

PATENTS: POST-GRANT PODCAST: S02E05 — DISPUTING PATENT-ELIGIBLE SUBJECT MATTER IN PGRs AND IPRs

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Andrew Zappia:

Greetings and welcome to Troutman Pepper's *Patents: Post-Grant Podcast* series. My name's Andy Zappia and I'm joined today by my colleagues Gunnar Leinberg and Christina Shifton. In this installment of our post-grant podcast series, we are going to take a look at how the board has dealt with patent subject matter eligibility issues under section 101, in the context of post-grant review, or PGR proceedings, or inter-party review, or IPR proceedings. Section 101 invalidity arguments can be raised in PGR proceedings, but they can also arise in IPRs, especially in the context of motions to amend, but we'll get into all that. First, just to sort of set the table here, Gunnar, can you explain section 101 patent eligibility generally and how it relates to validity questions?

Gunnar Leinberg:

Definitely Andy. Thank you. As Andy mentioned, I think it might be helpful just to get a little framework of what the current process is for determining patent eligibility, because it's evolved over time from the Mayo to the Alice decision. And then getting into the 2019 guidelines that were prepared by the patent office and then their subsequent October updates, they further refined it. In those guidelines too, they lay out a nice framework that shows a flow of how this process is done for taking a look and evaluating a claim to determine whether or not the subject matter is patent eligible. And in that framework, it's basically a two-step process, and those steps actually are broken out into a variety of subparts.

So the first one is step one, which pretty much the subject matter for every application is going to fall into this, but it's just a claim directed to a process machine manufacturer or a composition of matter, that really follows the statutory 101 section. Where we start to get into the heart of this is they've divided step two into two parts, and then in step 2A they divided that into two prongs. So those are referred to as step 2A prongs one and prongs two. And they each evaluate the claims from different aspects. First, for prong one, what they're looking at is to determine for each of the limitations whether or not the claim recites a judicial exception. And judicial exceptions are an abstract idea, a law of nature, or a natural phenomenon. And then within that too, when you're looking at the limitations, for example, what is an abstract idea? That was a big issue after the initial decision for Bilski and then Mayo and so on, of trying to understand what are abstract concepts.

And so the PTO guidelines have solidified that a little bit further by stating that abstract concepts are basically mathematical concepts, mental processes, and certain methods of organizing human activity. Within that, mathematical concepts are just formulas or equations, so if it's just purely some type of equation. And then the update in October, they further expanded that saying, if it's not explicitly stated, but what you're referring to is a mathematical formula that's in the specification that's taking place in limitation, it still would fall within that. The second part is mental processes, can whatever step is being described be performed in the human mind. And then certain methods of organizing human activity, and this one catches a lot of things, so fundamental economic principles, hedging insurance, mitigating risks are definitely categories that fall into this, commercial or legal interactions and anything where

you're managing personal behavior, or relationships, or interactions between people including social activities.

So the patent office in this step 2A prong one, they'll look through the limitations of the claim and decide are any of the limitations reciting anything that's an abstract idea, law of nature, or natural phenomena. If it's not, it's patent eligible, but if it is, right, which is where you would start to try to make challenges saying that it falls in with one of these categories, then you have to move on to step 2A prong two, and that looks into whether or not the additional elements in that claim integrate the exception into a practical application.

Ideas that indicate that limitations integrated into a practical application could be improvements to the functioning of a computer or to any other technology or field. So you got to take a look and try to see is it somehow improving the functioning of that computer or is it getting some type of practical result in some field that you're solving some type of problem that you can point to. B is a judicial exception being used to for a particular treatment for a disease or some other type of medical condition. So again, if that's the case, then again that would fall into being integrated into a practical application that's patent eligible subject matter. Another one is whether or not it's supplied into a particular machine. A fourth one is, are you transforming some type of article or reducing some type of article to a different stater thing. The classic example is there was a process for rubber curing where it was a method where with this process the end result was transformed into something else.

And then the last one is a little bit of a catchall. Are you using the judicial exception in some other meaningful way, again, are you linking it somehow to something, some type of technological improvement? So it's getting very similar again, to the first one that I mentioned about some type of improvement in some technology field. So those are the ones that you're looking at. That prong two is the one that comes up quite a bit, and that's where a lot of the battles take place with eligibility about whether or not something has been integrated into some type of practical application.

Now the one other big aspect of this that came out of these guidelines is prior to this as part of the determination for whether or not something was eligible, it was getting into arguments about 102 or 103 about whether or not you had something unique or different. But in these guidelines, they've come out specifically and said, look, anything that's well understood, routine, or conventional, it has no impact on this analysis under prong two of step 2A.

So you have to show that the claims included an inventive concept with this combination of elements that's significantly more than the abstract idea or ideas that have been identified. So a fairly detailed process. And breaking news just today, Congress actually just put back in the Patent Restoration Act again, they've just submitted it again. So that act, I only had a chance, because I just got the alert maybe about an hour ago, but that bill basically looks like it's going to try to codify this procedure that I just went through for looking at patent eligibility. It very closely parallels the different steps that have taken place here.

Andrew Zappia:

Yeah, and it sounds like the PTO has tried to provide this guidance to give additional detail to practitioners. And I think this guidance was prompted most recently by the Supreme Court's Alice decision. Well, Christina, maybe talk about that a little bit in that test because I think that test syncs in with what Gunnar just described with the PTO providing more detail of a generalized approach that was articulated in Alice.

Christina Shifton:

Yes, it does. So Alice created a two-step test, which then the PTOs guidance breaks out into a little bit more detail to provide that guidance. But Alice's test looked at whether patent claims are eligible for patent protection based on whether they're directed toward patent ineligible subject matter, which in our side is laws of nature, natural phenomena, and abstract ideas. So that two-part test requires a court or the patent office to first determine whether the claims are directed toward patent ineligible concepts. And if they are, then second, to determine whether the claim elements considered individually and as an order combination transform the nature of those claims into patent eligible subject matter. So that step, as it's set forth in Alice, essentially, searches the claims for an inventive concept. And that means some additional features that show that the claims recite more than just the judicial exceptions, the laws of nature, natural phenomena, and abstract ideas.

Andrew Zappia:

Well, it's nice that the PTOs provided some additional guidance on that because I know in litigation, people have really struggled with Alice. And especially, the issue Gunnar mentioned, is whether you have to prove novelty or non-obviousness to show 101 eligibility. There was a lot of litigation about that for many years. Gunnar, with this guidance and with Alice, are there certain technologies that get contested more on 101 issues than others? What do you see in your practice?

Gunnar Leinberg:

Yeah, definitely. There's been this evolution in the 2019 guidelines and the October 2019 update really had a big impact. First, the patent office also provided a number of subject matter eligibility examples. They started with 1 through 36 and then in 2019, on October 1, they added another 37 through 42. And when they came out with those subsequent ones, they also actually went back because now they had this more detailed procedure and indicated that there were probably about, I think they listed out probably close to about 20 different inventions that would have contained patent eligible subject matter, that previously prior to these guidelines, were considered to be not patent knowledgeable. So in 2019, getting to what Andy was just asking about here, in 2019, there was a big spike and a change which is settled into more of a steady state. Alice's rejections can appear anywhere, and I think one of the things that we've noticed is that it has crept into some areas that we had not seen as many of.

In my practice, one of them is in networking and it's ticked up a noticeable amount where you're starting to get some 101 rejections in that type of subject matter. But the really hot ones still are anything in the 3,600 for business methods, that is by far still the worst for getting any patent eligibility issues and rejections and trying to overcome them. A close second is computer hardware and software also with biotech and unit 1600 and gaming probably like a distant fourth. The rest of the areas, again, there seems to be a little bit of an uptick in issues that are popped up. Now, one of the ones that is really evolving in, and it's an area that I think everybody's aware of that's exploding is AI. In AI, in those guidelines, there is an example for eligibility for artificial intelligence. For example, 39 defines and basically comes out and states that this is patent eligible subject matter. It actually qualifies as patent eligible subject matter under prong one of step 2A in the example that they provide and provide some guidance about how to set up a claim and draft it.

However, what we've seen in our practice, I think, recently is that there seemed to be more challenges popping up. I think the patent office is struggling to keep up with this dynamic shift of what's happening in the AI industry. So I think we're going to see probably an uptick in 101 rejections as the patent office

come up with further examples and further guidance on how to try to deal with artificial intelligence technologies and what is and is not patent eligible subject matter.

Andrew Zappia:

Interesting, and maybe we'll talk about the board because sometimes the board might take a different approach than examiners and prosecution, in particular, we'll talk about IPRs and PGRs and how 101 can come up in those proceedings. I think initially, let's start with PGR. Christina, could you talk to us a little bit about post-grant review, the procedure, how it works, and how 101 can relate to those proceedings?

Christina Shifton:

PGR is an adversarial trial proceeding at the P tab that is initiated by a third party to review one or more claims in an issued patent. Petitioner can file a proceeding against an AIA patent only, not pre-AIA, and it can only be brought within the first nine months after its issuance or after reissue. PGRs are fairly broad, they can encompass any invalidity arguments, whether that's under section 102 and 103 for anticipation or obviousness, or for section 112. There are written description or enablement challenges to a patent. And section 101 eligibility challenges also come up in PGR, so it's a very broad proceeding that can really challenge all aspects of a patent. One of the interesting issues that comes up in PGR is that has a very broad estoppel that can apply to a petitioner. For any PGR that ends up resulting in a final written decision, a petitioner is barred from raising in any future proceeding any invalidity ground that the petitioner raised or reasonably could have raised in the PGR.

Now, this is the same estoppel language that's in the IPR statute, but because of the breadth of the grounds that can be raised in the PGR, that resulting estoppel is broader than what you would get out of an IPR where you can only bring up patents in printed publications. Now, PGR since the AIA was passed have been fairly rare compared to IPR proceedings, but they do provide a method to really challenge patents on a number of grounds.

Andrew Zappia:

One of the benefits we get because of the broad invalidity arguments you can raise in PGR, is we can get some insight into what the board has said about 101 issues in PGRs because sometimes the board takes different perspectives on issues as compared to examiners during prosecutions. Gunnar, what are you seeing in PGR decisions in the 101 context? Is the board being consistent with examiners in the guidance of the PTO? Are they deviating? What have you noticed?

Gunnar Leinberg:

We did some research on cases, and we went back to about the 2018, '19 timeframe because that's when the guidelines came out and that's when they start to apply them, so we thought that that would probably be more representative of what the analysis would be. Now, again, there's not a lot of PGRs since about 2012 through 2022. There are only 529 filed, so we're not dealing with a large subset of PGRs that have been filed overall. And in that, there's even a smaller subset that actually went in and challenged eligibility for PGR cases, but there is a small subset. In that small subset, by going through those cases, it was interesting to see the approach is the same and the success rate of challenging patent eligibility seemed to pretty much match or parallel what was happening in the patent office and these focused on the same type of issues.

So as far as insights with respect to how the board has dealt with these sort of issues, I think if you've got a situation where you're considering to file a PGR and you fall within that timeframe of you've got a patent that it's within nine months of the issue date, okay, and you're trying to make a decision here about, okay, we think the subject matter might be patented ineligible, we want to make a challenge. I think what you want to do is you want to try to really weigh the chances against each step in the prong, in particular with respect to 2A and prong one and two. And try to remember too, that the claim interpretation here is going to be under the Phillips standard, not the broadest reasonable interpretation. That can have an impact on how the claims interpreted and whether or not the subject matter is going to be found to A, recite an abstract idea and based on that claim interpretation, because it could be more specific so it might fall outside of an abstract idea.

And also, it might be possible that it might be more integrated into practical application, which actually happened in one of the cases that we looked at here. When you are looking at it too, one of the factors too, for the prong two of step 2A about whether they got it's integrated into a practical application is, is a correlation to any technology related to the last step or an output step or turn intermediate step. For the cases where it was related to an intermediate step, there was a greater chance of the subject matter being held patent eligible, whereas if it was in the output step or at the end of the claim with whatever the practical output was, which again, ties back to those steps as you're working through it about if you're just applying it, adding some insignificant extra solution post activity, or generally linking it, less likely you're going to find that integration. So that does correlate with that process.

Another interesting thing that popped out is, in cases where the claims had a structure or format that matched the eligibility examples, whether for eligibility or for ineligibility was a really good predictor of your ultimate success. If it matched that structure or format, you're highly likely, I think, to have success in that small subset that we have. Another thing that we noticed too in these cases is that you want to be thorough too, not just with the independent claims, but the dependent claims because again, they're going to go through the whole analysis for each of them. And there were a couple of cases where they were not quite as thorough, and the dependent claims were not successful. They were able to argue that the independent claims had patent ineligible subject matter, but not the dependent claims. So that's an overview I think from what we saw, Andy.

Andrew Zappia:

So a petitioner in a PGR has to be very careful to fully lay out its case about independent claims and dependent claims.

Gunnar Leinberg:

Yes, and take a look, see if there's correlation to examples. I think that'll give you an indication of what your likelihood success is, where is the heart or the meat of the claim with respect to whatever their claiming is, the integration into a practical application. And again, based on where that is in that claim process too, that also I think is a factor to look at when you're making a determination, do I want to take a chance of try to go after patent and eligibility with the PGR, especially if you have the estoppel issues that Christine had brought up.

Andrew Zappia:

So it sounds like the guidelines are a useful tool even before the board, whichever side you are on the 101 issue, whether you're a petitioner or patent owner, the guidelines are a good basis for the strategy you develop.

Gunnar Leinberg:

Yes, definitely. That came out pretty strongly by going through these cases.

Andrew Zappia:

So maybe let's turn to IPRs and talk a bit about those. Now, one might think 101 wouldn't arise in IPR because there the invalidity grounds must be based on patents or printed publications, so it's typically anticipation or obviousness type arguments. But Christina, how does 101 come up in the IPR context?

Christina Shifton:

It comes up where a patent owner chooses to file a motion to amend. It's not something that a petitioner can raise in its petition at the outset. If a patent owner files a motion to amend, the petitioner can oppose that motion to amend on any grounds that affect eligibility and validity, including section 101 issues.

Andrew Zappia:

Talk a little bit about the motion to amend procedure because some folks might not be as familiar with how motions to amend work in IPRs.

Christina Shifton:

Sure. Filing a motion to amend is an option for a patent owner when they're faced with a petition in IPR that raises anticipation or obviousness issues. So if the patent owner looks at the petition and thinks it might not have a shot at winning on the anticipation or obviousness, they can file a motion to amend the claims. And that can be filed when the patent owner response is due in the IPR, and it can be either contingent on a finding of invalidity by the board on the grounds raised by the petitioner, or it can be non-contingent where they're essentially conceding that it might be anticipated or obviousness so they're going to amend the claims. And then the non-contingent motion would then be decided by the board on whether those claims would survive.

Now, importantly, on a motion to amend, it has to address patentability over the grounds raised in the petition, and it also has to address other patentability issues under 102, 103, and also written description enablement issues under 112 and subject matter eligibility under 101. So a motion to amend really needs to show the claims would be valid. You can support a motion to amend with a evidence like a declaration, so there is the chance to also bolster your arguments that the new claims should issue.

Andrew Zappia:

I was just going to ask, there's this thing called the pilot program, which I've used, where you can get some initial input from the board and maybe redo your claim some more. So how does that work?

Christina Shifton:

Historically, there's been a pretty low success rate for motions to amend at the P Tab. And so in 2019, the P Tab established this pilot program for motions to amend, where you file your initial motion to amend and the P Tab will give you preliminary guidance on the motion. And then the patent owner can file an amended motion to amend to address any deficiencies that the board pointed out in their preliminary guidance. That guidance can help to identify issues so that the motion to amend does have a better success rate. There's still not a great success rate, even under the pilot program, but it does give some guidance for claims that might have a chance at succeeding.

Andrew Zappia:

Since 101 comes up in these motions to amend, that's an additional source of intelligence about how the board is looking at 101 issues. So Gunnar, what have you seen in the context of motions to amend anything new or interesting?

Gunnar Leinberg:

We took a similar approach and tried to take a look at some of the decisions about the 2019 timeframe audience, because that's really what we apply in this standard. The same process is being applied, again, it was a small subset, but in those cases, there seemed to be a much higher degree of chance of being successful on patent eligibility. I think that goes along with the numbers you're talking about, the low success rate for being able to amend. The 101 challenges too, seem to have a higher degree of success in these cases, right? They're being able to knock these things out as being patent ineligible subject matter. I think the recommendation would be if the other side is making amendments, take a look and explore the 101 issues, and it might be to your advantage to really push those arguments because they seem to have a high degree of success.

Andrew Zappia:

We actually talked a little bit about this in our prior series of podcasts on amending claims in the context of IPR and PGR proceedings. One of the things we talked about is if you were a patent owner and you wanted to amend, but you were looking at the subject matter of your patent, and you're a little concerned that 101 issues could come up if you filed a motion to amend in an IPR or PGR. One of the options would be to do an amendment through, for example, next party re-exam, because again, that's limited to patents and printed publications, so that's one of those tactic points then on the patent owner side. If you have some concerns about 101, you might want to look at amending outside the IPR or PGR proceeding. Reissue is also available if you're narrowing or you're within the timeframe broadening.

But if you have a concern, and this also applies to 112, if you have 112 concerns about how you want to draft the claims, again, you might not want to do a motion to amend because the other side will be fighting every step of the way and they could raise those 112 issues. So good written descriptiveness, enablement, definiteness, all that stuff. Gunnar, any closing thoughts on the strategy? My takeaway is keep that guidance in front of you, whatever side you're on, and track your positions to the guidance. It seems like that's a good way to go.

Gunnar Leinberg:

Those guidelines, that flow chart is definitely the roadmap that you want to use and the act that was just put back in front of you, it has not passed yet. It's come up over the last few years, but that's parallel in that as well. So that clearly seems to be the roadmap on how to do it, and I think that would be the strategic approach. You look at it, analyze it, and then make your decision about whether or not to pull a trigger on a PGR, or if you have a chance in the IPR as a motion amount, I'd say highly likely you want to try to do that.

Andrew Zappia:

That's all very interesting. And people talk about these proceedings, but don't talk about 101 as much in relation to them. Usually, people talk about the prior ARG findings or some of the procedural issues that lead to denials of petitions, but 101 is in play, so it's important to get some guidance on how to handle those issues. I want to thank you Gunnar and Christina for doing this podcast. I found it very interesting. It's just another element you have to consider when you're involved in these post-grant proceedings. Troutman Pepper's Intellectual Property team will continue helping its clients develop and implement global protection and commercialization strategies for intellectual property. For more information on how we can help you, please visit our website, troutman.com. You can also subscribe and listen to this and other podcasts in our series on post-grant procedures, including on Apple, Google, Spotify. Thank you and hope you enjoyed the podcast.

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