

BENEFIT FUNDING SYSTEMS LLC v. ADVANCE AMERICA CASH ADVANCE CENTERS INC., Appeal Nos. 2014-1122, -1124, -1125 (Fed. Cir. September 25, 2014). Before Prost, Lourie and Hughes. Appealed from D. Del. (Judge Stark).

Background:

Benefit Funding Systems sued America Cash Advance alleging infringement of its patent directed to a business method. Ten months into the litigation, one of America Cash Advance's co-defendants filed a petition with the PTAB for review under the transitional program for covered business method patents. America Cash Advance then filed a motion to stay litigation pending resolution of the covered business method ("CBM") review. The PTAB held that it was more likely than not that the patented claims were unpatentable for lack of subject matter eligibility under 35 U.S.C. §101. Based upon this finding, the District Court granted America Cash Advance's motion to stay litigation pending the CBM review. Benefit Funding Systems appealed the District Court's decision to grant the motion to stay litigation.

Issue/Holding:

Did the District Court abuse its discretion in granting the motion to stay? No, affirmed.

Discussion:

The District Court found that all four factors identified under Section 18(b) of the AIA for governing stays pending resolution of a CBM review favored the stay. On appeal, Benefit Funding Systems presented arguments that all rested on the single premise that the PTAB is not authorized to conduct CBM review of §101 issues, and thus the District Court would not be bound by the PTAB's CBM review.

The Federal Circuit rejected this argument, finding that, while §101 may not be a proper basis for a CBM review, a stay determination is not the proper forum to review the PTAB's decision to institute a CBM review. The Federal Circuit likened Benefit Funding Systems' position to an impermissible collateral attack on the PTAB's decision to institute the review. The Federal Circuit noted that Benefit Funding Systems could still directly appeal the PTAB's final decision. However, Benefit Funding Systems could not challenge the PTAB's decision to institute a CBM review as a collateral attack in opposition to a stay. Thus, the Federal Circuit held that the District Court properly granted the stay pending CBM review.