Patents: Post-Grant Podcast — **Subject Matter Eligibility Challenges in Post-Grant Proceedings**
Speakers: Andy Zappia and Nick Gallo
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Nick Gallo (00:04):

Greetings and welcome to season five of Troutman Pepper Locke's *Patents: Post-Grant Podcast* series. My name is Nick Gallo, and I'm joined today by my colleague, Andy Zappia. In this installment of our *Post-Grant Podcast* series, we are going to take a look at the evolving law on subject matter eligibility and its intersection with post-grant review proceedings. Andy, why don't you start us off by setting the stage for why subject matter eligibility is even relevant in the post-grant context?

Andy Zappia (00:39):

Sure. When the America Invents Act went into effect in 2013, it created several proceedings where you could challenge patents at the Patent Office. The one that most people know about is inter partes review, but other proceedings were also created at the same time, including post-grant review or PGR, and a transitional program called Covered Business Method or CBMs. Part of the motivation for these proceedings was the idea that there had been a lot of patents issued that maybe shouldn't have been issued and there should be some additional scrutiny. There was a lot of commentary about business method patents or patents that weren't really claiming a technical invention. These proceedings, including this transitional CBM proceeding, allowed a broad range of challenges, basically, for CBMs and PGRs, any potential challenge on any potential invalidity ground, including subject matter eligibility – what we call 101 challenges.

(01:44):

Inter partes review, as folks who listen to this podcast know, is limited to anticipation or obviousness based on patents or printed publications, but PGR and CBMs were not so limited. A challenger could challenge a business method patent, saying it doesn't meet Section 101 eligibility under the Supreme Court's Alice decision or other arguments, and that was fully available. The CBM proceedings sunset in 2020, so those aren't available anymore. Today, if you wanted to raise a subject matter eligibility challenge, for example, at the Patent Office in a post-grant proceeding, you would have to do so by PGR – post-grant review. Post-grant reviews, as I mentioned, you can raise any potential ground for invalidity. We'll probably talk a bit more about post-grant review. There's some other special elements to that. But that's why 101 is relevant in post-grant world, because there is a proceeding where it can be raised, and there were many, many hundreds of CBMs filed back when that program was available.

Nick Gallo (02:53):

Interesting. Okay. The availability of challenges to eligibility seems like a significant advantage of PGRs over IPRs. What are the other considerations – advantages and disadvantages?

Andy Zappia (03:07):

PGR is a proceeding that's only available for the first nine months after patent issuance. It's also only available for patents subject to the America Invents Act, but given how much time has passed, that's pretty much all the patents, so it doesn't matter too much. That limitation doesn't really apply that much anymore. But with PGRs, you can raise any argument for invalidity. There's that limited timeframe to bring those challenges. But also like IPR, the proceeding comes with what we call estoppel, which means if you raise an argument and it goes to final decision in one of those proceedings, IPR or PGR, and you lose, you cannot raise any argument that you brought in those proceedings or that you could have brought in those proceedings in another case like a district court lawsuit. What that means for PGR – because you can bring any invalidity argument – it means if you file a PGR and you don't win, it goes to final decision and you don't win, you've pretty much lost your basis to argue patent invalidity in, say, district court. That's one of the reasons why there have been relatively few PGRs filed as compared to the inter partes review proceeding. I think that the estoppel and its broad application, plus the limited timeframe where PGR is available, has led to relatively few PGR filings.

Nick Gallo (04:38):

How do you advise clients with respect to PGRs and how can they exploit them to their advantage?

Andy Zappia (04:45):

A lot of clients carefully watch their competitor's patent portfolios, or sometimes we do that for them. If a patent issues that could be a real problem for a client's business, PGR is an interesting option to consider, and really, I think it comes into play. There are some risks with PGR, and I mentioned it, the broad estoppel, but there are benefits because you can raise any argument. If your opponent gets a patent that looks particularly vulnerable on enablement, or 101 eligibility, or industry, or product art, things like that, and you think you have a really good argument, like you have a strong position. PGR could make sense because it is an option that allows you to bring those sorts of arguments to the Patent Office where you're going to get a panel of expert judges who understand these rules. But my advice to clients is usually, you only want to pull that trigger for PGR if you're pretty darn sure you've got a good argument. Like a really good argument, because you don't want to give it a try and you go to final decision and you lose, and then later that competitor sues you in district court. Then you're basically in non-infringement world because your ability to raise an invalidity argument in district court after losing a PGR is going to be really limited if at all.

Nick Gallo (06:12):

Yeah, that's interesting. What about on the other side? If you're a patent owner and you want to assert a patent against a competitor, are there any considerations around PGR?

Andy Zappia (06:25):

Sometimes patent owners, when they have the opportunity to assert a patent, they have to make a decision on timing, right? Depending on the circumstance, a patent owner could decide, "Hey, I'm going to wait nine months to assert this patent when PGR is no longer available and maybe my target doesn't jump to the Patent Office and then assert it after nine months." There's six year look back for damages anyways, so you're not losing that much. Then you could bring that challenge and not have to worry about a PGR as such. That's, I think, one of the approaches that a patent owner could think about. Also, because these challenges are available, when you're prosecuting the patents, you want to think about drafting claims to put them in as safe of position, on 101, as possible because PGR is out there.

Nick Gallo (07:16):

Yep, sure.

Andy Zappia (07:17):

Obviously, I don't do prosecution. I just mentioned drafting claims. Do you have any insights into rolling the dice in district court versus at the Patent Office on eligibility type issues? I know from my own experience that you can see motions to dismiss on eligibility sometimes at district court, and we just talked about how you could challenge eligibility on 101 at the Patent Office. What are you seeing these days in district court?

Nick Gallo (07:47):

Yeah, I've been watching district court decisions and Patent Office eligibility policies for years, and my general sense is that courts have not caught up to the evolution at the Patent Office regarding eligibility, particularly with respect to machine learning and AI technologies. The case law right from the Supreme Court on down has generally disfavored emerging software technology. That's why we've seen calls for years for Congress to step in and address the uncertainty around subject matter eligibility. Basically, the public has lost faith that courts will clear up eligibility in an equitable way. Courts are continuing to invalidate patents that the Patent Office would have been more likely to issue, particularly since Director Squires' confirmation.

Andy Zappia (08:42):

It's an interesting point you raised there because another thing Squires did that I didn't mention earlier is he's made some statements about how he likes PGR more than IPR these days. He's put in place different rules for IPRs and approaches that make it much harder for those IPR proceedings to get instituted. On the flip side, he's made positive comments about PGR, which is interesting. Because they can only be brought in the first nine months, so they're like a prompt

challenge. That's in the direction the Patent Office is going. They like this idea of prompt challenge. I think you're seeing movement on both fronts that could lead to more eligibility challenges and potentially at the Patent Office. I know you recently prosecuted, I think, a couple patents that went through a motion practice exercise in district court on eligibility. What did you see there?

Nick Gallo (09:37):

Yeah, that's right. We had five patents in a portfolio that issued from 2021 to 2025 that were asserted against a competitor. We were in the Northern District of California for that case, and the defendant, like you said, moved for judgment on the pleadings arguing that the patents reflected non-patentable abstract ideas. The court denied defendant's challenge with respect to all five patents. It was interesting, the technology relates to AI and in particular using AI for accent translation. The court made two primary points. First, accent conversion was not a longstanding human activity that could be considered an abstract idea. The technology wasn't just translating between languages. It was really modifying audio to adjust accents. The court didn't find that to be some sort of well-known, long-standing human activity. Second, which I think is more important and was more important to the court.

(10:46):

The court found the claims recite how the result of improved accent conversion was achieved. The defendant tried to reduce the claims to just generic data processing terms, but the court found that the claims were directed to specific technical mechanisms leveraging non-linguistic frame classification and mapping to achieve the desired result. You've really got to draft these claims to have a kind of technical bent, you've got to frame them in that manner and pull into the claims from the spec, the more technical features of your machine learning and AI.

Andy Zappia (11:23):

Yeah. I know for our information technology and software clients, when we're drafting claims, I mean, one element of drafting claims is trying to get a claim that the Patent Office will allow, right? But another whole thing to keep in mind is there's a claim the Patent Office might allow, but the court might take a different look at it, right? Part of the drafting to have real commercial value for clients is to keep both of those things in mind when you're putting claims together, not just what the examiner might sign off on.

Nick Gallo (11:58):

That's right. Like I said, I think the courts have been kind of scrutinizing eligibility more closely than even the Patent Office, at least very recently. The Director likes to say that patents should be born strong and like you said, challenged early. Certainly have to consider how a court might view eligibility. I suggest just framing the invention right from the title to the field to the background, frame it in a technical manner. What is the technical problem that you're really solving with the invention? Make sure your specification provides significant detail about the operation of the software and the systems and network devices that are operating to achieve the invention so that you can support the more technical claim limitations that can't be characterized by the Patent Office or a court as just being generic or functional.

Andy Zappia (12:53):

Yeah. How about in AI world? Any techniques you're bringing to bear and prosecuting claims that go towards artificial intelligence technologies?

Nick Gallo (13:02):

Yeah. AI is the hot topic of the day. Almost every day I touch something that's AI related and there are two kind of buckets for AI. You have inventions that take an AI model off the shelf and feed data into it and do something with the result. Then you have a second bucket of really kind of lower-level machine learning model generation and iterative training and aspects like that. If you're in that first bucket where you're kind of taking AI off the shelf, you've really got to do more than feed data into it and get data out. You've got to do something with that data that you can say is a practical application and/or you've really got to describe how you're training in detail. If you're using different types of training data, then describe that as well as you can. For the second bucket, you've got to consider like iterative training or layered machine learning.

(14:08):

There are examples that the Patent Office was published around these types of approaches, and so you could leverage those and analogize to achieve an allowance.

Andy Zappia (14:19):

Yeah. It's kind of a moving target because we're getting guidance from the Patent Office, right? We're getting some different guidance from the courts, and I guess you have to be constantly adapting, right?

Nick Gallo (14:28):

Yeah.

Andy Zappia (14:29):

You expect any new trends from the Patent Office in the near term?

Nick Gallo (14:33):

Well, you're right. We've seen a lot of evolution here. Applicants should really like the Director's recent memos. The Director cautioned examiners not to reject claims to inventions that cannot practically be performed in the human mind. Then in another memo, the Director instructed examiners not to oversimplify claim limitations, to assert that an invention is abstract just because it's applied on a generic computer. The pendulum is really swinging back in the direction of eligibility at the Patent Office, but like we discussed earlier, you've really got to consider how the courts are going to view your issued patents as well. Even though you might get an allowance before the Patent Office, you want to make sure that your claims are very detailed and technical to survive challenges in district court.

Andy Zappia (15:28):

Yeah, and I guess those recent memos from the Director, you also have to take those into consideration if you're thinking about using a PGR to make a 101 challenge, because those recent memos look like the Director doesn't want to be overly restrictive from a 101 perspective on AI technologies. Remember, under the approach now, the Director really has the final say in the outcome of these proceedings and has been "sua sponte" stepping in and changing decisions. Anyone who's thinking about using PGR for a 101 challenge, my advice is read those Director memos very closely before you do it.

Nick Gallo (16:10):

I agree. Challenges to the Director's discretion have failed.

Andy Zappia (16:14):

Yeah, that's for sure. At the institution level, there's no appeal. If you don't like an institution decision, you appeal to the Director, but he's probably already signed off on the denial. So, the chance of getting to him, unless there's like a misapplication of facts or an error as to the record, probably your chance of getting the Director to reconsider a decision are low, right?

Nick Gallo (16:34):

Yep.

Andy Zappia (16:35):

So, 101 can come up in post-grant world, as we've discussed. There's a lot to think about, both for post-grant proceedings and your prosecution strategy. Thanks a lot for the insights, Nick.

Nick Gallo (16:47):

Yeah, of course. I appreciate the opportunity today. Troutman Pepper Locke'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 could help you, please visit our website, troutman.com. You can also subscribe and listen to this and other podcasts and our series on post-grant procedures, including on Apple, Google, Spotify, and other streaming services. Thank you very much, and we'll see what happens.

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