

PTAB taking a harder line on CBM institution

More covered business method petitions are now being denied institution by the Patent Trial and Appeal Board than granted, with the Board seemingly narrowing what qualifies as a CBM patent

The Patent Trial and Appeal Board (PTAB) is now granting a lower percentage of covered business method (CBM) review petitions than inter partes review (IPR) petitions, in a reversal from the situation in the USPTO's 2015 fiscal year.

CBMs were very popular early on at the PTAB because there are not the same estoppel issues or one-year bar after being sued as for IPRs.

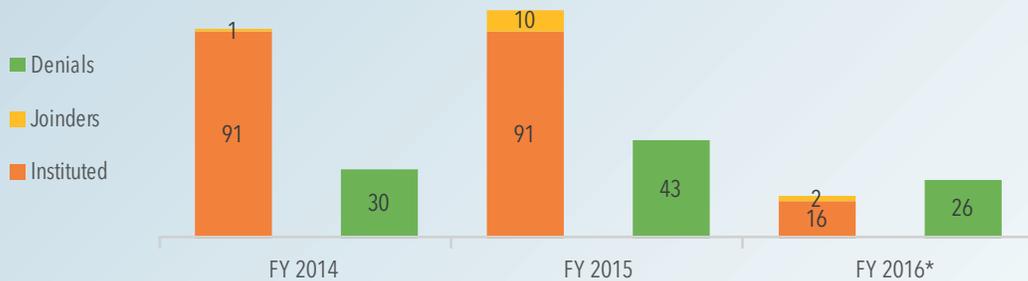
But PTAB practitioners expect CBM filing numbers to dwindle. This was certainly the case in January this year, when three covered business method petitions were filed – the lowest figure since July 2013, when two petitions were filed. However, 10 CBMs had been filed this month so far as of February 22.

“What we are seeing now with CBMs is the trend that the Board is getting more focused and more precise on what the boundaries of a CBM are,” says Lori Gordon, director in the litigation practice group at Sterne Kessler in Washington DC. “In the beginning they were letting a lot of patents into CBM eligibility. You were having patents that claimed communication, security and things like that, that had no mention in the claims of a financial angle. They were getting in because maybe the specification had a mention that you could use it as security product at a bank, for example. So they were taking a very broad view.”

Number of CBM petitions filed by month*



CBM - Number of decisions on institution per fiscal year by outcome



*Data current as of January 31 2016

Source: USPTO

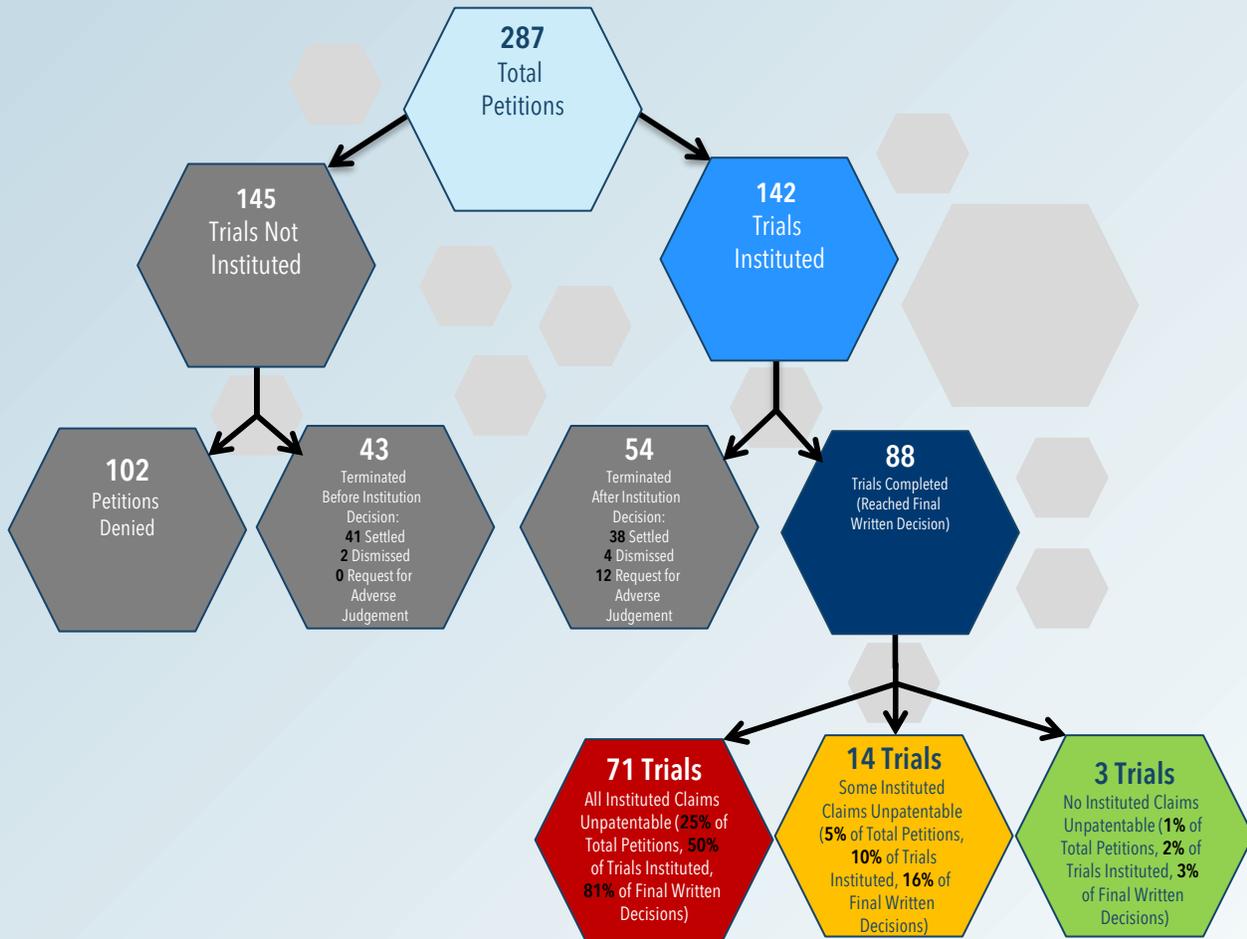
The Board now is not instituting CBM review on claims that do not have any mention of a financial angle. This has caused the institution rate of CBMs to drop and, with it, a decline in filing.

“A trend in 2015 was the board really narrowing the focus on CBMs and taking a harder look at what the patent actually claims,” says Gordon.

Denials of institution are now more common than grants. In USPTO fiscal year 2014 (October 1-September 30), 91 CBMs were instituted, 30 were denied and there was one joinder. The percentage of denials rose slightly in fiscal year 2015, with 91 instituted, 43 denied and 10 joinders.

So far this year the balance has flipped completely, with 16 institutions, 26 denials and two joinders as of the end of January.

Disposition of CBM petitions completed to date*



*Data current as of January 31 2016

Source: USPTO

“You are noticing a trend now where the institution rates for CBMs seem to be dropping,” says Joseph Palys, partner at Paul Hastings in Washington DC. “For some of those it seems like a higher number of decisions are based on whether a patent is eligible to be a CBM. That is a decision the Board seems to be focusing in on recently.”

Palys says this is an issue on which the Federal Circuit is likely to issue some interesting decisions.

“Some [PTAB] panels are looking at a patent more narrowly than others,” says Palys. “So that is an issue coming up, which will make its way to the Federal Circuit. That may be something to keep an eye out on.”

According to Lex Machina figures as of mid-January 2016, of the 281 terminated CBM trials in total, 40 have resulted in claims held unpatentable under Section 101 (inventions patentable). Only one trial had resulted in claims upheld

under Section 101. Twenty-five of the Section 101 claims were denied institution and another 88 terminated after institution.

In comparison, in terminated CBM trials including Section 112 (conditions for specification), claims were far less likely to be instituted – 71 have been denied institution, 12 have reached a final decision and another 28 terminated after institution.

Will PGRs take their place?

While CBM filing appears to be waning, another class of PTAB proceeding is expected to increase in coming years. Post-grant reviews (PGRs) are available for patents issued under the first to file standard brought in by the America Invents Act. They are available for nine months after a patent is issued or reissued.

Sterne Kessler's Gordon does not expect PGRs to enjoy the same popularity as CBMs did in her field of electronics.

"You are just seeing the first wave of PGR eligible patents being issued," she says. "But if you look at the litigated patents in the electronic space most of them are fairly long in term so your patent owners are not necessarily asserting patents until seven or eight years after issuance. It takes a while in the electronic space for technologies to become adopted and integrated into the commercial stream."

She adds: "I'm still not sure PGRs are going to be really popular in the electronics space because, while a lot of the electronics companies are monitoring patents coming out, you can't really tell what is important to your business until much longer down the road."

She notes the biopharmaceutical space has a different dynamic. Companies are constantly looking at what their competitors are filing and are more eager to challenge patents as soon as they issue.

"So I think you might see more PGRs in that realm," says Gordon. "But in general PGRs won't be as popular because the value of the patents doesn't really come up until much later in the term, once PGR eligibility is over."