

Federal circuit and USPTO seek to clarify business method patents

Some of the uncertainty surrounding business method patents in the US may be clarified by a rehearing of *CLS v Alice* next month and a recent ruling concerning post-grant review procedures, reports **Alli Pyrah**

At the en banc rehearing of *CLS v Alice*, which begins on February 8, Federal Circuit judges will attempt to answer long-standing questions including when, if ever, computer implementation makes an otherwise abstract idea eligible for patent protection in the US.

The Court is rehearing the case en banc after overturning its controversial split decision in July 2012 to uphold Alice's patent claims for a computerised trading system which minimises risk.

In the panel decision on *CLS v Alice*, which was subsequently vacated, the Court acknowledged that simply using a computer did not save Alice's claims from being abstract ideas. Nevertheless, the 2-1 majority concluded that computerisation was essential to the system's ability to act as an intermediary between traders. Judge Richard Linn, writing for the majority, said this limitation placed "meaningful boundaries" on the patent.

The case created further confusion over what constitutes a patent-ineligible abstract idea. It deviated from rulings such as *Bilski* and *Mayo*, in which courts invalidated patents after considering similar questions concerning the abstract ideas exemption.

In its ruling in *Bilski* in 2010, the Supreme Court said the machine-or-transformation (MOT) test is "a useful and important clue, an investigative tool" but "not the sole test for deciding whether an invention is a patent-eligible process".

Erika Arner, a partner of Finnegan Henderson Farabow Garrett & Dunner, worked on the *Bilski* case and has been following the developments in *CLS v Alice*.

She said that the Supreme Court's elimination of the MOT test in *Bilski* contributes to the confusion regarding what constitutes an abstract idea.

But although the Federal Circuit has agreed to consider the question of what should replace the MOT test in its February rehearing of *CLS v Alice*,

Arner believes it is unlikely the court will create an alternative standard which is unambiguous.

"Bright minds have tried for decades to come up with a test and I think it's not possible based on the way our patent law has been written," she said.

One solution, suggested Arner, would be to adopt a recommendation made by Judge Richard Linn in his majority opinion in the *CLS v Alice* panel decision. Linn suggested that the courts should shift some emphasis away from the standards laid out in Section 101 and consider Sections 102, 103 and 112 more thoroughly when assessing whether an idea is eligible for patent protection.

Steven Glassman of Kaye Scholer is representing CLS Bank and CLS Services and Adam Perlman of Williams & Connolly is representing Alice in the case.

First CBM review case offers hope for alleged infringers

The beginning of the *CLS v Alice* rehearing follows a ruling by the Patent Trial and Appeal Board (PTAB) on the first case decided under the USPTO's Covered Business Method (CBM) review procedure.

The *SAP v Versata* ruling, decided earlier this month, provided a boost to the arsenal of parties that are sued for infringing business method patents.

The case concerned the interpretation of the requirements for initiating a CBM review and the decision suggests that the Board is interpreting these liberally.

Patent owner Versata claimed that petitioner SAP had failed to meet all three criteria for seeking a CBM review, but the PTAB disagreed and said that the review will take place.

Most notably, the Board concluded that the definition of "financial products or services" was to be "broadly interpreted and encompass patents claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity".

The Board also said that Versata's claim that it was disclosing a software invention was insufficient to qualify it for the exemption for technological inventions. Noting that the patent states the invention may be implemented in any type of computer system, the PTAB concluded that "no specific, unconventional software, computer equipment, tools or processing capabilities are required".

Erika Arner of Finnegan is representing SAP and Nancy Linck of Rothwell Figg Ernst & Manbeck is representing Versata in the proceeding.

John Phillips, a principal at Fish & Richardson, described the *SAP v Versata* decision as an "instructive" ruling.

"It shows that the patent office is going to construe the requirements very liberally, so it's going to be a very useful tool for people who have been sued for infringing business method patents."

CBM review, a new type of post-grant review specifically for business method patents, was introduced in September 2012 under the AIA. The procedure is an interim measure which will allow alleged infringers to challenge patents administratively instead of via the courts. It will be in place until September 16 2020, at which point the USPTO will not accept any new petitions for CBM review.

For more information on the procedure, see: [The CBM process explained](#).

Congress began to discuss a post-grant review for business method patents during the late 1990s and early 2000s, when the case law on business method patents was unsettled.

Phillips said CBM review was introduced in response to "an ongoing concern about business method patents being a tax on the financial services industry".

According to USPTO records, there have so far been 15 requests to initiate CBM review since the procedure was introduced September 2012. Once the USPTO issues a ruling on validity after a CBM trial, either party may appeal the decision to the Federal Circuit.