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PTAB HIGHLIGHTS

New developments in post-issuance proceedings

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Return to Sender: A Place the PTAB May No Longer Go

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November 28, 2016 — Two years ago, the Patent Trial and Appeal Board (PTAB) reached a near height of absurdity in an aspect of Covered Business Method (CBM) proceedings. But now, that bureaucratic and authority-grabbing absurdity has been corrected.

As reported in a 2014 Banner & Witcoff PTAB Highlights article, link [here](#), the PTAB resolved then that a patent on handling return U.S. mail was a CBM patent. The patent, it said, met the CBM law's definition of being a patent on a method "used in the practice, administration, or management of a financial product or service." The PTAB reasoned that while return mail needed to be handled for a universe of people and companies, nevertheless, among them were finance companies, mortgage companies, and credit card companies. Since the method could be used for those companies, it said, the patent "satisfie[d] the 'financial product or service' component of the definition" of CBM patents.

But days ago, in a Federal Circuit review of a case with a similar PTAB absurdity, the court returned the case to sender — interpretation of the law unknown. That is, in *Unwired Planet, LLC v. Google Inc.*, No. 2015-1812 (Fed. Cir. November 21, 2016), the Federal Circuit addressed a CBM proceeding that had reviewed a patent on privacy blocking software, and more specifically, on a method of letting cell phone users block the discovery of the locations of their cell phones, for privacy. The PTAB held that the patent was on a CBM method, because the software could be used to block advertising from getting to phones from nearby hotels, restaurants, and stores. That was enough, said the PTAB, to make the patent subject to CBM review. And on that review, the PTAB held that the challenged patent claims were directed to unpatentable subject matter under 35 U.S.C. 101. The claims were to be canceled.

Just as in the return mail case, the PTAB had relied on its own interpretation of the CBM law — that patents met the CBM patent standard, even if they were directed to subjects that were only incidental to a financial activity, or complementary to a patent activity. *Unwired*, slip op. at 8. Handling returned mail and privacy blocking were two of a kind, meeting the definition of CBM patents, it resolved.

The Federal Circuit, on the other hand, was having none of it. CBM reviews, said the court, are limited to “those [patents] with claims that are directed to methods and apparatuses of particular types and with particular uses ‘in the practice, administration, or management of a financial product or service.’” *Id.* at 12. “To reach its decision,” the court stated, “the Board did not apply the statutory definition” of CBM patents. *Id.* at 8. Making a mockery of the PTAB absurdity, the court continued with examples of how absurd the PTAB interpretation of the law was. It said, with a first example, that “[t]he patent for a novel lightbulb that is found to work particularly well in bank vaults does not become a CBM patent because of its incidental or complementary use in banks.” *Id.* at 12. And it added, with its second example, “[t]ake, for example a patent for an apparatus for digging ditches. Does the sale of dirt that results from use of the ditch digger render the patent a CBM patent? No.”

As a result of the *Unwired* decision, the PTAB’s positioning from the past is now over. The PTAB cannot review patents in CBM proceedings where they are directed to methods that are only “incidental” or “complementary” to financial services — no more CBM reviews of patents involving light bulbs that work well in bank vaults, ditch digging to sell dirt, handling return mail, and blocking cell phone location information, for privacy. (Of course, this is subject to the possibility of further review of the *Unwired* decision at the Federal Circuit or Supreme Court (which seems unlikely).)

The court sent the specific case back to the PTAB, for further consideration, but with the PTAB’s rejected loose test of what is a CBM patent to be in the future an “address unknown” — a place the PTAB may no longer go.

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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 frequent 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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