

U.S. Patent and Trademark Office Patent Trial and Appeal Board's (PTAB) First Business Method Patent Ruling: Challenges for Software Patent Holders

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The **U.S. Patent and Trademark Office Patent Trial and Appeal Board (PTAB)** has issued its first-ever decision in proceedings for challenging business method patents in post-grant review. The case is **SAP America, Inc. v. Versata Development Group, Inc.**, Case CBM2012-0001.

The patent is directed to a method and apparatus for pricing products and services. The PTAB held that claims of the patent holder (Versata) were unpatentable under 35 USC § 101 because they, "recite unpatentable abstract ideas and the claims do not provide enough significant meaningful limitations to transform these abstract ideas into patent-eligible applications of these abstractions." All of the challenged claims were canceled.

These are the takeaways from the case:

- The PTAB determined that the appropriate claim construction standard for post-grant review is the Broadest Reasonable Interpretation (BRI) as opposed to the standard of claim construction used in US District Court proceedings (*Phillips v. AWH*).
- A BRI standard may pose particular challenges in business-method patents. Versata was significantly hindered because it could not rely on its specification to limit the scope of the claims, and this may have bolstered the finding that the claims recited abstract ideas.
- The PTAB reinforced previous opinions that abstract ideas and laws of nature are not patentable under 35 USC § 101 nor are, "insignificant postsolution activity," "the use of the formula to a particular technological environment," or "conventional or obvious" limitations.
- The PTAB found Versata's claims to be abstract in part because they could be performed, "via pen or paper," using "general purpose computer hardware and programming," and included "insignificant, conventional and routine steps that are implicit in the abstract idea itself."
- The PTAB used specification language to infer that the method claims could be performed out

of sequence. Although the specification was drafted with breadth in mind, it created ambiguity that may have aided in finding that it was an abstract idea.

- Prosecutors take note: Inventors of business method patents should seek to ensure that claims are drafted with sufficient definition to survive a challenge of unpatentability under 35 USC § 101. First, reliance on the specification alone will not assist in a post-grant review under the BRI standard and the specification language should be carefully drafted to avoid ambiguity. Focus on exemplary embodiments may be more beneficial than breadth. Last, when claims are challenged as abstract ideas, physical limitations are only beneficial, if at all, when they are directed to very specific structure.
- Litigators take note: The PTAB made this decision more quickly than expected (nine months from filing) and upheld a challenge under 35 USC § 101. For defendants in litigation, the PTAB may be a very attractive alternative to litigation, particularly given the BRI standard.

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