

SIPCO, LLC v. EMERSON ELECTRIC CO., Appeal No. 2018-1635 (Fed. Cir. September 25, 2019). Before O'Malley, Reyna, and Chen. Appealed from the Patent Trial and Appeal Board.

Background:

SIPCO owned a patent covering a wireless communication device. This device used a "low-power transceiver" to send information to a network-connected device, which would in turn communicate that information to a central server. The use of the low-power transceiver limited the range of the device in order to prevent unwanted communications or interception of sensitive information by third parties. Dependent claims covered using this device in connection with an Automated Teller Machine (ATM) or vending machine to facilitate transactions.

Emerson initiated Covered Business Method (CBM) review, arguing that the claims were patent ineligible under 35 U.S.C. § 101 and obvious under 35 U.S.C. § 103. In determining that the claims qualified for CBM review, the Patent Trial and Appeal Board found that the claims were not excluded from review under the statutory "technological invention" exception.

The "technological invention" exception is defined by regulation in 37 C.F.R. § 42.301(b), which articulates a two-part test for determining whether claims are directed to a "technological invention:" "whether the claimed subject matter as a whole recites a technological feature that is novel and un-obvious over the prior art; and solves a technical problem using a technical solution." The Board only analyzed the second prong of the test, finding that the claims did not solve a technical problem using a technical solution. The Board reasoned that the claims only comprised known hardware components and implemented routine computer functions. The Board also stated that the problem to be solved by the claims was to reduce in-person servicing requirements, which was financial in nature.

The Board eventually held that the claims were ineligible and obvious. SIPCO appealed the initiation of the CBM review, arguing that the claims were directed to a "technological invention" and not eligible for CBM review.

Issues/Holdings:

Did the Board err in finding that the claims were not a "technological invention"? Yes, reversed and remanded.

Discussion:

The Federal Circuit held that the claims solve a technical problem using a technical solution. The Federal Circuit reasoned that the Board had mischaracterized the problem solved by the claims, and stated that the actual problem was connecting unconnected devices to a central station by exploiting the existence of network-connected devices as intermediaries. The claims further solve the problem of preventing unwanted transmission and interception of information. The claims solve these problems using a technical solution: the two-step communication using the low-power transceiver and existing networked device to connect the unconnected device to the central server. The Federal Circuit also commented that the use of conventional hardware components in the claims did not preclude their finding, and analogized the present claims to those of *Bascom*. In that case, the Federal Circuit held that claims using conventional computer hardware embodied a technical solution to a technical problem in a § 101 eligibility context.