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## **NOT SO FAST: 2019 FEDERAL CIRCUIT CASES CHALLENGE RELIANCE ON USPTO GUIDELINES ON SUBJECT MATTER ELIGIBILITY**

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Patent prosecutors who hew to the 2019 subject matter eligibility guidelines, issued by the USPTO, risk failure in the courts. While the USPTO sought to instill greater clarity on the troublesome issue of Section 101 viability, the Federal Circuit has not gotten in line. Slavishly following the guidelines alone may jeopardize the resulting patent and diminish licensing value.

On January 7, 2019, the USPTO released Revised Patent Subject Matter Eligibility Guidance, to enable patent examiners to evaluate patent-eligible subject matter under 35 U.S.C. § 101. The Guidance is expected to lead to greater acceptance on eligibility grounds, and to “eliminate” reference to inconsistent decisions under the *Alice/Mayo* test.<sup>i</sup> The *Alice/Mayo* test asks in a first step whether the invention is directed to one of the patent-ineligible concepts, and thus “abstract.” However, the Supreme Court in *Alice* cautioned that all inventions at some level have a degree of abstraction. Overly aggressive identification of abstraction could “swallow all of patent law.” The invention must be “directed to” the abstract concept to satisfy step one. Notably, case law must be consulted to make this determination.

The new Guidance, on the other hand, characterizes its first step by asking: (1) whether a claim recites a judicial exception; and (2) whether the judicial exception is integrated into a practical application. As to the former, examiners simply ask whether the claims are mathematical concepts, listed methods of organizing human activity or, finally, mental processes (such as observation or evaluation). As to the latter, ascertaining integration into a practical application substitutes for *Alice/Mayo*’s reliance on determining an “inventive concept” under current case law, and to some degree independent of its perceived vagaries.

If both conditions are met, further analysis proceeds to the second step of the *Alice/Mayo* framework.

The first case of concern is *ChargePoint, Inc. v. SemaConnect, Inc.*<sup>ii</sup> Experienced patent litigators remember a day when patents were never subject to motions to dismiss in federal court, at the very outset of litigation. Back then, Form 18 in an appendix to the Rules of Civil

Procedure presented a bullet-proof form for drafting complaints in patent infringement cases. Motions to dismiss, while not barred, seemed irrelevant to patent litigators.

No longer. Following a recent upsurge of motion practice on subject matter issues, the district court in *ChargePoint* granted a motion to dismiss on the ground that the claims did not recite patent-eligible subject matter under section 101.

In *ChargePoint*, the invention involved networked electric vehicle charging stations. Claim 1 recited an apparatus, comprising

*a control device to turn electric supply on and off to enable and disable charge transfer for electric vehicles;*

*a transceiver to communicate requests for charge transfer with a remote server and receive communications from the remote server via a data control unit that is connected to the remote server through a wide area network; and*

*a controller, coupled with the control device and the transceiver, to cause the control device to turn the electric supply on based on communication from the remote server.*

Without acknowledging the USPTO Guidelines, the Federal Circuit Court held that “the specification suggests that claim 1 is directed to the abstract idea of communications over a network to interact with a device connected to a network” and that the claims did not contain an inventive concept.

This was strongly criticized:

“Claim 1 recites numerous physical electrical components, a control device (on/off switch), transceiver to communicate with a remote server and a controller to activate the on/off switch based on communications from the server. The configuration of the components may be anticipated or obvious under the patent statute based on prior art, but they are anything but abstract and do not preempt all ways of charging a vehicle using a network. Congress specifically stated in 35 U.S.C. 101 that there are four statutory categories of patentable subject matter: process, machine, manufacture, or composition of matter. If claim 1 is not a machine, I don’t know what is.”<sup>iii</sup>

Then came *Cleveland Clinic Foundation v. True Health Diagnostics LLC*.<sup>iv</sup> Here, the Court held that the Court has no obligation to follow or give deference to the USPTO’s subject matter guidance. Although the guidance provides valuable insight, courts may invalidate patents which satisfy the guidance and may uphold patents which fail to meet the requirements under the guidance.

In *Cleveland Clinic II*, the patents disclose diagnostic tests used to determine risk of developing cardiovascular disease. The tests are based on the discovery that patients with coronary artery disease have significantly greater levels of white blood cells and a certain protein (blood MPO).

The district court found the claims patent ineligible, and the Federal Circuit affirmed. The Court held the claims were directed to “the natural law that blood MPO levels correlate with atherosclerotic [disease]” and contained “no additional inventive concept.”

Putting the matter directly in issue, the patent owner had argued on appeal that the district court failed to give the appropriate deference to the USPTO’s decision to grant issuance, based on the guidance on section 101 eligibility. But the Federal Circuit Court demurred.

“While we greatly respect the PTO’s expertise on all matters relating to patentability, including patent eligibility, we are not bound by its guidance. And, especially regarding the issue of patent eligibility and the efforts of the courts to determine the distinction between claims directed to natural laws and those directed to patent-eligible applications of those laws, we are mindful of the need for consistent application of our case law.”<sup>v</sup>

Shortly after *Cleveland Clinic II*, in April, 2019, a Congressional working group announced its plans to develop legislation to delineate patent eligibility.

**What to do in the meantime?** A number of recommendations have been put forth to minimize the risk inherent in prosecuting a patent applicability successfully which jeopardizes its long-term viability and enforceability.

- Focus on providing a clear explanation of both structures and algorithms in the specification and drawings, and also how those structures and algorithms are implemented. Enable future claim amendments and arguments before the USPTO and in court in discussing specifications.
- Don’t cite a particular Federal Circuit decision in prosecution if it will jeopardize arguments needed for post-grant proceedings.
- In amending or arguing against rejections under Section 101, minimize written reference to the USPTO guidelines. Rely more on interview practice before examiners on discussions of subject matter eligibility.
- Obviously, if your technology is close to those addressed in Federal Circuit or district court decisions, ensure your claims would be patent eligible under those decisions.

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<sup>i</sup> *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208 (2014); *Mayo Collaborative Services v. Prometheus Laboratories*, 566 U.S. 66 (2012).

<sup>ii</sup> 920 F.3d 759 (Fed. Cir. 2019).

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iii <https://www.ipwatchdog.com/2019/04/02/federal-circuit-just-swallowed-patent-law-chargepoint-v-semaconnect/id=107917/>

iv \_\_\_ F.3d \_\_\_ (Fed. Cir. April, 2019)

v Slip Opinion, p. 13.