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Subject: Transitional program for covered business method patents

RGS Comment # 7 (see disclaimer in RGS Comment #1)

Ms. Gongola:

My colleagues Michelle Holoubek, Sal Bezos, and I appreciate the opportunity to provide comments for the Group 2 Proposed Rule Makings. We have reviewed AIA Sec. 18 relating to the - - Transitional Program for Covered Business Method Patents - - and would like to provide some comments. These comments are provided in order to raise potential issues for consideration by the USPTO while drafting the rules and regulations, and not to encourage any particular view or outcome. As such, these comments do not necessarily reflect our individual views or the views of our firm - - Sterne, Kessler, Goldstein & Fox, PLLC - - or its clients.

Section 18(a)(1)(B) describes the parties eligible to file a petition for a transitional proceeding. In particular, this section limits eligibility to cases where person/party "has been sued for infringement of the patent or has been charged with infringement under that patent." It is unclear, however, exactly what actions correspond to being "sued for" and "charged with" infringement.

The basic case is when Party A (patent owner) files or amends a complaint to include a cause of action for infringement against Party B. In this case, it would appear to be clear that Party B "has been sued for infringement of the patent," and is therefore eligible to file a Section 18 petition.

Another case would be when Party B brings a suit (non-patent related or other than a declaratory judgment) against Party A, and Party A files a counterclaim for infringement against Party B. The Answer and Counterclaim pleading would include a cause of action against Party B for infringement of Party A's patent. In this case, it would again appear to be clear that Party B "has been sued for infringement of the patent," and is again eligible to file a Section 18 petition.

From here it becomes less clear. Suppose Party B files a declaratory judgment action alleging non-infringement of Party A's patent (assuming, here and elsewhere, no action challenging validity that would bar post-grant review under 35 U.S.C. § 325(a)(1)). Is it the case that Party B "has been sued for infringement of the patent" when they bring the action themselves? It does not appear that this is the case under a plain meaning interpretation of Section 18, since "been sued" suggests an action by Party A, not by Party B.

Perhaps more interesting is the meaning of being "charged with" infringement. Being "charged" cannot mean the same thing as being "sued" in the parlance of Section 18, as both terms are used separately. One position is that "charged" means that a party has been explicitly threatened with a lawsuit for infringement. Another position is that to be "charged" with infringement, a party must be under a reasonable apprehension of an infringement lawsuit (pre-*MedImmune v. Genentech* standard). Yet another position would ask that the USPTO adopt the standard for declaratory judgment standing in patent cases post-*MedImmune*, where "adverse legal interests" must be present.

If the very low *MedImmune* standard is adopted, this could have a substantial chilling effect on patent owners of patents that may be covered by Section 18. Such owners would have two very practical fears. The first is that any business discussions with a third party could form the basis of a Section 18 challenge. The second is that the third party could throw a patent into a Section 18 challenge and the patent would be entangled in that challenge for a substantial amount of time until the USPTO rules that the patent is NOT subject to Section 18 challenge because it is outside of its technological purview. But the time and monetary losses caused to the patent owner would not be recoverable from the petitioner. In other words, there is considerable opportunity for abuse by petitioners of Section 18.

Care thus must be taken by the USPTO in determining the proper standard. By the inclusion of Section 18(a)(1)(B), it is clear that Congress did not intend to open the floodgates for review of business method patents by simply any party. Proper rulemaking must consider to what extent a case or controversy must exist before a party is allowed to petition for a transitional proceeding.

Thank you

Robert Greene Sterne, Michelle K. Holoubek, and Salvador M. Bezos