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## Brakes applied to patent appeal board

The U.S. Court of Appeals for the Federal Circuit recently rejected the Patent Trial and Appeal Board's understanding of what patents are eligible for "covered business method" review, suggesting that the appeal board had disregarded the standard set by statute.

### Background

In 2013, three types of post-grant proceedings were created under the America Invents Act: post-grant review, inter partes review and covered business method review.

Post-grant review and inter partes review, while differing in the necessary requirements to bring a challenge, apply to all technological areas. Covered business method eligible patents are narrowly defined to include only those patents that teach financial transactions and services.

But, unlike the widely employed inter partes review, a covered business method patent can be challenged on any ground of patentability, including patent eligible subject matter. Ultimately, covered business method review will be phased out of post-grant proceedings on Sept. 16, 2020.

Until recently, a covered business method petitioner only needed to show that at least one claim involved incidental or complimentary financial activity. The Federal Circuit has just begun to contract the definition of a financial transaction or service. This is especially the case in *Unwired Planet v. Google Inc.* (Fed. Cir. 2016).

In *Unwired Planet*, the claimed invention was a method of using privacy preferences to determine when applications are permitted to access a wireless device's location information.

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Claim 25 recites, in relevant part, "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."

### Appeals board proceedings

On April 8, 2014, the appeals board instituted covered business method review of the '752 patent and ultimately held the instituted claims were patent ineligible subject matter under 35 U.S.C. Section 101.

In its analysis, the appeals board took an exceptionally broad view of covered business method eligibility, based on its finding that "client application" is "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."

The appeals board concluded that "the subject matter recited in claim 25 of the '752 patent is incidental or complementary to the financial activity of service or product sales."

*Unwired Planet* appealed the appeals board's decision, arguing that the appeals board's standard for covered business method eligibility was unreasonably broad and not in accordance with the statutory definition.

### Federal Circuit appeal

The Federal Circuit focused on the standard of covered business method eligibility employed by the appeals board: "Whether the patent claims activities that are financial in nature, incidental to a financial activity or complementary to a financial activity."

The court observed that the appeals board had departed from the statutory definition of a covered business method: "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." America Invents Act, Section 18(d).

### Results

The court ultimately held that the appeals board's "incidental to or complimentary to a financial activity" standard was "not in accordance with the law." The Federal Circuit reversed the appeals board decision and remanded for further proceedings.

### Takeaway

The appeals board cannot rely on a single floor comment within the legislative history when forming its covered business method eligibility standard, especially when the scope of that standard exceeds the statutory definition.

Potential covered business method petitioners should note that establishing covered business method eligibility has become more challenging thanks to *Unwired Planet*.