

## INTELLECTUAL PROPERTY

# The USPTO's New §101 Guidance: Progress or Pitfall?

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Once again, the post-*Alice* world of software patents gets turned on a new axis as the United States Patent and Trademark Office (USPTO) and the Court of Appeals for the Federal Circuit (CAFC) fail to agree on how to determine patentable subject matter under 35 U.S.C. §101.

On Jan. 4, 2019, the USPTO released its 2019 Revised Patent Subject Matter Eligibility Guidance (the “Guidance”) which significantly altered the USPTO’s application of 35 U.S.C. §101. The rationale behind the USPTO’s revision to its Examiners Guidelines was set forth in the Federal Register that announced the Guidance (emphasis ours):

Since the *Alice/Mayo* test was announced and began to be extensively applied, the courts and the USPTO have tried to consistently distinguish between patent-eligible subject matter and



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subject matter falling within a judicial exception. Even so, patent stakeholders have expressed a need for *more clarity and predictability* in its application ... Many stakeholders, judges, inventors, and practitioners across the spectrum have argued that something needs to be done to increase clarity and consistency in how Section 101 is currently applied. To address these and other concerns, the USPTO is revising its examination procedure with respect to the first step of the *Alice/Mayo* test.

The new Guidance thus attempts to provide a more concrete framework for analyzing whether claims are

merely “directed to” an abstract idea, and it explicitly supersedes certain analysis methods articulated in previous guidance.

In the past, examiners often analyzed claims under Step 2A by comparing claims at issue to those claims previously found to be directed to an abstract idea in judicial decisions. The new Guidance explicitly acknowledges that this approach is “impractical” due to “numerous” conflicting judicial decisions that find similar subject matter both eligible and ineligible. The Guidance further states that the *Alice/Mayo* test has “caused uncertainty in this area of the law” and resulted in examination practices that prevented stakeholders from “reliably and predictably determining what subject matter is patent-

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eligible.” The Guidance attempts to remedy this uncertainty by revising the USPTO’s analysis under the first step (Step 2A) of the *Alice/Mayo* test. The Guidance does not substantively change the current analysis under Steps 1 and 2B.

While initially applauded by some as a watershed event, and while allowances from the USPTO began to increase, others, including the present authors, cautioned that it remained to be seen how the courts and CAFC would handle patents allowed under this new rubric. The answer came more quickly than perhaps expected.

### The Guidance’s New Test

The Guidance replaces the previous analysis under Step 2A with a newly presented “two-pronged” analysis.

Under the first prong, examiners must determine if a claim falls within three “enumerated groupings of abstract ideas” found in previous guidelines: “mathematical concepts,” “certain methods of organizing human activity,” and “mental processes.” If it does not, then a claim is likely directed to patentable subject matter.

To support a finding that the claim “falls within” one of these categories, examiners must identify “specific limitations” in the claim (both individually and in combination) and determine whether the limitations fall within any of the three enumerated categories, which are narrowly defined.

Under the second prong, the Guidance provides clarification on how examiners should determine that a claim is “directed to” a judicial exception under Step 2A. The new procedure closely resembles the traditional (but largely unapplied) “preemption” analysis under

§101. Specifically, examiners must now determine whether an abstract idea in a patent claim “is integrated into a practical application” of any judicial exception by determining if the subject claim “applies, relies on, or uses the judicial exception in a manner that imposes a meaningful limit on the judicial exception.”

To do this an examiner must consider: whether the additional elements “reflect an improvement in the functioning of a computer ... or other technology”; “effect a particular treatment or prophylaxis”; are used with a “particular machine or manufacture that is integral to the claim”; “effect a transformation or reduction of a particular article to a different state of thing”; or apply the exception “in some other meaningful way beyond generally linking the use of the judicial exception to a particular technological environment.”

With respect to Step 2B, the analysis remains largely unchanged and is still expected to conform to the analysis laid out in MPEP §2106.05, as modified by the USPTO *Berkheimer* Memorandum. Interestingly, the Guidance states that only in “rare circumstances” are examiners permitted to reject claims that do not satisfy both prongs. Before issuing such a rejection, the examiner “should bring the application to the attention of the Technology Center Director.” Correspondingly, should the Technology Center Director approve the rejection she must “provide a justification for why such claim limitation is being treated as reciting an abstract idea” which will be “indicated in the file record of the application.”

The new Guidance is intended to provide a more clear-cut framework

for examiners. Now, rather than trying to find (or force-fit) an analogy to a prior case using a one-page “Quick Reference,” an examiner must consider whether a claim represents a “practical application” of an alleged abstract idea or is just a drafting attempt to “monopolize” the abstract concept before proceeding to Step 2B.

### The New Guidance as Applied at the USPTO and Beyond: Good News / Bad News

Prior to the new Guidance, examiners frequently relied on cases such as *Electric Power Group v. Alstom*, finding that most computer-related processes are merely methods of “collecting analyzing, or displaying” data and thus ineligible.

Under the Guidance however, this practice is explicitly rejected, and examiners are now frequently unable to easily place computer-related claims and elements of claims into the newly enumerated categories. Thus, many long-standing §101 rejections are being withdrawn because the claims do not neatly fall within one of the three enumerated categories.

Similarly, the PTAB has recently reversed rejections relying on the old guidance after applying the new Guidance. For example, in *Ex Parte Fanaru* (Appeal No. 2017-002898, Jan. 22, 2019), the Board found that “collecting usage information is not a mathematical concept, an identified method of organizing human activity, or a mental process” and reversed the examiner’s pre-Guidance rejection.

In practice, many applicants are seeing a noticeable decrease in rejections under §101. For example, after the examining corps was trained on the new Guidance, the

allowances per office action for artificial intelligence related patents more than doubled.

But while the examining corps and the PTAB have adopted the new §101 framework and are now allowing previously rejected applications, the CAFC has recently stepped in and seemingly put a damper on the short lived post-Guidance enthusiasm. In *Cleveland Clinic Foundation v. True Health Diagnostics LLC* (Fed. Cir. Apr. 1, 2019), the CAFC stated that it was not “bound by [the USPTO’s] guidance.” While acknowledging the deference courts give to administrative agencies under *Skidmore v. Swift*, the court found that the “consistent application of [§101] case law” outweighed such deference. The court declined to give weight to the patentee’s argument that the patent at issue was allowed by the USPTO under the USPTO’s guidance. Instead the CAFC analogized the challenged claims to previous similar cases, an approach directly at odds with the new Guidance.

When this divergence ever ends remains to be seen, but once again there appears to be legislative interest in addressing this eligibility conundrum. While no concrete legislation has been proposed, a recent “framework” for addressing §101 reform was recently proposed by Senators Coons and Tillis. The released “draft outline” states that a revised §101 should “define, in a closed list, exclusive categories of statutory subject matter which alone should not be eligible for

patent protection.” These categories include the three categories in the Guidance as well as “fundamental scientific principles” and “products that exist solely and exclusively in nature.” Currently, public opinion on the proposed framework is mixed, and many do not expect any substantive legislation to result from this particular framework. However, the apparent conflict between the USPTO and CAFC may increase the pressure for Congressional reform.

### Practice Tips

In view of the application of the Guidance by the USPTO, and its non-application by the CAFC, practitioners must now, more than ever, draft and prosecute applications by looking beyond the Guidance and remaining focused on CAFC case law as the only definitive roadmap to navigate *Alice*.

During drafting, a robust technical problem and clear technical solution should be presented in the written description. Federal courts still place a heavy emphasis on such a problem/solution approach clearly elucidated in the application itself, following the reasoning outlined in *Enfish v. Microsoft*. This technical problem/solution should be woven throughout the disclosure, in both the background as well as when describing the disclosed embodiments. By using this approach future plaintiffs can preserve strong arguments that the claimed invention describes a well-defined technical solution.

During prosecution however, applicants of course need to heed the

present Guidance. For applications still receiving pre-Guidance rejections (either intentionally or due to the rejection being issued pre-Guidance), practitioners’ responses should explicitly request the examiner to apply the new Guidance while proactively rebutting any potential future rejection by preemptively addressing prongs 1 and 2 of the new Step 2A. Arguments regarding a technical problem and solution should not be eschewed however, and practitioners should incorporate these arguments under prong 2 of Step 2A to bolster their file wrapper, which will be scrutinized in later court proceedings.

### Conclusion

As the USPTO continues to apply the new Guidance, the number of rejections under §101 for certain technologies should continue to decline. The categorical nature of prong 1 provides a higher level of certainty for applicants and should avoid interminable eligibility arguments. This is no panacea however, as applicants must still be mindful of the apparent dichotomy between USPTO procedure and judicial review, and draft their applications and arguments during prosecution accordingly. ■

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