



ARElaw Patent and Litigation Alert: Federal Circuit Reviews PTAB's First CBM Final Written Decision and Affirms

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(July 13, 2015). In *Versata Development Group, Inc. v. SAP America, Inc.*, No. 2014-1194, Slip op. (Fed. Cir. July 9, 2015), the U.S. Court of Appeals for the Federal Circuit issued a decision reviewing the first final written decision by the Patent Trial and Appeal Board ("PTAB") in a covered business method ("CBM") patent case under § 18 of the AIA.

By way of background, the PTAB had instituted a CBM patent review of Versata's patent directed to a price calculation method under 35 U.S.C. §§ 101 and 102 (CBM2012-00001). At the petitioner's request, the PTAB subsequently agreed to forego the review under Section 102 and expedite the review solely under Section 101. On June 11, 2013, the PTAB issued a final written decision finding all of the challenged claims unpatentable under 35 U.S.C. § 101. Versata appealed the PTAB's decision to the Federal Circuit. The U.S. Patent Office intervened in the appeal.

In the majority decision drafted by Judge Plager and joined by Judge Newman, the Federal Circuit affirmed the PTAB's final written decision. The decision addressed not only the substantive merits of the case, but also, more importantly, the permissible scope of the Federal Circuit's review over the PTAB's final written decisions in CBM cases:

- The Federal Circuit held that on appeal of a final written decision by the PTAB in a CBM case, "as a general principle [the Federal Circuit] may review issues decided during the PTAB review process, **regardless of when they first arose in the process, if they are part of or a predicate to the ultimate merits.**" Slip op. at 57 (emphasis added).

35 U.S.C. § 324(e) provides that the PTAB's determination whether to institute a post-grant (or CBM patent) review "shall be final and nonappealable." At the time of instituting the CBM proceeding, the PTAB decided that (1) Versata's patent fell within the scope of the PTAB's CBM authority as a "covered business method patent" and that (2) patent ineligibility under 35 U.S.C. § 101 was a permissible ground for invalidation in a CBM proceeding. Invoking § 324(e), the petitioner and the U.S. Patent Office argued that the Federal Circuit was barred from reviewing those determinations made by the PTAB at the institution stage.

The Federal Circuit disagreed and held that the § 324(e) bar "permit[s] judicial review, when conducted with regard to the final written decision, of **PTAB compliance with any requirement that involves the ultimate authority of the PTAB to invalidate**



a patent.” Slip op. at 22 (emphasis added). As such, the Federal Circuit held that it has jurisdiction to review (1) whether a patent at issue is within the PTAB’s CBM authority, and (2) whether the PTAB is authorized to invoke § 101 as a test of validity in CBM cases, even though such determinations are made at the institution stage. Slip op. at 30 and 43.

- The Federal Circuit affirmed the PTAB’s conclusion that Versata’s patent is a covered business method patent, and that it does not fall within the meaning of a “technological invention.” In particular, the Federal Circuit agreed with the U.S. Patent Office that “the definition of ‘covered business method patent’ is not limited to products and services of only the financial industry, or to patents owned by or directly affecting the activities of financial institutions such as banks and brokerage houses.” Slip op. at 35.
- The Federal Circuit affirmed the PTAB’s use of the “broadest reasonable interpretation” standard in claim construction for CBM proceedings. Slip op. at 41.
- The Federal Circuit held that the PTAB acted within its statutory authority in permitting a patent eligibility challenge under 35 U.S.C. § 101 in a CBM proceeding. Slip op. at 45.
- The Federal Circuit affirmed the PTAB’s decision that the challenged claims of Versata’s patent were unpatentable as abstract ideas under 35 U.S.C. § 101. Slip op. at 56.

Judge Hughes concurred in the result, but dissented to the extent he viewed the majority’s opinion to “impermissibly expand[] this court’s jurisdiction and our scope of review to second-guess the Board’s initial determination that the patent at issue is a ‘covered business method patent.’” Judge Hughes concluded that 35 U.S.C. § 324(e) precluded the Federal Circuit’s review of whether Versata’s patent is a “covered business method patent.

We will continue to monitor further developments in practice before the PTAB.

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