

ALERT

# Federal Circuit Patent Bulletin: *Return Mail, Inc. v. United States Postal Serv.*

August 31, 2017

*"[W]e hold that § 324(e) does not bar judicial review of the Board's decision that a party satisfies § 18(a)(1)(B)'s requirements to petition for CBM review [and that § 18(a)(1)(B) allows] the government to petition for CBM review."*

On August 28, 2017, in *Return Mail, Inc. v. United States Postal Serv.*, the U.S. Court of Appeals for the Federal Circuit (Prost,\* Newman, Wallach) affirmed the U.S. Patent and Trademark Office Patent Trial and Appeal Board covered business method (CBM) review decision that certain claims of U.S. Patent No. 6,826,548, which related to the processing of mail items that are undeliverable due to an inaccurate or obsolete address for the intended recipient, were invalid for ineligible subject matter under 35 U.S.C. § 101. The Federal Circuit stated:

Although the PTAB may issue a final written decision in a CBM review if no petitioner remains, this does not mean that we do not have the authority to review the government's standing to file the petition. It is true that the PTAB "may terminate the [CBM] review or proceed to a final written decision" if "no petitioner remains in the post-grant review." However, that does not mean that the PTAB may proceed to a final written decision if the party filing the petition lacked standing to do so, for it would render meaningless the conditions precedent for PTO action in § 18(a)(1) and license the PTO to act ultra vires. . . . There is no doubt that, despite the AIA's no-appeal provisions, judicial review remains available on questions of "whether the [Board] exceeded statutory limits on its authority to invalidate." . . . [W]e hold that § 324(e) does not bar judicial review of the Board's decision that a party satisfies § 18(a)(1)(B)'s requirements to petition for CBM review.

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## Practice Areas

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We turn now to the Board's determination that the Postal Service had standing to petition for CBM review because it had been "sued for infringement" of the '548 patent within the meaning of § 18(a)(1)(B). . . . Return Mail makes several cogent arguments why a § 1498(a) suit, in some sense, is not one for "infringement." But while we recognize there are important differences between § 1498(a) suits against the government and suits for infringement against private parties, these differences, along with Return Mail's other arguments, are insufficient to compel a conclusion that Congress intended to exclude a government-related party sued under § 1498(a) from being able to petition for CBM review. . . .

[N]othing in the text of § 18(a)(1)(B) indicates an intent to restrict "infringement" to suits that fall under the Patent Act. Congress is presumed to be "aware of existing law when it passes legislation." When Congress enacted the AIA in 2011, the law did not preclude § 1498(a) suits from being suits for infringement. Congress could have easily specified the phrase "sued for infringement" to require being sued for infringement under 35 U.S.C. § 271 or otherwise excluded § 1498 suits from the definition of "sued for infringement," but it did not do so. . . .

We acknowledge Return Mail's argument that allowing the government, when sued under § 1498(a), to petition for CBM review may create tension with the estoppel provision for CBM review. . . . This estoppel provision applies to petitioners litigating in district court or the ITC, but it is silent as to petitioners litigating in the Claims Court. Return Mail argues that the legislative history demonstrates that Congress intended estoppel to be the cornerstone of the post-grant review process, as it "recognize[d] the importance of quiet title to patent owners to ensure continued investment resources." Yet construing § 18(a)(1)(B) to allow the government to petition for CBM review, as we do today, means that the government would enjoy the unique advantage of not being estopped in the Claims Court from relitigating grounds raised during a CBM review proceeding.

The Postal Service does not dispute the oddity of this result and acknowledges that the government would not be subject to estoppel under this construction. Although this raises certain policy concerns, Congress is better suited to address them by revising the estoppel provisions for CBM review should it see fit. Thus, we leave the soundness of exempting the government from the estoppel provision to Congress, as precedent demands. . . .

The creation of the CBM review framework stemmed from a "general concern, including within the halls of Congress, regarding litigation abuse over business method patents." Congress therefore created CBM review as a "special review regime, over and above any other authority the [Board] might have," for quickly reviewing such patents viewed to be especially prone to litigation abuse. This regime was so unusual that Congress placed an eight-year time limit on it. It is not surprising, then, that § 18(a)(1)(B) ensures that the CBM patent being challenged is the subject of an existing infringement controversy. There does not appear to be any reason, and Return Mail has provided one, to curtail the ability of the government to initiate a CBM proceeding when, like a party sued in federal district court or the ITC, it has interests at stake with respect to the patent it has been accused of infringing. We therefore conclude that the Postal Service was "sued for infringement" within the meaning of § 18(a)(1)(B) when Return Mail filed the Claims Court suit against it under § 1498(a). Because § 18(a)(1)(B)'s requirements to be either "sued for infringement" or "charged with infringement" are disjunctive, we do not reach whether the Postal Service was also "charged with

infringement.”

Next, we address whether the Board erred in holding that claims 42–44 of the ’548 patent are directed to § 101 patent-eligible subject matter. . . . Section 101 of the Patent Act defines patent-eligible subject matter to include “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” Under well-established case law, this provision implicitly excludes “laws of nature, natural phenomena, and abstract ideas” from the realm of patent-eligible subject matter. The Supreme Court has set forth a two-step framework for determining whether patent claims are drawn to a patent-ineligible concept. First, one “determine[s] whether the claims at issue are directed to” a law of nature, natural phenomenon, or abstract idea. If so, the second step is to “search for an inventive concept,” namely “an element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.” . . .

Encoding and decoding mail recipient information—including whether the sender wants a corrected address—are processes that can, and have been, performed in the human mind. The claims here simply recite that existing business practice with the benefit of generic computing technology. That is insufficient to make the claims any less abstract under step 1. We also reject Return Mail’s argument that claims 42–44 are patent-eligible under Alice step 2 for reciting an inventive concept that transforms the abstract idea into “something more.” The claims only recite routine, conventional activities such as identifying undeliverable mail items, decoding data on those mail items, and creating output data. We are also not persuaded by Return Mail’s emphasis on the limitations reciting particular types of encoded data or particular uses of that data once decoded, such as sending the data or making it available to the sender, depending on the sender’s preferences. These additional steps amount to a basic logic determination of what to do given a user’s preferences. None of the recited steps, alone or together, suffice to transform the abstract idea into patent-eligible subject matter. . . . We conclude that claims 42–44 of the ’548 patent lack an inventive concept that transforms an otherwise abstract idea into patent-eligible subject matter. . . .

Certainly, preemption is the underlying “concern that drives” the § 101 analysis. After all, monopolization of “the basic tools of scientific and technological work” would “thwart[] the primary object of the patent laws” to promote future innovation. Preemption is therefore part and parcel with the § 101 inquiry. But we have consistently held that claims that are otherwise directed to patent-ineligible subject matter cannot be saved by arguing the absence of complete preemption. . . . Arguments about the lack of preemption risk cannot save claims that are deemed to only be directed to patent-ineligible subject matter.