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December 18, 2014

USPTO Issues Revised Guidance on Patent Eligibility

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The U.S. Patent and Trademark Office (PTO) has released revised its Interim Guidance on Patent Subject Matter Eligibility to be used in determining patent eligibility under 35 U.S.C. § 101.[1] The Guidance is based on the Supreme Court's holdings in the *Alice v. CLS Bank*, *Association for Molecular Pathology v. Myriad Genetics*, and *Mayo v. Prometheus* cases, all relating to judge-made exceptions that preclude issuing patents covering laws of nature, natural phenomena, or abstract ideas. It supplements the June 25, 2014 guidelines in view of *Alice* and supersedes the March 4, 2014 guidelines produced in light of *Mayo and Myriad*. The Guidance outlines the procedure to be used by examiners to determine if a claim is eligible for patent protection. Claims are now subject to a two-step test to determine eligibility.

Under the first step of the Guidance, a claim is analyzed to determine if it is "directed" to a judicial exception, which is less stringent than the standard set forth in the prior guidelines. Previously, a claim that merely "involved" a judicial exception was given greater scrutiny. This revision in the Guidelines is important because nearly all claims at least involve a naturally occurring element or abstract idea. For example, a patent claim directed to electronics with gold contacts "involves" a judicial exception because the claim requires a naturally occurring element but the claimed electronics are not "directed" to a judicial exception. If the claim is "directed" toward a judicial exception, then the PTO must conduct the second step of the eligibility test, namely, determining if the claim recites

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additional elements that amount to "significantly more" than the exception.

Updates to the Eligibility of Abstract Ideas

The Guidance identifies multiple examples of claims that are considered to fall under the abstract idea exception. These examples include fundamental economic practices, certain methods of organizing human activities, an idea "of itself," and mathematical relationships/formulas. These types of patent claims frequently relate to software or business methods.

In a particular example, the Guidance states that "[i]ntermediated settlement, like risk hedging ..., is not a preexisting fundamental truth but rather is a longstanding commercial practice (a method of organizing human activity)." This excerpt does not directly quote the Court and will likely ensnare more claims in the "abstract idea" judicial exception than the Court intended. In *Alice*, the Court held that "a fundamental economic practice long prevalent in our system of commerce," triggered the judicial exception, and not a "longstanding commercial practice." A commercial practice casts a wider net than what the *Alice* Court envisioned because a longstanding commercial practice is not necessarily one that is fundamental or prevalent. It is also unclear what makes a practice "longstanding."

Once a claim is considered to be an abstract idea, the PTO will then examine the claim to see if it has additional elements that add significantly more to the abstract idea. Some examples of characteristics that add "significantly more" to a claim include improvements to another technology or technical field, improvements to the functioning of a computer itself, or the application of a judicial exception with, or by use of, a particular machine. The Guidelines suggest that certain software claims will continue to be eligible for patent protection.

Updates to the Eligibility of Nature-Based Products

Another difference in the Guidance compared to the PTO's prior guidelines is the determination of whether a claim falls under a "product of nature" exception. The determination that the claim is directed toward a product of nature is now separate from the determination of whether the claim adds "significantly more" to a product of nature.

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During the analysis, the characteristics of the nature-based claim are first compared to the characteristics of the components in their natural state. If the claimed characteristics are not "markedly different" than the natural product's structure, function, or other properties, then the claim is directed toward a natural product. Claimed products that combine two natural elements are no longer automatically classified as a natural product. The Guidance also benefits patent applicants because the analysis now acknowledges that even small changes from nature can make a claim eligible for patenting.

If the claim is not markedly different from that which occurs in nature, it must then be analyzed to determine if the other claim limitations or the claim as a whole, add "significantly more" than what exists in nature. A claim directed toward a natural product adds "significantly more" when the claim adds specific limitations other than what is well-understood, routine and conventional in the field, or adds unconventional steps that confine the claim to a particular useful application.

The Guidance provides a set of examples based on previous decisions by the Supreme Court and the Federal Circuit. However, the Guidance is also clear that the PTO will consider claims on a case-by-case basis. This will require careful claim drafting because the future application of the Guidance is uncertain.

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[1] "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."