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# THE COLLAPSE OF COVERED BUSINESS METHOD REVIEWS

BY: ELEANOR M. YOST\*

The Transitional Program for Covered Business Method Review—the America Invents Act’s controversial proceeding for challenging the validity of business method patents before the Patent Trial and Appeal Board (“PTAB”)—was always intended to die young.<sup>1</sup> But with only 36 petitions filed in all of FY2018, the lights went out faster than anyone expected. How did a proceeding once touted as the cure to the scourge of bad patents fall so far, so fast?<sup>2</sup>

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At the dawn of the America Invents Act, the Covered Business Method Review program was viewed by many as a powerful tool for combating unchecked patent litigation in the financial services industry.<sup>3</sup> Senator Chuck Schumer (D-NY) explained that:

[w]hat this bill does . . . is very simple . . . it says the Patent Office will make an administrative determination before the years of litigation as to whether this patent is a legitimate patent so as not to allow the kind of abuse we have seen. It applies to all financial transactions, whether it be a bank or Amazon or a store or anybody else, and it makes eminent sense.<sup>4</sup>

\* Shareholder, Carlton Fields Jorden Burt, PA. With profound gratitude to her husband Andrew, and her son Jonathan, for their never-ending love and support through every late night.

1. 35 U.S.C. § 18 (2011) (America Invents Act “AIA” program set to sunset on Sept. 16, 2020).
2. 157 CONG. REC. S1367 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).
3. Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. B.J. 539, 629–30 (2012).
4. 157 CONG. REC. S5437 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer).

For the first couple of years, the program appeared to work, at least for the modest number of challengers that took advantage of it.<sup>5</sup> In fact, by 2016, only three patents had emerged unscathed out of 111 cases that reached Final Written Decision.<sup>6</sup> But the program—decried by some as a handout to special interests<sup>7</sup>—was controversial and, ultimately, constrained. Now, just five years since its launch, Covered Business Method Review is in its final death throes.

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Unlike its better-known sibling *inter partes* review (“IPR”), a Covered Business Method Review proceeding can involve only a particular type of patent: one that claims a “Covered Business Method,” as defined in Section 18 of the America Invents Act.<sup>8</sup> In other words, the challenged patent must claim “a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service,” but not a so-called “technological” invention.<sup>9</sup> And an aspiring challenger must further meet a standing requirement: only parties actually sued or charged with infringement of the patent can initiate a Covered Business Method Review proceeding.<sup>10</sup>

If a challenger can overcome these hurdles, the Covered Business Method Review proceeding rewards the effort with three significant advantages not available to challengers in an IPR.<sup>11</sup>

- First, a challenge can be based not only on patent and printed publication prior art, but also on failure to meet the other grounds for patentability, including 35 U.S.C. § 101 (lack of subject-matter eligibility), § 112 (indefiniteness), and double-patenting.<sup>12</sup>

5. See Scott McKeown, *Where Are All the Business Method Patent Challenges?*, PATENTS POST-GRANT (Apr. 24, 2013), <https://www.patentspostgrant.com/where-are-all-the-business-method-patent-challenges/>.

6. These three cases represented one percent of total program petitions filed and two percent of trials instituted. *Patent Trial and Appeal Board Statistics*, UNITED STATES PATENT & TRADEMARK OFFICE (Apr. 30, 2016), <https://www.uspto.gov/sites/default/files/documents/2016-4-30%20PTAB.pdf>.

7. 157 CONG. REC. S5408 (daily ed. June 23, 2011) (statement of Sen. Cantwell).

8. Leahy-Smith America Invents Act, Pub. L. No. 112-29 § 18(d)(1).

9. *Id.*

10. *Id.* at § 18(a)(1)(B).

11. *Major Differences between IPR, PGR, and CBM*, UNITED STATES PATENT & TRADEMARK OFFICE, [https://www.uspto.gov/sites/default/files/ip/boards/bpai/aia\\_trial\\_comparison\\_chart.pptx](https://www.uspto.gov/sites/default/files/ip/boards/bpai/aia_trial_comparison_chart.pptx) (last visited Oct. 8, 2018).

12. Compare 35 U.S.C. § 311 (2012) (“A petitioner in an *inter partes* review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under § 102 or § 103 and only on the basis of prior art consisting of patents or printed publications”) with 35 U.S.C. § 321 (2012) (“A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a

- Second, a challenger is subject to a more limited estoppel after the proceeding is over (extending only to grounds *actually* asserted in the proceeding, but not to grounds that reasonably could have been asserted).<sup>13</sup>
- Third, Section 18(b)(1) included a special factor for a district court to consider when evaluating a motion stay in view of a pending Covered Business Method Review.<sup>14</sup> Senator Schumer envisioned that factor would place such “a very heavy thumb on the scale . . . that it is nearly impossible to imagine a scenario in which a district court would not issue a stay.”<sup>15</sup>

When it was enacted, Section 18 of the America Invents Act appeared to give businesses facing the worst of the so-called “bad patents” the ammunition they needed to avoid expensive and lengthy litigation.<sup>16</sup> But the program, despite the press, got off to a slow start.<sup>17</sup>

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Immediately after Covered Business Method Review proceedings became available in September 2012, only a modest number of challenges were lodged, at least compared to IPR proceedings.<sup>18</sup> Some commentators blamed the “heightened” standing requirements in Covered Business Method Reviews that required petitioners first be charged with infringement before challenging a patent in the program.<sup>19</sup> But in 2015, more than 1,500 IPR petitions were filed; roughly 80 percent of the patents involved in those petitions were also involved in co-pending district court litigation.<sup>20</sup> More likely, most potential challengers—not burdened by a statute of

patent on any ground that could be raised under paragraph (2) or (3) of § 282(b) (relating to invalidity of the patent or any claim.”).

13. See UNITED STATES PATENT & TRADEMARK OFFICE, *supra* note 11.

14. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(b)(1)(D).

15. See 157 CONG. REC. S1053 (daily ed. Mar. 1, 2011) (statement of Sen. Schumer).

16. See McKeown, *supra* note 5 (“The CBM provision was added to the AIA as a compromise between those that did not want a ‘second window’ for Post Grant Review (PGR) (bio/pharma lobby) and those (financial/software) that felt the change in 101 case law (Bilski) should be applied to the multitude of patents that resulted from the State Street Bank decision. CBM is an especially powerful tool to combat business method patent assertions, yet only 17 have been pursued to date. Why?”).

17. *Id.*

18. *PTAB Post Grant Proceedings: A Tactical Guide for Practitioners*, GOODWIN PROCTER LLP (Jan. 1, 2013), <https://www.goodwinlaw.com/publications/2013/01/ptab-post-grant-proceedings-tactical-guide>.

19. See, e.g., 37 C.F.R. § 42.302(a) (2015).

20. Jason N. Mock, Kiri Lee Sharon, & Tianran Yan, *IPR Proactive Defense Measures – Strategies and Considerations for Patent Owners*, FOLEY & LARDNER, LLP (May 31, 2016), <https://www.foley.com/ipr-proactive-defense-measures--strategies-and-considerations-for-patent-owners-05-31-2016/>.

limitations<sup>21</sup>—believed the new proceedings were limited to only patents involving traditional banking and financial services products.<sup>22</sup>

It was not long, though, before hesitance gave way to confidence. In June 2013, the Board issued its first Final Written Decision in a Covered Business Method Review proceeding in *SAP America, Inc. v. Versata Development Group, Inc.*, which concerned a method for determining product prices by arranging them in hierarchical tables.<sup>23</sup> Interestingly, the invention at issue was not a “classic” example of a financial service, such as one used in banks and brokerage houses. Products embodying the invention were used by businesses *outside* of the financial services industry.<sup>24</sup> The challenged claims thus did not clearly fit in the mold of the “bad patents” condemned by Congress when the Covered Business Method Review program was originally debated.<sup>25</sup> But the Board held in *Versata* that the patent under review qualified as a Covered Business Method patent nonetheless.

Section 18’s phrase “financial product or service,” the Board said, was not limited to the products or services of the financial services industry, and “financial,” at least in the Covered Business Method Review context, was interpreted broadly—as relating generally to monetary matters.<sup>26</sup> The decision was remarkable for the breadth of its interpretation of a financial product or service, and its effective undoing of a Federal Circuit decision holding that same patent valid and infringed following a \$300+ million damages verdict.<sup>27</sup>

The Board’s decision in *Versata* was the first of several that opened up a universe of patents once thought to be far from “business methods” to challenge in Covered Business Method Review proceedings.<sup>28</sup> If just one claim in a challenged patent used a magic word to suggest the invention was

21. See 35 U.S.C. § 315(b) (2012).

22. Samir Bhavsar, *CBM Can Turn The Tables In Patent Litigation*, LAW360 (June 27, 2014), <https://www.law360.com/articles/542415/cbm-can-turn-the-tables-in-patent-litigation>.

23. *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, No. CBM2012-00001, Paper No. 70 (P.T.A.B. June 11, 2013).

24. Michael Borella, *SAP America, Inc. v. Versata Development Group, Inc. (PTAB 2013)*, PATENTDOCS (June 18, 2013), <http://www.patentdocs.org/2013/06/sap-america-inc-v-versata-development-group-inc-ptab-2013.html>.

25. *Id.*

26. See Bhavsar, *supra* note 22.

27. *Versata Software, Inc. v. SAP Am., Inc.*, 717 F.3d 1255, 1269 (Fed. Cir. 2013).

28. See *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, No. CBM2012-00001, Paper No. 36 at 23 (P.T.A.B. Jan. 9, 2013) (holding “financial” in the context of Section 18 of the AIA “simply means relating to monetary matters”); see also Jason E. Stach & Andrew G. Strickland, *Exploring The Expanding Scope Of Covered Business Method Reviews*, 26 No. 1 INTELL. PROP. & TECH. L. J. 20 (Jan. 2014).

related to financial services (money, sales, prices, transactions, etc.), all of the claims in the challenged patent became vulnerable to review.<sup>29</sup>

The patents at issue in *SightSound Technologies, LLC v. Apple Inc.*, for example, were directed to methods for the sale and distribution of digital audio and video data over telecommunication lines.<sup>30</sup> The court noted that the specification “repeatedly refer[red] to electronic ‘sale, ‘purchase,’ and ‘money,’” and the claims recited providing a credit card number to charge a party.<sup>31</sup> The Court ultimately agreed with the PTAB’s conclusion that electronic sales are a “financial activity,” and that such activity need not be directed to banking in particular.<sup>32</sup>

A few months later in *Blue Calypso, LLC v. Groupon, Inc.*, the Federal Circuit likewise found that patents related to methods for peer-to-peer advertising where advertisers financially induce mobile communication device users to assist their advertising efforts were properly considered business method patents.<sup>33</sup>

Because of the *Versata* line of cases, interest in Covered Business Method Review challenges increased. Senator Schumer even proposed legislation, albeit unsuccessfully, to make the Program both permanent and expanded in scope.<sup>34</sup>

Toward the end of 2014, interest in the program reached an all-time high when the Supreme Court decided *Alice Corporation Pty. Ltd. v. CLS Bank International*.<sup>35</sup> *Alice* brought validity challenges based upon non-statutory subject matter under 35 U.S.C. § 101 roaring back to the forefront. But because IPRs could not be based upon Section 101 challenges,<sup>36</sup> eyes turned again to Covered Business Method Reviews.

Emboldened challengers began testing the limits of the program. Between 2014 and 2015, Covered Business Method Review petitions challenged patents directed to technology further and further away from the financial services industry. These petitions—not all successful—touched on

29. See *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, No. CBM2012-00002, Paper No. 66 at 6 (P.T.A.B. Jan. 23, 2014).

30. *SightSound Techs., LLC v. Apple Inc.*, 809 F.3d 1307, 1311 (Fed. Cir. 2015).

31. *Id.* at 1315–16.

32. *Id.* at 1320.

33. *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1336 & 1340–41 (Fed. Cir. 2016).

34. See Tony Dutra, *Schumer Seeks Permanent, Expanded CBM PTAB Challenges on Any Management Patent*, BLOOMBERG BNA (May 7, 2013), <http://www.bna.com/schumer-seeks-permanent-n17179873837/>; see also Patent Quality Improvement Act of 2013, S. 866, 113th Cong. (2013).

35. *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347 (2014).

36. See UNITED STATES PATENT & TRADEMARK OFFICE, *supra* note 11.

technologies concerning ethernet management,<sup>37</sup> pharmaceuticals,<sup>38</sup> and even “a method for providing a shopper with personalized nutrition information.”<sup>39</sup> One study found that only half of all the patents challenged in Covered Business Method Review proceedings were originally assigned class 705 during prosecution—the traditional home of business method inventions.<sup>40</sup>

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Even as challengers filed more and more new Covered Business Method Review petitions, cracks in the program’s façade grew. By 2015, the PTAB was issuing institution decisions at a breakneck pace, and panel-to-panel inconsistencies became more evident. One of the most troubling was the question of how to determine whether a patent is a “Covered Business Method” in the first place. Not every Board panel applied a broad interpretation of “Covered Business Method.”<sup>41</sup> Some panels even declined to institute review in circumstances similar to those in *Versata*.<sup>42</sup> These panels often held that a claim under review must expressly describe a financial product or service to qualify, rather than an invention merely “incidental or complementary” to financial services.<sup>43</sup>

In *ServiceNow, Inc. v. BMC Software, Inc.*, for example, Board found that a method for diagnosing networks was not a “Covered Business Method,” even though the specification disclosed an embodiment applying the method to ATMs connected to a central bank through a satellite communications system.<sup>44</sup> The panel found that the specification

37. *Sony Corp. of Am. v. Network-1 Techs., Inc.*, No. CBM2015-00078, Paper 7, at 8–9 (P.T.A.B. July 1, 2015).

38. *Par Pharma., Inc. v. Jazz Pharma., Inc.*, No. CBM2014-00149, CBM2014-00150, CBM2014-00151, and CBM2014-00153, Paper No. 11, at 4 (P.T.A.B. Jan. 13, 2015).

39. *Google Inc. v. Better Food Choices LLC*, No. CBM2015-00071, Paper No. 10, at 9 (P.T.A.B. Aug. 20, 2015).

40. See Manny Schecter, et al., *The Effects of Alice on Covered Business Method (CBM) Reviews*, 14 NW. J. TECH. & INTELL. PROP. 381 (2017).

41. See, e.g., *Sony Corp. of Am.*, No. CBM2015-00078, Paper No. 7, at 8–13 (P.T.A.B. July 1, 2015); *SEGA of Am., Inc. v. Uniloc USA, Inc.*, No. CBM2014-00183 Paper No. 11, at 11–13 (P.T.A.B. Mar. 10, 2015); *Roxane Labs., Inc. v. Jazz Pharma., Inc.*, No. CBM2014-00161, Paper No. 16, at 19 (P.T.A.B. Feb. 9, 2015) (patented method was not a CBM because it “ha[d] no particular relation to the financial services industry and does not relate to just a financial product or service rather than to an enterprise, i.e., a conventional business organization”); *Salesforce.com, Inc. v. Applications in Internet Time LLC*, No. CBM2014-00162, Paper No. 11, at 9–10 (P.T.A.B. Feb. 2, 2015); *Par Pharma., Inc. v. Jazz Pharma., Inc.*, No. CBM2014-00149, Paper No. 12, at 10–24 (P.T.A.B. Jan. 13, 2015); *PNC Fin. Servs. Grp., Inc. v. Intellectual Ventures I LLC*, No. CBM2014-00032, Paper No. 13 at 6–15 (P.T.A.B. May 22, 2014).

42. See, e.g., *ServiceNow, Inc. v. BMC Software, Inc.*, No. CBM2015-00107, Paper 12, at 2 (P.T.A.B. Sept. 11, 2015).

43. *Id.*

44. *Id.*

emphasized an ATM embodiment as an illustration of how the method could be applied, but the claimed technique *itself* had no particular applicability to financial products or services.<sup>45</sup>

This apparent flip-flop left practitioners flummoxed. Predicting whether the PTAB would institute review became a coin toss. And without reasonable certainty, would-be petitioners became increasingly wary of the program.

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Confidence in the usefulness of Covered Business Method Review proceedings also eroded in other ways, particularly with respect to the purported “special” benefits of the program.

By the second anniversary of the America Invents Act in 2014, stays of co-pending litigation in district court had been granted only 54 percent of the time.<sup>46</sup> It thus became clear that obtaining a stay of a co-pending litigation—what Senator Schumer suggested would be a foregone conclusion in Covered Business Method Review proceedings—was not nearly as easy as some hoped.

The Federal Circuit first took up the stay issue in *VirtualAgility Inc. v. Salesforce.com, Inc.*, where it reversed a lower court’s refusal to grant a stay pending a Covered Business Method Review proceeding.<sup>47</sup> But the Federal Circuit’s decision did not immediately lead to an increase in the grant of motions to stay. Instead, in part because the Federal Circuit found no fault in the lower court’s choice to wait until *after* the Board’s Covered Business Method Review institution decision to make its ruling,<sup>48</sup> long waits for stays soon became the norm.<sup>49</sup>

For clients, the possibility of having to fight on two fronts (district court and the PTAB), while waiting for a stay that may never be granted, tempered the desire to file new Covered Business Method Review petitions.

Another touted benefit of the Covered Business Method Review program—a narrower estoppel—did not turn out to be a significant advantage.<sup>50</sup> In an IPR, once a Final Written Decision issues, a petitioner

45. *Id.*

46. Saurabh Vishnubhakat, et al., *Strategic Decision Marking in Dual PTAB and District Court Proceedings*, 31 BERKELEY TECH. L.J. 45, 84 (2016).

47. *VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307 (Fed. Cir. 2014).

48. *Id.* at 1313.

49. See, e.g., *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, No. 2:15cv21, 2015 WL 2454296, at \*3 (E.D. Va. May 21, 2015); *Evolutionary Intelligence LLC v. Apple Inc.*, No. C13-04201 WHA, 2014 WL 93954, at \*3 (N.D. Cal. Jan. 9, 2014); *Automatic Mfg. Sys., Inc. v. Primera Tech., Inc.*, No. 6:12-cv-1727-Orl-37DAB, 2013 WL 1969247, at \*3 (M.D. Fla. May 13, 2013).

50. Compare Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1)(A) (2012) with 35 U.S.C. §§ 325(e)(1) and 325(e)(2) (2012).



“may not assert in a civil action that the [challenged] claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.”<sup>51</sup> Unlike IPR petitioners, Covered Business Method Review petitioners that “reasonably could have raised” a challenge during the proceeding, but did not, would be free to introduce that challenge in a later district court or ITC proceeding.<sup>52</sup>

But as it turned out, IPR estoppel, as applied by the courts, was significantly weaker than expected. Estoppel attached only to claims and grounds addressed in a PTAB Final Written Decision.<sup>53</sup> Until very recently, Final Written Decisions only concerned *instituted* grounds and claims, which were frequently a mere subset of all challenges raised in a petition.<sup>54</sup> As a result, IPR petitioners were not estopped from re-litigating non-instituted grounds (*e.g.*, grounds determined by the Board to be redundant) or non-instituted claims using the same grounds.<sup>55</sup> The “reasonably could have raised” language applicable to IPRs but not Covered Business Method Reviews thus became only a minor distinction between the two proceedings,<sup>56</sup> since the process encouraged petitioners to raise as many grounds as possible in IPR petitions, and then raise non-instituted grounds—that the petitioner not only knew about it, but also explicitly raised it a petition before the PTAB—in a co-pending litigation.<sup>57</sup>

51. 35 U.S.C. § 315(e)(2) (2012).

52. See Scott McKeown, *The Asymmetric Estoppel of Business Method Patent Challenges*, PATENTS POST GRANT (Oct. 16, 2012), <https://www.patentspostgrant.com/the-asymmetrical-estoppel-of-business-method-patent-challenges/>.

53. See *Shaw Indus. Grp. Inc. v. Auto. Creel, Sys.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016) (non-instituted grounds not subject to estoppel under § 315(e)); *HP Inc. v. MPHJ Tech. Invs.*, 817 F.3d 1339, 1347 (Fed. Cir. 2016).

54. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, (2018) (eliminating partial institution decisions); see also Steinberg, R., et al., *Why the Patent Trial and Appeal Board Should Fully Decide Instituted Petitions*, LAW.COM (Sept. 11, 2017), <https://www.lw.com/thoughtLeadership/why-the-patent-trial-and-appeal-board-should-fully-decide-instituted-petitions> (“Although statistics regarding the frequency and extent of partial institutions are hard to find, the authors calculated from the PTO’s statistics that an average of about 1.7 claims are denied institution per instituted review, which includes only 13 or 14 instituted claims on average.”).

55. See, *e.g.*, *Princeton Dig. Image Corp. v. Konami Dig. Entm’t*, No. 12-1461-LPS-CJB, 2017 WL 239326, at \*3–5 (D. Del. Jan. 19, 2017) (defendant not estopped from challenging validity of claims PTAB did not address); see also *Illumina Inc. v. Qiagen N.V.*, 207 F. Supp. 3d 1081, 1088–89 (N.D. Cal. Sept. 9, 2016) (redundant grounds not estopped); *Douglas Dynamics, LLC v. Meyer Prods. LLC*, No. 14-cv-886-jdp, 2017 WL 1382556, at \*5 (W.D. Wis. Apr. 18, 2017) (exempting grounds denied institution on the merits).

56. IPR estoppel may become, over time, more stringent, following the *SAS* decision. See, *e.g.*, Barbara McCurdy & Arpita Bhattacharyya, *How SAS Expands Scope of Inter Partes Review Estoppel*, LAW360 (June 19, 2018), <https://www.law360.com/articles/1053281/how-sas-expands-scope-of-inter-partes-review-estoppel>.

57. *Id.*

Patent owners also became more adept at avoiding Covered Business Method Review proceedings altogether. One strategy involved cancelling patent claims that supported the challenger's assertion that the patent claimed a "Covered Business Method," and then arguing that the remaining claims were not subject to challenge in the proceeding.<sup>58</sup> Board rules explicitly provide for responding to a Covered Business Method Review challenge with a disclaimer of rights.<sup>59</sup> Once disclaimed, a claim is treated as if it never existed.<sup>60</sup> Therefore, a disclaimed claim could not provide the basis for a finding that the patent under review claimed a "Covered Business Method."<sup>61</sup> In such situations, patent owners were able to end the proceeding unilaterally, with claims still intact, with nary a word available to the challenger.<sup>62</sup>

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Patent owners also mounted significant challenges to the Board's broad interpretation of the phrase "Covered Business Method," as articulated in *Versata*. Starting in 2016, the Federal Circuit decided several cases curtailing the Board's interpretation.

In *Unwired Planet LLC v. Google, Inc.*, the Board determined that U.S. Patent No. 7,203,752, which related to a wireless device's location information, qualified for Covered Business Method Review as "incidental or complementary to the financial activity of service or product sales."<sup>63</sup>

On appeal, the Federal Circuit disagreed with the Board's decision, rejecting the broad standard that the Board had applied for determining Covered Business Method Review eligibility since *Versata*. In particular, the Federal Circuit determined that the portion of the Board's standard relating to "incidental to a financial activity or complementary to a financial activity" would encompass patents not within the statutory bounds of review.

58. Facebook, Inc. v. Skky, LLC, No. CBM2016-00091, Paper No. 12, at 3–4 (P.T.A.B. Sept. 28, 2017) (reh'g denied).

59. 37 C.F.R. § 42.207(e) (2012).

60. Patrick T. Muffo, *Strategic Use of Disclaimers in PTAB Proceedings*, SEYFARTH SHAW BLOG (Jan. 31, 2017), <https://www.seyfarth.com/publications/PTAB013117>.

61. *Id.*

62. It is worth noting that covered business method review eligibility is determined based on the claims of the challenged patent as they exist at the time of the institution decision. Post-institution disclaimers thus do not have the same effect. *See, e.g.*, J.P. Morgan Chase & Co. v. Intellectual Ventures II LLC, No. CBM2014-00157, Paper No. 40 (P.T.A.B. Jan. 12, 2016); *see also* Emerson Elec. Co. v. SIPCO, LLC, No. CBM2016-00095, Paper No. 39 (P.T.A.B. Jan. 16, 2018) ("[P]ost-institution disclaimer of claims [reciting a financial activity element] does not affect our CBM patent review eligibility determination.").

63. Google Inc. v. Unwired Planet, LLC, No. CBM2014-00006, Paper No. 11, at 11 (P.T.A.B. Apr. 8, 2014).

The Board's application of the "incidental to" and "complementary to" language from the PTO policy statement instead of the statutory definition renders the limits Congress placed on the definition of a CBM patent superfluous. CBM patents are limited to those with claims that are directed to methods and apparatuses of particular types and with particular uses "in the practice, administration, or management of a financial product or service."<sup>64</sup> The patent for a novel lightbulb that is found to work particularly well in bank vaults does not become a CBM patent because of its incidental or complementary use in banks. Likewise, it cannot be the case that a patent covering a method and corresponding apparatuses becomes a CBM patent because its practice could involve a potential sale of a good or service. All patents, at some level, relate to potential sale of a good or service.<sup>65</sup>

The Federal Circuit vacated the Board's decision and remanded for further consideration.<sup>66</sup> The Covered Business Method Review petitioner, Google, filed a petition for rehearing *en banc*, which was denied in April 2017, and then a petition for certiorari, which was denied a year later.<sup>67</sup> As a result, the narrower interpretation of "Covered Business Method" would stand.

Soon after *Unwired Planet*, the Federal Circuit held that for a patent to qualify as a "Covered Business Method patent," it is not enough that the claimed invention be merely incidental to a financial activity.<sup>68</sup> Rather, the patent must have at least one claim that expressly recites a financial activity element.<sup>69</sup> To decide otherwise would give the Covered Business Method Review program a virtually unconstrained reach encompassing "nearly everything that is invented."<sup>70</sup>

The PTAB, for its part, quickly adhered to the Federal Circuit decisions holding that the PTAB could not rely on the "incidental" or "complementary" prongs of its former test.<sup>71</sup> And predictably, as shown in

64. Leahy-Smith America Invents Act § 18(d).

65. *Unwired Planet, LLC v. Google Inc.*, 841 F.3d 1376, 1382 (Fed. Cir. 2016).

66. *Id.*

67. *Unwired Planet, LLC v. Google Inc.*, 682 F. App'x 928, 929–30 (Fed. Cir. 2017) (denying reh'g and reh'g en banc), *cert denied*, 138 S. Ct. 1693 (Apr. 30, 2018).

68. *Secure Access, LLC v. PNC Bank Nat'l Ass'n*, 848 F.3d 1370, 1381 (Fed. Cir. 2017) (reh'g en banc denied) *Secure Access, LLC v. PNC Bank Nat'l Ass'n*, 859 F.3d 998, (Fed. Cir. June 6, 2017), (cert. granted, judgment vacated by *PNC Bank Nat'l Ass'n v. Secure Access, LLC*, 138 S. Ct. 1982 (May 14, 2018)).

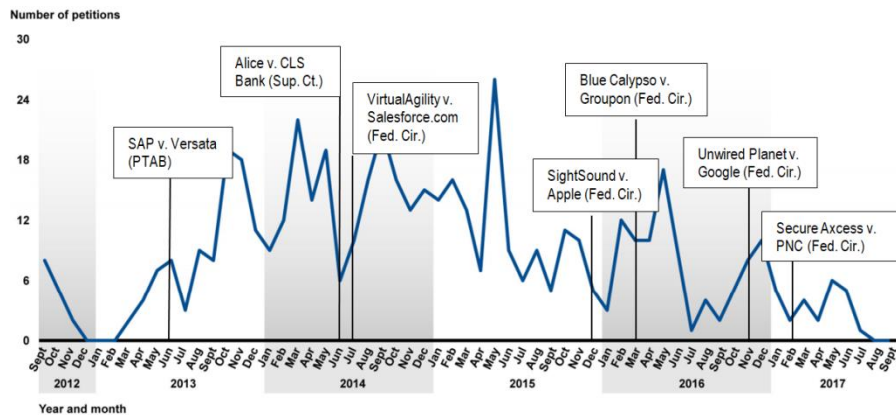
69. *Secure Access, LLC*, 848 F.3d at 1380–81.

70. *Id.* at 1379.

71. *See, e.g., Honeywell Int'l, Inc. v. Intellicheck, Inc.*, No. CBM2017-00062, Paper No. 12, at 9 (P. T.A.B. Jan. 22, 2018).

Figure 1,<sup>72</sup> denials of institution increased, and new petition filings dropped. During some months during FY2018, no petitions were filed at all.<sup>73</sup>

**FIGURE 1**<sup>74</sup> – Annotated GAO Figure Showing Number of Petitions Filed Seeking Covered Business Method Review, Per Month, 9/2012-9/2017



In March 2018, the House Judiciary Courts, Intellectual Property and the Internet Subcommittee held a hearing to discuss the Program.<sup>75</sup> Among other things, the Subcommittee discussed whether Congress should amend or extend the program beyond its current 2020 sunset date.<sup>76</sup> A consensus on extending the program has not yet been reached, but it is fair to say that the testimony before the Subcommittee was a far cry from the spirited debate about the program ahead of passing the America Invents Act.<sup>77</sup> Few seem to be clamoring for more.

The demise of the Covered Business Method Review program may not even take until 2020<sup>78</sup> – a remarkable outcome considering that at one point,

72. U.S. GOV'T ACCOUNTABILITY OFF., GAO-180-320, U.S. PATENT AND TRADEMARK OFFICE: ASSESSMENT OF THE COVERED BUSINESS METHOD PATENT REVIEW PROGRAM (2018).

73. *Id.*

74. *Id.*

75. *Assessing the Effectiveness of the Transitional Program for Covered Business Method Patents*, 115<sup>th</sup> Cong. (2018) (statement of Aaron Cooper, Vice President, Global Policy BSA The Software Alliance); Malathi Nayak, *House Panel Probes Covered Business Method Patent Challenges (1)*, BLOOMBERG BNA (Mar. 20, 2018), <https://www.bna.com/house-panel-probes-n57982090116/>.

76. *Id.*

77. *Id.*

78. *Id.*

at least one claim was invalidated in 96.7 percent challenged patents that made it to Final Written Decision.<sup>79</sup>

Some commentators attribute the stark decline in new Covered Business Method Review proceedings to the program's "success" in invalidating the worst-of-the-worst patents.<sup>80</sup> The program, they say, was intended to handle a temporary problem in a specific area and has now served its purpose.<sup>81</sup> Others suggest that challengers have been buoyed by the apparent willingness of some district courts to grant early motions to dismiss under Section 101,<sup>82</sup> and may no longer be interested using an expensive proceeding that costs, at a minimum, \$38,000 in official fees alone.<sup>83</sup> Just as likely as either of these reasons is the program's failure to deliver on its touted "advantages" concerning litigation stays and limited estoppel scope, and the Board's early inconsistent decisions what kind of patent even qualifies as a "Covered Business Method," which artificially inflated filings early on. Whatever the reason, challengers filed an average of four petitions per month in FY2017.<sup>84</sup> In FY2018, there were even fewer.<sup>85</sup>

Given the significant additional work for the Board following the Supreme Court's *SAS* decision,<sup>86</sup> perhaps the quiet demise of the Covered Business Method Review program is a welcome respite for the Board and patent owners alike.

79. Louis Touton, et al., *Is This Really Patentable?*, THE INTELLECTUAL PROPERTY STRATEGIST, Sept. 2017, Vol. 23, no. 12, 4, <https://www.jonesday.com/files/Publication/04a4a332-9c46-4c4b-8e24-235d9571bc4d/Presentation/PublicationAttachment/62ac8cf7-ec78-4ed0-ab35-3405d0f503a4/Is%20This%20Really%20Patentable.pdf> ("According to the USPTO, once instituted, CBMR cases that do not settle result in 97% of patents having some claims found unpatentable, and 82% having all claims found unpatentable").

80. *See The Transitional Program for Covered Business Method Patents (CBM Program) Should Expire in 2020*, BSA – SOFTWARE ALLIANCE, [https://www.bsa.org/~media/Files/Policy/IntellectualProperty/BSA\\_CBM\\_r1.pdf](https://www.bsa.org/~media/Files/Policy/IntellectualProperty/BSA_CBM_r1.pdf). (last visited Oct. 10, 2018).

81. *Id.*

82. *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1368 (Fed. Cir. 2018); *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 112 (Fed. Cir. 2018).

83. *See* Sandip H. Patel, *Trial Practice Guide Updates and Future Fee Increases*, MARSHALL, GERSTEIN & BORUN LLP PTAB WATCH BLOG (Aug. 13, 2018), <https://www.ptabwatch.com/2018/08/trial-practice-guide-updates-and-future-fee-increases/>.

84. *See supra* Figure 1.

85. *Trial Statistics, IPR, PGR, CBM*, UNITED STATES PATENT & TRADEMARK OFFICE (July 2018), [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20180731.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180731.pdf).

86. Raghav Bajaj, *SAS Institute Summary for the PTAB Bar Association*, PTAB BAR ASSOCIATION, (June 11, 2018), <https://www.ptabbar.org/latest-news/sas-institute-summary-for-the-ptab-bar-association/> ("In the short term, the workload of the Board will increase because of the guidance and policy to institute on all claims as well as all grounds.").