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USPTO Reports on Examination Outcomes Post-*Alice*

On April 23, 2020, the United States Patent and Trademark Office (USPTO) published a report entitled "Adjusting to Alice: USPTO Patent Examination Outcomes After *Alice Corp. v. CLS Bank International*" (the Report). The Report, principally authored by Dr. Andrew A. Toole, the USPTO's Chief Economist, outlines changes in the patent eligibility landscape over the six years since the 2014 U.S. Supreme Court decision in *Alice Corp. v. CLS Bank International*. The Report finds that *Alice* significantly increased the percentage of Section 101 rejections in first office actions received by patent applicants and increased the degree of uncertainty facing applicants during the examination process. The Report confirms what most practitioners experienced in real time.

The Report focuses on two USPTO patent examination outcomes and evaluates how each one changed over the years since the *Alice* decision. These changed outcomes hinged upon the *Alice* decision itself and subsequent USPTO guidance to examiners — specifically, the USPTO's April 2018 memorandum titled "Change in Examination Procedure Pertaining to Subject Matter Eligibility, Recent Subject Matter Eligibility Decision (*Berkheimer v. HP Inc*)" (the Berkheimer memorandum), and the USPTO's subsequent January 2019 Revised Patent Subject Matter Eligibility Guidance (the 2019 PEG).

The first reported outcome reflects examiner decisions on subject matter eligibility based upon a metric that indicates a change in first office actions that include Section 101 rejections. The Report notes that the metric increases "when examiners issue relatively more first office actions with a rejection for patent-ineligible subject matter." The second outcome reflects a degree of uncertainty in the patent examination

process for applicants. This outcome captures the variation across examiners in proportion to the rejections under Section 101. The Report notes that "[e]xamination uncertainty will increase when the percentage of first office action rejections for patent-ineligible subject matter becomes more uneven across examiners within a specific technology."

As most practitioners and applicants may have acutely experienced, in the 18 months following the *Alice* decision the likelihood of receiving a first office action with a rejection for patent-ineligible subject matter increased by 31%. The Report grounds this data in the understanding that "expanding the application of the *Alice* standard to other technology areas would likely lead to more Section 101 rejections" and "professionally trained judges, lawyers, and examiners can apply reasonable but different interpretations of the *Alice* standard." Thus, "[a]ny interpretation of the *Alice* standard that takes a broader view of patent-ineligible subject matter would lead to an increase in Section 101 rejections."

Early integration of *Alice* into the examination process increased uncertainty in the PTO's examining corps itself. The Report observes both a higher degree of variability across examiners and an increase in applicant-perceived unpredictability in the examination process. For cases receiving Section 101 rejections, the Report finds that uncertainty about eligibility determinations in the first action stage of examination increased by 26% in the 18 months post-*Alice*. The Report attributes this increase in uncertainty to the "latitude in the language of the *Alice* standard, which fueled a wide variety of perspectives."

Essentially, the Report states that the *Alice* standard was not being interpreted or applied in a uniform manner by and across examiners. The Report, however, goes on to assert that the USPTO's efforts to clarify the *Alice* standard offset this uncertainty.

The first instance of clarification noted is the Berkheimer memorandum. In early 2017, the percentage of first office actions including an *Alice*-based Section 101 rejection was trending upward; however, in April 2018 the Berkheimer memorandum was released and altered this trend.

Prior to the Berkheimer memorandum, "examiners had been instructed to conclude that an element (or combination of elements) was a well-understood, routine, conventional activity when the examiner could readily conclude that the element was widely prevalent or in common use in the relevant industry. The examiner, however, was not required to support this conclusion with any factual evidence." The Berkheimer memorandum changed this by requiring examiners to "make a factual determination as to whether claim elements were common and routinely used." This induced a statistically significant drop in the rate of first office action Section 101 rejections. The Report explains that from April 2018 to October 2019, the percentage of first office actions with an *Alice*-based Section 101 rejection dropped by almost 10%.

Issued in October 2019, the 2019 PEG continued this clarification trend and dramatically induced a much larger decrease in the percentage of first office actions with an *Alice*-based rejection. The Report notes that "one of USPTO's goals with the 2019 PEG was to clarify the legal distinctions between claims directed solely to abstract ideas and claims that included abstract ideas but integrated those abstract ideas into a practical application." The Report claims that the 2019 PEG achieved this by: 1) clarifying that abstract ideas are to be grouped as mathematical concepts, certain methods of organizing human activity, and mental processes; and 2) by explaining that a claim that recites an abstract idea is not "directed to" the abstract idea if the claim as a whole integrates the abstract idea into a practical application. The 2019 PEG produced a steep drop in first office actions that included *Alice*-based rejections, dropping by 25% in the year after the 2019 PEG was issued.

The Report further provides evidence that the Berkheimer memorandum and the 2019 PEG positively impacted examination with regard to applicant-perceived uncertainty. The Berkheimer memorandum started the movement; however, the 2019 PEG appears to have had the biggest impact, at least statistically. According to the Report, after one year, the 2019 PEG decreased uncertainty about patent subject matter eligibility determinations in the first action stage of patent examination by 44%.

The Report notes that "[t]his evidence suggests that the 2019 PEG provided clarity and structure to the decision-making process, thereby reducing the degree of variability observed across examiners in subject matter eligibility determinations…this finding indicates a more consistent and predictable examination process."

Andrei Iancu, Under Secretary of Commerce for Intellectual Property and Director of the USPTO, remarked that "…in order to ensure that the United States remains the global leader in the technologies of the future, our patent system must move beyond the recent years of confusion and unpredictability on subject matter eligibility."

Notwithstanding the Report's conclusion that the PTO's examination process may be approaching greater stability, the fate of patents during litigation remains in flux. Any sea change in eligibility decisions during litigation will largely depend on the Court of Appeals for the Federal Circuit and perhaps reconsideration by the Supreme Court, as many practitioners, pundits, and legislators, as well as the Circuit Judges themselves, recognize that courts are still struggling with devising a uniform standard of patent eligibility during litigation. In any event, navigating the PTO examination process with greater certainty is a good first step for the patent system.

Authors

This GT Alert was prepared by:

- James J. DeCarlo ‡ | +1 212.801.6729 | decarloj@gtlaw.com
- Nicholas Martin | +1 973.360.7900 | martinni@gtlaw.com

‡ Admitted in New Jersey and New York and before the USPTO. Not admitted in Florida.