

## Examining the Reach of the Covered Business Method Program

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As a recap, Section 18 of the America Invents Act states that 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.” AIA § 18(d)(1); see 37 C.F.R. § 42.301(a).

In CBM2014-00104, Apple Inc. asserted that Patent 7,334,720, owned by Smartflash LLC, is eligible for review under the CBM program and that claims 1, 3, 11, 13, and 14 are unpatentable under 35 U.S.C. 102 and/or 103. While the PTAB was unpersuaded by Apple’s assertion that the challenged claims are anticipated or made obvious by the prior art, the PTAB did provide interesting guidance on the threshold issue of whether the patent was eligible for review under the CBM program.

At the outset, the PTAB pointed out that only one of the claims must meet the requirements stated in AIA § 18(d)(1) in order for the patent to be eligible for review under the CBM program. Of the challenged claims, the PTAB agreed with Apple that claim 14 is directed to a financial product or service.

Claim 14 recites, in pertinent part:

“...writing the at least one access rule into the data carrier, the at least one access rule specifying at least one condition for accessing the retrieved data written into the data carrier, the at least one condition being dependent upon the amount of payment associated with the payment data forwarded to the payment validation system.”

In particular, the PTAB stated that “we agree with Apple that the subject matter recited by claim 14 is directed to activities that are financial in nature, namely data access conditioned on payment validation.”

In agreeing with Apple on this point, the PTAB countered Smartflash’s argument that section 18 of

the AIA should be narrowly interpreted to cover only technology used specifically in the financial or banking industry. The PTAB pointed out that, according to the legislative history, the definition of a covered business method patent was drafted to encompass patents “claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.” (citing 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer)).

Smartflash additionally argued that, because claim 14 does not recite specifics of how payment is made, claim 14 is not directed to an apparatus or method that is financial in nature. However, the PTAB indicated that this argument carries no weight, as § 18(d)(1) does not include such a requirement.

Turning to the technological invention exception of § 18(d)(1), the PTAB concluded that claim 14 does not fall within the exception. In particular, the PTAB stated that the asserted novelty of the invention is not in a specific improvement of software or hardware, but in a method of preventing data piracy, which the PTAB characterized as a business problem rather than a technological problem.

In summary, this case provides another data point on the contours of eligibility requirements relating to so called business method patents. That is, while the scope of eligibility for patent protection under 35 U.S.C. § 101 seems to have shrunk in view of Alice, the language defining the eligibility for review and potential invalidation of a patent under the covered business method program appears to be interpreted broadly.

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