Birch Stewart Kolasch Birch LLP

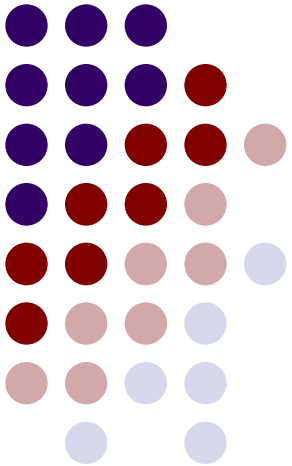
The Federal Circuit's Decision in *Unwired Planet, LLC v. Google Inc.*, narrows USPTO's definition of a "Covered Business Method" (CBM) under the America Invents Act (AIA).

Unwired Planet, LLC v. Google Inc.,

Decided November 21, 2016.

Seth Kim

November 30, 2016



Synopsis

The Federal Circuit in *Unwired Planet, LLC v. Google Inc.*, held that the Patent Trial and Appeal Board (PTAB) relied on an incorrect definition of a covered business patent in evaluating a challenge to Unwired Planet's patent covering a method for restricting access to a wireless device's location information.

Synopsis

The Federal Circuit found that the PTAB's definition of the CBM as covering "activities that are financial in nature, incidental to a financial activity, or complementary to a financial activity" was not proper, and contrary to the AIA definition of CBM 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 a financial product or service, except that the term does not include patents for technological inventions."

Synopsis

The talk will:

Review the basics of the CBM,

review the source of the PTAB's incorrect standard, and

discuss implication of the Federal Circuit's decision.

CBM Basics

Allows challenging of the validity of patent.

Administrative trial conducted by the Patent Trial and Appeal Board (PTAB).

Available until September 15, 2020 (8 years after implementation of the AIA).

CBM Basics

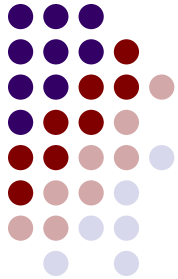
Advantages of the CBM

- Adversarial proceeding where the accused infringer can participate after filing request for the CBM review.
- Allows validity challenges on any ground that is a condition for patentability.

1. Section 101 statutory subject matter,
2. Section 112 enablement and written description
3. Section 102 and 103 novelty and non-obviousness

- Estoppel in subsequent litigation only on grounds actually raised (not grounds that could have been raised).

CBM Basics



- CBM is available at any time post grant review is not available (after 9 months).

- Available if PTAB determines that the patent is “covered business method patent”.

Statutory Basis for CBM

America Invents Act (AIA) section 18 provides the statutory basis for the CBM.

(d) DEFINITION.--

(1) IN GENERAL.--For purposes of this section, the term "covered business method patent" means a patent that claims 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, except that the term does not include patents for technological inventions.

Two prongs of the CBM determination according to statute

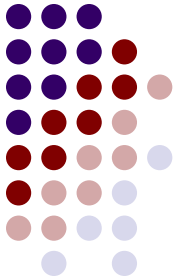
1. Financial product or services.

“a patent that claims 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”

2. Technological Invention Exception.

“except that the term does not include patents for technological inventions.”

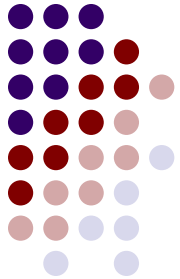
PTAB's interpretation of the two prongs



1. The Financial product or services prong has been interpreted broadly.

- a patent is directed to a financial product or service when it relates to activities that <u>are financial in nature, incidental to a financial activity, or complementary to a financial activity</u>. When a patent's claims relate to money matters, the patent relates to a financial product or service even though the claims are not related to the financial services industry.

PTAB's interpretation of the two prongs



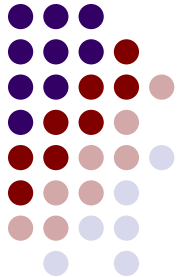
- a patent is directed to a financial product or service when its claims can be performed by a financial institution and the patent elsewhere refers to a financial institution.

PTAB's interpretation of the two prongs

2. Technological Invention exception prong has been interpreted narrowly.

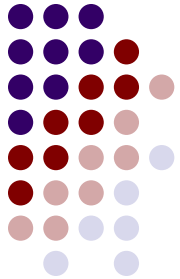
- USPTO says that a "technological invention" is one in which "the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution."
- So, a claim is not directed to a technological invention if its technical elements merely recite known technologies, such as computer hardware, communication or computer networks, software, memory, computer readable storage media, scanners, display devices, databases, or specialized machines such as ATMs or point-of-sale devices.

PTAB's interpretation of the two prongs



- That is, claims to technological inventions likely will need to recite some form of novel and nonobvious software, computer equipment, or tools. Merely reciting known computing components such as processors, memory, or networks may not trigger the technological invention exception.

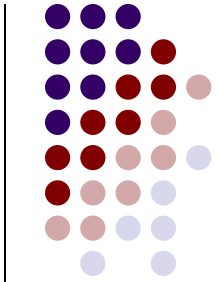
PTAB's interpretation of the two prongs



- a claim is not directed to a technological invention if it merely recites known prior-art technology to accomplish a process or method, even if that process or method is itself novel and nonobvious.

- a claim is not directed to a technological invention if it combines prior art structures to achieve the normal, expected, or predictable result of that combination.

Case at hand



Unwired Planet, LLC v. Google Inc.

Panel: Circuit Judges Reyna, Plager, and Hughes
Opinion by Circuit Judge Reyna

Unwired's patent

- Unwired Planet owns U.S. Patent No. 7,203,752.
- restricting access to a wireless device's location information.
- a user of such a wireless device may specify "privacy preferences that determine whether client applications are allowed to access their device's location information."
- A server is used as a clearinghouse for requests of the location information.

Unwired's patent

- "a client application will submit a request over a data network to the system requesting location information for an identified wireless communications device," and "the system then determines, based on the user's privacy preferences, whether to provide the requested location information to a client application."

PTAB's CBM review

The PTAB found that:

- "client application" may be associated with a service provider or a goods provider, such as a hotel, restaurant, or store, that wants to know a wireless device is in its area so relevant advertising may be transmitted to the wireless device. Thus, the subject matter recited in claim 25 of the '752 patent is incidental or complementary to the financial activity of service or product sales. Therefore, claim 25 is directed to a method for performing data processing or other operations used in the practice, administration, or management of a financial product or service.

PTAB's CBM review

- After finding that the patent was a CBM patent, the PTAB further held that the challenged claims were patent-ineligible under 35 U.S.C. § 101.
- Unwired Planet appealed.

- The Technological Invention exception was not an issue.

Unwired's position

- The PTAB applied a broader standard than what is set forth in the AIA when determining whether the '752 patent was a CBM patent.

- Particularly, claim 25 did not recite a financial product or service, but the PTAB looked to disclosure in the patent's specification on how to monetize the invention and interpreted such as being incidental or complementary to the financial activity of service or product sales.

Decision

- The Federal Circuit noted that the USPTO adopted the narrower statutory definition of CBM patents without alteration, but in actual decisions, began to use a broader definition of "whether the patent claims activities that are financial in nature, incidental to a financial activity, or complementary to a financial activity."

Decision

- In the Federal Circuit’s view, the PTAB erred when it looked to the specification's discussion of "client applications [that] may be service or goods providers whose business is geographically oriented [such as a] hotel, restaurant, and/or store" was determinative, because "[t]hese businesses may wish to know a wireless device and its user are nearby so that 'relevant advertising may be transmitted to the wireless communications device.'"

Decision

- When the PTAB took such disclosure, and found it to be "incidental or complementary to potential sales resulting from advertising.“, the Federal Circuit found the PTAB’s finding of CBM patent erroneous.

Decision

- The Federal Circuit found the origin of the "incidental or complementary to" language as being derived from a statement made by Senator Schumer during the Senate's deliberation on the AIA's statutory definition of a CBM patent.

- Federal Circuit noted the quote was not representative of the legislative history, especially since other Senators often took other views of the statutory language.

Decision

- Further, the Federal Circuit noted that, not only did the USPTO not adopt this general policy statement through its rulemaking procedures, but regardless, was not permitted to "adopt regulations that expand its authority beyond that granted by Congress."

- The PTAB's decision was vacated, and remanded the case back to the PTAB for further proceedings.

Implication of Decision

- More difficult for infringers to institute CBM review.