Podcast Transcript

Making Moves: The USPTO Provides Guidance, Proposes Changes

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Guest: Tayan Patel, **Host:** Leeann Lee

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For questions and comments contact:

Tayan B. Patel

Partner
Washington, D.C. | New York
T: +1.202.861.1798 | +1.212.589.4619
tpatel@bakerlaw.com

Lee: The U.S. Patent and Trademark Office had a busy summer in 2024. Businesses and individuals with AI and software-based inventions paid particularly close attention to the agency when, in July, it released updated guidance on how patent examiners should evaluate related claims for patent subject matter eligibility. In BakerHostetler's second annual IP Perspectives thought leadership piece, the Intellectual Property Practice Group highlights myriad IP-related topics that are at the forefront of industry developments and current challenges and trends. I'm Leeann Lee, and you're listening to BakerHosts.

On today's episode, we discuss the USPTO's new guidance on how patent examiners should evaluate claims for patent subject matter eligibility. To provide us with insight into this topic, we have Tayan Patel, a partner in the Intellectual Property Group at BakerHostetler and co-leader of the firm's IP Technology team. Welcome to the show.

Patel: Glad to be here, Leeann.

Lee: So, to start us off, what triggered the U.S. Patent and Trademark Office to issue updated guidance regarding AI and software-based inventions?

Patel: So, this all started from an executive order issued by President Biden in the fourth quarter of 2023 regarding the safe, secure, and trustworthy development and use of AI in the U.S. The executive order gave a timeline of one year to

provide guidance in order to execute this vision. And one of the main policy areas of the executive order involved innovation and competition. So, the objective is to attract AI talent to the U.S., understand novel intellectual property questions, and to protect and promote innovation.

Lee: So, what are some of the key aspects of the new guidance?

Patel: Two of the key aspects in this guidance involve inventorship and patentable subject matter, also known as 101, involving artificial intelligence. The PTO first released guidance in February 2024 touching on inventorship, and later released guidance in July of 2024 touching upon subject matter eligibility for AI-related inventions. Now, importantly, the guidance indicated that it is retroactive, which means that it applies to all patent applications and issued patents.

Lee: And who can qualify as an inventor in a patent application?

Patel: So, inventorship was covered in the February 2024 guidance. And it indicated that only natural persons, otherwise known as human beings, can qualify as inventors in order to be listed on a patent application. The PTO relied on a U.S. Court of Appeals for the Federal Circuit decision called *Thaler v. Vidal*. And here, the court reviewed the definition of an inventor under the patent statutes, which define it as an individual or a group of individuals. And then based on U.S. Supreme Court precedent, this indicated that an individual means a human being unless Congress intended another meaning.

Separately, the guidance indicated that the human being must have made a significant contribution to the claimed invention in order to qualify as an inventor. In patent law, the significant contribution must expressly be recited in at least one claim of a patent. On the other hand, by just simply reducing the invention to practice, for example, such as a technician acting as a pair of working hands, would not be enough to qualify a human being as an inventor.

Lee: So, with that in mind, what role do you think AI can play in the inventive process?

Patel: So, I think AI can play many different roles, and this will continually change with time. But as of right now, I feel that AI is a tool that is helping to assist in data analysis, pattern recognition, and generating new ideas. But importantly, AI cannot significantly contribute to the inventive aspect, as we discussed with respect to inventorship.

For example, if a human being presents a problem to an AI system and the AI system then outputs a complete inventive solution, I think this could present inventorship issues moving forward. But say, for example, a human being takes an output from an AI system, and that output is readily apparent to those of ordinary skill in the art—in other words, meaning it is non-inventive—and then the human being makes a significant contribution based on that particular output to create something that would be deemed an invention, then I think that person may qualify as an inventor.

Lee: So, what framework will the USPTO use to evaluate subject matter eligibility of AI technologies?

Patel: So, the July 2024 guidance is like an updated version of the traditional *Alice/Mayo* framework in patent law that is used to assess patent subject matter eligibility. In the framework, the initial query is now called Step 2A Prong One. Now traditionally, this was called *Alice/Mayo* Step 1. And here, you evaluate whether the claim of a patent application recites an abstract idea. What is an abstract idea? In patent law, these include categories such as mathematical concepts, certain methods of organizing human activity such as fundamental economic principles, commercial or legal interactions, or simply just managing personal behavior. And the final category of an abstract idea can also include mental processes.

Now, at least with respect to the abstract idea of mental processes, the guidance provides a hint to patentees. Specifically, the guidance indicates that claims do not recite a mental process when they contain limitations that cannot practically be performed in the human mind. For instance, when the human is not equipped to perform those claim limitations. So, this is one avenue that can be taken to overcome a patent subject matter eligibility rejection and, ultimately, avoid having to go through the subsequent queries of this framework.

So, the next query is called Step 2A Prong Two. And traditionally, this would have been the *Alice/Mayo* Step 2A query, which then evaluates whether the claim recites additional elements that integrate the abstract idea into a practical application. Now this is called the practical application test. So, some examples of a practical application include whether the claim reflects an improvement in the functioning of a computer, an improvement to another technology or field, or a technical solution to a technical problem.

Now, if the claim fails Prong Two of Step 2A, then the framework moves to the next query which is called Step 2B. And traditionally, in the *Alice/Mayo* framework, this was simply Step 2. Now this evaluates whether the claim recites significantly more than the abstract idea. One way to meet the significantly more requirement is to argue the element or combination of elements are just not well understood, routine, or conventional activity.

And finally, the guidance also showed, via a set of very nicely set up examples, that an examiner may then rely on the specification of a patent application to determine whether any of the claim elements actually provide a technical solution to a technical problem. In practice, I think it can be very useful when preparing patent applications to include one or more paragraphs detailing the technical solution for a technical problem.

Lee: So, how might this updated guidance impact the volume of new patent applications related to AI?

Patel: I think the new guidance is likely to increase the volume of AI-related applications being filed in the United States by patent applicants. Particularly because patent

applicants now have more clarity on the criteria involved to meet both inventorship and patent subject matter eligibility.

Lee: And I have just one more question for you. What are some challenges you foresee for AI-related applications moving forward?

Patel: One challenge that comes to mind is inventorship challenges via post-grant review. Now, this is where the AI turns out to have significantly contributed to conception of the invention. Remember, significant contribution must be done by an individual that is a human being. And as we touched on above, the AI cannot be an inventor. This means patent holders may need to keep sufficient records for a long time to prove that a human being actually conceived the invention and not AI.

Very recently in 2025, the acting director of the PTO, Coke Morgan Stewart, went on record stating the PTO is considering ways to encourage early challenges under the AIA, which involve post-grant review over later challenges like IPRs. And I just want to end by saying that the acting director also stated on the record that the PTO is considering new guidance on the use of AI in inventions. And I feel that this is very pro patent at least for the next couple years.

Lee: This has been a great conversation. Thank you for your insight.

Patel: Thanks, Leeann. Thanks for having me today.

Lee: If you have any questions for Tayan, his contact information is in the show notes. As always, thanks for listening to BakerHosts. Comments heard on BakerHosts are for informational purposes and should not be construed as legal advice regarding any specific facts or circumstances. Listeners should not act upon the information provided on BakerHosts without first consulting with a lawyer directly. The opinions expressed on BakerHosts are those of participants appearing on the program and do not necessarily reflect those of the firm. For more information about our practices and experience, please visit bakerlaw.com.