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IP FRONTIERS

A primer on the USPTO's 2019 PEG

On Jan. 7, the USPTO published its new "2019 Revised Patent Subject Matter Eligibility Guidance" (the 2019 PEG), which became "effective" on that same day. However, the 2019 PEG "applies to all applications, and to all patents resulting from applications, filed *before*, on or after January 7, 2019." Therefore, the 2019 PEG even applies to applications filed prior to that date.

This article will provide a review of the history leading to 2019 PEG, plus an overview of the revised guidelines. Additionally, it will point out some of the issues related to the 2019 PEG.

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History

35 U.S.C. §101 defines patent eligible subject matter 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, courts have long recognized the judicially created 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). As such, "there is a danger that granting patents that tie up their use will inhibit future innovation." *Mayo v. Prometheous* 132 S.Ct. 1289, 1292 (2012). Courts have also recognized that too broad an interpretation of this exclusionary principle could eviscerate patent law because "all inventions at some level embody, use, reflect, rest upon, or apply laws of nature, natural phenomena, or abstract ideas." *Id.* at 1293. Finding the proper balance in applying this exclusionary principle has proven challenging.

The foundational analysis for patent eligibility was, and still is, one of pre-emption. More specifically, a patent claim was analyzed to determine whether or not the claim would "wholly pre-empt" the judicial exception recited in the claim and in practical effect would be a patent on the judicial exception itself. *Gottschalk v. Benson*, 409 US 63 at 72 (1972). Over the years, many different approaches were used by the courts to determine such pre-emption.

In 2012, the Supreme Court created a more structured approach to the analysis of patentability in what has come to be known as the Alice/Mayo test. *Mayo v. Prometheus*, 132 S. Ct. 1289 (2012). Mayo applied the test to just laws of nature. However in 2014, the Supreme Court made it clear that the Alice/Mayo test was to be applied to all judicial exceptions. *Alice Corp. V. CLS Bank International*, 34 S. Ct. 2347 (2014).

Alice/Mayo test prior to 2019 PEG

The Alice/Mayo test, as applied by the USPTO, has three basic steps. They are: step 1) the statutory categories test, step 2A) the judicial exceptions test, and step 2B) the inventive concept test.

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 "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. Specifically, a claim must include additional features to ensure that the claim is more than a drafting effort designed to monopolize the judicial exception. The courts have said that an inventive concept must do more than simply recite well-understood, routine, conventional (WURC) activity.

Problems applying Alice/Mayo consistently

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

Abstract ideas are not defined by the courts;

The "directed to" inquiry is a subjective test; and

The courts have stated that WURC activity is a question of fact. *Berkheimer v. HP Inc.* 881 F.3d 1360 (2018).

2019 PEG - Revised Step 2A

The 2019 PEG changes step 2A (Revised Step 2A) into a two-prong inquiry.

In prong one, a claim must be evaluated as to whether the claim "recites" a judicial exception. Recited abstract ideas, specifically, must be identified from the group listed in Section I of the 2019 PEG.

In prong two, if the claim recites a judicial exception, then the claim must be further evaluated as to whether the claim recites additional elements that integrate the exception into a *practical application* of that exception. The 2019 PEG clarifies what is meant by a practical application when it states 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."

Under 2019 PEG, revised Step 2A specifically excludes consideration of whether the additional elements represent well-understood, routine, conventional activity. The analysis of such WURC activity is relegate to step 2B, where the claims will be evaluated for an inventive concept.

Issues related to 2019 PEG

The USPTO has taken the position that the determination of a "practical application" for a judicial exception is equivalent to the "directed to" inquiry for the original step 2A. It has done so in order to develop a guideline that will be easier to apply consistently by the more than 8,500 USPTO examiners and administrative patent judges that have to use these guidelines. Further, the USPTO has stated that 2019 PEG is "rooted in Supreme Court case law."

However, the 2019 PEG does not constitute substantive rulemaking and does not have the force and effect of law. It remains to be seen whether the courts will accept, reject or modify these guidelines.

Additionally, the test for a "practical application" in the revised step 2A is now very similar, if not essentially the same, as the test for an "inventive concept" in step 2B. That is, both a practical application in 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 and original step 2B, is that the determination of a practical application in revised step 2A can include the use of well-understood, routine and conventional activity. Such WURC activity is specifically exempted from the analysis of an inventive concept in step 2B.

This begs the question as to whether the scope of revised step 2A has been expanded to the point where step 2B is now a subset of it. Certainly, there is a lot of overlap between the two tests. However, if a practical application cannot be found in revised step 2A even with the use of WURC activity, it is hard to see how an inventive concept will be found without the use of such WURC activity in step 2B. Further, it is hard to see the utility of an inventive concept that is not a practical application.

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