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Different rules apply

The Covered Business Method Patents review programme is well into its second year. Michelle Holoubek of Sterne, Kessler, Goldstein & Fox provides an update on how users are responding

MARK DUGDALE REPORTS

How popular has the programme proven since its inception in September 2012?

The Covered Business Method (CBM) Patents review programme has proven to be very popular. In the programme's first months, fewer challenges were filed than expected and I think that was because there was some uncertainty as to how the Patent Trial and Appeal Board (PTAB) was going to apply the various rules. The CBM rules were originally quite ambiguous and it wasn't clear where the boundaries were.

But since then, petitioners have become very knowledgeable. The success rate for CBM challengers is incredibly high. As that happened, others saw the success enjoyed by challengers and began using the programme themselves, even entities that originally thought that the programme did not apply to them.

How successful has the programme been for petitioners, and how are patent owners reacting?

From the perspective of petitioners, the programme has been incredibly successful, although patent owners might say that is a problem. Right now, a patent owner is in trouble if a CBM review is launched against its patent. Only 16 CBM review proceedings have made it through to final written decisions. More than 100 cases have been filed, so the sample size is smaller, but it is pretty indicative of what we see as happening. For those claims that were just challenged by a petitioner, 98 percent have been cancelled as unpatentable. For actual proceedings, 99 percent of claims have been found unpatentable.

If you are a patent owner on the receiving end of a CBM review, you have to take it seriously because you are in extreme danger of losing your patent.

Has the scope of the CBM programme expanded?

The scope has definitely expanded. When the America Invents Act first came out, the

programme was aimed at covered business method patents, so many automatically thought 'business methods', and they had a specific requirement that they be related to the financial services industry. So everyone thought the system was strictly for finance-type patents, particularly financial business method patents.

Based on PTAB rulings, the only word that is important in the name is 'covered'. They don't have to be what we traditionally think of as business method patents, nor do they have to be what we think of as financial services patents. The PTAB has found that various kinds of methods that are used, or could potentially be used, in finance can be included in the sphere of patents that are eligible for CBM review.

One example of this is a case where the claims dealt with hierarchical data storage. They did not really discuss a specific application or industry, but rather how information is stored on a computer, which could be broadly interpreted. The PTAB found that financial companies probably stored data, as well as something in the specification that said the claims could be used in any type of industry, and that was seen as enough for the claims to be considered eligible.

Advertising has been found eligible, because it does have a financial component, as has business development and software to help organise information. That's much broader than was originally anticipated.

How strict has the PTAB been in applying patentability standards?

The PTAB has been applying strict patentability standards, finding 99 percent of the claims for which trial was instituted to be unpatentable. A considerable number of those were found unpatentable under Section 101, where *Alice Corp v CLS Bank*, a case in which the Supreme Court ruled that merely requiring computer implementation fails to transform an abstract idea into a patent-eligible invention, comes into play.

I think that the US Patent and Trademark Office (USPTO), in general, is taking a very

strict view of Alice and its application of Section 101. One reason for that may be that if the USPTO says a claim is allowable without really knowing what the boundaries of the Alice decision are, then that decision is unlikely to make it up to the Court of Appeals for the Federal Circuit.

Right now, the problem with Section 101 is that we don't have clear guidance as to what qualifies as patent eligible and what doesn't, and I think the USPTO is uncomfortable doing that on its own. As a result, it is taking a very strict approach in the hope that it will go the Federal Circuit, which will provide guidance as to where some of those lines should be drawn.

The CBM programme is temporary—how likely is it that it will be extended?

There was some additional legislation that started to make its way through Congress to make the programme permanent, which isn't due to end until 2020, so we still have several years to go. We're not seeing a slow-down in the rate of petitioners challenging—we're actually seeing it increase, so it's proving very popular. The legislation that was in Congress was tabled this year and might be picked up again. Right now, the general landscape is that it might be picked up again, but we have plenty of time left in the original legislation for that to happen. **IPPro**



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