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# PTAB HIGHLIGHTS

New developments in post-issuance proceedings

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## Is Your Patent Eligible for Covered Business Method Review? Your Claim Language Matters. Your Specification Language Might Matter.

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March 9, 2017 — Out of 3745 patent claims addressed in Covered Business Method (CBM) patent reviews, less than 3 percent of the claims (107 claims) were found patentable by the Patent Trial and Appeal Board (Board) in a Final Written Decision.<sup>1</sup> With such numbers, how does a patent owner avoid institution of a CBM review? The recent Federal Circuit decision in *Secure Access* is telling, holding that, to qualify for CBM review, a patent must “have a claim that contains, however phrased, a financial activity element.”<sup>2</sup>

*Secure Access* sued about 50 financial companies (and only financial companies) for infringement of U.S. Patent No. 7,631,191 (‘191 patent). Claims 1 and 17 are illustrative:

1. A method comprising:

transforming, at an authentication host computer, received data by inserting an authenticity key to create formatted data; and

returning, from the authentication host computer, the formatted data to enable the authenticity key to be retrieved from the formatted data and to locate a preferences file,

wherein an authenticity stamp is retrieved from the preferences file.

17. An authentication system comprising:

an authentication processor configured to insert an authenticity key into formatted data to enable authentication of the authenticity key to verify

a source of the formatted data and to retrieve an authenticity stamp from a preferences file.

A patent is eligible for CBM review if it is “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 ...”<sup>3</sup> The Board, in a Final Written Decision, determined that the ’191 patent was eligible for CBM review, concluding that the ’191 patent claims were “incidental to a financial activity,” in part because Secure Axxess sued a large number of financial companies and no other entities. The Federal Circuit reversed, holding that the ’191 patent did not qualify for CBM review. The Court keyed in on the phrases “a patent that claims” and “a financial product or service” in the statute.<sup>4</sup>

First, the Federal Circuit explained that, according to the statute’s language (“a patent that claims”), it is the *claims* that determine whether the patent qualifies for CBM review. However, the *written description* may (and often does) matter because the claims are construed or understood in light of the patent’s written description.<sup>5</sup> The written description of the ’191 patent included phrases such as “www.bigbank.com,” “merchant site,” “bank,” “credit card companies,” “financial institutions,” “intermediary settlement institution,” “payment network,” “online commerce system,” and numerous other financial terms. Despite using these terms, the Federal Circuit determined that the ’191 patent was not eligible for CBM review because none of the claims, when construed in light of the written description, qualified the ’191 patent for CBM review.<sup>6</sup>

Second, the Federal Circuit noted that, according to the statute’s language (“a financial product or service”), at least one claim must contain “a financial activity element,” however phrased.<sup>7</sup> Merely suing financial institutions (even a large number like 50 in this case) for infringement of a patent does not transform that patent into a patent that is eligible for CBM review. The Federal Circuit also clarified that avoidance of “particular talismanic [financial] words” does not necessarily result in avoidance of a CBM review. Rather, and potentially alluding to its earlier discussion, the Court explained that a patent eligible for CBM review need only have a claim, “when properly construed in light of the written description,” that recites a “wide range of finance-related activities.”<sup>8</sup>

Judge Lourie dissented, focusing on the phrase “used in the practice” in the CBM statute. He wrote that because claims do not necessarily recite the intended use for the claimed invention, the Board should turn to the written description to identify whether the claimed invention is used in the practice of a financial product or service.<sup>9</sup> He concluded that the ’191 patent met this requirement. Judge Lourie also cited to the fact that Secure Axxess sued 50 financial institutions as an indication that the ’191 patent is used in the practice of a financial product or service.<sup>10</sup>

### **Application of *Secure Axxess* by the Board in *Twilio***

The Board applied *Secure Axxess* in a recent decision. In *Twilio*, the Board denied institution of CBM patent review for U.S. Patent No. 9,300,792 (’792 patent), which pertained to “on-line or web-site registration.”<sup>11</sup> The petitioner argued that the recitation of “service” and “notification” in the claims were financial in nature because the primary embodiment of the ’792 patent was a “financial fraud detection system” with notification events “linked to financial activity.”<sup>12</sup> Applying *Secure Axxess*,

the Board rejected the petitioner’s arguments and held that the ’792 patent did not qualify for CBM review because the claim terms “service” and “notification” were “generic, context-neutral terms, without any express or implicit connection to financial products or services,” and the specification provided examples of using “services” and “notifications” both within and outside of the financial context.<sup>13</sup>

### **Takeaways for CBM Review Eligibility**

#### Patent Drafters:

- Avoid using financial product or service terms in the claims.
- If claim terms are defined in the specification, avoid providing definitions that include financial product or service terms.
- If examples of financial concepts are described in the specification, also describe examples of concepts outside of the financial context.

#### Patentees/Patent Owners:

- Advocate for claim constructions that do not use financial product or service terms.

#### Infringement Defendants/Petitioners:

- Advocate for claim constructions that include financial product or service terms, and provide support from the written description for that construction (if applicable).

Please click [here](#) to view the decision in *Secure Access, LLC v. PNC Bank National Association et al.*

Please click [here](#) to view the decision in *Twilio Inc. v. Telesign Corp.*

For more Banner & Witcoff *PTAB Highlights*, please click [here](#).

*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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<sup>1</sup> Patent Trial and Appeal Board Statistics (1/31/2017), p. 13, available at [https://www.uspto.gov/sites/default/files/documents/aia\\_statistics\\_january2017.pdf](https://www.uspto.gov/sites/default/files/documents/aia_statistics_january2017.pdf)

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<sup>2</sup> *Secure Access, LLC v. PNC Bank National Association et al.*, No. 2016-1353, slip op., p. 19 (Fed. Cir. Feb. 21, 2017).

<sup>3</sup> AIA § 18(d)(1).

<sup>4</sup> *Id.*

<sup>5</sup> *Secure Access*, No. 2016-1353, slip op. at 12-14.

<sup>6</sup> *Secure Access*, No. 2016-1353, slip op. at 20-21.

<sup>7</sup> *Id.* at 18-19.

<sup>8</sup> *Id.* at 19.

<sup>9</sup> *Id.* at 5 (Lourie, J., dissenting).

<sup>10</sup> *Id.* at 3.

<sup>11</sup> *Twilio Inc. v. Telesign Corp.*, CBM2016-00099, slip op, p. 3 (PTAB Feb. 27, 2017).

<sup>12</sup> *Id.* at 10.

<sup>13</sup> *Id.* at 10-12.