



Federal Circuit Remands CBM Review Decision, Asks PTAB to Explain Meaning of Part One of “Technological Invention” Exception

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The '842 Patent—owned by SIPCO, LLC (SIPCO)—claims a two-step wireless communication system wherein a “low-power” user device wirelessly transmits signal data (e.g., containing a user PIN) to an intermediate node (e.g., an ATM machine), which in turn transmits the data to a central location (e.g., a bank that verifies user PINs). Notably, the specification explains that the “low-power” nature of the user device requires the device to be in close range to the intermediate node, which can alleviate problems such as unwanted interference with the signal data. Emerson Electric Co. (Emerson) requested CBM review of the '842 Patent on §§ 101 and 103 grounds.

Under the America Invents Act (AIA), a patent is eligible for CBM review if *any* of its claims cover “performing data processing or other operations used in the practice, administration, or management of a financial product or service.” AIA § 18(d)(1). Exempted from CBM review, however, are “patents for technological inventions.” *Id.* The AIA does not give a meaning of “technological invention,” but the USPTO regulations provide that a “technological invention” must (1) “recite[] a technological feature that is novel and unobvious over the prior art,” and (2) “solve[] a technical problem using a technical solution.” 37 C.F.R. § 42.301(b). Both parts of the exception must be satisfied to exempt a patent from CBM review.

Applying this framework, the PTAB determined the patent was eligible for CBM review and that the “technological invention” exception did not apply. Analyzing only part two of the exception, the PTAB reasoned that the claims cannot solve a “technical problem” because the problem of “[a]utomating machine service requests” (such as for ATM machines) was financial,

not technical. The PTAB further explained that the claimed “solution” was also not “technical” because the claims merely recite “generic and known hardware elements and routine computer functions.” Accordingly, the PTAB instituted CBM review and ultimately determined that the challenged claims were unpatentable under §§ 101 and 103. SIPCO appealed.

On appeal, the Federal Circuit, reversed the PTAB and held that part two of the “technological invention” exception *does* apply and remanded the decision to the PTAB to assess part one. The Court explained that the PTAB “misread and mischaracterized the features” of the claims and thus “did not appreciate that the claims provide a technical solution to a technical problem.” In particular, the Court held that the PTAB erred by failing to construe the term “low-power” as requiring the claimed devices to wirelessly transmit data at a “limited transmission range,” noting that the “specification explicitly ties the low power transceiver to a limited transmission distance.” Under this construction, the Court explained that the claims provide a specific technical solution (requiring low voltage devices to limit wireless transmission range) that solves technical problems (e.g., unwanted interference due to long-range wireless transmission)—in contrast to claims that merely recite “off-the-shelf” components to address a generic problem.

On remand, the PTAB will be tasked with analyzing—and interpreting—part one of the “technological invention” exception, which requires “a technological feature that is novel and unobvious over the prior art.” The Federal Circuit rejected Emerson’s argument that, by analyzing and finding SIPCO’s patent obvious under § 103, there was no need to assess “unobviousness” under part one of the test. In doing so, the Court questioned “whether it makes sense to interpret the first part of § 42.301(b)—which references the word obvious—as coextensive with § 103. In light of this, the Federal Circuit explicitly asked the PTAB to “explain what part one of the regulation means and then apply it as so explicated.” The Court further noted that “[t]he omission of any definition for the phrase ‘technological invention’ underscores the importance of meaningful guidance from the patent office on § 42.301(b).”

In dissent, Judge Reyna disagreed with the majority’s claim construction but agreed that the decision should be remanded to interpret part one of § 42.301(b)(1).

Practice tip: Practitioners should monitor the ensuing PTAB decision on remand for its interpretation of step one of the “technological invention” exclusion. More generally, in CBM proceedings, practitioners should carefully review claim limitations in light of the specification for any “technical” hooks to the specification that could help avoid CBM review. The case is

also a reminder that, although the PTAB's decision to institute a CBM proceeding is technically "nonappealable," the Federal Circuit can review the determination of whether the challenged patent is eligible for CBM review.

SIPCO, LLC v. Emerson Electric Co., No. 2018-1635 (Fed. Cir. Sep. 25, 2019)

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