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Banks, Stores Lobby To Give CBM Reviews New Lease On Life

By **Ryan Davis**

Law360 (September 15, 2020, 9:01 PM EDT) -- The patent office's covered business method review program is set to expire Sept. 16, but a coalition of banking, retail and restaurant groups is working with two U.S. senators on legislation to extend the system, which has been used to challenge hundreds of patents.

Sens. Richard Blumenthal, D-Conn., and David Perdue, R-Ga., have taken the lead in Congress on finding a way to prolong the CBM program, according to the industry groups supporting the effort. The lawmakers have not yet drafted or introduced a bill, and the prospect of an extension is receiving pushback from groups representing patent owners.

Created by the America Invents Act, CBM reviews **began in September 2012** as a way to challenge patents related to financial products and services using invalidity arguments not available in programs like inter partes review. The program was designed to expire after eight years, and that deadline arrives Wednesday. Nearly 600 CBM reviews have taken place so far, although the number of new petitions has fallen sharply in recent years.

Those who want the program extended concede that it's almost certain to end on schedule. However, they are urging Congress to pass a bill in the coming months to revive it and again give companies accused of infringing business method patents a powerful way to challenge them.

"What it does is it protects against needless patent litigation or patent trolls," said Leon Buck, vice president of government relations for the [National Retail Federation](#), which supports extending the program. "These two senators have agreed to advocate for this, and legislation has not been drafted yet, but we think it will. We're hoping that this will get extended by the end of the year."

Buck said the two senators have not yet decided how to approach the issue and could either introduce a stand-alone bill or include an extension measure in another piece of legislation. Representatives for the senators could not be reached for comment on their plans.

"The program still needs to be implemented and keep going because the patent trolls still exist and it's still a problem for us, as retailers and banks and credit unions," Buck said. While it's too early to gauge what might happen in Congress with the proposed extension, "maybe in a month we should know, and we'll continue our advocacy," he added.

Buck said the plan is for the legislation to propose extending the program for one year, giving supporters time to work toward a longer extension after the November election, possibly with a new Democratic administration in the White House that may be more amenable to the idea.

The Patent Trial and Appeal Board's most recent data about the outcome of CBM reviews is from 2017. At that point, 446 CBM petitions had been filed and 162 cases, or 36%, had reached a final decision, with the rest either settled or review not instituted. The final rulings largely favored those challenging patents: 156 decisions invalidated some or all of the patent claims at issue, and only six upheld all the claims.

The National Retail Federation joined the American Bankers Association, the Credit Union National

Association, the National Restaurant Association and others in writing a letter to Blumenthal and Perdue on Sept. 8 to thank them for working to extend the CBM program, which the groups said "has led to decreased litigation involving business method patents, and positive effects on innovation, investment, and job creation."

The groups, collectively calling themselves the Quality Patents Coalition, expressed concern that patent licensing companies have been "stockpiling" patents subject to CBM review and are waiting to assert them after the program expires, pointing to increased sales of patents on the secondary market.

If that happens and the CBM program is not available, there will be "an avalanche of meritless litigation," and "the end result will be a tax on our economy at a time when many of our members are fighting to recover from the devastating economic impact of the COVID-19 pandemic," the coalition said.

Patent Owners Fire Back

Groups representing patent owners like the Licensing Executives Society and the Innovation Alliance have mounted a preemptive strike against any move to extend CBM reviews, telling lawmakers earlier this summer that the program should end on schedule because it harms patent rights and is used only infrequently in any event.

CBM reviews "should expire of disinterest, if not to eliminate a proceeding of questionable use, of illegitimate vintage, and of unjust intent," opponents of the program wrote in a June letter to Sens. Thom Tillis, R-N.C., and Chris Coons, D-Del., who lead the Senate Judiciary Committee's intellectual property subcommittee and generally favor stronger patent rights.

"CBM was set to have a very specific sunset date, and that date is arriving and we ought to respect it," Brian O'Shaughnessy, senior vice president for public policy at the Licensing Executives Society, said in an interview last week. He added that Congress "shouldn't be indulging the whims of industries that want to get a free ride on other people's IP."

Extending CBMs would violate the intent of Congress to leave the program in place for only a limited time and would undermine IP rights by reducing the perceived value of intellectual property, O'Shaughnessy said. He called the idea of patent owners lying in wait to sue when the program expires "rank speculation and scare mongering" without evidence to support it.

O'Shaughnessy said his group did not receive a response from Tillis and Coons, but believes their support for strong patents would likely lead them to oppose a CBM extension. Representatives for Tillis and Coons could not be reached for comment on their views.

The inventor advocacy group U.S. Inventor has also entered the fray, urging its members this week to call or write their senators and ask them to oppose any effort to extend the CBM program. The group says all types of AIA reviews harm patents and benefit large corporations.

A CBM extension "makes no sense at all," U.S. Inventor said in a "call to action" on its website. "The PTAB has virtually ruined our patent system which once was the envy of the world."

CBM reviews were included in the AIA at the request of Sen. Charles Schumer, D-N.Y., after banks objected to having to pay more than \$350 million to settle suits over check imaging patents by a company called DataTreasury.

Schumer said those patents should never have been issued because they cover long-standing banking practices. Lawmakers settled on the eight-year limit as enough time to eliminate those and other business method patents that were viewed as questionable. Several of DataTreasury's patents were **eventually invalidated** in CBMs.

Program's Popularity Dwindling

Although it was never used as often as inter partes review, the CBM program was initially a fairly popular vehicle for banks and retailers to challenge patents on e-commerce and other technologies.

That was partly because unlike inter partes reviews, CBM allows petitioners to argue that patents are invalid for claiming only abstract ideas or being indefinite.

There were 177 CBM petitions filed in the 2014 fiscal year, followed by 149 in fiscal 2015, according to statistics from the U.S. Patent and Trademark Office. However, use of the program has declined steadily every year since. As of July, only 11 CBM petitions had been filed in fiscal 2020, which ends this month.

The decreased use of CBMs has been viewed as the result of Federal Circuit decisions **restricting the program** by holding that the PTAB subjected patents to CBM review that were outside the narrow scope Congress envisioned. The decisions ended CBM reviews of technology that is only "incidental to" or "complementary to" financial activity.

"The most significant factor that caused the decline was the decisions from the Federal Circuit that constrained the definition of covered business patents," said Jason Stach of Finnegan Henderson Farabow Garrett & Dunner LLP.

Patent owners also got more savvy about CBMs, he noted, and were able to avoid the program by canceling finance-related claims in existing patents or not including them in new ones. With only about one CBM now filed per month, legislation to extend the program may be a tough sell in Congress, Stach said.

"When a tool is not used more than a dozen times in a year, I do question how effective it really is," he said. However, he noted the active effort to lobby Congress for an extension, and said, "They wouldn't be doing that if they didn't think it was an effective program."

Brian Pomper, executive director of the Innovation Alliance, which includes companies such as Qualcomm and AbbVie and opposes CBMs, said in an interview last week that extending the program is "really unnecessary" since it is used so infrequently and was not intended to be permanent.

Even if it went away, patents could still be challenged in other AIA programs like inter partes review, he said, so "our perspective is you should let this thing expire."

But Buck of the retail federation said eight years of CBM reviews have not been enough to eliminate all the low-quality business method patents that could be asserted against banks and retailers. The program is still important even though it isn't used often, he said, since it is tailored specifically to business method patents, and defending even one patent suit is expensive.

"If one of our retailers is sued and has to pay out large amounts of money to defend the patent litigation, that would be very costly, especially during a pandemic," he said. "So that's why we need the program."

--Editing by Jill Coffey and Kelly Duncan.