



A Look at the Data: USPTO Chief Economist Analyzes Effects of Section 101 Guidance on Predictability in New Report

By Eileen McDermott / April 23, 2020

“Many in the patent community have championed the 2019 Section 101 Eligibility Guidelines and the so-called ‘Iancu-effect,’ referring to the Director’s various actions to restore predictability on Section 101. However, without the Federal Circuit and Supreme Court supporting those efforts, what do these results mean?”

The United States Patent and Trademark Office (USPTO) Chief Economist today released a report, “Adjusting to Alice: USPTO patent examination outcomes after *Alice Corp v. CLS Bank International*,” outlining the effect of recent USPTO actions on patent eligibility determinations in certain technology areas most affected by the *Alice* decision.

According to a USPTO press release, the conclusion is that these actions “have brought greater predictability and certainty” to these tech areas.

“We have heard anecdotally from both examiners and applicants across the entire spectrum of technologies that our 2019 guidance on Section 101 greatly improved the analysis in this important area of patent law,” said Andrei Iancu, Under Secretary of Commerce for Intellectual Property and Director of the USPTO in the press release. “The Chief Economist’s report now confirms this general perception, especially with its critical finding that uncertainty decreased by a remarkable 44%.”

Here are some of the key findings from the report:

- The likelihood of receiving a first office action with a rejection for patent-ineligible subject matter increased by 31% in the 18 months following the U.S. Supreme Court decision in *Alice Corp. v. CLS Bank International* in 33 “Alice-affected” technology areas.
- For these technologies, uncertainty in patent examination — measured as variability in patent subject matter eligibility determinations across examiners in the first action stage of examination — increased by 26% in the 18 months following the *Alice*
- One year after the Office issued its January 2019 Revised Patent Subject Matter Eligibility Guidance (2019 PEG), the likelihood of *Alice*-affected technologies receiving a first office action with a rejection for patent-ineligible subject matter had decreased by 25%.
- Uncertainty in patent examination for *Alice*-affected technologies decreased by 44% in the 12 months following the issuance of the 2019 PEG.

And this is how the Office identified “*Alice*-affected” technologies, from the report’s Appendix:

To identify Alice-affected technologies, we use information compiled by the USPTO’s Office of Patent Legal Administration (OPLA) on patent litigation cases from the U.S. Court of Appeals for the Federal Circuit and the U.S. Supreme Court that involved patent subject matter eligibility.¹⁸ OPLA documents the patents in-suit, as well as the relevant judicial exception for each case reviewed. The United States Patent Classifications (USPCs) of the patent applications litigated for “abstract ideas” form the set of Alice-affected technologies.¹⁹ Our control set of technologies (called “other technologies” in our figures) includes all USPCs that were never involved in patent litigation for Section 101 issues according to OPLA’s records.

According to the report, the increase in first office action Section 101 rejections following the *Alice* decision “persisted until the USPTO’s April 2018 memorandum titled ‘Change in Examination Procedure Pertaining to Subject Matter Eligibility, Recent Subject Matter Eligibility Decision’ (*Berkheimer 13 Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018) (the Berkheimer memorandum) and the USPTO’s subsequent January 2019 Revised Patent Subject Matter Eligibility Guidance (2019 PEG).”

Many in the patent community have championed the 2019 Eligibility Guidelines and the so-called “Iancu-effect,” referring to the Director’s various actions to restore predictability on Section 101. However, without the Federal Circuit and Supreme Court supporting those efforts, the results outlined in this report may arguably mean little. In February 2019, IPWatchdog Founder and CEO Gene Quinn wrote:

There is great optimism among patent owners and innovators that things are changing and will continue to improve at the USPTO under Director Iancu’s guidance. The question that remains for patent industry observers is whether the Federal Circuit will ultimately agree with what Director Iancu is doing in order to implement predictability.

So far, it has not, and the Supreme Court has declined to intervene.

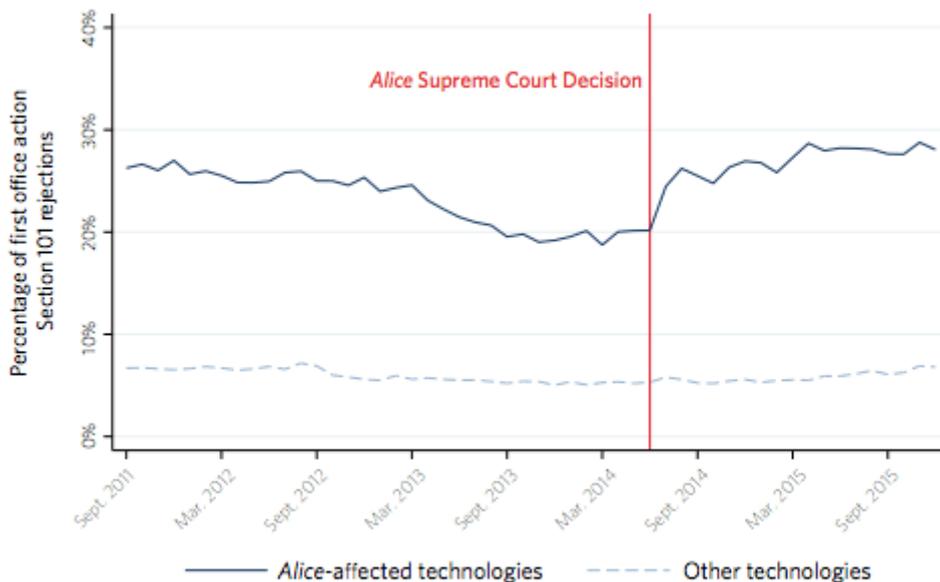
The report’s author, Dr. Andrew Toole, USPTO Chief Economist, said in the USPTO press release:

*The primary economic function of the patent system is to provide an incentive for greater innovation. Using an evidence-based approach, our report highlights the significant impact of the Supreme Court’s *Alice* decision on patent examination outcomes and the important stabilizing role played by the USPTO. This is what innovators and investors need to confidently promote entrepreneurship, create jobs, and advance science and technology.*

Director Iancu added:

I have long said that in order to ensure that the United States remains the global leader in the technologies of the future, our patent system must move beyond the recent years of confusion and unpredictability on subject matter eligibility. It is now clear that our recent guidelines mark a significant step in that direction, and I ask all involved in our treasured patent system to come together and solve, once and for all, this fundamental issue.

Figure 1: The probability of receiving a first office action with a Section 101 rejection in Alice-affected technologies and in other technologies, Sept. 2011 - Dec. 2015.



Note: Patent applications included in this figure are restricted to those filed before June 2014 to minimize any influence of applicant drafting and filing decisions in response to Alice.

Source: USPTO report

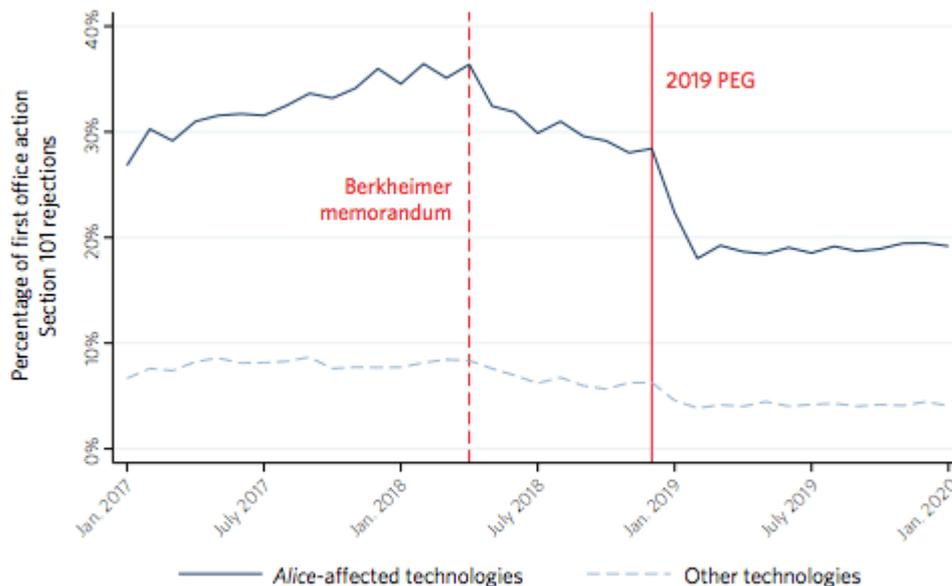
Figure 2: Variation in examiner first office action Section 101 rejection rates in Alice-affected technologies and in other technologies, July 2017 - Dec. 2015.



Note: Patent applications included in this figure are restricted to those filed before June 2014 to minimize any influence of applicant drafting and filing decisions in response to the Alice decision.

Source: USPTO report

Figure 3: The probability of receiving a first office action with a Section 101 rejection in Alice-affected technologies and in other technologies, Jan. 2017 - Jan.2020.



Note: Patent applications included in this figure are restricted to those filed before January 2019 to minimize any influence of applicant drafting and filing decisions in response to the 2019 PEG.