

April 2, 2012

The Honorable David J. Kappos
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Via email: TPCBMP_Definition@uspto.gov

**RE: Comments on Notice of Proposed Rulemaking
Transitional Program for Covered Business Method Patents–
Definition of “Technological Invention”
77 Federal Register 7095 (February 10, 2012)**

Dear Under Secretary Kappos:

The American Intellectual Property Law Association (“AIPLA”) is pleased to present the following comments to the United States Patent and Trademark Office (“USPTO”). It does so in response to the Notice of Proposed Rulemaking (the “Notice”) to implement the requirement placed on the Director by the Leahy-Smith America Invents Act (“AIA”) to issue regulations for determining whether a patent is for a “technological invention.” The statute states only that these regulations are “[t]o assist in implementing” the Transitional Program for Covered Business Methods.

AIPLA is a U.S.-based national bar association whose approximately 15,000 members are primarily lawyers in private and corporate practice, government service, and the academic community. AIPLA represents a diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, unfair competition, and trade secret law, as well as other fields of law affecting intellectual property. Our members practice or are otherwise involved in patent law and other intellectual property law in the United States and in jurisdictions throughout the world.

Section 18 of the AIA provides that within one year of enactment the Director shall institute a transitional proceeding for post-grant review specific to “covered business method patent[s].” Section 18(d)(1) of the AIA defines a “covered business method patent” as 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. Expressly excluded from the definition are patent claims for technological inventions. Section 18(d)(2) of the AIA provides that the Director shall issue “regulations for determining whether a patent is for a technological invention.”

In furtherance of Section 18(d)(2), the USPTO has proposed analyzing whether a “technological invention” is claimed on a case-by-case basis. Specifically, it proposes that each petition to institute a transitional proceeding be considered individually to determine “whether the claimed subject matter as a whole (1) recites a technological feature that is *novel and unobvious over the prior art*, and (2) solves a technical problem using a technical solution.” 77 Fed. Reg. at 7096, proposed Section 42.301(b) (emphasis added).

AIPLA believes that the USPTO’s proposed definition of a technological invention would essentially import the European Patent Office (“EPO”) standard of “technological” into U.S. patent law. One problem with the USPTO’s proposed EPO-based standard is that it conflates subject matter eligibility with novelty and inventive step (see the highlighted text above, “*novel and unobvious over the prior art*”). Further, the EPO has struggled for decades to define terms such as “technical contribution, effect or advantage,” with varying degrees of success; decisions of the EPO technical boards of appeal on the subject frequently conflict with one another. In fact, the EPO Enlarged Board of Appeal considered the EPO President’s referral of the question for an advisory opinion to provide clarity and chose not to accept the referral.

Further, the support cited by the USPTO for its proposed definition is limited to selected comments from the legislative history. Other comments from the legislative history suggest a more specific and focused definition of technological inventions.

Given these considerations, AIPLA suggests as a criterion for making this determination the standards of patent subject matter eligibility under Section 101, applying existing case law.¹

If this approach were adopted, determination of whether a patent is for a technological invention would be based squarely on the language in Section 18(d) of the AIA, as well as on 35 U.S.C. §101 as interpreted by the Supreme Court and subsequent Federal Circuit decisions defining patent eligible subject matter. “Abstract business concepts,” as enunciated by *Bilski v. Kappos*, 130 S.Ct. 3218 (2010), and its progeny provide the appropriate criterion for making the “technological invention” determination.

Such a definition addresses the concerns expressed in the comments from the legislative history of S. 23 and H.R. 1249 cited in the Notice, as well as those in comments referring to abstract business method concepts in the context of the business method transitional procedure. Note, for instance, the floor statement of Senator Kyl on the day S. 23 was passed by the Senate: “As the provision at the end of the definition makes clear, business methods do not include ‘technological inventions.’ In other words, the definition applies only to abstract business concepts and their implementation, whether in computers or otherwise, but does not apply to inventions relating to computer operations for other uses or the application of the natural sciences or engineering.” See 157 Cong. Rec. S1368, S1379 (daily ed. March 8, 2011).

¹ E.g., *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, No. 10-1150, U.S., Mar. 20, 2012, 566 U.S. ____ (2012).

In point of fact, Section 18(d)(2) of the AIA does not require that the Director define “technological invention,” but instead requires regulations “for determining” whether a patent is for a technological invention. The problems inherent in defining “technological invention” have been recognized by the Federal Circuit. In referring to a proposed “technological arts test,” it has observed that the contours of such a test “would be unclear because the meaning of the terms ‘technological arts’ and ‘technology’ are both ambiguous and ever changing.” *In re Bilski*, 545 F.3d 943, 960 (Fed. Cir. 2008).

Accordingly, rather than create (or adopt from the EPO) a definition for “technological invention,” which would result in years of appeals and endless court disputes, it is most practicable to apply the “technological inventions” limitation on the transitional review procedures through regulations that track existing jurisprudence on patent eligibility under Section 101. The Supreme Court’s guidance in *Bilski*, as nuanced by subsequent Federal Circuit interpretations of that decision, already provides a legal framework for making these determinations.

The scope of patentable subject matter (i.e., “technological inventions”) is maturing with ongoing case law. The USPTO’s regulations should defer to the evolving jurisprudence on this issue and reflect Congressional intent to reserve Section 18 transitional review only for those patents that appear not to claim patentable subject matter under that jurisprudence. The USPTO should thus first determine whether or not a patent can be challenged in a transitional review on the basis that a petitioner can meet a threshold showing that it is more likely than not that at least one patent claim is not directed to patent-eligible subject matter under §101.

Specifically, the implementing regulations should require that, in order to institute a Section 18 transitional review for a given patent, the petitioner must show that it is more likely than not that at least one of the claims is directed to patent-ineligible subject matter under 35 U.S.C. §101 under relevant precedent, e.g., to “abstract business concepts.”

Institution of a transitional review, however, does not necessarily mean that at least one challenged claim must be invalid for not satisfying 35 U.S.C. §101. The regulations should anticipate that once a Section 18 procedure is commenced, then Section 101 issues as well as any Section 102, 103, and other issues would be addressed on the merits in accordance with the rules promulgated for post-grant review procedures.

For the forgoing reasons, AIPLA proposes the following language:

§41.301 Definitions

* * *

- (b) Technological inventions are not encompassed in the definition of covered business method patents at 42.301(a).

§41.302 Who may petition for a covered business method patent review.

* * *

- (c) A petitioner may only file with the Office a petition to institute a covered business method patent review of the patent if the petition establishes that it is more likely than not that one or more claims of the patent fail to define patent-eligible subject matter as required by Section 101 of Title 35. A determination that the challenged claims are patent eligible shall not preclude consideration of compliance with Sections 102, 103, 112 and 251 of Title 35.

Under this approach, the issue of whether the claimed subject matter is a “technological invention” (and thus constitutes patent-eligible subject matter under Section 101) could be raised by the patentee as a defense to challenge instituting a proceeding in response to the petition filing. If the Office determines that the petitioner has met the threshold requirement set forth in §41.302(c), patent eligibility and patentability under Sections 101, 102, 103, and 112 would then be fully considered on the merits in an adversarial proceeding (i.e., PGR). Thus, clear candidates for the transitional program of review would be patents which were granted but that are potentially no longer believed to be valid under current Section 101 jurisprudence. Specifically, many so-called business method patents claim subject matter at the edges of the current patent eligibility standards. A petitioner could justifiably question whether it was more likely than not that such patents would satisfy the current Section 101 standards and thus enter the transitional program for review.

In summary, the suggested approach has the benefit of using an existing body of U.S. case law without introducing a muddled foreign standard or a completely new standard. It does not call for significant additional efforts by practitioners or the USPTO and would allow a cleaner path to the merits of the arguments rather than technicalities over interpreting the definitions (i.e., it would be more efficient and predictable). By using the regulatory process to set an understandable framework, it would allow the USPTO to respond to developing case law outside of that process. Finally, it meets the clear goals and intent of the statute by allowing challenges of the types of patents for which Congress created the transitional program and excludes those patents for which there is no credible Section 101 challenge.

AIPLA recognizes that careful implementation of the AIA is a significant task and is thankful for the opportunity to participate. We look forward to working with the USPTO and would be pleased to explain further our views on the appropriate method for determining when a patent qualifies for a transitional post-grant review proceeding as a covered business method patent.

Sincerely,



William G. Barber
AIPLA President