

Demonstrating a Technological Invention to Defeat CBM Review

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The America Invents Act (“AIA”) made covered business method (“CBM”) patent review by the Patent Trial and Appeal Board (“PTAB”) immediately available to parties who have been sued for or charged with infringement of a covered business method patent. A covered business method patent “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.”¹ To determine whether a patent is exempt from CBM review because it claims a “technological invention,” the PTAB considers two issues: “whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.”² The petitioner for

CBM review has the burden of proving that the patent at issue does not claim a technological invention.

In attempt to lend some clarity to the technological invention exception, the Patent Office has said that the standard is not met merely by using certain claim drafting techniques, such as reciting known technologies to accomplish a process or method, even if that process or method is novel and non-obvious, or combining prior art structures to achieve the normal, expected, or predictable result of that combination.³ For example, a patent claiming “a method for hedging risk in the field of commodities trading” is subject to CBM review, but a patent claiming “a novel and non-obvious hedging machine for hedging risk in the field of commodities trading” is not.⁴ But the question remains: when does a method executed on a computer become a technological invention that avoids CBM review?

FIRST PRONG: NOVEL TECHNOLOGICAL FEATURE

To establish that a particular claim is not a “technological invention” subject to CBM review, the petitioner must establish that the claim as a whole fails to recite a novel and unobvious technological feature. Patent owners who have successfully defeated petitions for CBM review based on the existence of a technological feature have identified a novel way that the claim uses technology to perform at least one step of the claimed method.

In *Experian Mktg. Sol’ns, Inc. v. RPost Comm’ns Ltd.*,⁵ the patent at issue covered methods for providing proof to the sender of an email message regarding its delivery and content. The petitioner argued that the claims at issue did not recite a novel and unobvious technological feature because they “merely recite using well-known technology (email), in a well-known manner (using SMTP or ESMTP to transmit e-mail), to perform a well-known task (applying digital signatures).”⁶ The patent owner disagreed, arguing that the novel technological feature was the use of an intermediary server to record the dialog between the server and the recipient without requiring the use of special e-mail software by the sender or recipient.

The PTAB sided with the patent owner, reasoning that the petitioner focused incorrectly on only a few claim limitations and, in so doing, failed to establish that each claimed server configuration *as a whole* was known in the art or would only achieve the normal, expected, or predictable result of the claimed combination of components.

The PTAB found a similar failure of proof in *E*Trade Fin. Corp. v. Droplets, Inc.*⁷ The claims in that case were directed to a computerized method for providing a link to a remotely stored application and associated information so that when the user activated the link, the application and information were presented on the user’s computer as they were saved in a previous operating state.

The petitioner argued that the claims did not recite a novel and unobvious technological feature because all of the claimed elements were disclosed in a combination of two prior art references. The PTAB disagreed, finding that the petitioner failed to show that the combination of the references would be expected to yield a computer system with the same functionality disclosed in the claims. The PTAB relied on the patent owner’s argument that the claimed “executable code” used to send and receive information provided inventive features not shown by the petitioner to be necessarily present in the prior art.

The petitioner in *Motorola Mobility LLC v. Intellectual Ventures I LLC*⁸ also failed to establish that the claims were not directed to a novel and unobvious technological feature. The claims recited a method for distributing software updates from a remote computer to a user workstation over a network where the updates were selected from a directory of available updates based on the software already installed at the user workstation. The petitioner’s argument that the claims were not directed to a novel or unobvious technical feature was based on general assertions that a computer and a network were well-known in the art, and combining them would yield only the predictable results of identifying, displaying, and transmitting data. The PTAB rejected this approach, finding that the petitioner failed to establish that simply combining a computer and network (as suggested by the petitioner) would result in the performance of the specific steps recited in the claim.

A patent owner will be unlikely to defeat CBM review when the petitioner can show that all steps of a claimed method can be performed using known technol-

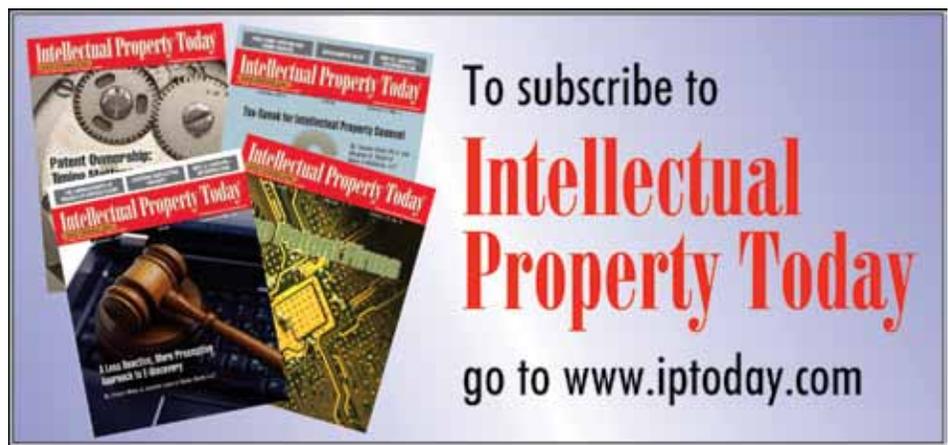
ogy on known platforms. In *Google Inc. v. SimpleAir, Inc.*⁹, the claims recited a method for transmitting data to remote devices. The PTAB found that that the claims did not disclose a novel or unobvious technological feature because all of the computerized elements performing the method steps were known, and because the specification of the patent stated that the invention could be implemented on various known platforms, such as computers, televisions, and telephones, and could operate on known transmission networks.

Similarly, in *Apple Inc. v. Smartflash LLC*¹⁰, the patent claims covered a portable data carrier with a means for permitting access to the data only upon validated payment. The PTAB concluded that the claims did not recite a novel technological feature based on the specification's disclosure that the method can be implemented on existing systems and that the "physical embodiment of the system is not critical and a skilled person will understand that the terminals, data processing systems and the like can all take a variety of forms."¹¹ It is therefore crucial for a patent owner to establish that the specific technical implementation of the claimed method is novel.

SECOND PRONG: TECHNICAL SOLUTION TO A TECHNICAL PROBLEM

In addition to establishing that the claims under review lack technological novelty, a petitioner must also establish that the claims fail to disclose a technical solution to a technical problem. Patent owners who have avoided CBM review have shown that the specific technical implementation of the method recited in the claims themselves solves a technical, and not merely a business, problem.

For example, in *GSI Commerce Sol'ns, Inc. v. Arunachalam*¹², the PTAB refused to institute CBM review of a patent claiming an apparatus for real-time, two-way financial transactions over the Web. The petitioner argued only that the claims recited known technologies, such as a processor, machine-readable storage, a network, the Web, and a data structure, but did not present evidence that the claims failed to provide a technical solution to a technical problem. In its preliminary response, the patent owner argued that the claims were drawn to solving a technical problem using a technical solution because they disclosed using a connection to a Web merchant's service at the application layer of the OSI model, as opposed to the transport or network layers. The use of



the application layer was described in the patent's specification as a significant aspect of the invention. The PTAB agreed, finding that claiming a specific technique to make a specific connection to the Web merchant's service was a technical solution to a technical problem.

By contrast, in *Apple Inc. v. Smartflash LLC* (discussed above), the PTAB instituted CBM review because the problem solved by the claimed data carrier and payment validation system was a business problem: how to make data available over the Internet without fear of data piracy. The patent owner failed to explain how a technical aspect of the claims, rather than the method itself, solved a technical problem.

GUIDELINES FOR DEFEATING CBM REVIEW

While defeating a petition for CBM review of a computerized method is difficult, these decisions provide useful guidelines for crafting potentially successful arguments.

First, if the petitioner argued that the claimed invention lacks novelty because it is nothing more than a collection of known prior art computer components, the patent owner should demonstrate how the software performing the method on the computer converts at least one computing component into a novel technological feature that is not disclosed in the prior art. The patent owner should point out that the components disclosed in the prior art, even if capable of performing the claimed steps, would not necessarily perform those steps in the same manner as the claimed invention due to this novel software. The patent owner should use the specification where possible to provide concrete examples of the results obtained from performing the claimed method. In this way, the patent owner can prove that the combination of

claimed components achieves more than just the normal, expected, or predictable results of that combination.

Second, to establish that the claims recite a technical solution to a technical problem, the patent owner should identify at least one step in the method that is performed using a specific technical implementation that provides an identified advantage. The patent owner should cite portions of the specification that describe the advantages realized by using the specific technical implementation instead of a generic component disclosed in the prior art. To the extent possible, the patent owner should argue that the novelty of the claimed invention is derived at least in part from the technical implementation.

Of course, the likelihood of avoiding CBM review will depend in large part on the content of the claims themselves, many of which were drafted before the AIA established CBM review. But, a patent owner can maximize the likelihood of avoiding CBM review by tailoring its arguments to highlight the technological innovations embodied in its patent claims. **IPT**

ENDNOTES

- 37 C.F.R. 42.301(a).
- 37 C.F.R. 42.301(b).
- Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,758 (Aug. 14, 2012).
- Id.*
- Case CBM2014-0010 (PTAB Apr. 22, 2014) (Paper 20).
- Id.* at 8.
- Case CBM2014-00124 (PTAB Oct. 30, 2014) (Paper 15).
- Case CBM2014-00083 (PTAB Aug. 6, 2014) (Paper 17).
- Case CBM2014-00179 (PTAB Jan. 22, 2015) (Paper 13).
- Cases CBM2014-00102 (Paper 8) and CBM2014-00103 (Paper 8) (PTAB Sept. 30, 2014).
- Id.* at 11.
- Case CBM2014-00101 (PTAB Oct. 7, 2014) (Paper 10).