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IP: The power of the covered business method review

The AIA provides an effective new tool for companies accused of infringement of financial patents

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Companies offering financial products or services are frequent targets of patent infringement accusations. The new "covered business method review" (CBM) created by the America Invents Act (AIA) provides these companies with a powerful new tool to challenge the patentability of a certain class of patents at the U.S. Patent and Trademark Office (PTO). CBM offers a faster proceeding (18 to 24 months), a wider range of patentability challenges and more favorable estoppels than other forms of contested proceedings before the PTO, such as *inter partes* review and post grant review.

CBM first became available on Sept. 16, 2012. Since then, 15 petitions for CBM have been filed. SAP America filed the first CBM petition against a patent for pricing products held by Versata Software. Liberty Mutual Insurance Co. filed 10 CBM petitions against various insurance patents held by Progressive Casualty Insurance Co.. CRS Advanced Technology, Interthinx, MeridianLink and a group including Bloomberg, Charles Schwab, E*Trade, and TD Ameritrade filed the remaining four petitions. This article provides guidance to parties considering CBM and insight into how CBM has been used in the first three months of its existence.

Is the asserted patent eligible for CBM?

A "covered business method patent" is a patent directed to "performing data processing or other operations used in the practice, administration or management of a financial product or service, except that the term does not include patents for technological inventions." The technological invention exclusion is not intended to exclude a patent simply because it recites technology. To fall within the exclusion, the claimed subject matter as a whole must recite a technological feature that is novel and unobvious over the prior art and solves a technical problem using a technical solution. Many of the claims challenged in pending CBMs recite some form of technology such as a processor or a database. One may glean from the legislative history, the PTO rules and the filed CBM petitions that the scope of "covered business method patents" is currently viewed very broadly.

Is a party eligible to initiate a CBM?

Any party directly sued for patent infringement is eligible to file a CBM against asserted claims, provided the other eligibility requirements are also met. In each of the 15 filed CBMs, the petitioner was first sued for infringement of the patent for which review was requested. Absent being sued for infringement, a party charged with infringement and having sufficient basis to file a declaratory judgment (DJ) action can also file a CBM petition. To date, no CBM petitioner has argued for eligibility under the “charged with infringement” standard.

A party gets one bite at the apple to initiate an *inter partes* validity challenge under the AIA. If a party has filed a DJ action challenging validity or has challenged validity at the PTO in a prior *inter partes* or post grant review, that party is barred from filing a subsequent CBM.

Is PTO the optimal forum?

Although the facts of an individual case will drive the decision to challenge patentability at the PTO using a CBM, several factors are important to consider.

- **Standard of review:** The standard of review for patent validity at the PTO is the lower “preponderance of the evidence” standard, while district courts and the International Trade Commission (ITC) apply the higher “clear and convincing evidence” standard.
- **Claim construction:** In PTO contested cases, such as a CBM, claims are construed under the broadest reasonable interpretation standard. Thus, in a CBM, the potential exists that more references can be applied, which increases the likelihood that a claim will be found invalid.
- **Decision makers:** A panel of patent-focused, technically trained administrative law judges decides PTO contested cases, whereas a district court jury often decides validity.
- **Grounds:** CBM offers a wide range of grounds to challenge patentability, including failure to recite patentable subject matter (35 U.S.C. § 101), failure to comply with written description/enabling requirements (35 U.S.C. § 112) and prior art challenges (35 U.S.C. §§102 and 103).
- **Estoppel:** Unlike *inter partes* or post grant review, CBM estoppels only attach to arguments raised during the CBM proceeding. Issues that could have been raised in the CBM, but were not, can be presented in a district court or ITC litigation should the CBM be unsuccessful.

When can a CBM petition be filed?

Unlike *inter partes* review, in which a party has one year from service of a complaint to file, an eligible party can file a CBM petition at any time prior to or during litigation. In fact, 14 of the pending CBMs were filed more than a year after the corresponding litigation was instituted with two being filed after a jury verdict was reached. However, if the petitioner desires a stay in the co-pending litigation, the petitioner should file a CBM petition as early as possible. In the corresponding litigations for 12 of the pending CBMs, the petitioner requested a stay of the district court litigation soon after the petitions were filed.

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