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VIA Electronic Mail

U.S. Patent and Trademark Office  
Mail Stop Comments – Patents  
Commissioner of Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

Re: Implementation of the Transitional Program For Business Method Patents Under  
Section 18 of the Leahy-Smith America Invents Act

To Whom It May Concern:

The American Insurance Association (“American Insurance Assoc.”) appreciates the 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 American Insurance Assoc. represents approximately 300 major insurance companies that provide all lines of property-casualty insurance within the United States and around the world, and they are very much interested in the implementation of the AIA.

We support the comment letter submitted by the Financial Services Roundtable, and further emphasize some important points below for the U.S. Patent Office’s (“Office”) consideration as it prepares any proposed rulemaking or guidance.

A Patent Is Eligible For Review If It Is Asserted Against A Financial Services Company

The transitional review program is intended to be available for review of at least any patent that is asserted against any financial product or service offered by “banks, **insurance companies** or [any] other member of the financial services industry.” 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”).

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)(emphasis added).

The broad definition of coverage under Section 18 was further emphasized in the legislative history by stating “a financial product or service is not, however, intended to be limited solely to the operation of banks. Rather, it is intended to have a broader industry definition that includes **insurance, brokerages, mutual funds, annuities**, and an array of financial companies outside of traditional banking.” 157 Cong. Rec. S5441 (daily ed. Sept. 8, 2011) (statement of Senator Leahy).

Further, the AIA recites broad language designed to capture “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. Mar. 8, 2011) (statement of Sen. Schumer). *See* AIA § 18(d)(1).

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” the patent is a covered business method patent if is asserted against a financial services company. *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”). Patent assertions can be made in a litigation context, arbitration, or mediation context, or by any other notices of infringement (including, but not limited to, a cease and desist notice or an offer to license the patent). Of course, a patent asserted against a financial service company might nevertheless be excluded from review under the program, if it is a “technological invention,” as discussed below.

### 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 technological elements in the patent claim language, while protecting clearly 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 noting that both “are obviously business method patents”).

We do, however, expect that many patents to be reviewed under the transitional program will be in class 705, and that for ease of administration of the program, **a patent classified solely in Class 705 should be deemed to fall outside the “technological invention” exception, and therefore eligible for review under the program.** At the very least, classification into Class 705, whether solely or with other classifications, should raise a presumption that the patent falls outside the “technological invention,” shifting the burden to 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.”).

Summary of American Insurance Assoc Recommendations For Determining Eligibility Under the Program

A summary of the key recommendations follows:

- **A patent is a covered business method patent if is asserted against a financial services company, even if it is “unclear on the face of the patent whether it relates to a financial product or service,” unless the technological invention exception applies. Financial Services companies include insurance companies.**
- **A patent solely classified in Class 705 should be deemed to be a “covered business method patent” and not a “technological invention.” If there are additional classifications, there should be a presumption that the invention is covered and is not a “technological invention.”**
- **In the event a patent is not 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 proposed approach allows for a clear and straightforward method of determining eligibility that is consistent with the transitional review program and legislative history, and would ensure the availability of a robust and efficient alternative to judicial review of the validity of business method patents. Furthermore, we strongly believe that it is clear from legislative history that the transitional review program is available for review of any patent that is asserted against insurance products and that any forthcoming regulations should reflect this.

Thank you again for your consideration of these comments. We look forward to continuing to work with the Office to implement the AIA and are ready to offer assistance and answer any questions you may have.

Respectfully submitted,



Angela Gleason  
Associate Counsel