BSA®
BUSINESS SOFTWARE ALLIANCE

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Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
Mail Stop Patent Board
P.O. Box 1450
Alexandria, VA 22313-1450
Via email: (TPCBMP_Definition@uspto.gov)

Attn: Lead Judge Michael Tierney, Covered Business Method Patent Review Proposed Definition for Technological Invention

Comments Submitted by the Business Software Alliance
on Notice of Proposed Rulemaking Transitional Program for Covered Business Method Patents–Definition of Technological Invention

Dear Commissioner:

The Business Software Alliance ("BSA") is pleased to have the opportunity to present its views with respect to the Notice of Proposed Rulemaking on the definition of Covered Business Method Patents.

BSA is the leading global advocate for the software industry. It is an association of nearly 100 world-class companies that invest billions of dollars annually to create software solutions that spark the economy and improve modern life. BSA members include software and computer companies[1] that collectively hold hundreds of thousands of patents around the world. Our members invest billions of dollars in research and development every year, and every one of relies on intellectual property protection for the viability of its business.

Intellectual property rights are the cornerstones of innovation—giving creators confidence that it is worth the risk to invest time and money

[1] *The Business Software Alliance (www.bsa.org) members include: Adobe, Apple, Autodesk, AVEVA, AVG, Bentley Systems, CA Technologies, CNC/Mastercam, Intel, Intuit, McAfee, Microsoft, Minitab, Progress Software, PTC, Quest Software, Rosetta Stone, Siemens PLM, Dassault Systèmes SolidWorks, Sybase, Symantec, The MathWorks, and Trend Micro.*

in developing and commercializing new ideas. For the software industry in particular, robust intellectual property protections are fundamental to ongoing innovation and technology improvements. Patents are an indispensable part of these protections. As a result, all BSA members support ongoing efforts to enhance the patent system and promote innovation in computers and software.

Patent reform is a critical piece of these ongoing efforts. And here, the United States Patent and Trademark Office ("PTO") is uniquely positioned. Many of the provisions in the America Invents Act ("AIA") provide the PTO with broad discretion in terms of their implementation. Overall, BSA believes that the PTO has done an excellent job thus far in establishing the proposed regulations called for under the AIA.

With regard to the proposed fee increases, BSA appreciates the PTO's rationale for the growth in prices. BSA is committed to ensuring that the PTO has sufficient resources to accomplish its mission. At the same time, the large increases, especially in the traditional preparation and prosecution categories, will cause some BSA members to reassess their patent procurement strategies. Therefore, BSA believes that the PTO should continue to review the fee increases to ensure that the prices charged are commensurate with the work being performed.

One commendable area are the fees set by the PTO for *inter partes* review ("IPR") and post-grant review ("PGR"). While high, these fees appear reasonable in view of the substantial work required from the Patent Trial and Appeal Board and appear to allow for full cost-recovery by the Office, which is necessary to avoid subsidizing the post-grant and inter partes systems through the diversion of fees that would otherwise be used for planned (and much-needed) investments in technology and infrastructure that will improve the operational efficiency and capacity of the Office. Additionally, requiring a substantial fee will help ensure that these procedures are utilized only where a significant business dispute warrants such an expenditure.

Thus these fees should discourage frivolous filings by parties that would seek to abuse these contested proceedings at the PTO, which was certainly not Congress' intent when it created the new programs.

Notwithstanding the foregoing, BSA also believes that there are areas in which the proposed rules may be improved. One area is the definition of technological invention for the Transitional Program for Covered Business Method Patents. The current definition proposed by the PTO lacks specificity and thus is both under- and over-inclusive.

Thus, to help improve these proceedings, BSA offers the following comments and suggestions.

I. Section 18 - Transitional Program for Covered Business Method Patents

With respect to Section 18(d)(2), it is essential that the PTO define technological invention so as to safeguard general software and computing technologies that are incidentally used in connection with financial products or services while not frustrating the intent behind the Transitional Program for Covered Business Method Patents. The PTO's proposed definition of technological invention in § 42.301(b) provides that "[i]n 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." This definition, however, is both over- and under-inclusive and requires further clarification.

The PTO's proposed definition is over-inclusive because it potentially allows the definition of covered business method patent to include anything used in the provision of financial services. As a result, it could be interpreted to cover a significant amount of general software

and computing technology patents that have little or nothing to do with business methods. These include patents covering general purpose servers, email clients, and basic spreadsheet applications. While the financial services industry has benefitted from these software and computing innovations, so have many others. Inclusion of these patents in the Transitional Program would be an unfortunate and unintended consequence of the proposed definition. It also would invite challenges to non-business method patents under this program.

At the same time, the proposed definition is potentially under-inclusive. The PTO's proposal for technological invention does not account for the relationship between the invention and its use in the practice, administration or management of a financial service or product. By ignoring the field to which the inventive contribution of the patent is directed or in which it is predominantly used, it is possible that covered business method patents may qualify for the exception when one looks only at the technological contribution in isolation.

For these reasons, BSA believes further specificity is required. To this end, the PTO should revise the definition of technological invention to clarify its meaning and relationship to the definition of covered business method patents, in which it appears. BSA proposes the following definition for this purpose:

> § 42.301(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 factors will be considered on a case-by-case basis:
>
> (1) *Whether the inventive contribution of the claimed subject matter falls within economics, finance, or related fields.* If the invention's advance over the prior art pertains to a core financial services activity or function, the patent is likely to be a covered business method. Such core activities and functions include asset

management, investment planning banking, investment, risk assessment, the trading or exchange of securities or commodities, extension of credit, provision of insurance, calculation of tax liability, preparation and submission of taxes, forms, or related documentation to a governmental entity, and the exchange or processing of financial instruments. Conversely, if the patent's inventive contribution falls within an established field of technology that is unrelated to economics or finance; this weighs in favor of a conclusion that the invention is technological.

(2) *Whether the predominant use of the invention is in the practice, administration, or management of financial products or services.* Predominant use by entities in the financial services industry suggests that the invention's contribution relates directly to a method of doing business and weighs in favor of a conclusion that it is a covered business method. Conversely, if the invention is widely used by entities not engaged in the provision of financial services or products, or if use of the invention within the financial services industry is incidental or insubstantial, this suggests that the invention is not a covered business method.

(3) *Whether the patent claims a general concept, principle, theory, plan or scheme that relates to economics, finance, or conducting business.* Examples of general concepts of this nature include, but are not limited, to: Basic economic practices or theories (e.g., hedging, insurance, financial transactions, marketing); Mental activities relating to economics (e.g., forming a judgment, observation, evaluation, or opinion about the value of an asset, the likely future value of a stock, or the financial risk presented by a transaction); Interpersonal interactions (e.g., negotiation, cooperation with colleagues, leading a business team); Human behavior (e.g., exercising, following rules or instructions, dressing for success). The presence of patent claims directed to a general concept that relates to economics,

finance, or conducting business weighs in favor of a determination that the claimed invention is a covered business method.

(4) *Whether the claimed invention limits the field of use to core financial services activities.* If the claims limit the patent's scope to activities that are normally performed in the course of providing financial services and products, and are not normally performed by entities in other lines of business, this weighs heavily in favor a conclusion that the patent is directed to a covered business method. Similarly, if the patent identifies the provision of financial services or products as the invention's primary field of use, the invention is likely to be a covered business method. Conversely, if the patent does not indicate the field of use or if the patent describes a field of use, the scope of which does not include or extends substantially beyond activities normally undertaken in provision of financial services and products, this suggests the patent is not directed to a covered business method.

The definition suggested by BSA would properly clarify the scope of the covered business method patents eligible for the Transitional Program. It provides safeguards against the inclusion of general software and computer technology patents while providing context so that patents directed to financial services or products are not excluded by looking at their technological contributions in isolation. Thus, by evaluating the aforementioned factors on a case-by-case basis, BSA believes the Office can make a more accurate determination of whether the patent is eligible for review, lessen the number of ineligible petitions filed, and increase the efficiency of the Transitional Program for Covered Business Method Patents.

BSA appreciates the opportunity to comment on this issue. Any questions or further communications should be directed to Tim Molino, Director, Government Relations, BSA (timothym@bsa.org).

Sincerely,

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President and CEO