



PETITIONER'S GUIDE TO

COVERED BUSINESS METHOD REVIEW

YOU HAVE QUESTIONS.
WE HAVE THE ANSWERS.

We are thinking about filing a petition for a Covered Business Method review (“CBM”) – what should we know?

A CBM is one of the post-grant proceedings created by the America Invents Act (“AIA”) and is a mechanism to challenge the validity of an issued U.S. patent. **CBMs** took effect on September 16, 2012, and **apply only to covered business method patents**.

A covered business method patent 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, except that the term does not include patents for technological inventions.” See 37 C.F.R. § 42.301(a). This definition requires a two-part analysis: (1) whether the patent claims involve “the practice, administration, or management of a financial product or service” and (2) whether the patent is directed to a “technological invention.” *Id.* While the legislative history provides some indication of what the definition means of to be used “in the practice, administration, or management of a financial product or service,” the definition has been construed broadly and somewhat unevenly by the Patent Trial and Appeal Board (“PTAB”). Whether a patent is for a “technological invention” is determined on a case-by-case basis and focuses on whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art, and whether it solves a technical problem using a technical solution.

A CBM review may be based upon any ground of invalidity, including those based upon 35 U.S.C. § 101 (subject matter eligibility), 35 U.S.C. § 102 (anticipation by prior art), 35 U.S.C. § 103 (obviousness due to prior art), and 35 U.S.C. § 112 (lack of enablement, lack of written description, and indefiniteness (but not best mode)). See 37 C.F.R. § 42.304(b)(2).

At the conclusion of a CBM review, the PTAB will issue a Final Written Decision that addresses all issues necessary to resolve the proceeding.

ARE THERE LIMITATIONS ON WHO CAN FILE A CBM PETITION?

Yes. **Only petitioners who have been sued for or have been charged with infringement of the patent or petitioners whose real party-in-interest or privy has been sued with infringement or has been charged with infringement of the patent may file a CBM.** See 37 C.F.R. § 42.302(a). Also, if you or your real party-in-interest filed a civil action challenging the validity of a claim of the patent, you cannot file a CBM. See 37 C.F.R. § 42.302(c). Also, if you, your real party-in-interest, or privy is estopped from challenging the claims, you cannot file a CBM. See 37 C.F.R. § 42.302(b).

ARE THERE LIMITATIONS ON WHEN A CBM PETITION CAN BE FILED?

Yes. The petition may be filed anytime except for when post-grant review is available, i.e., within nine months of issuance of a patent having at least one claim with a priority date on or after March 16, 2013. See 37 C.F.R. § 42.303. While this review applies to all patents, regardless of issue date, because the program for CBMs is transitional, the proceeding itself must be filed before September 16, 2020 (unless the program is extended). See 37 C.F.R. § 42.300(d).

WHERE DO WE START?

You need to choose CBM review counsel. CBMs are relatively new and unique proceedings, conducted much like a trial on paper. CBMs are very similar to the Motions Phase of an interference. CBM counsel with extensive PTAB or interference experience is a tremendous advantage.

WE'VE ALREADY BEEN SUED FOR INFRINGEMENT OF THE TARGET PATENT. SHOULD I USE LITIGATION COUNSEL AS CBM COUNSEL?

Maybe. **You are going to need to designate lead and back-up counsel for the CBM. See 37 C.F.R. § 42.10(a). Lead counsel must be registered to practice before the PTO. 37 C.F.R. § 42.10(c).** If your litigation counsel is a registered patent attorney, he can be lead counsel. If your litigation counsel is *not*

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a registered patent attorney, the PTAB may recognize him pro hac vice upon a showing of good cause, made by way of an authorized Motion. See 37 C.F.R. §§ 42.10(c), 42.20. Also, be sure to review any Protective Order governing the existing litigation to ensure litigation counsel is permitted to participate in the CBM review. CBMs are unique proceedings and the guidance of a seasoned PTAB practitioner will be helpful.

HOW LONG WILL THIS TAKE?

CBMs are *fast* proceedings. **CBMs are designed so that the Final Written Decision is issued within one year of institution, but that deadline may be extended by up to six months for good cause.** See 37 C.F.R. § 42.300(c). From the time you serve the Petition, the total time for the CBM will be about eighteen months, with a remote possibility of being as long as two years.

WHAT IS THE FEE FOR FILING A PETITION?

The base fee for filing a Petition is currently \$16,000 for a review of up to 20 claims. See 37 C.F.R. § 42.15(b)(1). **The post-institution fee for up to 15 claims is \$22,000.** See 37 C.F.R. § 42.15(b)(2). The post-institution fee must be paid when the Petition is filed and will be refunded if the PTAB does not institute the proceeding. For each claim over 20, the additional fee is \$375 per claim. See 37 C.F.R. § 42.15(b)(3). For each claim over 15, the post-institution fee is \$825 per claim. See 37 C.F.R. § 42.15(b)(4). There are no discounts for small or micro entities.

WHAT MUST THE PETITION INCLUDE?

Only one patent may be attacked per Petition, and each Petition is limited to 18,700 words, double-spaced using 14-point Times New Roman font. Claim charts may be single-spaced. See 37 C.F.R. §§ 42.6, 42.24. The Petition must set forth your grounds for standing, which identify the patent you are attacking, explain why the patent is a covered business method patent, and indicate you are not barred or estopped from bringing

the challenge. See 37 C.F.R. § 42.304. The Petition must identify each claim challenged and the statutory basis for each challenge. See 37 C.F.R. § 42.304(b). The Petition must indicate how each challenged claim is to be construed. For CBMs filed on or after November 13, 2018, the Board will use the federal court claim construction standard that is used to construe a claim in a civil action under 35 U.S.C. § 282(b). See 37 C.F.R. §§ 42.300(b), 42.304(b)(3); see also *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005). For older CBMs, the "broadest reasonable construction" is used. See 83 Fed. Reg. 51340, 51344 (October 11, 2018). The Petition must also indicate how the construed claim is unpatentable and set forth where each element of the claim is found in the prior art patents and/or printed publications relied upon. See 37 C.F.R. § 42.304(b)(4). This is typically done using a series of claim charts. **Claim charts may not include argument.** The Petition must also include the Mandatory Notices: the real party-in-interest, related matters, lead and back-up counsel, and service information. See 37 C.F.R. § 42.8. The Petition must also include a statement of the precise relief requested and a full statement of reasons for the relief requested. See 37 C.F.R. §§ 42.22, 42.304.

WHAT STANDARD WILL THE PTAB APPLY TO THE PETITION?

The Petition must convince the PTAB that "the patent for which review is sought is a covered business method patent, and that the petitioner meets the eligibility requirements" of who may petition. See 37 C.F.R. § 42.304(a). The Petition must convince the PTAB "that it is more likely than not that at least one of the claims challenged in the petition is unpatentable." See 37 C.F.R. §§ 42.208(c), 42.300(a). Only one patent may be addressed in a given Petition, but multiple Petitions may be filed on a given patent. This may be necessary in view of the word limit.

The Petition must set forth why each claim is unpatentable. We recommend strongly that each assertion be

supported by evidence and explained by an expert. Otherwise, there is a risk the PTAB will view the Petition as mere attorney argument. The expert's direct testimony will be submitted in the form of a Declaration, which will be filed concurrently with the Petition. See 37 C.F.R. §§ 42.6(c), 42.304(b)(5).

You need an expert who is not only excellent when it comes to the technology, but someone who can handle being deposed and the preparation that precedes it. You need an expert who is as independent as possible and able to give you the hours you need to truly learn the case and its issues. If there is concurrent litigation, work with litigation counsel to decide whether to use the same or different experts in the two proceedings.

The PTAB may consider new testimonial evidence submitted by the Patent Owner in its preliminary response. See 37 C.F.R. §§ 42.207(a), 42.300(a). To the extent such evidence raises a genuine issue of material fact, such fact will be considered in the light most favorable to the Petitioner for purposes of the institution decision. The Petitioner may seek leave to file a reply upon a showing of good cause.

WHAT NEXT?

The first official part of a CBM is filing and serving the Petition. A general timeline for CBMs is inset below. There is a lot of lead-up work to get that Petition on file. Keep in mind it is just that, a Petition – a request to permit you to attack one or more claims of the target patent on one or more bases. The PTAB may or may not institute a review (called a "trial").

If your Petition satisfied the clerical aspects for a CBM, the PTAB will issue a Notice of Filing Date Accorded To Petition and Time for Filing Patent Owner Preliminary Response. See 37 C.F.R. §§ 42.206(a), 42.300(a). That Notice requires the Patent Owner to file its Preliminary Response, should it wish to do so/it is voluntary, within three months of that Notice. See 37 C.F.R.

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§§ 42.207, 42.300(a). If the Patent Owner is sure he does not wish to file a Preliminary Response, he can alert the PTAB that the opportunity is being waived, thereby accelerating the pace of the proceeding. See 37 C.F.R. §§ 42.207(b), 42.300(a). If your Petition did not satisfy the clerical aspects, the PTAB may issue a Notice and permit you to correct the deficiencies. See 37 C.F.R. §§ 42.206(b), 42.300(a).

Within three months of when the Patent Owner's Preliminary Response was filed or was due, whichever is first, the PTAB will indicate whether it is going to institute a trial. See 77 Fed. Reg. 48756, 48757 (Aug. 14, 2012). If the PTAB institutes trial, the PTAB will institute as to all claims challenged in the petition. *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018). Under current practice, the PTAB will take an all-or-nothing approach to institution. That is, if the PTAB decides to institute trial, the PTAB will institute on all challenged claims and all grounds of challenge presented in the petition. **If The PTAB decides not to institute a trial, you may request**

rehearing within 30 days. See 37 C.F.R. § 42.71(d)(2). That said, a "request for rehearing does not toll times for taking action." See 37 C.F.R. § 42.71(d).

If instituted, the Patent Owner then has three months to conduct discovery and file the Patent Owner Response and, if requested, a Motion to Amend Claims. See 37 C.F.R. §§ 42.220(b), 42.221(a)(1), 42.300(a).

You then have three months to conduct discovery and file your Reply to the Patent Owner Response and your Opposition to any Motion to Amend.

If applicable, the Patent Owner then has one month to conduct additional discovery and file its Reply to your Opposition to the Motion to Amend.

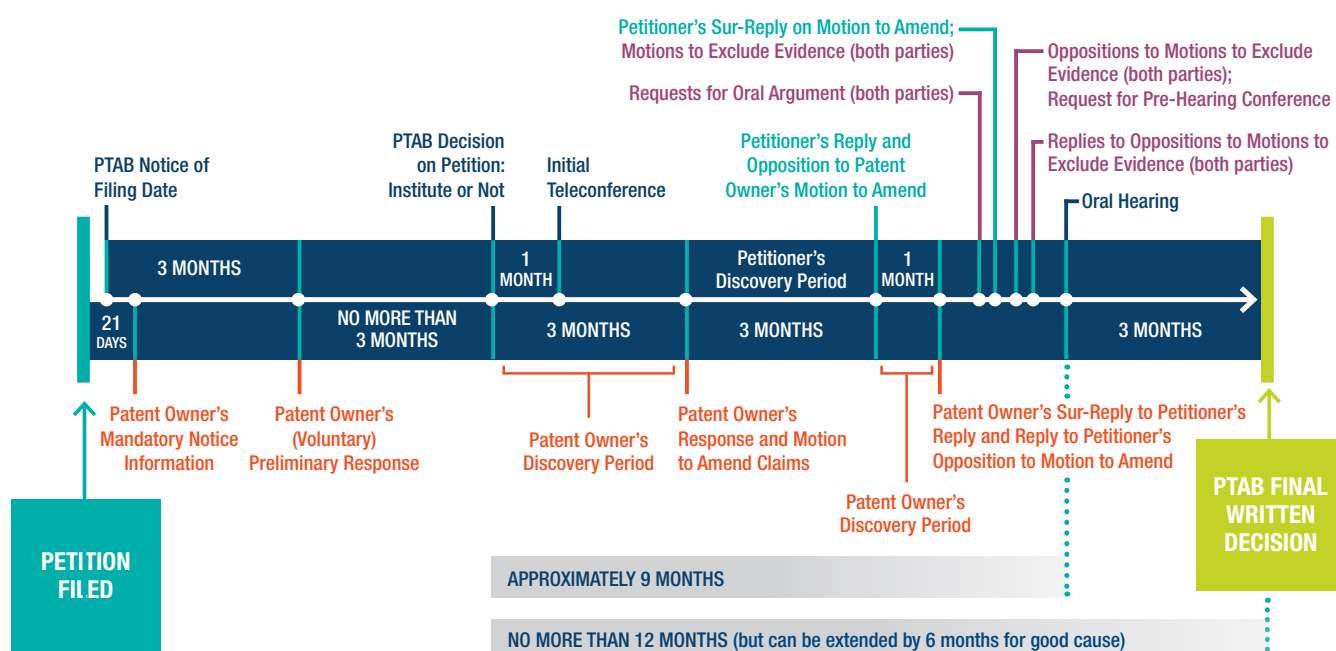
Over approximately the next six weeks a series of deadlines will be set. These will be for filing motions to exclude evidence, for filing observations, and for requesting oral argument.

At approximately nine months after the CBM was instituted, the oral hearing will occur. Within about three months of that hearing, the CBM will issue its Final Written Decision.

THE PTAB INSTITUTED A TRIAL. NOW WHAT?

In either the Decision to Institute or in the concurrently-issued Scheduling Order, you will learn when the first teleconference with your Administrative Patent Judge ("APJ") and opposing counsel will be, if such a teleconference is mandated by the APJ. It will likely be about two to four weeks after the Decision to Institute issued. While the date and time for that first call can be moved, you should do your best to be available/try to not request that it be rescheduled.

Be prepared for that first call. During the call the APJ will want to discuss the tentative schedule and see whether there are any issues. This means you will have to have charted-out the whole proceeding, including when expert discovery is likely to occur.



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Consider, especially if there are several related Petitions, whether the default seven hours of cross-examination per Declaration is enough or too much. See 37 C.F.R. § 42.53(c). Be aware of the status of any related litigation. After that first call, you are off to the races. Within three months of institution or by the deadline set in the Scheduling Order, the Patent Owner must file its Patent Owner Response, which is considered an Opposition to any ground of unpatentability that was not already denied by the PTAB See 37 C.F.R.

§§ 42.220, 42.300(a). Like the Petition, the Patent Owner Response must be double-spaced, use 14 point font, and no more than 18,700 words. See 37 C.F.R. §§ 42.6, 42.24(a)(1)(iii), 42.24(b)(2), 42.220(1), 42.300(a).

After the Patent Owner Response is filed, you will have three months to conduct discovery, including deposing the Patent Owner's experts. Within three months of the Patent Owner's Response, you must file the Petitioner's Reply and the Opposition to Patent Owner's Motion to Amend (if applicable). See 77 Fed. Reg. 48756, 487584 (Aug. 14, 2012). After that, the Patent Owner will have the chance to file a Reply regarding the Motion to Amend (if applicable). Then, Observations and Motions to Exclude will be filed and you may request an Oral Argument.

You will likely want to request an Oral Argument. See 37 C.F.R. § 42.70. This is the only time you have to interact with the three APJs who will decide the case. The PTAB will alert you and the Patent Owner of how much time you have for argument. Demonstratives may be used, but be aware that you need to serve those demonstratives at least seven days before the oral argument and must file them by no later than the time of the oral argument. *Id.* Despite having a wonderful script to read from, the APJs will likely pepper your CBM counsel with questions very early in the argument. **It is essential that CBM counsel is thoroughly prepared for the oral argument**, and doing so is very time consuming.

WE'VE HAD THE ORAL HEARING. WE HAVE COLD FEET. CAN WE GET OUT OF THIS?

Yes, but doing so may not stop the bus. "The parties may agree to settle any issue in a proceeding, but the Board is not a party to the settlement and may independently determine any question of jurisdiction, **patentability**, or Office practice." 37 C.F.R. § 42.74(a) (emphasis added). The take-home message from this, and recent cases where the PTAB has invalidated patent claims despite a settlement, is that **settlement should be considered early and finalized as early as possible in the proceeding.**

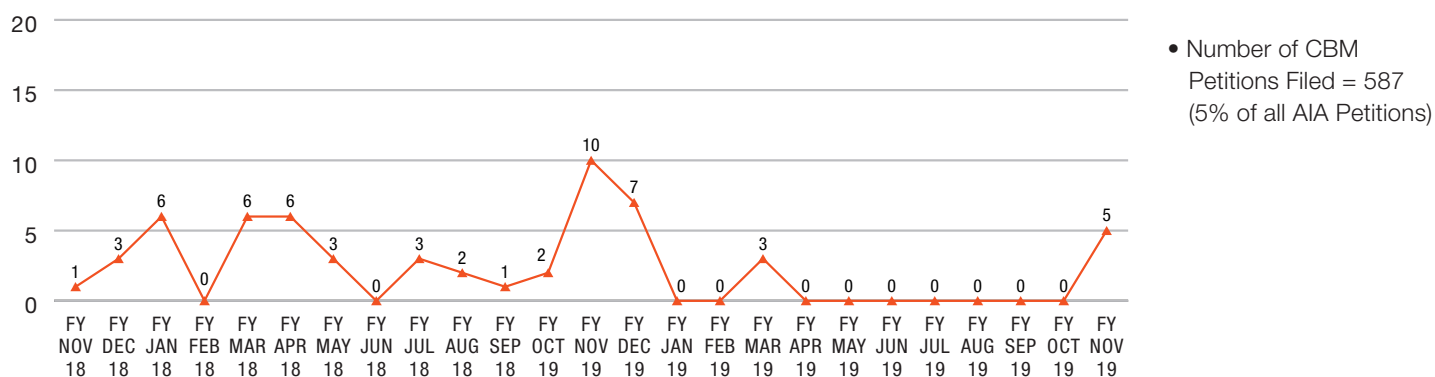
Any settlement agreement should be reduced to writing and a copy should be given to the PTAB before the trial is terminated. See 37 C.F.R. § 42.74(b). You can request that the settlement be kept separate and treated as business confidential information. See 37 C.F.R. § 42.74(c). But, the settlement may be made available to a Government agency who files a written request or to any other person, if, in addition to the written request, they provide the required fee and make the showing of good cause. *Id.*

I KEEP HEARING ABOUT ESTOPPEL. WHAT IS ALL THE FUSS ABOUT?

CBMs have estoppel provisions that are less extensive than those associated with *inter partes* reviews ("IPRs") or post-grant reviews ("PGRs"). Estoppel before the USPTO is judged by deciding whether the issue was "raised or reasonably could have [been] raised." See 35 U.S.C. § 325(e)(1); see also 37 C.F.R. §§ 42.73(d)(1), 42.300(a). Estoppel before a court is judged by deciding whether the issue was "raised." See AIA § 18(a)(1)(D). Thus, it is important to explore all theories and present them in a CBM, otherwise you risk losing the right to do so at a later date.

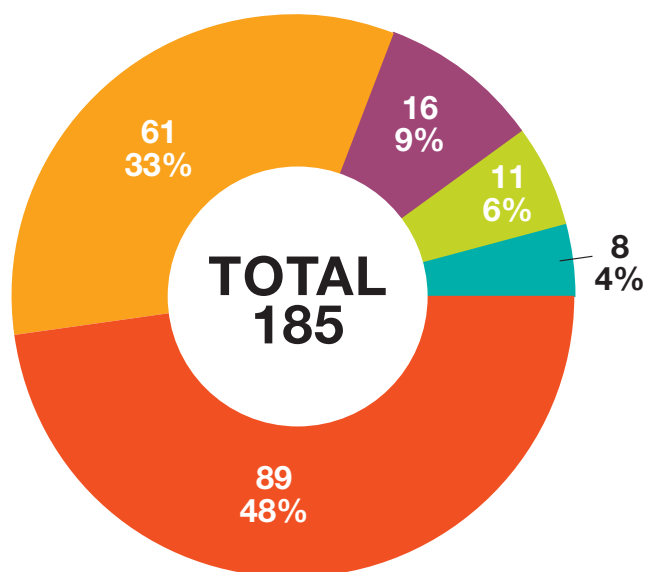
USPTO DATA AS OF NOVEMBER 30, 2019

Number of CBM Petitions Filed by Month

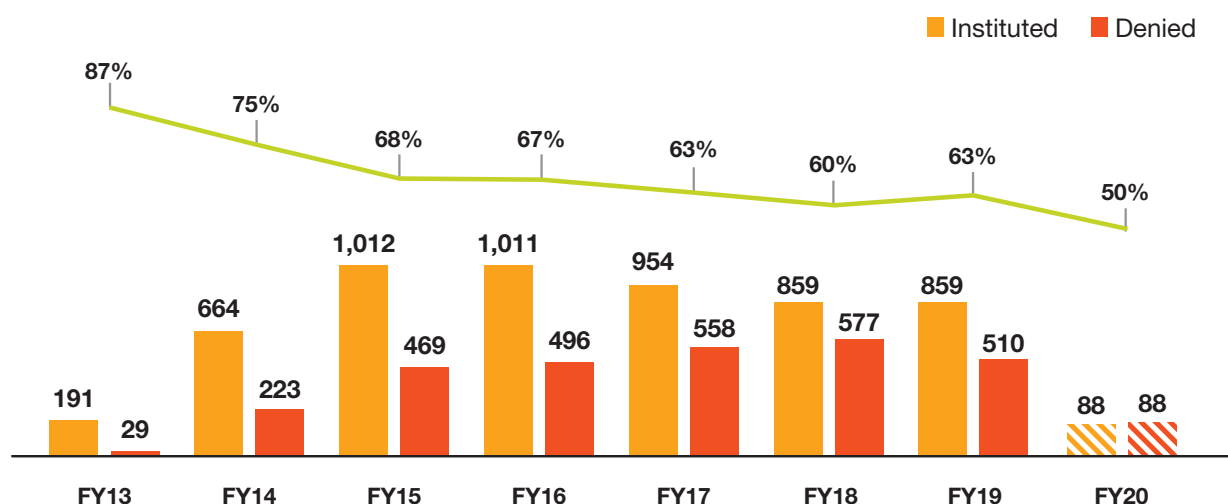


Technology Breakdown of Fiscal Year 2019 AIA Petitions

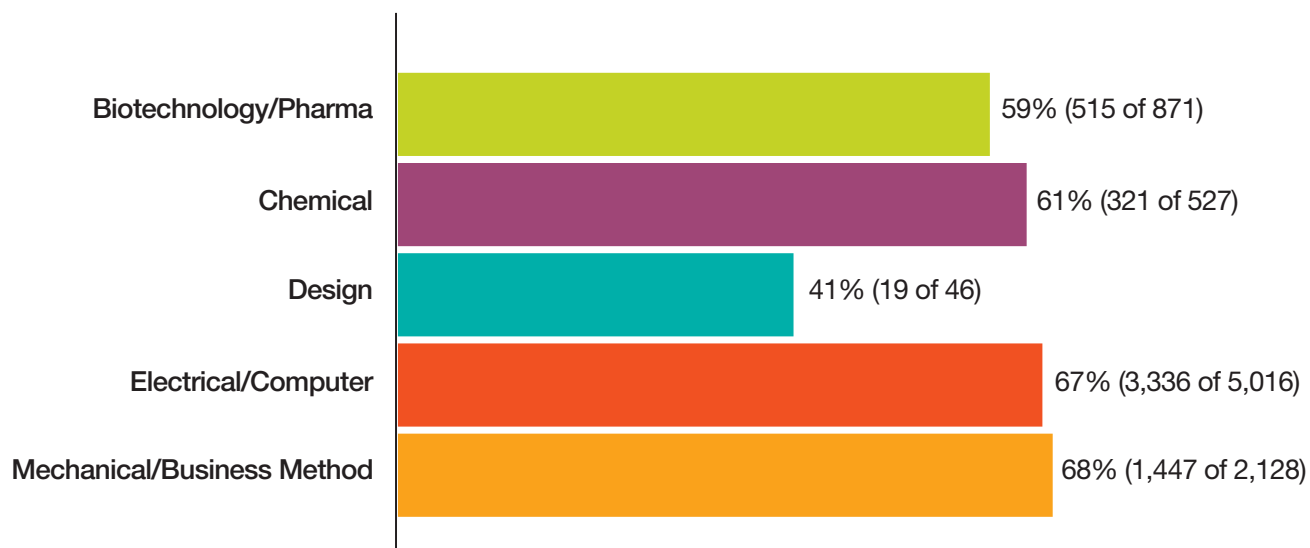
- Electrical/Computer - TCs 2100, 2400, 2600, 2800
- Mechanical/Business Method - TCs 3600, 3700
- Bio/Pharma - TC 1600
- Chemical - TC 1700
- Design - TC 2900



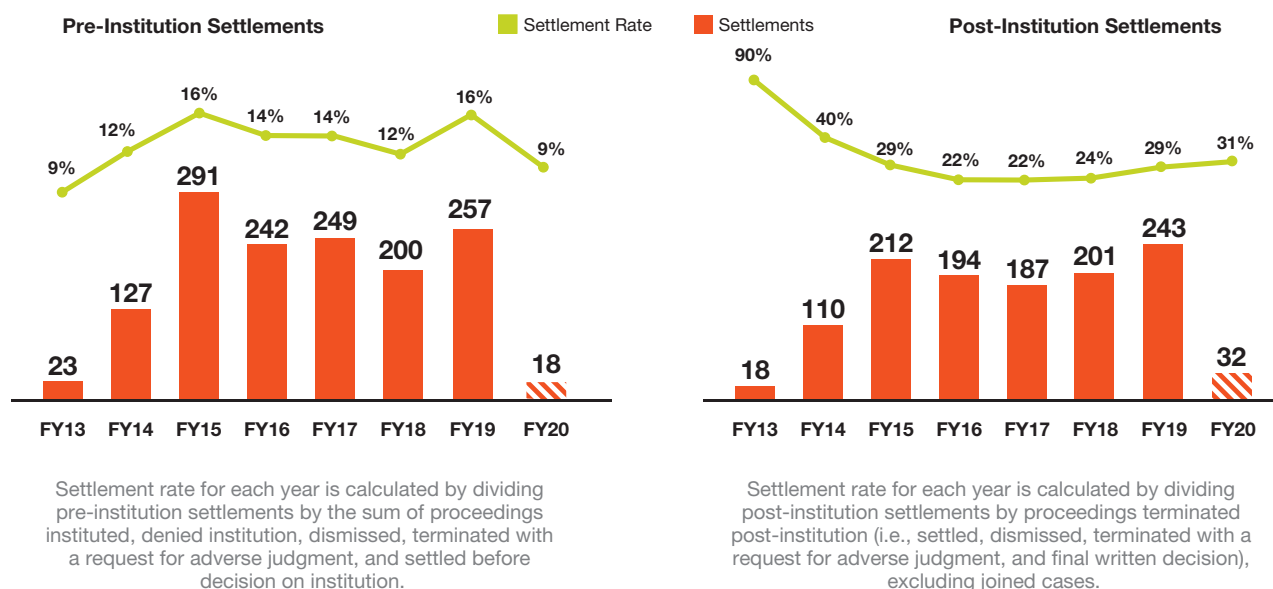
Institution Rates



Percent of AIA Petitions Instituted by Technology

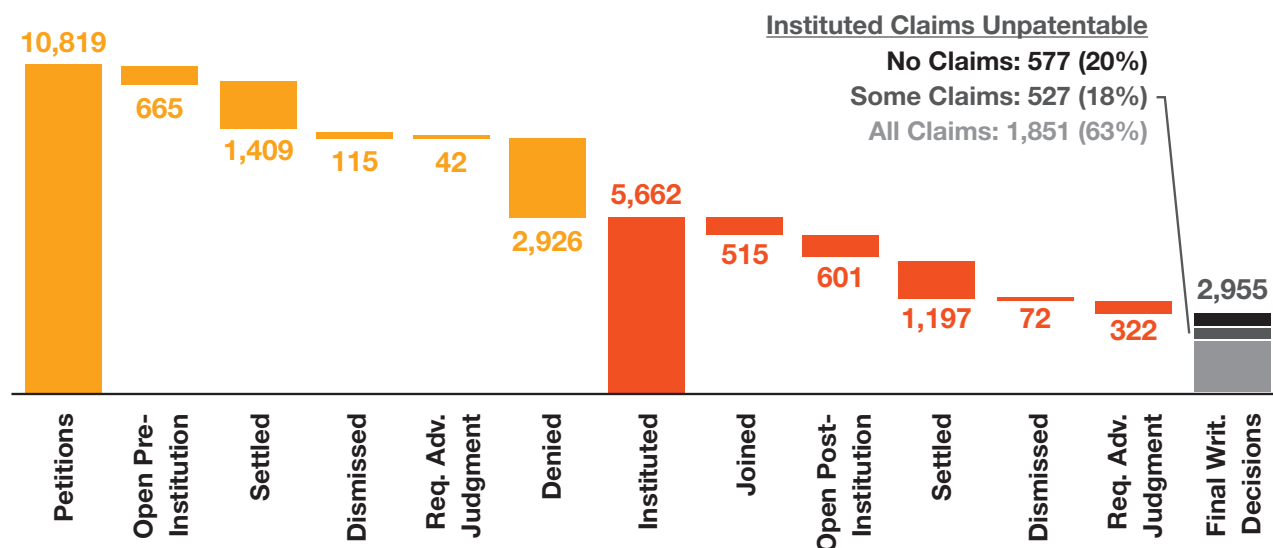


Settlement Statistics for AIA Trials



Status of Petitions

(All Time: 9/16/12 to 11/30/19)



These figures reflect the latest status of each petition. The outcomes of decisions on institution responsive to requests for rehearing are incorporated. Once joined to a base case, a petition remains in the Joined category regardless of subsequent outcomes.

We're Here to Help

Having handled hundreds of interferences and *inter partes* matters before the PTAB, our Patent Office Litigation team is uniquely positioned to assist you with the AIA trial proceeding. We have handled over one hundred and five AIA trial proceedings, assisting both patent owners and petitioners. We welcome the opportunity to work with you.



LYNN J.
ALSTADT



ADAM R.
BANES



TRAVIS W.
BLISS, PH.D.



TRAVIS D.
BOONE



SHAWN B.
CAGE



BRYAN
CANNON



ANDREW
CHESLOCK



KIMBERLY E.
COGHILL



MICHAEL L.
DEVER



PETER T.
DEVORE



ERIN M.
DUNSTON



MATTHEW L.
FEDOWITZ



RALPH G.
FISCHER



PHILIP L.
HIRSCHHORN



PATRICK C.
KEANE



JIM A.
LABARRE



ROGER H.
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DAVID W.
LEIBOVITCH



MYTHILI
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Helpful Links

Board Trial Rules and Practice Guide

<https://www.uspto.gov/patents-application-process/appealing-patent-decisions/resources/board-trial-rules-and-practice>

Representative Orders, Decisions, and Notices

<https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/precedential-informative-decisions>

To Access the PTAB

<https://www.uspto.gov/patents-application-process/patenttrialandappealboard>

PTAB's End-to-End System (For access to Documents Filed in AIA Trials)

<https://ptab.uspto.gov/#/login>

For AIA

http://www.uspto.gov/aia_implementation/

For Most Recent 37 C.F.R., M.P.E.P., etc

<http://www.uspto.gov/patents/law/index.jsp>

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