

Bad News For Apple, Great News For Patent Owners

Law360, New York (November 07, 2013, 4:00 PM ET) -- According to the Patent Trial and Appeal Board, the range of patents that qualify for a covered business method review (CBM) is still very broad. And based upon prior decisions, and in particular the final decision in *SAP v. Versata*, the PTAB seemed poised to cancel a great many business method patents under 35 U.S.C. § 101 — not patentable subject matter. But a recent decision significantly changes the game.



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In a CBM filed by Apple Inc. against a patent owned by Sightsound Technologies LLC, the PTAB granted review of a patent directed at the sale and transfer of digital music, but then denied Apple's §101 challenge, even though the patent owner hadn't opposed it in its preliminary response![1]

This is disappointing for Apple of course, but great news for patent owners. Now, with the ultimate direction of §101 challenges still resting with the U.S. Supreme Court, the PTAB has demonstrated what, in its view, is necessary to claim a patent-eligible business method. Going forward, CBM challengers will need to carefully consider whether to bring their §101 arguments to the PTAB, and patent owners have a road map for their arguments to save their patents. This article explores these issues further, in the context of the Apple decision.

The America Invents Act created several new proceedings for challenging the validity of patents in the United States Patent and Trademark Office before the PTAB. These proceedings, including CBM and inter partes review (IPR). CBM and IPR have some similarities, especially as to how the proceedings will occur, but there are some significant differences in which one is available to a patent challenger.

One significant difference is that CBM is only available for patents that claim “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] On the other hand, IPR does not have any specific limitation to the types of patents that may be subject to IPR.

Another significant difference between CBM and IPR is the grounds that one can challenge. In CBM, a petitioner may challenge a patent on Sections 101, 102, 103 and 112 grounds.[3] However, a petitioner in an IPR may only challenge a patent on Sections 102 and 103 grounds related to printed publications.[4] In light of these differences, patent challengers such as SAP and Apple have been seeking to satisfy the CBM standard, so they can bring a §101 challenge to the PTAB.

Any patent directed at the movement of money between financially distinct entities may qualify for review under CBM.

The initial understanding of many in the patent community was that CBM was only available for a subset of patents, and as such, the available grounds to challenge these patents were greater than IPR. However, the PTAB has consistently demonstrated an expansive understanding of what patents satisfy the “financial product or service” requirement.

In *Apple v. Sightsound*, the PTAB once again looked to the legislative history of CBM, finding that CBM was “drafted to encompass patents claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.”[5] In particular, the PTAB rejected an argument that the AIA required a nexus between the claims and a financial service or product. Rather, the PTAB stated “the legislative history indicates that the phrase ‘financial product or service’ is not limited to products or services of the ‘financial service industry’ and is to be interpreted more broadly.”[6] The PTAB ultimately concluded that CBM is available for the patent because “it does recite electronic movement of money between financially distinct entities, which is an activity that is financial in nature.”[7]

The PTAB’s interpretation of the statute and legislative history regarding what patents are subject to CBM review may swallow the limitation whole. It is difficult to imagine what computer-implemented method patents would not be “incidental to” or “complementary to” a financial activity. And neither the bar nor the PTAB has figured out where that line is, if it exists at all.

Taking the PTAB’s pronouncements literally, it would seem that almost every patent is directed to an item or method that is used in commerce. While the patent may not specifically claim the movement of money, it would be fairly simple to argue that the claimed invention could be sold by someone or practiced by someone to create a good that may be sold. But a view that broad does not seem to comport with statute, which provides a definition with the intent of providing some limit on the patents eligible for CBM. For now, it is difficult to understand what computer-implemented methods, much less any patent, would not meet the PTAB’s test.

Once the “financial” test is met, the PTAB determines whether the claim covers a “technical solution” that is novel and nonobvious. As long as the claim relies solely on known computing technology, the PTAB seems ready to grant the CBM, and did in this case.

Technical claim limitations, even if well-known, may save a business method patent from a quick death under §101.

In *Apple v. Sightsound*, the PTAB began its analysis by reviewing the Supreme Court and Federal Circuit cases involving § 101.[8] In particular, the PTAB stated that the claim “must incorporate meaningful limitations to ensure that it claims more than just an abstract idea and is not merely a drafting effort designed to monopolize the [abstract idea] itself.”[9]

With this guidance and framework, the PTAB rejected Apple’s argument that claims were invalid under § 101. The PTAB first noted that the claim was directed at specific components with specific locations that interact in a specific manner to accomplish the claimed method.[10] While these claimed components were known in the art, that argument, according to the PTAB, was not relevant as one must look at the claim as whole.[11] Relying on *Ultramercial*, the PTAB found that the claim recited specific components that were “integral” to the performance of the claimed method, and the claimed method was not one

that could be done by paper and pen.[12] Thus, the PTAB rejected Apple's petition on the grounds of §101.

It would be an understatement to say that the law related to § 101 is murky. Nevertheless, the PTAB's ruling in *Apple v. Sightsound* provides a straightforward analysis for determining if a claim is directed at patent-eligible subject matter. When attempting to determine if a claim is directed at an abstract idea, the PTAB began its analysis looking at whether there were certain components that interacted in a specific way to perform the method. The more specificity in the claims, the farther away the claim gets from being an abstract idea. The rationale being that such specificity would limit the claim to those particular components, rather than attempting to claim every conceivable way one could implement the idea.

The PTAB also appears to have rejected the idea that claiming known components supports a § 101 rejection. The analysis for § 101 is not whether the components are novel. It is, as the Supreme Court articulated in *Diehr*, whether the claim as a whole seeks to claim an abstract idea. This rationale makes sense as most claims contain several components that were well known in the art. The appropriate focus is whether the claim as a whole seeks to claim merely an abstract idea, and not parsing out elements that were novel versus those that were not.

Apple v. Sightsound illustrates that while a patent may qualify for CBM because it does not provide a novel and nonobvious technical solution, it may still survive a §101 challenge if it includes enough technical limitations to ensure it does not cover every way of implementing the idea behind the method. This can be hard for even the most experienced practitioner to wrap his or her head around, but the PTAB's decision provides much more clarity than we had before. While the patent owner here did not oppose the §101 challenge in its preliminary response, patent owners in future CBMs certainly will in light of this decision. The question for petitioners will be whether §101 will work better at the PTAB, or in court.

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[1] *Apple Inc. v. Sightsound Technologies LLC*, CBM2013-00019, Doc. 17, dated Oct. 8, 2013.

[2] 77 C.F.R. § 42.301(a).

[3] 35 U.S.C. § 321.

[4] 35 U.S.C. § 311(b).

[5] *Apple v. Sightsound*, CBM2013-00019 at 10.

[6] *Id.* at 11.

[7] *Id.* at 12.

[8] *Id.* at 16-18.

[9] *Id.* at 17.

[10] Id. at 18.

[11] Id. at 19.

[12] Id. at 21.

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