

Transitional Program for Covered Business Method Patents

The Transitional Program for Covered Business Method Patents offers a proceeding for challenging the validity of patents granted for methods and apparatuses for performing data processing or other operations used in the practice, administration, or management of a financial product or service. Covered Business Method (CBM) review is not available for technological inventions, where the Patent Trial and Appeal Board (PTAB) will consider certain factors on a case-by-case basis in deciding whether a patent claims a technological invention that is not subject to CBM review. In addition to the subject matter limitation, a petition for CBM review of a patent may only be filed by a person who is sued or charged with infringement of that covered business method patent.

A CBM review provides an opportunity to challenge an issued covered business method patent on any ground, subject to certain limitations as to the types of prior art that may be submitted in a CBM review proceeding. The CBM review procedure, which expands the grounds for unpatentability that can be

alleged and reduces the estoppel effects over an *inter partes* review, is a temporary procedure that is set to sunset on September 16, 2020, where no additional petitions for CBM review will be accepted after that date.

- 21 CBM Requests were filed in the first seven months that the proceedings were available.

- The base filing fee for a CBM review petition is \$12,000.

- A base institution fee of \$18,000 is due if the PTAB institutes a full review.

CBM review proceedings are administrated directly by the PTAB. The proceedings are heard by a panel of administrative law judges who make rulings regarding institution of a review and discovery matters as well as ultimately issuing a final decision at the conclusion of the review. Any party dissatisfied with the final written decision may appeal directly to the Federal Circuit.

As noted above, covered business method review is requested via a petition. The petition for CBM review must include an identification of the real parties in interest, the claims being challenged along with explanations of grounds of unpatentability for those claims, copies of evidence relied upon and an explanation of the relevance of that evidence, along with payment of a fee. The petitioner must also show standing by noting the proceeding in

which the petitioner has been sued on or charged with infringement of the patent of interest. Further, the burden is on the petitioner to show that the patent is a covered business method patent. The requesting party may submit declarations of supporting evidence and opinions with their request for CBM review. A patent owner is prohibited from filing any testimonial evidence with their preliminary response. Such evidence may be filed at later points in the proceedings, such as with the patent owner response in cases where CBM review is granted.

Upon review of a requesting petition and any preliminary response by the patent owner, the PTAB will determine whether it is more likely than not that at least one of the claims challenged in the petition is unpatentable. The PTAB may narrow issues at this time, and will provide a decision detailing the grounds of unpatentability that will be of issue in the proceeding. After initiation of a CBM review proceeding, the PTAB will issue a scheduling order that will conclude the proceeding within 12-18 months. A typical scheduling order will provide the patent owner with three months to perform discovery and to respond to the grounds of unpatentability. Discovery can include depositions of any witnesses that

submitted affidavits or declarations with the request petition. A response may include a contingent motion to amend the claims. This is the only opportunity that the patent owner has to amend the claims by right. The petitioner would then be given a three month period to perform discovery (*e.g.*, deposition of patent owner declarants) and to respond to the patent owner's reply. A short period for motions may be provided before a requestable oral hearing. The PTAB will then prepare and issue a final written decision regarding the patentability of the challenged claims. Parties are permitted to settle during the proceedings, unless the PTAB has already decided on the merits.

Estoppel for the requesting party applies upon issuance of the final written decision by the board. The estoppel resulting from a CBM review in subsequent district court and International Trade Commission (ITC) proceedings is more limited than that of an *inter partes* review in that estoppel extends only to ground that the petition actually raised during the CBM review.