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Federal Circuit Rejects PTAB Test for Determining Whether Patent is "Covered Business Method"

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In *Unwired Planet, LLC v. Google Inc.*, the Federal Circuit recently held that the Patent Trial and Appeal Board's (PTAB) definition of a "Covered Business Method" (CBM) was inconsistent with the statutory language of the America Invents Act (AIA). In vacating and remanding the PTAB's decision, the Court explained that the PTAB's analysis of whether patent claim activities were "incidental to" or "complementary to" a financial activity was insufficient to determine whether the challenged patent met the statutory definition of a CBM patent.

The AIA defines a CBM patent as "a patent that claims a method or corresponding apparatus for performing data processing or other operations for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions." The PTO adopted this definition without further elaboration.

In *Unwired Patent*, the PTAB, in instituting the proceeding, sought to determine "whether the patent claims activities are financial in nature, incidental to a financial activity, or complementary to a financial activity." Applying this standard, the PTAB determined that the challenged patent was a CBM patent because the patent's "client application" could be used by a hotel, restaurant, or store that wants to know a wireless device is in its area so that relevant advertising may be transmitted to the wireless device. The PTAB concluded this made the patent "incidental" or "complementary" to the financial activity of service or sales. After concluding the challenged patent was a CBM patent, the PTAB held that the claims of the patent were invalid for being directed to unpatentable subject matter under section 101.

On appeal, the Federal Circuit determined the PTAB did not apply the statutory definition of a CBM patent when it considered the "incidental" or "complementary" aspects of the invention and the possibility of potential sales due to advertising. The Federal Circuit explained that neither "incidental" nor "complementary" are found in the statute, although the language could be found in the legislative history. The Federal Circuit explained that limits Congress placed on the definition of a CBM patent could be rendered superfluous through application of the "incidental" or "complementary" test articulated by PTAB.

The Court remanded the case for further determination of whether the challenged patent falls within the statutory definition of CBM. Thus, it remains to be seen whether a change in the standard applied by the PTAB will result in any actual narrowing of the patents determined to be CBM patents under the statute.

Implications

In the interim, parties seeking to challenge a business method patent also will want to consider an *Inter Partes Review* proceeding, a proceeding with decidedly fewer options for challenging patent validity.

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