

# Client Alert

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## USPTO Issues New Guidelines for Determining Subject Matter Eligibility Under 35 U.S.C. § 101

For the fourth time in less than a year, the United States Patent and Trademark Office (USPTO) issued guidance to examiners on the question of subject matter eligibility under 35 U.S.C. § 101 (Section 101).<sup>1</sup> This took place on January 7, 2019, when the USPTO circulated its “2019 Revised Patent Subject Matter Eligibility Guidance” (the 2019 Guidelines), which revised its prior procedures for determining whether a patent claim is directed toward eligible subject matter under Section 101.<sup>2</sup> The 2019 Guidelines provide a significant step toward clearing up the muddied waters that are the current state of affairs regarding patent eligibility in the United States, and potentially reduce the number of rejections in pending patent applications by the USPTO under Section 101. Nonetheless, whether there will be any significant practical change to the current examination of patent applications by the examiners of the USPTO is unclear.

To provide a baseline for the ramifications of the 2019 Guidelines, it would be beneficial to review the prior USPTO guideline on subject matter eligibility. In particular, the 2019 Guidelines revise procedures initially set forth in the 2014 Interim Guidelines on Patent Subject Matter Eligibility (the 2014 Guidelines).<sup>3</sup> According to the 2014 Guidelines, in Step 1 thereof, a determination has to be made as to whether a claim is to a *process, machine or manufacture of composition of matter*. If the claim is not direct to any of these categories, then such claim is not eligible subject matter under Section 101. In Step 2A of the test, a determination is made regarding whether the subject matter is a law of nature, a natural phenomenon or an abstract idea (a judicial exception). If the subject matter is determined to be an abstract idea in Step 2A, then a determination is made in Step 2B as to whether the claim recites additional elements that amount to *significantly more* than the abstract idea. The examiners of different art units have varying views on what amounts to an “abstract idea” in Step 2A and what is meant by “significantly more” in Step 2B, and thus there was very little predictability of whether a claim complied with these steps.

Now, the 2019 Guidelines modify the examination procedures in Steps 2A and 2B of the 2014 Guidelines.

Indeed, the most significant change in the 2019 Guidelines is to the prior Step 2A inquiry. Prior to the 2019 Guidelines, Step 2A simply involved determining whether the subject matter is a law of nature, a natural phenomenon or an abstract idea.<sup>4</sup> The 2019 Guidelines split Step 2A into two prongs.<sup>5</sup> In Prong One of the 2019 Guidelines, the examiners have to evaluate whether the claim recites a judicial exception.<sup>6</sup> In the past, this was based on the USPTO’s “Eligibility Quick Reference Sheet Identifying

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<sup>1</sup> Since April 2018, the USPTO has issued three memorandums on subject matter eligibility under Section 101 to the examining corps at the USPTO. (<https://www.uspto.gov/patent/laws-and-regulations/examination-policy/memoranda-examining-corps>).

<sup>2</sup> <https://s3.amazonaws.com/public-inspection.federalregister.gov/2018-28282.pdf>.

<sup>3</sup> The entire 2014 Guidelines are unavailable online. However, the USPTO maintains a quick reference sheet for the 2014 Guidelines. See [https://www.uspto.gov/sites/default/files/documents/2014\\_eligibility\\_qrs.pdf](https://www.uspto.gov/sites/default/files/documents/2014_eligibility_qrs.pdf).

<sup>4</sup> See *id.*

<sup>5</sup> See 2019 Guidelines, p. 15.

<sup>6</sup> See *id.*

Abstract Ideas,” which was first issued in 2015, and updated in July 2018.<sup>7</sup> The 2019 Guidelines revise this procedure to be based on subject matter groupings of abstract ideas set forth in Section I of the 2019 Guidelines.<sup>8</sup> These include (i) *mathematical concepts*, (ii) *certain methods of organizing human activity* and (iii) *mental processes*. Thus, when determining whether a claim recites an abstract idea, the examiners must now identify the specific limitation in the claim and determine whether such identified limitation falls within one of these three groups. If a claim is not directed toward a judicial exception, then the inquiry ends at Prong One of Step 2A, and the claim of the patent application is determined to be patent eligible. Otherwise, if the claim recites a judicial exception, then the claim requires further analysis in Prong Two.<sup>9</sup>

In Prong Two of Step 2A, the examiners must evaluate whether the claim recites additional elements that integrate the judicial exception into a “*practical application*” of the exception. This prong is new to prior Step 2A. In fact, if the recited exception is integrated into a “practical application,” then the claim is determined to be patent eligible at Step 2A, and the eligibility analysis is concluded. The 2019 Guidelines state that a claim that integrates a judicial exception into a “practical application” will “apply, rely on, or use the judicial exception in a manner that imposes a meaningful limit on the judicial exception, such that the claim is more than a drafting effort designed to monopolize the judicial exception.”<sup>10</sup> However, if the elements of the claim do not integrate the exception into a “practical application,” then further analysis is required under Step 2B. The “practical application” analysis specifically excludes whether the additional elements in a claim represent well-understood, routine and conventional activity, which is an analysis now performed in Step 2B.<sup>11</sup>

The review of this new addition to Step 2A, on its face, would seem to render more claims as being patent eligible as long as sufficient *practical application* of the judicial exception is recited in the claim. However, while examples of practical applications are indeed provided in the 2019 Guidelines, the determination of what is covered by the term “practical application” is still not entirely clear. As discussed below, disagreements between examiners and patent practitioners regarding this definition will likely arise, and may still preclude many claims with a seemingly clear “practical application” from being allowed by the examiners, even in view of the 2019 Guidelines.<sup>12</sup>

Turning to Step 2B in the 2019 Guidelines, such procedure addresses cases in which the claim does not integrate the recited judicial exception into a “practical application.” For example, a claim that includes a judicial exception that is not practically applied may still recite additional elements that render the claim patent eligible if the claim provides “*significantly more*” than the recited judicial exception.<sup>13</sup> If an examiner finds that a claim recites significantly more than the judicial exception, then the claim is patent eligible. However, if the examiner finds that there is not significantly more recited in the claim, then the claim would be held as failing the patent eligibility test. In order to determine if a claim recites significantly more, the examiner should determine (i) if the claim adds a specific limitation or combination of limitations that are not well-understood, routine or conventional activity, or (ii) if the claim simply appends well-understood, routine and conventional activities previously known to the industry, which is indicative that an inventive concept may not be present.<sup>14</sup> The 2019 Guidelines conclude at Step 2B, where a claim is found to either be patent eligible or patent ineligible under Section 101.

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<sup>7</sup> See <https://www.uspto.gov/sites/default/files/documents/ieg-grs.pdf>.

<sup>8</sup> See 2019 Guidelines, p. 11.

<sup>9</sup> The 2019 Guidelines briefly discuss circumstances in which the examiner believes a claim limitation that does not fall within the groupings of abstract ideas should nonetheless be treated as an abstract idea. However, such cases are extremely rare, and the 2019 Guidelines analyze such claims as including an abstract idea.

<sup>10</sup> 2019 Guidelines, p. 18.

<sup>11</sup> See *id.*, p. 19.

<sup>12</sup> See *id.*, pp. 19-20.

<sup>13</sup> See *id.*, p. 23.

<sup>14</sup> See *id.*

Based on the above analysis, the 2019 Guidelines should make certain claims eligible that were previously held to be patent ineligible by the examiners, for example, claims directed to or reciting software. For example, as discussed above, the “*practical application*” test in Prong Two of Step 2A appears to render many claims patent eligible, so long as the judicial exception is used or applied in a specific practical way. Thus, in order to overcome Section 101 rejections, according to the 2019 Guidelines, the claims would only need to recite a specific *practical application* of the judicial exception. However, there is no explicit or clear definition of the term “practical application.” Due to this deficiency, the examiners may already be trying to limit the definition of “practical applications” to physical steps performed in the real world based on the judicial exception and to exclude any “practical application” that is performed on a computer. Specifically, not two days after the release of the 2019 Guidelines, during one conversation with an examiner to discuss the new guidelines and a software-based patent application currently under appeal, the examiner stated that the 2019 Guidelines did not change his analysis of the appealed patent application, as “practical application” was limited to real-world, physical steps. This narrow definition would seem to contradict the plain dictionary meaning of the “practical application” of something, especially in the ubiquitous age of computers that we live in where many functions are performed on or using a computer.<sup>15</sup> As one example, it would appear to be nonsensical to allege that an image recognition algorithm used for facial recognition has no “practical application” simply because it is performed on a computer. However, until the examiners are provided specific guidance, from the USPTO or the courts, that a “practical application” is not limited to physical, real-world steps the 2019 Guidelines may have less of an impact on the current examination of software-based patents for the determination of patentable subject matter under 35 U.S.C. § 101 than would appear at first glance.

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<sup>15</sup> See <https://www.thefreedictionary.com/practical+application> for a sample definition of “practical application.”