

## Nearly All Biz-Method Appeals Contest Eligibility Rejection

By **Samuel Hayim and Kate Gaudry** (March 1, 2018, 12:15 PM EST)

While the examiner is the sole arbiter during patent prosecution, when an impasse has been reached (in terms claim interpretation, the cited art, or the patent statutes) Applicants can appeal to a panel of Patent Trial and Appeal Board administrative law judges. Appealing has often seemed particularly desirable when the perceived probability of obtaining an allowance is slight. One would expect the volume of appeals from each technology center to be roughly proportional to the allowance prospects of that TC. Thus, changes in case law that materially affect allowance prospects might cause a spike in the number of appeals filed.

A good example of a decision that materially affected allowance prospects was the 2014 Alice v. CLS Bank decision. After Alice, the ubiquity of subject matter eligibility rejections exploded. Many applicants opted to appeal these rejections. For some, the interest in appeal was the opportunity to reach a new, and hopefully objective, decision-maker. For others, the interest in appealing was to pause prosecution in hopes that more favorable case law would develop during the appeal-induced delay, which, in some technology centers, can be as long as 23 months.[1]

Although Alice was decided almost four years ago, decisions issued on post-Alice appeals have only recently begun to be decided. We began this inquiry in 2016, when we sent a request to the U.S. Patent and Trademark Office for an identification of each published application for which (1) an appeal brief was filed after Sept. 1, 2014 (a date in which Alice was likely to be considered by the applicant), and (2) a PTAB decision was issued from the USPTO. There were only 162 ex parte appeal decisions that satisfied our criteria at that time. Our analysis showed that only 20 percent of the decisions included a subject matter eligibility rejection.

We requested the same identification matching these criteria last year (July 2017) and received over 10,000 ex parte appeals. We manually reviewed decisions for a sample of the 10,000 ex parte appeals to determine whether similar statistics characterize the larger data set. Specifically, we reviewed a total of 500 decisions, 125 decisions from each of four technology centers (2100, 2400, 2600, and the business methods art units) to identify particular rejection types at issue and the resolution. We additionally reviewed each decision in the larger data set for which the appeal brief was recently filed, which we defined to be after October 2015 for business method AUs and since July 2016 for the other TCs, so as to provide similar sample sizes (68 for the business method AUs, 48 for TC 2100, 56 for TC 2400 and 42 for



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TC 2600). Applicants would hope that these more recent briefs would thus have additional favorable case law to potentially rely upon.

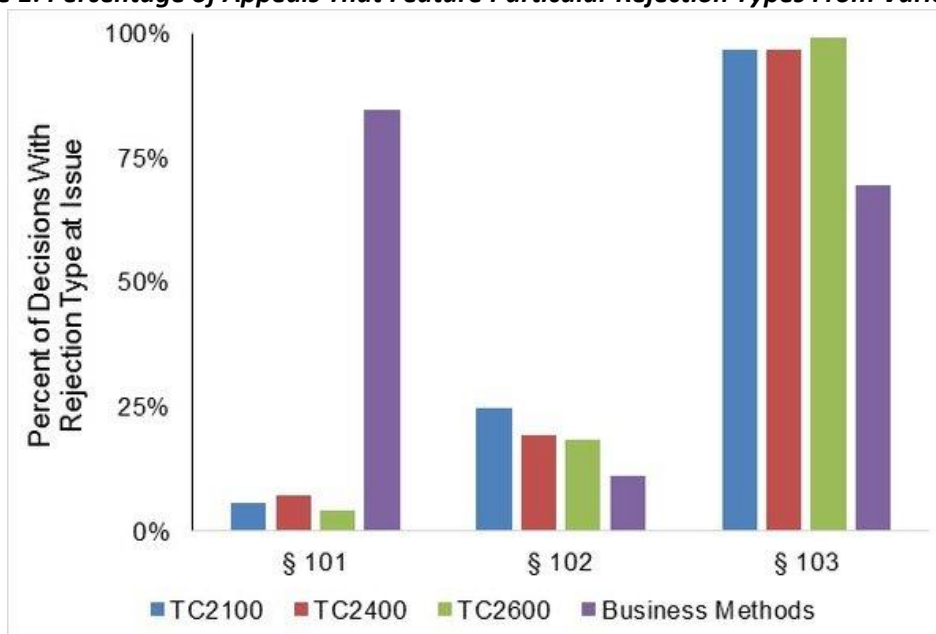
### Rejections Appealed Varied Across Most Technology Centers

We reviewed each post-Alice appeal decision in our sample to identify the type of rejection(s) at issue, the PTAB's issue-specific decision(s) (e.g., reversed, affirmed, split or new), and the overall decision. We identified the following particular types of rejections: subject matter eligibility under 35 U.S.C. § 101, anticipation under 35 U.S.C. § 102, obviousness under 35 U.S.C. § 103, written description under 35 U.S.C. § 112(a), enablement under 35 U.S.C. § 112(a), indefiniteness under 35 U.S.C. § 112(b) or double patenting under 35 U.S.C. § 101. For applications with a rejection under 35 U.S.C. § 101, we identified the type of alleged patentability exception (e.g., abstract idea, computer readable media, software per se, or natural phenomena).

Overall, obviousness rejections were the most common among the appeals from the computer related TCs (91 percent). Subject matter eligibility rejections being the second most commonly appealed (25 percent). Meanwhile, rejections under §112 (e.g., written description, enablement and indefiniteness) were relatively rare in our data set, appearing in only 13 percent of the appeals. The overall rejection type percentages only present a single dimension of the appeal statistics. By analyzing the rejection types appealed per TC, the statistical prevalence of particular rejection types in a particular TC may provide better guidance during prosecution.

Between technology centers, the rejection types appealed varied substantially. (See Figure 1.) Eligibility rejections were very common among appeals from business method art units (85 percent), while they were rare for the other TCs (4-7 percent). Thus, there is an exceptionally high number of eligibility appeals despite the overwhelmingly small likelihood of success at the PTAB.[2] Meanwhile, prior art rejections were more common among appeals from TCs 2100, 2400 and 2600 (with an anticipation rejection being at issue in 18-25 percent of the appeals and an obviousness rejection being at issue in 97-99 percent of the appeals), as compared to the business method appeals (where 11 percent involved an anticipation rejection and 70 percent involved an obviousness rejection).

**Figure 1: Percentage of Appeals That Feature Particular Rejection Types From Various TCs**



Among the additional, more recent decisions that we reviewed (i.e., those filed after October 2015 for business method art units and after July 2016 for TCs 2100, 2400 and 2600), the discrepancies between art rejections and eligibility rejections were even more pronounced for business method art units. Eligibility rejections from business methods increased from 85 percent to 94 percent, while obviousness and anticipation rejections decreased (to 38 percent and 7 percent, respectively). Thus, the proportion of business-method appeals focused on only a subject matter eligibility rejection is increasing. For TCs 2100, 2400 and 2600 the percentage of appeals did not experience a substantial change for anticipation (11-17 percent), obviousness (86-93 percent), or eligibility (2-9 percent).

## Conclusions

The volume of appeals for eligibility-based rejections is growing despite the low likelihood of success on appeal. Over 89 percent of eligibility rejections are affirmed.[3] In addition, the data set suggests an increase in the number of appeals from business method art units with eligibility rejection being the sole rejection type on appeal. Nonetheless, applicants of business method applications may continue to view appealing as a rational strategy given the dismal allowance prospects in the business method art units.[4] That is, at least for business method art units, appealing to a new decision-maker may be the only hope for allowance. Meanwhile, appeals of eligibility rejections in other TCs are rare (less than 4-7 percent), which potentially is due to a lower prevalence of eligibility rejections during examination of applications in TC 2100, 2400 and 2600. Yet, eligibility rejections are seeping into other computer-related technology centers. An increase in eligibility-based appeals is surely soon to follow.

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[1] Appeals and Interferences, July 2017, USPTO, <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/appeals-and-interferences>

[2] Hayim et al., Nearly All Post-Alice Eligibility Rejections are Affirmed in Whole by the PTAB, 2018, Lexology, <https://www.lexology.com/library/detail.aspx?g=b5dcb8ae-3478-4e4b-b344-38258b910431>; see also Hayim et al., Nearly All Post-Alice Eligibility Rejections are Affirmed in Whole by the PTAB, 2018, JDSupra, <https://www.jdsupra.com/legalnews/nearly-all-post-alice-eligibility-74926/>

[3] See Hayim et al., Nearly All Post-Alice Eligibility Rejections are Affirmed in Whole by the PTAB, 2018, JDSupra, <https://www.jdsupra.com/legalnews/nearly-all-post-alice-eligibility-74926/>

[4] See Kate Gaudry, Post-Alice, Allowances are a Rare Sighting in Business-Method Art Units, 2014, IPWatchDog.com, <http://www.ipwatchdog.com/2014/12/16/post-alice-allowances-rare-in-business-method/id=52675/>; see also Kate Gaudry et al., Ex Parte Appeals in the Post-Alice World, 2016, IPWatchdog.com, <http://www.ipwatchdog.com/2016/08/02/ex-parte-appeals-post-alice/id=71562/>