

CBM Reviews May Fade Away As Fed. Circ. Limits Reach

By Ryan Davis

Law360, New York (March 10, 2017, 11:04 PM EST) -- The America Invents Act's covered business method review program has been a popular way for accused infringers to target patents they believe are invalid under Alice, but recent Federal Circuit rulings restricting when the program can be used may cause interest to dwindle, attorneys say.

The CBM program allows the Patent Trial and Appeal Board to review the validity of patents used in financial products and services under grounds not available in inter partes reviews, including patent-eligibility arguments like the U.S. Supreme Court's Alice ruling. But in two recent decisions, the Federal Circuit has faulted the PTAB for applying the program too broadly.

While the board had previously held that patents "incidental to" and "complementary to" financial services are subject to CBM reviews, the Federal Circuit has said that is not enough, and that the program applies only to patents with a "financial activity element" in the claims. Since then, the PTAB has cited those rulings and denied CBM review in several cases.

Over 500 CBM petitions have been filed to date, but the restrictions on the program will mean that fewer CBM reviews are going to be instituted, attorneys say. Given the higher risk of rejection, petitioners may shy away from using the program.

"The fact that the PTAB was so ready to institute trials for patents that were only tangentially related to financial services suggests that the number of patents for which trial can be justifiably instituted will drop significantly," said Richard Bone of VLP Law Group LLP.

Until the Federal Circuit started reining in the program, it seemed that the PTAB's broad interpretation of CBM eligibility had resulted in reviews of many patents related to doing business over the internet that are unlikely to be eligible now, said David Cochran of Jones Day.

"Clearly this pair of decisions appears to have resulted in a fairly significant curtailing of what's going to be CBM-worthy at the PTAB," he said.

The Federal Circuit's increased scrutiny of the CBM program began in November when it vacated a PTAB decision that invalidated an Unwired Planet LLC patent on restricting access to a wireless device's location information for claiming only an abstract idea.

The board found that because sales could result from advertising related to the use of the patent, which had been challenged by Google Inc., it was incidental to financial services and subject to CBM review. The Federal Circuit said that allowing review of patents merely "incidental to" financial services "renders superfluous the limits Congress placed on the definition of a CBM patent."

Last month, the Federal Circuit faulted another CBM decision by the PTAB, ruling that the board wrongly reviewed a Secure Axcess LLC patent on web page authentication technology asserted against banks including U.S. Bancorp.

The board said that the patent's written description referred to a need for financial institutions to assure customers that their websites are authentic, making the patent subject to CBM review. The Federal Circuit emphasized that the financial aspect of the patent must be found in the claims, and that website authentication, which could be used by any business, did not fit the bill.

"Necessarily, the statutory definition of a CBM patent requires that the patent have a claim that contains, however phrased, a financial activity element," the Federal Circuit said.

Moreover, the court ruled that the fact that the patent was asserted mostly against banks does not play a role in deciding whether a patent is CBM-eligible, as the PTAB had said. A patent owner's choice of litigation targets "could be influenced by a number of considerations" and "do not necessarily define a patent as a CBM patent," the court said.

The rulings show that "maybe in the euphoria of a new regime, the patent office pushed it pretty far" in terms of what it chose to review under the CBM program, said Matthew Kreeger of Morrison & Foerster LLP.

The PTAB appears to be taking the Federal Circuit's decisions to heart. On Feb. 27, it cited the new rulings in three separate opinions denying CBM review, each involving different PTAB judges. Two of the challenges involved advertising patents, while a third involved an electronic alert system.

The rulings make clear that unless the claims of the patent are uniquely limited to financial products and services, it is unlikely to be CBM-eligible, and that the patent's written description and the owner's litigation history are no help in securing CBM review.

"Really the most important thing is the language of the claims," said Aaron Taggart of Haynes and Boone LLP.

He added that the Federal Circuit's rulings "seem to narrow the scope of patents that are eligible, so you need to think carefully before filing a CBM about whether it is likely to be instituted."

If it seems questionable that a patent is closely tied enough to financial services to warrant CBM review, then a CBM may be worth considering instead of filing an inter partes review, or IPR, he said. While that program does not allow petitioners to make patent-eligibility arguments, as CBM does, it is available for any patent.

Nevertheless, much of the appeal of CBM reviews comes from the chance it gives petitioners to challenge patents under Alice, in which the justices held that abstract ideas implemented using a computer are not patent-eligible under Section 101 of the Patent Act. Alice has proven to be a potent tool to get patents invalidated, a trend reflected in statistics the PTAB issued in February.

Both IPRs and CBMs are favorable to challengers, but in IPRs, 17 percent of final decisions result in all the instituted claims surviving, while all or some of the claims are invalidated 83 percent of the time. In CBMs, all the claims survive in only 3 percent of final decisions, and all or some of the claims are invalidated 97 percent of the time.

"Getting a CBM going is great as a petitioner. It seems like really all of the patents challenged by CBMs are going down if they are instituted," Kreeger said.

That likely led petitioners to try to push patents with a tenuous relationship to finance into the CBM program, but that strategy will be much tougher under the recent rulings, Bone said.

"CBM was basically aimed at the business method type of patents," he said. "While Section 101 jurisprudence has decidedly expanded what could be viewed as abstract, that doesn't mean you can take any patent that might be invalid under 101 and turn it into a CBM patent."

There is still a possibility that the last word on CBM eligibility is yet to be written, since Google has requested an en banc rehearing of the decision in the Unwired Planet case. But for now, the CBM program appears to be a less viable tool than it was a few months ago.

The program is set to expire in 2020, and if it starts being used less often due to the new limits, any movement in Congress to keep it around is likely to evaporate, Bone said.

"At least for now, it looks as if the utility of it for litigants is diminished," he said.

--Editing by Pamela Wilkinson and Philip Shea.
