

INSIGHT: Making Sense of What Technology Is Patentable

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Originally published in *Boomberg Law*, May 9, 2019

In January, the U.S. Patent and Trademark Office (USPTO) issued new guidance on patent eligibility to clarify inconsistent analyses by recent court decisions. Akin Gump attorneys, in the first of a two-part series on new USPTO guidance, examine the 2019 Eligibility Guidance's impact on technology patents and address the need for additional judicial and/or legislative guidance.

In the last five years, developments within Section 101 jurisprudence have created significant uncertainty for patent protection in software and computer-implemented technology.

Amidst the technology industry's perception of inconsistency in judicial interpretation, the USPTO released guidance addressing the application of 35 U.S.C. § 101 to help patent examiners and, in turn, patent practitioners.

Section 101 Guidance—Narrow the Inquiry to Defined Areas

In 2014, Judge Paul Redmond Michel, former chief judge of the Federal Circuit, predicted the U.S. Supreme Court's unanimous decision re-tooling Section 101 determinations in *Alice Corp. v. CLS Bank*, 573 U.S. 208 (2014), would "create total chaos."

From the *Alice* decision through the end of 2018, 768 of 1274 total challenged technology-centric patents have been invalidated on Section 101 grounds as practitioners and judges alike worked to interpret the new eligibility standards.

Subject matter eligibility under Section 101, once seen as a low threshold to patentability, has devolved into a bug in the patent system.

On its face, the *Alice* test is straightforward:

1. Is a claim directed to a category courts have long found exempt from patent eligibility—an abstract idea, law of nature or natural phenomenon?
2. If so, does the claim recite additional elements amounting to significantly more than the judicial exception—i.e., additional elements that were unconventional in combination rather than well-understood, routine activity?

The Supreme Court did not, however, define precisely what constitutes an "abstract" idea. So district courts and the Federal Circuit were left to interpret prior cases to guide their application of the new *Alice* test.

The resulting decisions reflect inconsistent eligibility analyses applied to comparable inventions. To address this pervasive trend, on Jan. 7, the USPTO announced 2019 Eligibility Guidance to the sprawling examiner corps and Patent Trial and Appeal Board (PTAB), for determining patent subject matter eligibility under Section 101.

Changes From Prior Guidance

The USPTO made three critical changes in the 2019 Eligibility Guidance over prior guidance by providing:

1. synthesized § 101 case law, rather than a case comparison approach;

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2. three discrete groupings of abstract ideas—mathematical concepts, methods of organizing human activities, and mental processes; and
3. a practical application determination in the first Alice step.

The 2019 guidance directed examiners to stop looking for abstract ideas that fall outside one of the three express groupings. The USPTO provided high-level examples for each grouping, including:

- Formulas and equations (mathematical concepts);
- Insurance and hedging (methods of organizing human activities); and
- Evaluation, observation, and judgment (mental processes).

The presumption is if a claim falls outside one of these three categories it would not be abstract. The 2019 guidance provided an exception for the “rare circumstance” where an examiner believes, nonetheless, an abstract idea is recited. The examiner must then justify the decision and obtain approval from the relevant technology center director.

Practical Application Assessment

The 2019 guidance further provides that if a claim recites an abstract idea it must be analyzed “to determine whether the recited exception is integrated into a practical application of that exception.”

The practical application assessment is reminiscent of *Alice* step two in instructing examiners: (1) to identify any additional elements recited in the claim beyond the judicial exception, and (2) to check against a non-exhaustive list of examples of judicial exceptions integrated into a practical application (e.g., improved computer functionality).

In more than 200 instances already, the PTAB has applied the 2019 Eligibility Guidance to patent owner appeals from prosecution. For example, the PTAB overturned a patent examiner’s Section 101 rejection of Ford’s attempt to claim “updating software” in an automobile computer system.

The board determined that the “examiner has not determined that the claims recite an abstract idea that falls within one of the enumerated groupings of abstract ideas in the revised guidance.” *Ex Parte Rockwell*, No. 2018-004973, 8 (P.T.A.B. Jan. 16, 2019).

However, in another Section 101 appeal—of a snoring detection device—the PTAB briefly name-checked the 2019 guidance before undertaking a case comparison of a Federal Circuit motion tracking device eligibility decision. *Ex Parte Alder*, No. 2017-004809, 8 (P.T.A.B. Feb. 14, 2019) (holding that the “processing of data from...sensors...” is directed towards the “abstract idea of sensing a snore...[which] falls into the abstract idea category of mental processes including observation, evaluation, judgment, and opinion.”).

The Path Forward—Patent Coverage 2.0

While the guidance is informative, it remains to be seen how (and if) it will be followed by district court judges. The Federal Circuit has already indicated it is “not bound by [the USPTO’s] guidance” on Section 101. *Cleveland Clinic Found. v. True Health Diagnostics LLC*, No. 2018-1218 (Fed. Cir. April 1, 2019).

Practitioners are likely to incorporate the guidance alongside the application of developing case law to advise clients in this technical space. The divergent approaches are likely to motivate additional legislative and judicial commentary.

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