

A Review of The USPTO's Procedure for Determining Patentable Subject Matter

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Under U.S. law (i.e., 35 U.S.C. §101), patent eligible subject matter is defined as:

“Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”

However, the courts have long recognized the judicial exceptions of “abstract ideas”, “laws of nature” and “natural phenomena” as being non-patentable subject matter because they are the “basic tools of scientific and technological work.” *Gottschalk v. Benson* 93 S. Ct. 253 (1972). The reason for these judicial exceptions is that they are considered to be “the basic tools of scientific and technological work”, and “there is a danger that granting patents that tie up their use will inhibit future innovation.” *Mayo v. Prometheus* 132 S.Ct. 1289, 1292 (2012).

In 2012 and 2014, the Supreme Court decided the cases of *Mayo v. Prometheus*, 132 S. Ct. 1289 (2012) and *Alice Corp. V. CLS Bank In-*

ternational, 34 S. Ct. 2347 (2014), which together have come to be known as the Alice/Mayo Test. The Alice/Mayo test established a three part analysis (i.e., step 1, step 2A and step 2B) to determine patent eligibility, wherein:

- In step 1, a claim must be analyzed to determine if the claim is to one of the statutory categories of a process, machine, manufacture or composition of matter.
- In step 2A the claim must be analyzed to determine whether the claim at issue is “directed to” a law of nature, a natural phenomenon or an abstract idea. The courts have stated that the “directed to” inquiry must be considered in light of the specification, and based on whether the character of the claim as a whole is directed to a judicial exception. *Enfish, LLC v. Microsoft Corp.*, 822 F. 3d. 1327, 1335 (2016).
- In step 2B the elements of the claim must be examined to determine whether they contain an “inventive concept” sufficient to transform the claimed judicial exception into a patent-eligible application. The courts have said that, a claim that recites a judicial exception must include additional fea-

tures to ensure that the claim is more than a drafting effort designed to monopolize the judicial exception. It should be noted that the courts have also said that an inventive concept must do more than simply recite well-understood, routine, conventional (WURC) activity.

Unfortunately, applying the Alice/Mayo test consistently has proven difficult for both the Federal Circuit and the USPTO. Some of the reasons for this difficulty are:

- abstract ideas are not defined by the courts;
- the “directed to” inquiry in step 2A is a subjective test; and
- the courts have stated that WURC activity in step 2B is a question of fact for a jury to decide. *Berkheimer v. HP Inc.* 881 F.3d 1360 (2018).

For those and other reasons, the USPTO changed the way it determined patent eligibility when it published its “Revised Patent Subject Matter Eligibility Guidance, 84 Fed. Reg. 50, in 2019 (herein the “2019 PEG”).

It is important to note that the 2019 PEG is not binding on the courts. This was made clear in the Federal Circuit case of *In re: Rudy*,

856 F. 3d 1379, 1382 [Fed. Cir. 2020], which stated:

“the Office Guidance is not, itself, the law of patent eligibility, does not carry the force of law, and is not binding in our patent eligibility analysis.”

The court in *In re Rudy* went on to say that:

“Accordingly, we apply our law and the relevant Supreme Court precedent, not the Office Guidance, when analyzing subject matter eligibility. To the extent the Office Guidance contradicts or does not fully accord with our caselaw, it is our caselaw, and the Supreme Court precedent it is based upon, that must control.” Id at 1383.

There have been several Federal Circuit cases dealing with the USPTO’s use of 2019 PEG to determine patent eligibility in the three years since 2019 PEG was published. To the best of this author’s knowledge, the courts, in applying Supreme Court precedent, and the USPTO, in applying 2019 PEG guidance, have come to the same conclusions each time. However, that does not mean that the courts and the USPTO will always agree, so it is important to know the major differences between the two.

Under 2019 PEG, Step 2A of the Alice/Mayo test, i.e., the step of determining whether or not a claim is “direct to” a judicial exception, has been modified by the USPTO to a two prong test.

In Prong One it is determined whether a claim recites a judicial exception. In Prong Two it is determined if the recited judicial exception is integrated into a practical application of that exception.

Only if a judicial exception is not integrated into a practical application, will the claim in question be deemed to be “directed to” a judicial exception under Step 2A of the 2019 PEG and, therefore, the analysis must proceed to Step 2B for a final determination of patent eligibility. However, if a judicial exception is integrated into a practical application under Prong Two, then the analysis stops and the claim is patent eligible.

Under 2019 PEG 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.” Additionally, under 2019 PEG, the revised Step 2A specifically excludes consideration of whether the additional elements represent well-understood, routine, conventional activity. So, a claim that includes conventional elements may still integrate a judicial exception into a practical application, and therefore be patent eligible, under the 2019 PEG.

This is a rather controversial approach, because it makes the USPTO’s revised step 2A very similar to step 2B of the Alice/Mayo test. That is, both a practical application in the revised step 2A and an inventive concept in step 2B are to be determined by analyzing whether a claim includes additional features that impose meaningful limits on the judicial exception such that the claim is more than a drafting effort designed to monopolize the judicial exception. The one major difference between the tests in revised step 2A of 2019 PEG and step 2B of Alice/Mayo, is that the determination of a practical application in revised step 2A can be done with the use of well-understood, routine and conventional activity. Such conventional activity is specifically exempted from the analysis of an inventive concept in step 2B.

Whether or not the 2019 PEG will stand the test of time remains to be seen. However, so far, the courts in applying precedent, and the USPTO in applying 2019 PEG, have come to the same conclusions regarding patentable subject matter.

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