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PTAB HIGHLIGHTS

New developments in post-issuance proceedings

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Don't Forget Indefiniteness as a Ground for Invalidation in a CBM Patent Review

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December 19, 2014 – The PTAB recently instituted a covered business method patent review (CBM) based on grounds that include asserted indefiniteness under 35 U.S.C. § 112, second paragraph.

[CBM2014-001146 – DealerSocket, Inc. v. AutoAlert, Inc.](#)

A CBM, which is authorized under Section 18(a) of the America Invents Act, allows a party sued for (or charged with) infringement of a “covered business method” patent to file a petition with the USPTO asking the Patent Trial and Appeal Board (PTAB) to invalidate one or more claims. Unlike an *Inter Partes* Review (IPR), which limits validity challenges to those based on a certain subset of prior art (i.e., patents and printed publications), a CBM allows validity challenges on numerous bases. For example, patentability under 35 U.S.C. § 101 has been raised in numerous CBMs, particularly in view of the June 2014 Supreme Court decision in *Alice Corp. v. CLS Bank Int'l*, 134 S. Ct. 2347.

Another ground that can be raised in a CBM, and that was also the subject of a recent Supreme Court decision, is indefiniteness under 35 U.S.C. § 112, second paragraph. In its June 2014 decision in *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2124, the Court held that a claim is indefinite if its language, when “read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention.” In a December 9, 2014, decision to institute a CBM, the PTAB cited this standard and found that certain claims of U.S. Patent 8,086,529 are more likely than not indefinite.

The '529 patent relates to methods associated with vehicle financing. Relevant portions of claim 1 are as follows:

A method comprising:

automatically accessing . . . at least a portion of first financial terms that a customer has for a first vehicle and first vehicle information;

automatically accessing . . . at least a portion of second vehicle information for a second vehicle and second financial terms available to the customer for the second vehicle . . .

determining . . . whether . . . changed information *may affect whether it is favorable* for the customer to replace a first vehicle and first financial terms with a second vehicle and second financial terms. . . [italics added]

The PTAB found the petitioner established that the italicized language was, more likely than not, indefinite. The PTAB noted that the phrase includes two terms of degree: “may affect” and “favorable.” With regard to “may affect,” the PTAB stated that the ‘529 specification provides no objective standard to determine the boundary between “affect” and “may affect,” further noting that “[w]hat one regards as ‘may affect’ may not be so for another, particularly if that which is affected is itself subjective, such as a favorability determination.” With regard to “favorable,” the PTAB noted that “a particular customer may consider that it is *favorable* to have a new car and a lower monthly payment, whereas a different customer may view such a financial term as *unfavorable* because his or her obligation to make the monthly payments would be extended for many years” (italics in original).

Of course, the PTAB decision is only a determination that trial will go forward. The petitioner will still have to prove that the claims at issue are indefinite, and trial was also instituted on other grounds (i.e., claims directed to ineligible subject matter under 35 U.S.C. § 101, lack of written description under 35 U.S.C. § 112, first paragraph). However, the decision is a notable example of how a CBM can offer a wider range of validity challenge options than an IPR.

The Leahy-Smith America Invents Act established new patent post-issuance proceedings, including the inter partes review, post grant review and transitional program for covered business method patents, that offer a less costly, streamlined alternative to district court litigation. With the U.S. Patent and Trademark Office’s Patent Trial and Appeal Board conducting a large and increasing number of these proceedings, and with the law developing rapidly, Banner & Witcoff will offer weekly summaries of the board’s significant decisions and subsequent appeals at the U.S. Court of Appeals for the Federal Circuit.



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