

Before the
U.S. Patent & Trademark Office
Washington, D.C.

*Request for Comments on Interim
Guidelines for Examination of Patent
Applications for Patent Subject Matter
Eligibility*

Docket No. 2005-P-072
RIN 0651-AB98

**COMMENTS OF THE
COMPUTER AND COMMUNICATIONS INDUSTRY ASSOCIATION**

Pursuant to the Request for Comments on Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Eligibility issued by the United States Patent and Trademark Office (the PTO) and published in the Federal Register at 70 Fed. Reg. 75,451 (Dec. 20, 2005),¹ the Computer and Communications Industry Association (CCIA) submits the following comments on subject matter eligibility. Where these comments are directly responsive to questions in the original request for comment, those questions have been reproduced below.

I. About CCIA

CCIA welcomes the opportunity to comment in the above-referenced docket. CCIA represents large, medium and small companies in the high technology products and services sectors, including computer hardware and software, electronic commerce, telecommunications and Internet products and services – companies with more than \$200 billion in annual revenues. CCIA's members have a strong interest in appropriate guidelines for subject matter eligibility. Many are involved in the development of software, albeit in different ways and for different purposes. Many CCIA members also

¹ As extended and supplemented on June 9, 2006.

operate in areas where patents on business methods are prevalent. As noted in the Federal Trade Commission’s report, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* (2003) (hereinafter “FTC Report”), patents in these two areas are especially controversial because they are not perceived to work as well in fostering competition and innovation as patents do with respect to certain other subject matter, such as pharmaceuticals. While views differ in the information and communications technology industry on the value of software and business method patents, industry participants recognize the growing implications that such patents have for business and commerce – and that there are costs as well as benefits to patent protection.

II. Implications of the Dismissal of *LabCorp v. Metabolite*

Because the Supreme Court dismissed as improvidently granted the petition in *LabCorp v. Metabolite*,² CCIA suggests that the PTO entertain a different kind of procedure on subject matter eligibility: a broad review of the substantive policy underlying eligibility. By way of example, the last general inquiry on software patents by the PTO was held in 1994, and there has never been a similar hearing concerning patents on business methods or diagnostic information. In 1994, experience with software patents was relatively limited. It would be useful to understand perceptions of software patents today after 12 years of growing experience with the patent regime in software development. There is now a growing body of economic literature related to software patents. There has been intense public debate in Europe over the patentability of software and how to draw the line on eligibility. Here in the United States, debate over patent reform has stalled because of substantial inter-industry differences over the scope of

² *LabCorp v. Metabolite*, 548 U.S. __ (2006) (dismissed as improvidently granted).

reform, yet recent litigation reflects the profound need for remedying certain dysfunctions in our current system. A substantive review of patentable subject matter would provide a venue for addressing these concerns in which the PTO's expertise could be utilized.

Given the intense controversy surrounding the Federal Circuit's decisions in *State Street Bank & Trust Co. v. Signature Financial Group*³ and *AT&T Corp. v. Excel Communications Inc.*,⁴ the lack of a hearing or consultation on business methods as a matter of substantive policy is also surprising. In our view, the cases are based on an aggressive reading of legislative history that has swept large areas of economic activity into the patent regime without the consent of Congress or the input of the businesses and sectors affected. In effect, this means that businesses must seek the advice of patent counsel on a routine basis, not to secure patents, but simply to defend against the patents of others. This was not the case when the business method exclusion was understood as hornbook law.

While CCIA's members are not similarly affected by the patentability of diagnostic information that was at issue in *LabCorp*, CCIA recognizes that this issue raises similar concerns about the eligibility of abstract processes. The lesson of *LabCorp* is that the Supreme Court recognized a problem in allowing patents on abstractions that it had not addressed since *Diamond v. Diehr*. The Court's dismissal appears to reflect a view that the issues were not adequately developed in the record before it. It is therefore likely that the Court will again grant *certiorari* when the issue is better presented – and will then render a decision. Undoubtedly, one reason that the issue was not fully raised on appeal is that the Federal Circuit has made its views on subject unmistakably clear: there

³ 149 F.3d 1368 (Fed. Cir. 1998).

⁴ 172 F.3d 1352 (Fed. Cir. 1999).

are few practically defined limits on patentable subject matter, as long as the claimed invention meets the requirements of novelty, utility, and nonobviousness.

Until the Court revisits patentable subject matter, however, the dismissal of *LabCorp* leaves the business community without guidance. CCIA therefore urges the PTO to consider a comprehensive policy review of the implications of permitting or refusing patentability to different subject matter. Providing such a process would aid industries that depend upon a well-functioning patent system, and provide a better record for the Supreme Court when it is next confronted with this crucial subject. The PTO's responsibility to help the Administration and Congress to develop informed policies and laws should not be hostage to the decisions of the Federal Circuit, many of which have proved to be highly controversial.

III. Specific Issues Identified in the December 20 Request for Comments

"(3) As the courts have yet to define the terms "useful," "concrete," and "tangible" in the context of the practical application requirement, are the explanations provided in the Patent Subject Matter Eligibility Interim Guidelines sufficient? If not, please suggest alternative explanations."

For the reasons noted above, it is of little benefit to speculate as to what “useful, concrete, and tangible results” may mean. The Supreme Court has never used this phrase. Twelve years after coining the phrase, the Federal Circuit has still not defined the terms and has yet to find subject matter that does not meet the standard.

Pending Supreme Court review of more suitable case than *LabCorp v. Metabolite*, the PTO should undertake a broad examination of subject matter eligibility as a policy

matter. The agency should not limit its perspective to a legal test that was accompanied by neither explanation nor empirical grounding.

The PTO’s process should be designed to elicit more than the common superficial argument that drawing limits on eligible subject matter is unfair to those innovators who work outside the perimeters. Instead, the process should focus how the system actually works in nontraditional areas and what this says about the suitability of those areas for patent protection. In this regard, the joint Federal Trade Commission/Department of Justice hearings held in 2002 on competition and IP law and policy are useful models for understanding how patents affect innovation and competition in different sectors.

Only with a broader appreciation and understanding of economic effects can courts (and the MPEP interpretation of their decisions) devise or validate new standards of patentability such as the “useful, concrete, and tangible results” test.

IV. Treating Signals As Statutory Subject Matter Would Have Broad Consequences

“(5) Annex IV to the Patent Subject Matter Eligibility Interim Guidelines explains why the USPTO considers claims to signals per se, whether functional descriptive material or non-functional descriptive material, to be nonstatutory subject matter. Does the USPTO analysis represent a reasonable extrapolation of relevant case law? If not, please explain why and provide support for an alternative analysis. If claims directed to a signal per se are determined to be statutory subject matter, what is the potential impact on internet service providers, satellites, wireless fidelity (WiFi), and other carriers of signals?”

While CCIA will not presently opine on the PTO’s extrapolation of case law with respect to whether electromagnetic signals are statutory subject matter, it bears noting that the prospect of expanding patentable subject matter in such a manner would have broad implications for Internet service providers and other network intermediaries. To the extent that electromagnetic signals would acquire intellectual property protection, they may

implicate secondary or “contributory” infringement risks for the intermediaries who are in the business of transmitting information. Because of the vast amount of information available in a networked environment and the inability of online service providers to police this data without crippling the network itself, Section 512 of the Digital Millennium Copyright Act provided for a compromise.⁵ Section 512, which was the result of many years of negotiations between intermediaries and rights-holders, limits secondary liability of online service providers and provides for a carefully balanced mechanism for limiting secondary liability. This regime is now an international treaty obligation, as it has been mandated by at least eight international free trade agreements, such as the recently approved DR-CAFTA. Any expansion of statutory subject matter to cover electromagnetic signals would therefore need to comply with these international obligations.

In addition to these obligations, the United States is currently participating in negotiations in the World Intellectual Property Organization regarding a treaty for the protection of broadcasting organizations. Some versions of this treaty entail an ‘exclusive right’ approach. This approach would mandate the creation of a *sui generis* intellectual property right in signals themselves (as opposed to any copyright which may apply to the content contained in the signal). This *sui generis* right may conflict with or prove redundant to an expansion of subject matter to include electromagnetic signals. Finally, numerous state laws provide for remedies against so-called “signal theft,” and an expansion of statutory subject matter to include signals may implicate preemption issues.

⁵ 17 U.S.C. § 512.

The concerns raised by the possibility of expanding statutory subject matter to include signals are indicative of a larger theme: Expansions of the scope of patentability, whether by the courts, the PTO, or the legislature, are not just additional protection for patentees but have profound implications for businesses and industries that deal in the newly-patentable subject matter, including intermediaries and users.

Respectfully submitted,

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