



November 15, 2011

Submitted Via Electronic Mail: aia_implementation@uspto.gov

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**Re: Preliminary Comments of The Financial Services Roundtable Regarding
Implementation of The Transitional Program For Business Method Patents Under
Section 18 of the Leahy-Smith America Invents Act**

The Financial Services Roundtable (“The Roundtable”) thanks the United States Patent and Trademark Office (the “Office”) for this opportunity to provide preliminary input on the implementation and proposed rulemaking relating to Section 18 of the Leahy-Smith America Invents Act (“AIA”), which creates a transitional review program for covered business method patents (the “program”).

Background of the Transitional Review Program

The importance of the transitional review program for covered business methods to the overall purpose of the AIA cannot be overstated. The program ensures that “businesses acting in good faith do not have to spend the millions of dollars it costs to litigate a business method patent” of questionable validity in court by creating “a less costly, more efficient alternative to . . . abusive litigation.” 157 Cong. Rec. S5408, S5409 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer); 157 Cong. Rec. H4429 (daily ed. June 22, 2011) (statement of Rep. Quayle). *See also* 157 Cong. Rec. S1363 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (noting that the program will “reduce the burden placed on courts and the economy” by providing a “temporary administrative alternative for reviewing business method patents”).

Accordingly, it is important that the scope of the program be defined to ensure the Congressional purpose of the provision is effected, and that patents not escape review under the program due to artful claim drafting. *See* 157 Cong. Rec. S1363, S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (“Clever drafting of patent applications should not allow a patent holder to avoid PTO review. . . . Any other result would elevate form over substance.”).

Comments On Implementation of the Transitional Review Program

The AIA defines a “covered business method patent” that is subject to review under the transitional review program as follows: “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1). The AIA gives the Director authority to promulgate

regulations for generally establishing and implementing the program and specifically for determining whether a patent is for a “technological invention” and therefore ineligible for review. AIA §§ 18(a)(1), 18(d)(2).

The Roundtable submits the following specific comments for the Office’s consideration as it prepares any proposed rulemaking or guidance for determining whether a patent to be reviewed under the transitional review proceeding is a “covered business method patent.”

1. A Patent is Eligible For Review if it Covers an Activity that is Financial in Nature or is Ancillary thereto

The program is intended to be available for review of any patent that is asserted against a “financial product or service.” “At its most basic, a financial product is an agreement between two parties stipulating movements of money or other consideration now or in the future.” 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer).

Specific types of included “financial products or services” mentioned in the legislative history include: (1) activities related to extending and accepting credit, (2) deposit-taking activities, (3) selling, providing, issuing or accepting stored value or payment instruments; (4) financial data processing; (5) administration and processing of benefits; (6) insurance products and services; (7) collecting, analyzing, maintaining or providing consumer report information or other account information; and (8) securities brokerage, investment transactions and related support services, among others. 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer).

Further, the AIA’s definition of “covered business-method patent” is not limited to those patents that can be applied directly to the financial product or service itself. Rather, the text of section 18(d)(1) provides that a patent is also eligible for review if it can be applied to the “practice, administration, or management” of a financial product or service:

This language is intended to make clear that the scope of patents eligible for review under this program is not limited to patents covering a specific financial product or service. In addition to patents covering a financial product or service, the “practice, administration and management” language is intended to cover any ancillary activities related to a financial product or service, including, without limitation, marketing, customer interfaces, Web site management and functionality, transmission or management of data, servicing, underwriting, customer communications, and back office operations--e.g., payment processing, stock clearing.

157 Cong. Rec. S1363, S1365 (daily ed. March 8, 2011) (statement of Senator Schumer).

Section 1843(k)(3) and 1843(k)(4) of Title 12 of the U.S. Code provides the Office a statutory definition of activities that are financial in nature or incidental thereto.

The best source of information regarding whether a patent is a “covered business method patent” is likely to be materials submitted by the requestor showing “how the patent has been asserted” by the patentee. 157 Cong. Rec. S1368, S1379 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl). Therefore, even if it is “unclear on the face of the patent whether it relates to a financial product or service” there should be a strong presumption that the patent is a covered business method patent if it is asserted against a financial services company.¹ *Id.* See also *id.* at S1364, S1365 (statement of Sen. Schumer) (“if a patent holder alleges that a financial product or service infringes its patent, that patent shall be deemed to cover a ‘financial product or service’ ... regardless of whether the asserted claims specifically reference the type of product [or] service accused of infringing”); 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer) (noting that “if a patent is allegedly being used by a financial services company, the patent will qualify”).

It is important to look at “how the patent has been asserted” because to satisfy the definition of a covered business-method patent, “the patent need not recite a specific financial product or service. Rather the patent claims must only be broad enough to cover a financial product or service.” 157 Cong. Rec. S1363, S1365 (daily ed. March 8, 2011) (statement of Sen. Schumer). Many of the business-method patents that apply to financial products or services are written so broadly that they apply to transactions in every conceivable industry. Obviously, Congress did not intend for business-method patents to be able to evade review simply by becoming so broad and vague that they do not specifically reference any particular industry.

While most of the patents that cover an activity that is financial in nature or ancillary thereto will be in class 705, a number of such patents can be found in classifications other than 705. John J. Love & Wynn W. Coggins, *Successfully Preparing and Prosecuting a Business Method Patent Application* (presented at AIPLA Conference Spring 2001) (“not all business method claims are classified in Class 705”); John R. Allison & Starling D. Hunter, *On the Feasibility of Improving Patent Quality One Technology at a Time: The Case of Business Methods*, 21 Berkeley Tech. L.J. 729, 731 (2006) (noting that a number of business method patents can be found in classes other than 705). Accordingly, the fact that a patent is not in class 705 is not dispositive as to whether the patent is eligible for review under the program.

Even if a patent covers activities that are financial in nature or ancillary thereto, it may nevertheless be excluded from review under the program if it is a “technological invention,” as discussed below. Nonetheless, there should be a strong presumption that a patent in class 705 is eligible for review under the program.

2. The “Technological Invention” Exception Should Be Properly Defined

Consistent with the importance of the transitional review program to the purpose of the AIA, the exclusion for “Technological Invention” should be defined so that suspect patents do not escape review under the program simply by including software, hardware, or other

¹ The program is not limited, however, to patents asserted against financial services companies. Rather it applies to “[a]ny business that sells or purchases goods or services” because those businesses practice or administer a financial service when they conduct a transaction, and is not limited to petitions brought by a financial service company. 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer); see also 157 Cong. Rec. S5441 (daily ed. Sep. 8, 2011) (statement of Sen. Leahy).

technological elements in the patent claim language, while protecting true technological inventions from review under the transitional program. This is consistent with the legislative history. *See* 157 Cong. Rec. H4497 (daily ed. June 23, 2011) (statement of Rep. Smith) (“The technological invention exception does not exclude a patent simply because it recites technology”); 157 Cong. Rec. S1363, S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (“the recitation of computer hardware, . . . software, . . . databases, specialized machines, such as an ATM or point of sale device, or other known technology, does not make a patent a technological invention.”).

Accordingly, it is inappropriate to construe “Technological Invention” so broadly as to exclude from the transitional review program all but those patents assigned to particular art unit(s) and/or particular class(es) of the U.S. Patent Classification System. Indeed, Congress addressed this topic directly in the legislative history. *See, e.g.* 157 Cong. Rec. S5410 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer) (“after the bill passed the Senate, it became clear that some offending business method patents are issued in other sections [beyond class 705]”); 157 Cong. Rec. S1368, S1379 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (discussing patent “assigned to the class of cryptography” and a patent “assigned to Class 705” and nothing that both “are obviously business method patents”).

We do, however, expect that many patents to be reviewed under the program will be in class 705, and that for ease of administration of the program, a patent classified in Class 705 should be presumed to fall outside the “technological invention” exception, and therefore eligible for review under the program. The burden should be on the patentee to overcome this presumption in any preliminary response to the petition submitted pursuant to 35 U.S.C. § 323. This approach is fully consistent with the intent of the statute and the legislative history discussed above.

If a patent is not classified in Class 705, to determine whether a patent is a “technological invention” the Office should review the claimed subject matter as a whole to determine whether it: (1) recites a technological element (*i.e.* a structural element or technological component) that is an advance over the prior art; (2) solves a technical problem; and (3) solves the technical problem using a technical solution. This approach is consistent with the legislative history. 157 Cong. Rec. H4497 (daily ed. June 23, 2011) (statement of Rep. Smith) (“technological inventions are those patents whose novelty turns on a technological innovation over the prior art and are concerned with a technical problem which is solved with a technical solution”); 157 Cong. Rec. S1363, S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (noting the “exception only excludes those patents whose novelty turns on a technological innovation over the prior art and are concerned with a technical problem which is solved with a technical solution”); 157 Cong. Rec. S1368, S1379 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (noting the Office may “recognize a business-method patent as such despite its recitation of technological elements that are not colorably novel and non-obvious . . . if a technological element in a patent is not even assertedly or plausibly outside of the prior art, the Office should not rely on that element to classify the patent as not being a business-method patent.”).

In implementing this test, we suggest the following guidance for determining whether subject matter is a “technological invention.”

The following claim techniques should not render a patent a “technological invention”:

- Mere recitation of known technologies, such as “computer hardware, communication or computer networks, software, memory, computer-readable storage medium, scanners, display devices or databases, specialized machines, such as an ATM or point of sale device.” 157 Cong. Rec. S1363, S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer); 157 Cong. Rec. S5428 (daily ed. Sep. 8, 2011) (statement of Sen. Coburn) (noting the exception “does not exclude a patent . . . simply because it recites technology”)
- Reciting the use of known prior art technology to accomplish a process or method, even if that process or method is novel and non-obvious. 157 Cong. Rec. S1363, S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer); 157 Cong. Rec. S1368, S1379 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (“when patents . . . recite[] elements incorporating off-the-shelf technology or other technology ‘know[n] to those skilled in the art,’ that should not preclude those patents’ eligibility for review under this program”); 157 Cong. Rec. S5428 (daily ed. Sep. 8, 2011) (statement of Sen. Coburn) (noting the exception does not exclude techniques that “use known technology to accomplish a novel business objective”)
- Combining prior art structures to achieve the normal, expected or predictable result of that combination. *See* 157 Cong. Rec. S1363, S1364 (daily ed. Mar. 8, 2011)(statement of Sen. Schumer) (“a patent is not a technological invention because it combines known technology in a new way to perform data processing operations.”); 157 Cong. Rec. S5429, S5431 (daily ed. Sep. 8, 2011) (statement of Sen. Kyl).

The Roundtable recognizes that there may be ambiguity in implementing the technological invention exception. In resolving that ambiguity, the Office should place the burden of persuasion on the patentee to show that the patent is a “technological invention,” and should err in favor of permitting review of the patent under challenge. This is consistent with the statutory framework and legislative history of the AIA for the following reasons:

First, Congress included several procedural safeguards that protect patentees. For instance, a patent is not subject to review unless and until the petitioner has been sued or charged with infringement under that patent. AIA § 18(a)(1)(B). Moreover, estoppel applies against the petitioner in subsequent litigation (AIA § 18(a)(1)(D)) and in subsequent proceedings in the Office (AIA § 6(d) (new 35 U.S.C. § 325(e)(1))). In addition, a patent that is “eligible” for review must be determined to be “more likely than not invalid” before a review is initiated by the Office, and the patentee will have an opportunity to submit arguments opposing institution of the proceeding before that decision is made. AIA § 6(d) (new 35 U.S.C. §§ 323, 324(a)). Finally, the procedure is quick and efficient, typically terminating in twelve months, and therefore will not substantially disrupt a patentee’s ability to assert its patent. AIA § 6(d) (new 35 U.S.C. § 326(a)(1)).

Second, the AIA specifically requires the Office, in prescribing regulations related to the post-grant review proceeding (including the transitional post-grant review proceeding for business method patents) to “consider the effect of any such regulation on the economy.” AIA § 6(d) (new 35 U.S.C. § 326(b)); *see also* AIA § 18(a)(1). Notably, during the House Judiciary

Hearings on the AIA, Director Kappos testified that “it is more costly to our economy to have false negatives” (*i.e.*, it is more costly when patents escape post-grant review in the PTO). *America Invents Act: Hearing on H.R. 1249 Before the Subcomm. on IP, Competition, and the Internet of the H. Comm. on the Judiciary*, 112th Congress 52 (Mar. 30, 2011) (oral testimony of Hon. David J. Kappos, Director of the U.S. Patent and Trademark Office).

Third, the legislative history reveals that the Act’s authors intended the Office to develop regulations to apply the program “as broadly as possible.” *See* Letter from Rep. Lamar Smith to Sens. Kyl, Schumer, Leahy, and Grassley (Sep. 8, 2011) (“This program was designed to be construed as broadly as possible and as [the] USPTO develops regulations to administer the program that must remain the goal.”).

Finally, this approach gives the Office a relatively easy test to administer when deciding whether a patent is eligible under the program, while giving full respect to the delicate balance Congress created in the statutory framework. For instance, it will ensure that the particular examples of covered business methods discussed in the legislative history will be eligible for review (*e.g.* transmitting and processing checks electronically, printing ad at the bottom of a billing statement; ordering something online but picking it up in person; getting a text when your credit card gets swiped, charitable fund-raising using a computer network), while excluding from review those purely technological inventions that might otherwise qualify as a “Financial Product or Service.” *See e.g.* 157 Cong. Rec. S1379 (daily ed. Mar. 8, 2011)(statement of Sen. Kyl); 157 Cong. Rec. H4429 (daily ed. June 22, 2011) (statement of Rep. Quayle); 157 Cong. Rec. H4496 (daily ed. June 23, 2011) (statement of Rep. Crowley).

3. Summary of Recommendations For Determining Eligibility Under the Program

The attached flow chart summarizes our suggested approach to determining eligibility under the program. A summary of the recommendations follows:

- **A patent is a covered business method patent if it can be applied to an activity that is financial in nature or ancillary thereto.**
- **The Office should give no deference to the particular statutory category (e.g. process, system, etc.) that the claim’s language is crafted to literally invoke.**
- **Patents in all classifications are potentially eligible for review under the program.**
- **A patent classified in Class 705 should be presumed to be a “covered business method patent” and not a “technological invention.”**
- **To determine whether a patent is a “technological invention” the Office should review the claimed subject matter as a whole to determine whether it: (1) recites a technological element (*i.e.* a structural element or technological component) that is an advance over the prior art; (2) solves a technical problem; and (3) solves the technical problem using a technical solution.**

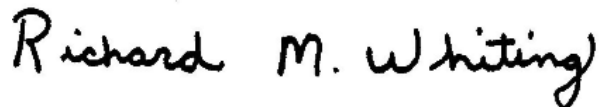
- **In applying the technological invention test, the Office should err in favor of eligibility for the program.**

Conclusion

The Roundtable believes its proposed approach is consistent with the purpose of the program and the legislative history, would be relatively straightforward for the Office to administer, and would ensure the availability of a robust and efficient alternative to judicial review of the validity of business method patents. We look forward to working with the Office on the forthcoming rulemaking.

We thank the Office for the opportunity to provide our comments. If you have any questions, please feel free to contact me or Peter Freeman at (202) 289-4322.

Respectfully submitted,

A handwritten signature in black ink that reads "Richard M. Whiting". The signature is written in a cursive, slightly slanted style.

Richard M. Whiting
Executive Director and General Counsel
Financial Services Roundtable

