

**ALERT**

## **Federal Circuit Patent Bulletin: *Benefit Funding Sys. LLC v. Advance Am. Cash Advance Centers Inc.***

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September 25, 2014

*"A district court, in the context of a stay determination, need not and should not analyze whether the PTAB might, at some later date, be determined to have acted outside its authority in instituting and conducting the CBM review."*

On September 25, 2014, in *Benefit Funding Sys. LLC v. Advance Am. Cash Advance Centers Inc.*, the U.S. Court of Appeals for the Federal Circuit (Prost,\* Lourie, Hughes) affirmed the district court's stay of patent infringement litigation pending covered business method (CBM) review of the asserted claims of U.S. Patent No. 6,625,582, which related to a system and method for enabling beneficiaries of retirement benefits to convert future benefits into current resources to meet current financial and other needs and objectives. The Federal Circuit stated:

Section 18(b) of the AIA governs stays pending resolution of a CBM review. It identifies the following four factors that a district court should consider when deciding whether to grant a stay: (A) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial; (B) whether discovery is complete and whether a trial date has been set; (C) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and (D) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court. [T]he AIA provides that this court "shall review the district court's decision to ensure consistent application of established precedent, and such review may be de novo."

Appellants' argument on appeal rests on the single premise that the PTAB is not authorized to conduct CBM review based on § 101 grounds. Consequently, according to Appellants, the district court would not be bound by the results of the CBM review and, as such, "the PTAB's review of the '582 patent cannot simplify this case." Instead, in Appellants' view, a stay will unduly prejudice Appellants, present a clear tactical advantage to

Appellees, and increase—not decrease—the burden of litigation.

[We] find Appellants' argument unpersuasive. The argument that § 101 cannot support CBM review is a collateral attack similar to ones that we have recently held impermissible. . . . A district court, in the context of a stay determination, need not and should not analyze whether the PTAB might, at some later date, be determined to have acted outside its authority in instituting and conducting the CBM review. Such an analysis would, among other things, be antithetical to the efficiency goals of such a stay. This is not to say that a patent owner could never attack the PTAB's authority to conduct CBM review. Indeed, Appellants might potentially challenge that authority in the context of a direct appeal of the PTAB's final decision. They simply cannot mount such a challenge as a collateral attack in opposition to a stay. Having rejected Appellants' argument as an impermissible collateral attack, we do not address the underlying merits of that attack, namely whether § 101 is a valid ground for CBM review.

It is undisputed that CBM review was instituted and that such review addresses whether the claims are directed to patentable subject matter. If the claims are ultimately determined to be directed to unpatentable subject matter, "[t]his CBM review [will] dispose of the entire litigation: the ultimate simplification of issues." If, on the other hand, the claims are determined to be directed to patentable subject matter, Appellees will be estopped from challenging that determination in district court. In the context of this case, where the only real argument against a stay concerns the authority of the PTAB to conduct the CBM review, those circumstances are sufficient for the district court to conclude that the first and fourth factors favor staying the case. Further, Appellants present no other basis for challenging the conclusion that the second and third factors also favor a stay.

Having rejected Appellants' sole argument on appeal, we conclude that the district court did not abuse its discretion in granting the stay. Further, consistency with established precedent was not at issue in this case and no other compelling reason for a more searching review was presented. We conclude that the district court properly granted the stay pending CBM review and therefore affirm.