PTAB has repeatedly held that “an Examiner’s failure to follow the Director’s guidance is appealable **only to the extent that the Examiner has failed to follow the statutes or case law.**”<sup>26</sup> Therefore, arguing that an examiner has failed to follow USPTO guidance in an *ex parte* appeal to the PTAB is unlikely to result in success. Further, the *Berkheimer* Memo and associated USPTO guidance have not proceeded through the formal administrative rule making process and, as such, lack the authority of even the Code of Federal Regulations, much less a statute or court decision.

That said, practical experience has shown that the subject matter eligibility guidance and the string of updates that have been released since 2014 strongly inform the manner in which examiners carry out the examination process and USPTO leadership is clearly strongly encouraging examiners to follow these guidelines. If an examiner is declining to follow the evidentiary requirements laid forth by the *Berkheimer* Memo, the best and most direct course of action may simply be discuss these issues with the examiner and/or the examiner’s supervisors. Furthermore, although failure to follow the USPTO guidance is not appealable to the PTAB, it

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<sup>24</sup> MPEP § 2144.03(C) (“If applicant does not traverse the examiner’s assertion of official notice or applicant’s traverse is not adequate, the examiner should clearly indicate in the next Office action that the common knowledge or well-known in the art statement is taken to be admitted prior art”).

<sup>25</sup> *Berkheimer* Memo at pg. 5.

<sup>26</sup> *Ex parte Burchfield*, No. 2016-007437 (P.T.A.B. April 19, 2018); see also *Ex Parte Dominguez*, No. 2016-008588 (P.T.A.B. April 3, 2018); *Ex Parte Hammock et al.*, No. 2016-007736 (P.T.A.B. April 3, 2018).

could potentially be enforced by way of a petition to the Office of Petitions. The author is not aware of any instances where an examiner's failure to follow USPTO guidance was solved via petition, but it is theoretically possible.<sup>27</sup> If an applicant elects to pursue an *ex parte* appeal, PTAB precedent is clear though that the applicant should focus on how the examiner's rejection fails to follow case law and statutes, not the USPTO guidance.

### Conclusion

Despite the ultimate lack of redressability if an examiner fails to follow the guidance of the *Berkheimer* Memo, anecdotal experience has indicated that the examining corps is seeking to comply with the *Berkheimer* Memo's tenets. For now at least. Although the ultimate degree to which examiners will comply with the *Berkheimer* Memo remains to be seen, it is nonetheless advantageous to patent applicants because it sets forth clear and concise standards to which examiners must adhere in formulating subject matter eligibility rejections. The guidance provided by the *Berkheimer* Memo thus serves as an important tool for any practitioner in prosecuting patent applications that have received a subject matter eligibility rejection, in combination with demonstrating how the claims cover a technological solution to a technological problem,<sup>28</sup> demonstrating that the claims cover an improvement in computer functionality,<sup>29</sup> analogizing to or distinguishing from the example claims provided in association with the USPTO subject matter eligibility guidance,<sup>30</sup> and utilizing other established techniques for responding to § 101 rejections.

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<sup>27</sup> See General Supervisory Review by the Director of USPTO of a decision by a Director of the Technology Center, <https://www.uspto.gov/patents-application-process/petitions/20-general-supervisory-review-director-uspto-decision-director> (last visited May 8, 2018).

<sup>28</sup> See, e.g., *DDR Holdings, LLC v. Hotels.com, LP*, 773 F. 3d 1245, 1265 (Fed. Cir. 2014); see also MPEP § 2106.05(a).

<sup>29</sup> See, e.g., *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1336 (Fed. Cir. 2016); see also MPEP § 2106.04(a)(I).

<sup>30</sup> Abstract idea examples 1-8, available at [https://www.uspto.gov/sites/default/files/documents/abstract\\_idea\\_examples.pdf](https://www.uspto.gov/sites/default/files/documents/abstract_idea_examples.pdf) (last visited May 8, 2018); Nature-based product examples 9-18, available at [https://www.uspto.gov/sites/default/files/documents/mdc\\_examples\\_nature-based\\_products.pdf](https://www.uspto.gov/sites/default/files/documents/mdc_examples_nature-based_products.pdf) (last

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visited May 8, 2018); Streamlined examples 19 and 20, *available at* <https://www.uspto.gov/sites/default/files/documents/training%20-%202014%20interim%20guidance.pdf> (last visited May 8, 2018); Abstract idea examples 21-27, *available at* <https://www.uspto.gov/sites/default/files/documents/ieg-july-2015-app1.pdf> (last visited May 8, 2018); Life sciences examples 28-33, *available at* <https://www.uspto.gov/sites/default/files/documents/ieg-may-2016-ex.pdf> (last visited May 8, 2018); Business method examples 34-36, *available at* <https://www.uspto.gov/sites/default/files/documents/ieg-bus-meth-exs-dec2016.pdf> (last visited May 8, 2018).