

**AMERICAN BAR ASSOCIATION**

**Section of Intellectual Property Law**

321 North Clark Street  
Chicago, IL 60654-7598  
(312) 988-6254

FAX: (312) 988-6800

E-mail: [iplaw@americanbar.org](mailto:iplaw@americanbar.org)  
[www.americanbar.org/iplaw](http://www.americanbar.org/iplaw)

**CHAIR**  
Robert A. Armitage  
Indianapolis, IN

**CHAIR-ELECT**  
Joseph M. Potenza  
Washington, DC

**VICE-CHAIR**  
Robert O. Lindefield  
Pittsburgh, PA

**SECRETARY**  
Adriana S. Luedke  
Hemdon, VA

**FINANCIAL OFFICER**  
Theodore H. Davis, Jr.  
Atlanta, GA

**CLE OFFICER**  
Kim R. Jessum  
Philadelphia, PA

**PUBLICATIONS OFFICER**  
Antoinette M. Tease  
Billings, MT

**MEMBERSHIP OFFICER**  
Susan E. McGahan  
Bedminster, NJ

**SECTION DELEGATES TO  
THE HOUSE OF DELEGATES**  
Donald R. Dunner (2012)  
Washington, DC

Susan Barbieri Montgomery (2013)  
Boston, MA

Jack C. Goldstein (2014)  
Houston, TX

**IMMEDIATE PAST CHAIR**  
Marylee Jenkins  
New York, NY

**COUNCIL MEMBERS**  
Donna H. Gies (2012)  
Gary L. Griswold (2012)  
Joan M. McGivern (2012)  
Philip C. Swain (2012)  
Mark K. Dickson (2013)  
Lisa A. Dunner (2013)  
Nancy J. Linck (2013)  
Ralph Oman (2013)  
Amy J. Benjamin (2014)  
George W. Jordan III (2014)  
Donna P. Suchy (2014)  
Marc K. Temin (2014)  
June M. Besek (2015)  
Christopher A. Bullard (2015)  
Denise W. DeFranco (2015)  
Scott F. Partridge (2015)

**SECTION STAFF**  
Michael G. Winkler  
Director

Amy Mandel  
Communications / Publications

Hayden W. Gregory  
Legislative Consultant  
Washington, DC  
[hayden.gregory@americanbar.org](mailto:hayden.gregory@americanbar.org)

April 5, 2012

**Via Electronic Mail: [patent\\_trial\\_rules@uspto.gov](mailto:patent_trial_rules@uspto.gov) and  
[TPCBMP\\_Definition@uspto.gov](mailto:TPCBMP_Definition@uspto.gov)**

The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property  
and Director of the United States Patent and Trademark Office  
Mail Stop Patent Board  
P.O. Box 1450  
Alexandria, VA 22313-1450

Attn: Lead Judge Michael Tierney, Patent Trial Proposed Rules

Re: American Bar Association-Intellectual Property Section Comments to the United States Patent and Trademark Office (Office) Notice of Proposed Rulemaking entitled: *Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions and Practice Guide for Proposed Trial Rules*: (Federal Register / Vol. 77, No. 27 / Thursday, February 9, 2012/ Proposed Rules; Federal Resister/ Vol.77, No. 28/ Friday, February 10, 2012/ Proposed Rules)

Dear Under Secretary Kappos:

I am writing on behalf of the American Bar Association Section of Intellectual Property Law (the "Section") to provide comments in response to the patent fee proposal of the United States Patent and Trademark Office ("the Office") Notice of Proposed Rulemaking entitled: *Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions and Practice Guide for Proposed Trial Rules* (Federal Register / Vol. 77, No. 27 / Thursday, February 9, 2012/ Proposed Rules; Federal Resister/ Vol.77, No. 28/ Friday, February 10, 2012/ Proposed Rules). In particular, the Section submits the following remarks in response to the Office's request for public comment regarding the Proposed Rules relating to business method patents. These comments have not been approved by the American Bar Association's House of Delegates or Board of Governors and should not be considered to be views of the American Bar Association.

The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property  
and Director of the United States Patent and Trademark Office  
April 3, 2012  
Page 2

The Patent Office has proposed amendments to Part 42 (*Trial Practice before the Patent Trial and Appeal Board*) with the insertion of subpart D - §§ 42.300-42.304. These proposed sections are virtually identical in scope and content to the corresponding provisions in the proposed rules for the new post-grant review process (which is procedurally governed by subpart C and subpart A of Part 42). The post-grant review procedure and process for business method patents are substantially similar to the post-grant review procedure and process covering other types of patents, with a few statutory exceptions. The comments provided are directed to the statutory exceptions focusing primarily on business method patents.

The Office proposes the following new sections as part of the *Transitional Program for Covered Business Method Patents*: § 42.300 (*Procedure; pendency*); § 42.301 (*Definitions*); § 42.302 (*Who may petition for a covered business method patent review*)(requiring that the party must have been sued for infringement); § 42.303 (*Time for filing*); and § 42.304 (*Content of petition*)(describing the required content of the petition).

The Section appreciates the Office's ongoing efforts to reach out to the public and seek input from the patent bar. In the case of business method patents, further outreach and clarification from the Office is warranted to ensure consistent and predictable examination of patents. The rules relating to business method patents are circular and the Practice Guide is vague at best.

First, I wish to address Section concerns regarding proposed § 42.301 (*Definitions*). In particular, proposed § 42.301 states:

In addition to the definitions in Section 42.2, the following definitions apply to proceedings under this subpart D:

- (a) Covered business method patent means 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.
- (b) Technological invention. In determining whether a patent is for a technological invention solely for purposes of the Transitional Program for Covered Business Methods (section 42.301(a)), the following will be considered on a case-by-case basis: whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.

The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property  
and Director of the United States Patent and Trademark Office  
April 3, 2012  
Page 3

Although the definition seems simple on its face, the Office proposal creates confusion for practitioners attempting to ascertain whether a patent is a “covered business method” or some other type of patent, as explained below. As discussed at 77 Fed. Reg. 7097, proposed paragraph (a) of §42.301 is using class 705 of the United States Classification System as the definition of a “business method patent”. The definition and description of class 705 (a) is as follows:

(a) This is the generic class for apparatus and corresponding methods for performing data processing operations, in which there is a significant change in the data or for performing calculation operations wherein the apparatus or method is uniquely designed for or utilized in the practice, administration, or management of an enterprise, or in the processing of financial data...

Proposed paragraph (a) of § 42.301, defines business method patents as patents that cover a “method or corresponding apparatus.” Although the proposed paragraph (a) reflects the language of class 705, it is important to note that class 705 encompasses many patents directed to systems (with some subclasses specifically covering “systems”). Many business method patents are claimed as systems, including network infrastructures, terminals, and various other components and modules that are configured, adapted, or programmed to perform a particular method or process. Further, the congressional record reflects that the Senate contemplated that methods and corresponding apparatus should apply to system claims and other types of claims. Accordingly, 42.301 (a) should indicate “...a patent that claims a method, system, or corresponding apparatus....”

Further, proposed paragraph (a) of § 42.301 specifically excludes patents for “technological inventions,” which are defined in proposed paragraph (b). Accordingly, the identification of whether an invention is not a “covered” business method patent is reduced to a single, ambiguous definition: “*whether the claimed subject matter as a whole recited a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.*”

It is not clear if the definition means (1) that the “novel and unobvious” technological feature provides the technical solution to a technical problem, or (2) that the “novel and unobvious” technological feature does not necessarily need to be the “technical solution” to the “technical problem.”

Proposed paragraph (b) attenuates the confusion by requiring an analysis of the “claimed subject matter as a whole,” however, the wording does not clearly state whether every claim in the application, including each dependent claim, must define a “technological feature” before it is considered a “technological invention.”

The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property  
and Director of the United States Patent and Trademark Office  
April 3, 2012  
Page 4

In the currently-proposed form of paragraphs (a) and (b), succinct guidance will be required to clarify the standards surrounding “technological features” in order to provide consistent examination and patent system predictability for applicants. One may conclude that “non-technological features” encompass everything except “data processing or other operations used in practice, administration, or management of a financial product or service”; however, the proposed language excludes patents directed to “technological inventions”. It is unclear if data processing systems, calculating computers, and calculation operations are considered “technological”, raising significant questions regarding the scope of patent eligible subject matter. As previously noted, the proposed definition appears to be circular in nature without providing substantive guidelines for applicants. We further note that “case by case” is not law if there are no standards.

The accompanying Fed. Reg. notice *Practice Guide for Proposed Trial Rules* at 77 Fed. Reg. 6868-6879, offers practice tips for analyzing and determining a “Covered Business Method/Technological Invention” at Section II(B)(4); however, the Guide fails to clarify what constitutes an excluded “technological invention”. Section suggests that further outreach to the public and the patent bar is warranted.

The Guide sets forth a requirement to remove known technological features, such as a computer, card reader, and the like, from the claim to assess whether it is, indeed, technological “as a whole”. Further, and as discussed above, this approach appears to implicate Supreme Court precedent regarding a patent eligible subject matter inquiry, which excludes the use of extra-solution activity and nominal recitations of technological features to identify the invention as patent eligible. It would appear that any algorithm, which can be reduced to operational method steps, as implemented on a computer or network, could be considered a “covered business method,” as the computer (a known technology) will not render the invention “technological”.

Although selected examples illustrating the scope of covered and uncovered business methods is typically helpful; the provided examples appear to be inconsistent on their face. In particular, the Guide states that an example of a covered business method invention is “a method for hedging risk in the field of commodities trading” and “a method for verifying of a credit card transaction”. The same Guide sets forth “a novel and non-obvious hedging machine for hedging risk in the field of commodities trading” and “a novel and non-obvious credit card reader for verifying the validity of a credit card transaction” as examples of subject matter that is not covered. The skilled artisan would expect that a hedging machine and credit card reader are each computers using known technologies. Accordingly, the artisan is left with unclear guidance regarding the essence of the “covered business method” and presumably, what appears to be an initial assessment of novelty and non-obviousness. Exemplification to integrate or provide examples based specifically on the proposed definition in 42.301(b) is necessary-

The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property  
and Director of the United States Patent and Trademark Office  
April 3, 2012  
Page 5

*“whether the claimed subject matter as a whole recited a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.”*

If a claim drawn to a “method for hedging risk in the field of commodities trading” is a covered business method, and a claim drawn to a “hedging machine for hedging risk in the field of commodities trading” is not, the portion of the rule referring to a “corresponding apparatus” appears to conflict with current case law stipulating that Beauregard claims should be interpreted as method claims. *See, e.g., CyberSource Corp. v. Retail Decisions, Inc.*, 654 F. 3d 1366, 1374 (Fed. Cir. 2011). Further, the Guidance suggests potential conflict with *In re Abele*, 684 F.2d 902 (CCPA 1982), which held that a general purpose computer programmed in a certain way can become a “new machine” (e.g., a special purpose computer). Finally, the Guidelines appear to conflict with the Federal Circuit's directive to look at substance, rather than form, in determining whether a claim is a method or apparatus. Guidance to address these apparent inconsistencies is required.

The Guide should be populated with substantive examples to offer greater consistency and efficiency in the classification and identification of potentially-covered business method patents. The Section suggests an exercise analogous to that used by the Office for prior user rights, wherein the practicing public was queried for input and potential examples. A Guide populated with clear examples and more succinct guidance will provide greater consistency and efficiency. Although the Court is not required to give deference to the Office's Guide, a well written document prepared with ample public input should earn the respect of the Court and may garner some measure of deference where the statute is inherently vague. Section requests further effort to collect meaningful examples with clear guidance for examiners and applicants.

Finally, we urge the Office to use the classification system to provide clarity in determining or identifying a “covered” business method patent. For example, we propose that § 42.301 could simply read:

- (a) Covered business method patent means 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, as classified in class 705 of the United States Classification System.

However, given this suggested approach, it is important that the classification process be implemented fairly and consistently. Additional and clear guidance directed toward covered and uncovered business method subject matter is necessary to address the

The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property  
and Director of the United States Patent and Trademark Office  
April 3, 2012  
Page 6

apparent inconsistencies, to ensure clearer applicant expectations, accompanied by fair and consistent analysis by the Office.

If you have any questions regarding our comments or wish further explanation of any of our comments, please feel free to contact me. Either I or another member of the leadership of the Section will respond to any inquiry.

Sincerely,



Willard Jones, II  
Chairperson  
Division I – Patents  
American Bar Association  
Section of Intellectual Property Law