

Post-Grant for Practitioners



FR

CBM Eligibility and Reviewability



Karl Renner
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Webinar Series

March 12, 2014

Agenda


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- I. Overview of Webinar Series
- II. Statistics
- III. Covered Business Method Review
- IV. Optional: Pro hac and Protective Order Issues

I. Overview

- Where? ... see invitation
- How often? ... monthly
- When? ... 2nd Wednesday
- Topics? ...
 - Important decisions
 - Developments
 - Practice tips
- Housekeeping
 - CLE
 - Questions
 - Materials
 - <http://fishpostgrant.com/webinars/>
 - <http://fishpostgrant.com/practice-tips/>



POST-GRANT PRACTICE
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Post-Grant for Practitioners: CBM Eligibility and Reviewability

Wednesday, March 12, 2014
1:00 PM - 2:00 PM EST

Please join us as we continue our examination of CBM practice, including CBM eligibility and reviewability of PTAB decisions related to same. The webinar will cover the definition of covered business method patent under the AIA, as construed by the PTAB, including the exclusion of "patents for technological inventions" and the requirement that, to be eligible for CBM review, the target patent must claim activities that are "financial in nature, incidental to a financial activity or complementary to a financial activity." We will also discuss recent noteworthy developments relating to stays and final written decisions.

Speakers:
[Kari Renner](#), Principal and Post-Grant Practice Co-Chair, Washington, DC
[John Phillips](#), Principal, Southern California
[Andrew Patrick](#), Associate, Washington, DC

Fish & Richardson will apply for 1.0 hour of general CLE credit in most states. If you would like to receive CLE credit, register using your state bar information.

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If you have questions, please contact Emma Brown at ebrown@fr.com.

About the Series

Post-Grant for Practitioners is a monthly series of complimentary webinars focusing on developments in post-grant proceedings and related practice tips.

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II. Statistics (IPR)

- IPR's Filed?
 - 912 filed through February 28th, 2014
 - 54 filed in February 2014
- Application of Threshold: Reasonable Likelihood of Success
 - IPR has been instituted in almost all petitions evaluated
 - In most cases where IPR was ordered, it was on only a subset of the grounds requested

II. Statistics (CBM)

- CBM's Filed?
 - 125 filed through February 28th, 2014
 - 12 filed in February 2014
- Application of Threshold: More Likely Than Not
 - CBM instituted in vast majority of CBM Petitions that were evaluated
 - In a number of cases, CBM was ordered on only a subset of petitioned grounds and/or claims

II. Statistics (Stays)

- Frequently updated listing of district court orders related to motions to stay is provided on our post-grant website, fishpostgrant.com/stays
- Webpage contains a tally of motions for stay granted and motions for stay denied, and provides the court orders
- Last counted, 98 motions for stay were granted and 43 motions for stay were denied

II. Statistics (Stays)

- In *Evolutionary Intelligence, LLC. v. Sprint Nextel Corp.*, Judge Whyte of the Northern District of California granted, on February 28, 2014, a stay to Sprint, pending the outcome of IPRs petitioned for by other defendants.
- **The stay is conditional on Sprint’s agreement to be subject to limited estoppel – the grounds raised in the petitions.**
- The defendants who petitioned for IPR will be estopped from bringing arguments that were **“raised or reasonably could have been raised.”**
- Judge Whyte reasoned that the limits on Sprint are **“necessary** to effect the [USPTO’s] interest in protecting the integrity of [USPTO] proceedings and in preventing parties from having a **‘second bite at the apple.’”**

III. Covered Business Method Review

- What: CBM review was introduced by the AIA, enabling a petitioner challenge the patentability of a “covered business method patent.”
- Who: only a party charged with infringement of a CBM patent can initiate a CBM challenge, although receipt of a cease and desist letter may suffice.
- When: for post-AIA patents, a CBM petition may be filed at any time after the first nine months of grant; for pre-AIA patents, a CBM petition may be filed at any time, including within nine months of grant.
- Where: unlike *inter partes* reexamination, which was conducted by examiners, CBM review is conducted by the Patent Trial and Appeal Board (PTAB)
- Why: relative to other post-grant proceedings, CBM review is advantageous because: (1) estoppel in CBM is limited to grounds actually raised; and (2) CBM review permits challenges on grounds other than patents and printed publications (§§ 101, 102, 103, and 112).

III. CBM - Petition

- The petition must provide:
 - Identification of real parties in interest and grounds for standing
 - Identification of challenged claims and grounds on which the claims are challenged
 - Claim constructions
 - Explanation of the grounds of unpatentability and of the relevance of evidence relied upon (usually provided in the form of claim charts)
 - Copies of the evidence relied upon
 - The required fees at filing (\$12,000 + \$250 for each claim over 20) and once instituted (\$18,000 + \$550 for each claim over 20)

III. CBM - Threshold

- The CBM petition must establish that it is more likely than not that at least one claim is unpatentable.

- *Liberty Mutual Insurance Co. v. Progressive Casualty Insurance Co.*, CBM2012-00002:

“Section 18(d)(1) of the AIA sets forth a single threshold based on just one claim—the satisfaction of which qualifies an entire patent as eligible for review—rather than a test that must be applied on a claim-by-claim basis to justify review of each claim. Therefore, a *patent* is eligible for a covered business method patent review if the subject matter of at least one claim is directed to a covered business method.”

III. CBM Eligibility – Definition of CBM

- Only covered business method patents are eligible for CBM review.⁹
- The AIA defines a covered business method patent as:
 - a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of [1] a financial product or service, except that [2] the term does not include patents for technological inventions.¹⁰
- The AIA’s legislative history demonstrates that the term “financial product or service” should be “interpreted broadly,” encompassing patents “claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.”¹¹

III. CBM Eligibility – Financial Activity

- In practice, the USPTO has broadly construed the term “financial product or service.”
- In two recent cases, for example, the Patent Trial and Appeal Board the Board has established that a challenged patent may be deemed a CBM patent on the basis of claims that lack explicit reference to financial activities.¹²
- In *Volusion*, the challenged patent, U.S. Patent No. 6,834,282, related to a hierarchical representation of items in in a database, consisting of nodes that are related to one another in a tree-like structure starting with a root node.

CBM Eligibility – Financial Activity

The '524 patent:

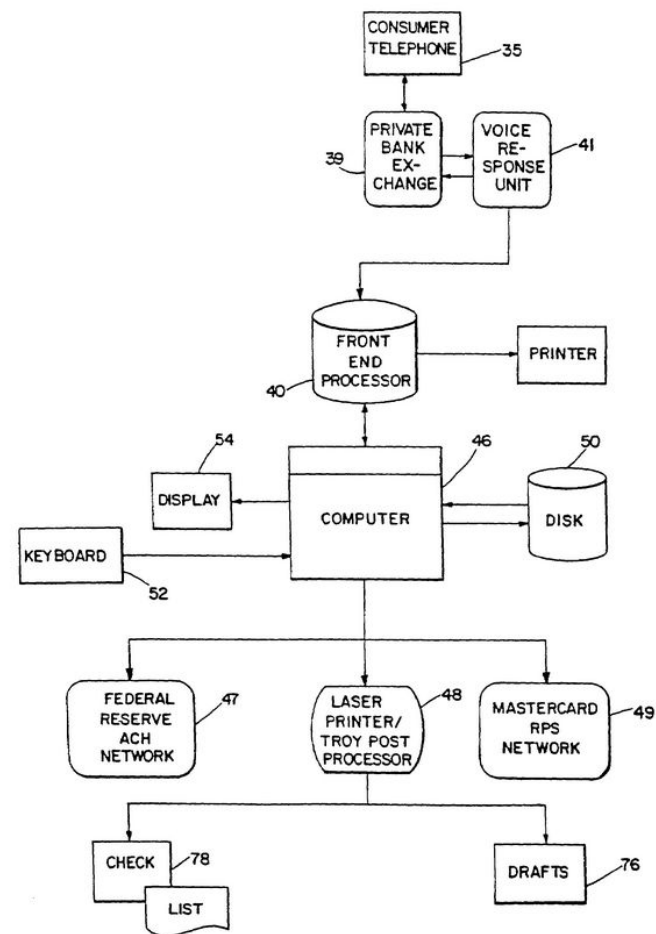
1. A computer-implemented method for directing a payment, comprising:

receiving, at a payment service provider, a request to pay a payee on behalf of a payer;

selecting, by at least one payment service provider computer prior to a debiting of a financial account of the payer, a form for crediting the payee, wherein the selection is based on at least one of:

- (i) comparing a payer account number associated with the payer and the payee to a merchant account scheme associated with the payee, or
- (ii) comparing a payment amount associated with the received request to a merchant credit limit associated with the payee; and

directing, by the at least one payment service provider computer, a payment to the payee in accordance with the selected form for crediting.



CBM Eligibility – Financial Activity

The '151 patent:

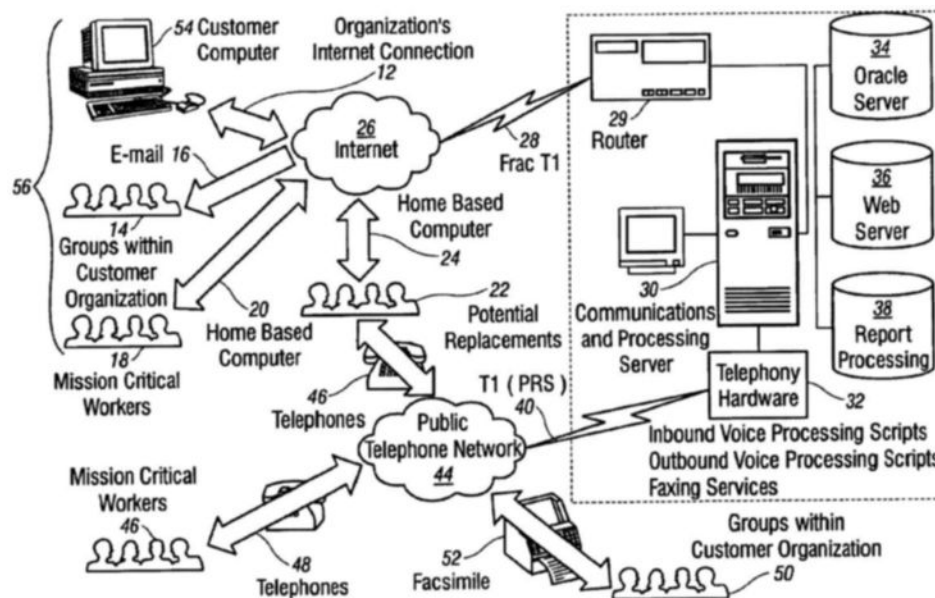
1. A computer-implemented substitute fulfillment system that identifies and secures substitute workers for a plurality of different organizations, comprising:

a central server that processes information associated with a plurality of different organizations;

a central database coupled to the central server, the central database including records that store substitute fulfillment data associated with each of the plurality of different organizations, wherein for each of the different organizations the fulfillment data includes worker records representing workers that may be absent from the organization and substitute worker records representing substitute workers that may be used to fill a position of an absent worker;

a plurality of local processors that are remote from the central server, each of the local processors being associated with one of the different organizations and having a separate local database coupled thereto, wherein each local database is associated with one of the different organizations and includes worker records representing workers that may be absent from the organization and substitute worker records representing substitute workers that may be used to fill a position of an absent worker;

wherein said organizations comprise one or more of schools, school districts, retail banks, branch offices of banks, convenience stores, manufacturing facilities, fire departments, police departments, hospitals, transportation departments, airlines and temporary worker agencies;



CBM Eligibility – Financial Activity

The '282 patent:

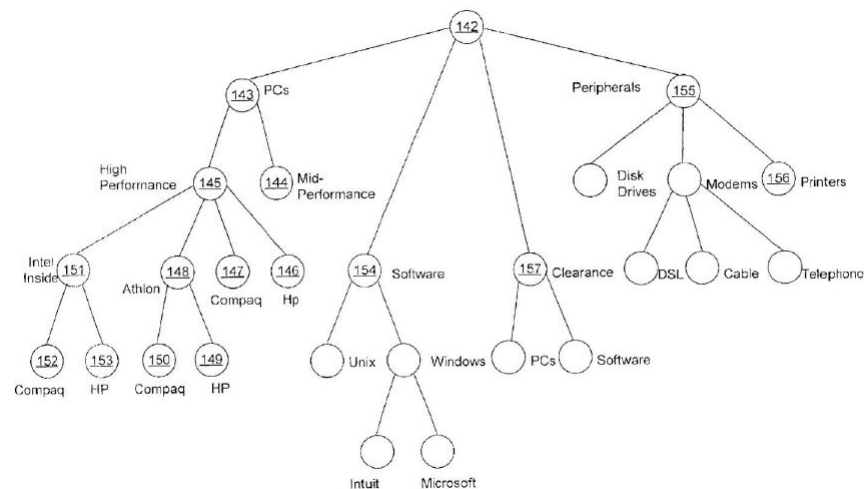
11. A method of representing a plurality of items in a database hierarchically, each of the items associated with one or more attributes, each of the attributes having one or more values, said method comprising:

apportioning the plurality of items into subsets;

representing each of the subsets with a node in a hierarchy, each of the nodes being a child of one other node, except for a root node, which is a child of no other of the nodes and is an ancestor of all of the nodes in the hierarchy;

specifying one or more constraints for each of a first portion of the nodes, the constraints defining a scope of the subset of items represented by each of the first portion relative to their parent node; and

establishing a logical grouping of the items for a second portion of the nodes, the logical grouping defining a scope of the subset of items represented by each of the second portion of nodes, no constraints being specified for any of the second portion of the nodes.



CBM Eligibility – Financial Activity

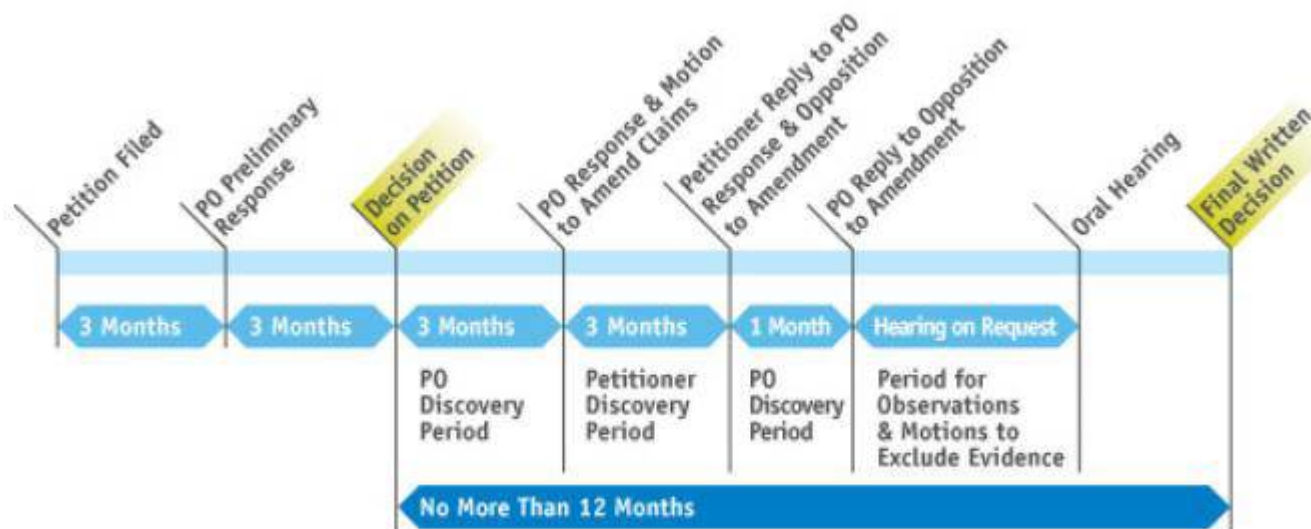
- The '282 specification stated that the claimed invention has application in the field of e-commerce, in the form of e-catalogs used by potential buyers.¹³
- On the basis of that description, the Board determined that:
 - (1) a “person of ordinary skill in the art would have understood that the items that can be displayed to a user may be associated with financial services”; and
 - (2) “Claim 11 encompasses arranging items for display to a user associated with any product or service, such as financial services.”¹⁴
- The Board therefore held that “at least one claim covers data processing or other operations used in the practice, administration, or management of a financial service.”¹⁵

III. CBM Eligibility – Technological Invention

- The AIA excludes “patents for technological inventions” from the definition of CBM patents.¹⁶
- To determine when a patent covers a technological invention, the Board considers whether:
 - (1) the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and
 - (2) solves a technical problem using a technical solution.¹⁷
- “[A]bstract business concepts and their implementation, whether in computers or otherwise,” are not included in the definition of “technological inventions.”¹⁸
- To institute a CBM review, a patent need only have one claim directed to a CBM, and not a technological invention.¹¹ See, e.g., Ex. HWKS-1011 at 48736-37.¹⁹

III. CBM - Procedural Schedule

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III. CBM – A Window Into Post-Grant Review?

- The PTAB has shown itself to be friendly toward challenges under sections §§ 101 and 112.
- The PTAB is amenable to non-publication art.
- The CBM institution standard, though nominally more stringent than the IPR standard, does not appear to be applied differently
 - Will the same be true of PGR institution decisions?
 - In *Blue Calypso* the PTAB seemingly applied a SJM standard (*i.e.*, the petition should be granted unless no reasonable trier of fact could find in favor of petitioner)

III. CBM - Protective Order Issues

- 35 U.S.C. 316(a)(7), as amended, and 35 U.S.C. 326(a)(7) require that the Director prescribe rules that provide for protective orders governing the exchange and submission of confidential information.
- Section 42.54 provides such protective orders and follows the procedure set forth in F.R.C.P. 26(c)(1).
- Appendix B of the Trial Practice guide sets forth a default Standing Protective Order, which shall be automatically entered into the proceeding upon the filing of a petition for review.

III. CBM – Pro Hac Issues

- Section 42.10(a) requires a party to designate a lead counsel and back-up counsel who can conduct business on behalf of the lead counsel as instances arise where lead counsel may be unavailable
- Section 42.10(c) allows for *pro hac vice* representation before the PTAB subject to the condition that lead counsel be a registered practitioner and to any other conditions as the Board may impose.
- In *SAP America, Inc. v. Versata Development Group, Inc.*, *pro hac* admission before the PTAB was denied to an attorney because the attorney was lead counsel in co-pending litigation in which there were violations of the protective order.

- In Fish & Richardson's initial 7-part webinar series titled "Challenging Patent Validity in the USPTO," we explored details regarding several of the post grant tools, with 3 sessions dedicated to Inter Partes Review (IPR), and a final session walking through several hypotheticals, to help listeners understand how these apply to common situations.
- Audio and slides for these webinars are posted online at:
<http://fishpostgrant.com/webinars/>
- If you listen to these webinars, you will be well positioned to engage in a conversation over whether and when to use those tools and how to defend against them.

Resources

- F&R web sites:
 - Post-Grant for Practitioners: <http://fishpostgrant.com/webinars/>
 - General: <http://fishpostgrant.com/>
 - IPR: <http://fishpostgrant.com/inter-partes-review/>
 - PGR: <http://fishpostgrant.com/post-grant-review/>
 - Rules governing post-grant: <http://fishpostgrant.com/>
- USPTO sites:
 - AIA Main: http://www.uspto.gov/aia_implementation/index.jsp
 - Inter Partes: http://www.uspto.gov/aia_implementation/bpai.jsp

Questions?



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