BRINKS GILSON & LIONE
100 YEARS OF IP LAW

THINK FORWARD

Versata v. SAP: The Federal Circuit Can Review the CBM-Specific Threshold Question of Whether a Patent Qualifies as a "Covered Business Method Patent"

By Heidi Dare

July 17, 2015

The Federal Circuit affirmed the PTAB's finding that the challenged claims in a Covered Business Method (CBM) Patent Review are unpatentable for lacking patentable subject matter under 35 U.S.C. § 101. *Versata Development Group, Inc. v. SAP America, Inc*., 2014-1194 (Fed. Cir. 2015). In addition to considering whether the PTAB properly found the challenged claims to be unpatentable, the court also considered whether it had the authority to review the PTAB's threshold finding that the challenged patent itself qualified as a "covered business method patent.

To be eligible for CBM review, a challenged patent must be a "covered business method patent" as defined by § 18 of the America Invents Act (AIA). The PTAB determines, inter alia, whether a challenged patent qualifies as a "covered business method patent" in its initial decision to institute, or not institute, CBM review. Once instituted, the CBM review proceeding will conclude with a final written decision with respect to the patentability of any challenged claim subject to CBM review.

In *Versata v. SAP*, SAP argued that the court lacked authority to review any questions decided by the PTAB in making its initial institution decision. The USPTO, who entered the case as an intervenor, argued that the PTAB's threshold question of whether a patent qualifies as a "covered business method patent" is "immunized" from later judicial review because it was decided by the PTAB at the decision to institute stage.

In the majority opinion, Judge Plager, joined by Judge Newman, held that the court indeed has authority to review whether a challenged patent qualifies as a "covered business method patent" under § 18 of the AIA. In a concurring opinion, Judge Hughes dissented on this issue, arguing that review of whether the challenged patent qualifies as a "covered business method patent" is barred by the court's own precedent and the plain language of 35 U.S.C. § 324(e), which states that "[t]he determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable.

Nonetheless, this decision affects the potential scope of appeal for CBM review proceedings, suggesting that the CBM-specific threshold question of whether a challenged patent even qualifies as a "covered business method patent" could resurface on appeal before the Federal Circuit. Petitioners and Patent Owners alike should consider that possibility when addressing this threshold question in their Petitions and Preliminary Responses, respectively, to ensure that they have sufficiently developed the record on this issue for a possible appeal down the road.

Contact Us
If you have any questions or wish to discuss how this decision may impact your company, please

contact a member of our Post-Grant Patent Group.