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PERSPECTIVE

In review: the America Invents Act 1 year later

By Evelyn Mak and Toby Mock

Over one year ago, Sept. 16, 2012, the U.S. Patent and Trademark Office implemented a new post-grant review procedure available to financial services institutions, software firms, and similar entities sued for or charged with infringement of so-called “covered business method patents.”

While still in its infancy, several important trends have emerged in the program’s first year that may inform how and to what extent the program will be utilized in the future.

Section 18 of the America Invents Act (AIA) introduced the “Transitional Program for Covered Business Method Patents” (CBM), which offers petitioners an expedited trial proceeding (12-18 months) administered by the Patent Trial and Appeal Board (PTAB).

Touted by Congress as a more efficient alternative to litigation, CBM review is available to petitioners seeking to challenge the validity of patent claims directed to “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,” which are not “technological inventions.”

Standing to petition for CBM review requires that a “real and substantial controversy regarding infringement” exists between the petitioner and patent owner — i.e., an actual or threatened lawsuit. The CBM program, which expires Sept. 16, 2020, applies to all covered business method patents regardless of filing date.

CBM review is in several respects a more favorable proceeding than the AIA’s new inter-partes review (IPR). Namely, CBM review may be premised on virtually any statutory ground for patentability (except for best mode under 35 U.S.C. Section 112), whereas IPR review is limited to anticipation (Section 102) and obviousness (Section 103).

The estoppel attaching to CBM review for purposes of subsequent district court or ITC proceedings is also far less-reaching: CBM petitioners are only estopped from arguing invalidity grounds *actually raised* with the PTAB, whereas IPR petitioners are further estopped with respect to any argument that *reasonably could have been raised* with the PTAB.

Notwithstanding these significant advantages, CBM review was utilized sparingly in the program’s first year. Indeed, just 52 petitions for CBM review were filed in the program’s first year, compared to more than 500 petitions for IPR review. While CBM petitions have seen an uptick in recent months — with August 2013 seeing the highest number of petitions filed since the program’s inception (12) — it remains to be seen if that trend will continue.

Thus, while this relatively low volume of activity is not necessarily indicative of a preference for IPR review, the CBM program has hardly proven to be the “powerful new weapon” against business method patents that some pundits predicted.

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Nevertheless, while still in its infancy, several noteworthy data points have emerged during the program’s first year. *First*, the PTAB has demonstrated a predilection in favor of instituting review, doing so in 11 of the 14 petitions for which it has rendered a decision on an institution. Notable takeaways from these early institution decisions include the following:

- For all 14 petitions, the PTAB found that the challenged claims met the statutory definition for a “covered business method” and did not fall within the “technological invention” exception;

- The most prevalent statutory basis for instituting review has been obviousness under Section 103, which far outnumbers any other basis. The grounds of invalidity under Sections 101 (unpatentable subject matter) and 102 (anticipation) are equally common, although less-so than Section 103;

- The PTAB has rejected every argument under Section 112 (lack of written description or enablement), and has issued review on this basis only once at its own initiative;

- For the three petitions for which the PTAB declined to institute review, the PTAB found that the petitioner failed to demonstrate that it was more likely than

not that at least one challenged claim was unpatentable; and

- In many of the early cases, the PTAB moved quickly to institute review ahead of the statutory three-month deadline. This trend, however, may be waning, as the PTAB has yet to issue an institution decision for any petitions filed on or after March of this year.

Second, the vast majority of CBM petitions filed to date have asserted standing based on existing litigation between the parties. The first petition premised on a “threat” of litigation alone, filed Aug. 21, will serve to further inform the standing limits of the CBM program. Thus, it remains to be seen whether CBM review may become a more widely used preemptive strategy for entities charged, but not yet sued, for infringement.

Third, CBM review appears to be, at least thus far, a successful strategy for defendants seeking a stay of parallel district court actions. To date, 12 district court actions associated with 24 CBM reviews have been stayed (at least in part) pending resolution of the CBM proceeding. A request for a stay sought in connection with a CBM review has been denied in only three cases (associated with seven CBM review proceedings). In each of these cases, the CBM had not yet been instituted, and the district court indicated that it would be open to considering a renewed motion to stay upon institution of the review.

Thus, it appears that CBM review has been an effective strategy for litigants seeking to choose an alternative venue to district court for arguing invalidity, a fact that may very well prove to increase the program’s popularity going forward.

Finally, the PTAB’s recently issued Final Written Decision in *SAP Am., Inc. v. Versata Dev. Group, Inc.* (CBM2012-00001) — the first to come down — may offer some insight into what future decisions could bring.

In this proceeding, the PTAB considered a validity challenge under Section 101 for claims that had already been construed and held infringed at the district court. Following an expedited oral hearing, the PTAB found the challenged patent, directed to a method and apparatus for pricing products and services, unpatentable under Section 101.

Notably, the patent owner contested the PTAB’s application of the broadest reasonable interpretation (BRI) stan-

dard for claim construction, arguing instead that the district court’s claim construction should be binding for purposes of the CBM review. The PTAB rejected that argument, confirming that the BRI standard is the “one correct standard for post grant reviews.”

The PTAB construed the claims based on the BRI standard and concluded that each seeks to claim the unpatentable abstract idea of “determining a price using organization and product group hierarchies.” A request for rehearing is currently pending.

While only the first, a number of additional final decisions should be forthcoming in the coming months as the statutory deadlines approach. Indeed, the PTAB recently held its second oral argument Aug. 23, and eight additional oral arguments are scheduled for this fall. Those decisions will likely help to shape the future popularity of the CBM program as an alternative venue for litigating validity.

In sum, CBM review has thus far proven to be an effective — albeit rarely used — tool for financial services institutions, software firms, and similar entities sued for or charged with infringement of covered business method patents. In that regard, the apparent growing popularity of the program and upcoming anticipated wave of decisions are developments worth following.

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