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Subject: Comments from Trading Technologies International, Inc. Regarding
Implementation of the Leahy-Smith America Invents Act

Trading Technologies International, Inc. (“TT”) thanks the United States Patent and Trademark Office (“USPTO”) for the opportunity to provide comments regarding implementation of the Leahy-Smith America Invents Act (“AIA”).

The comments provided below are directed to Section 18 for the Transitional Program for Covered Business Method Patents of H.R. 1249. As set forth in greater detail below, TT submits that the USPTO should implement regulations for the Section 18 transitional program in a manner that (a) is consistent with the intent of Congress, and (b) minimizes the burden on the USPTO. To the extent that implementation of Section 18 is based on the Post-Grant Review procedures set forth in Section 6 (discussed above), those comments and proposals also apply to the implementation of Section 18.

The USPTO should determine “whether a patent is for a technological invention” on the basis of whether its claims satisfy the subject matter eligibility requirements of 35 U.S.C. §101.

Section 18 applies only to “covered business method patents” for financial services and products, excluding “patents for technological inventions.” Instead of defining the scope of the exclusion for “technological inventions,” AIA leaves it to the USPTO to determine which inventions are within the scope of the exclusion.

The USPTO should not attempt an exacting definition for what a “technological invention” is, rather the scope of a “technological invention” should be tied to the tests under 35 U.S.C. §101 for patentable subject matter eligibility. The statements of both Senators Schumer and Kyl suggest that the “technological invention” requirement is that Section 18 shall apply “only to abstract business concepts” or “abstract and often common concepts of how to do business.” It is also the “abstract business concepts,” discussed in *Bilski v. Kappos*, 130 S. Ct. 3218 (2010), that are not eligible subject matter for patenting under §101.

The jurisprudence under *Bilski* and its progeny provide the appropriate contours for making §101 eligibility determinations. Section 18 does not require a specific definition for “technological invention” (see Senator Kyl (AZ) “Patent Reform Act of 2011” Cong. Rec. 157:34 (March 8, 2011) p. S1379; Senator Schumer (NY) “Patent Reform Act of 2011” Cong. Rec. 157:29 (March 1, 2011 p. S1053.); it requires only that the USPTO establish regulations or guidance to determine whether a patent claim is directed to a technological invention. In particular, the USPTO should not attempt to define what is within the “technological arts” as was done in *Ex parte Lundgren*, 76 U.S.P.Q.2d 1385 (B.P.A.I. 2004). As the Federal Circuit stated in *Bilski*, a “technological arts” test is unclear because the terms “technology” and “technological arts” are “both ambiguous and ever-changing.” Accordingly, rather than create a new definition for what constitutes a “technological invention,” the USPTO’s regulations should defer to the jurisprudence on §101, and reflect the intent of Congress by providing that Section 18 processes be available only for those claims that do not claim eligible subject matter (i.e. claim abstract concepts rather than “technological inventions”) according to that jurisprudence.

“Technological invention” should be part of a two-part threshold test to determine the application of Section 18.

It is consistent with the Congressional intent for the regulations for Section 18 to be implemented in a manner that clearly excludes patentable subject matter under *Bilski*. As such, the “technological invention” exclusion should be implemented on the basis of a threshold showing by the petitioner that it is more likely than not that at least one patent claim is not directed to patent eligible subject matter under 35 U.S.C. § 101 and relevant jurisprudence.

In addition, the description in AIA for a “covered business method patent” as “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...” loosely tracks a portion of the definition of U.S. Patent Class 705. In implementing Section 18, the USPTO should rather focus on the accused activity which would be covered by the claim and how the claim would read on such activity rather than simply looking for a particular word or combination of words in the claim. The assignment to Class 705 should not be determinative.

The test for whether a patent falls within the ambit of Section 18 should be whether

- a) it includes a claim that does not satisfy the requirements of § 101; and
- b) it covers 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. A claim reciting one or more elements or steps covering a financial feature does not in and of itself make the patent a covered business method patent.

The USPTO should also clarify “financial product or service.” Definitions that include any financial transaction in any industry or any accounting in enterprise management for a business are not within the intent of Section 18 and should be rejected. The phrase should be limited to the financial services industry which includes firms that deal with the management, investment, transfer, and lending of money.

The petitioner should be required to prove that the patent in question is egregious.

It is also consistent with the intent of Congress that reviews under Section 18 should apply only to only egregious patents and patents that are shockingly bad. For example, on March 8, Chairman Leahy made clear in the Congressional Record in response to a question from Senator Pryor that the language in Section 18 “is simply trying to address the problem of business method patents of **dubious validity**” See 157 Cong. Rec. S1363 (daily ed. March 8, 2011) (emphasis added). Similarly, on March 8, Senator Schumer, the primary author of the provision that became Section 18, stated that the definition of covered business method patents was developed to capture “the **worst offenders** in the field of business method patents” See 157 Cong. Rec. S1364 (daily ed. March 8, 2011) (emphasis added). On September 8, Senator Durbin voted for the bill (See 157 Cong. Rec. S1381 (daily ed. March 8, 2011) but after receiving assurances that “the scope and application of section 18 would be appropriately constrained, as it is critically important that this section **not** be applied in a way that would undermine the legislation's focus on protecting **legitimate innovation** and job creation” (emphasis added).

Therefore, as a threshold manner, the USPTO should determine whether the patent, on its face, is of “dubious validity” and one of the “worst offenders” in the field of business method patents before initiating a Section 18 review of the patent.

Requests for review under Section 18 should be denied for patents that have been previously upheld as valid in a previous reexamination and/or Court proceeding.

Repeated requests for review of patents that have been determined valid and/or not subject to Section 18 is a waste of USPTO resources and costly for the patent holder. As such, the USPTO should review requests against any previous request for review of the patent to ensure that the same or similar arguments were not previously presented. Abuses of Section 18 should be avoided with implementation regulations that screen such requests. A request for review of one or more claims of a patent that previously was scrutinized under Section 18 and determined valid should be denied, even if the alleged art forming the basis of the submission is different when compared with prior submissions. Similarly, requests for review of one or more claims of a patent under Section 18 that was previously upheld as valid in a reexamination proceeding and/or by a Court of competent jurisdiction should also be denied.

The definition of “covered business method patent” should preserve patentee rights and patent value and conserve USPTO resources.

In developing guidance for what constitutes a “business method patent” and the exception for “technological inventions,” the USPTO’s should not apply the transition procedure overly broad. This suggestion is explicitly contemplated in 35 U.S.C. §326(b) of the AIA. Thus, the USPTO should implement the Section 18 transition program in a conservative fashion until its effects can be determined. In this way fewer adverse effects will be generated as the USPTO learns how the transition procedure regulations may require mid-course corrections.

The gating criterion under Section 18(a)(1)(B) relating to the wording “charged with infringement” should be clarified.

“Sued for infringement” is unambiguous. Similarly, a person that “has been charged with infringement” is unambiguous. The regulations implementing the “charged with infringement” element should not be the same as the criteria for establishing declaratory judgment jurisdiction, which in some cases have been interpreted expansively. Rather, the criteria should reflect the plain meaning of these words, and require clear and unequivocal assertions by the patentee that:

- a) a specific product or process of the petitioner
- b) presently infringes
- c) a specific patent claim that qualifies the patent as a “covered business method patent.”

The implementing regulations should require that the petitioner specifically identify and provide a copy of the complaint or documentation establishing that the petitioner is being sued for infringement or charged with infringement by a party with rights to enforce the patent, consistent with the requirements set forth above.

The USPTO should allow a patentee to request more aggressive timelines than those required by Section 18, and adopt processes that will facilitate meeting these timelines.

35 U.S.C. §324(c) and §326(a)(11) call for resolving a Post-Grant Review in 15-months and possibly as long as 21-months. A 21-month period could work a hardship on patentees who attempt to enforce their patents (with even greater delays caused by subsequent appeals to the Federal Circuit by the petitioner). Moreover, it is likely that pending patent enforcement actions will be stayed (given the as-of-right interlocutory appeals under Section 18(b)(2)). This could destroy a large percentage of the life (and value) of the patent.

Thus, it is important for the protection of U.S. innovation and for businesses that rely upon patents that the USPTO provide the option of a shorter timetable than Section 18 would require. Taking into account how long their patent enforcement actions and licensing might be

delayed, patentees should be allowed to determine whether they can respond more quickly to the normal deadlines for responding to the Section 18 proceeding.

For these reasons, the USPTO should make available a more aggressive timeline for resolution at the request of the patentee. This would protect patentees by allowing them to expedite the proceedings if they are able to do so.

To expedite the process, the USPTO should allow patentees, with the attendance of the petitioner, at least one conference with the Administrative Patent Judges prior to the oral hearing. In addition, the USPTO should consider establishing a dedicated BMP unit, within the PTAB to handle Section 18 transition proceedings.

The threshold for filing a petition under Section 18 should be clearly defined in the regulations.

35 U.S.C. §324(a) defines certain elements for initiating a Section 18 proceeding, but there are unique elements in Section 18 which also need to be addressed. To implement the requirements of Sections 322(a)(3) and (4), the “other such information” in a Section 18 petition should by regulation expressly include:

- a) A discussion of any legal bases upon which the petition is based, demonstrating with particularity how each challenged claim meets the definition of “covered business method patent” under current applicable law.
- b) A showing, with appropriate legal analysis, of why each challenged claim does not meet the identified Section 18 exception of a “technological invention.

The regulations should also state that, once a Section 18 procedure is commenced, then §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.

The patentee should then be able to submit by regulation (pursuant to proposed 35 USC §323) a statement of reasons why no review under Section 18 should be instituted based upon the failure of the petition to establish:

- a) That the challenged claims are to a covered business method or apparatus, or
- b) That the subject matter of the claims do not cover a “technological invention.”

The implementing regulations should allow the patentee to amend and add claims in response to the raising of new grounds for rejection or objection.

Under proposed §326(d)(1), a patentee is entitled to file a motion to amend the claims by (A) cancelling any challenged claim, and/or (B) for each challenged claim, “proposing a reasonable number of substitute claims.” Additional motions to amend may be permitted only upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding, or upon the request of the patent owner for “good cause shown.”

The implementing regulations should provide that the raising of new grounds for rejection should constitute “good cause” This would allow the patentee to make additional amendments to respond to any such new issues and to place the claims in condition for allowance.

It would be desirable for the USPTO to finalize its post-Bilski §101 guidelines prior to implementing the rules governing Section 18 review.

It would be desirable for the USPTO to finalize its *Interim Guidance for Determining Subject Matter Eligibility for Process Claims in View of Bilski v. Kappos* before implementing Section 18 regulations as it will have a direct impact on the scope of Section 18 processes. This will provide important guidance to the public and an initial reference point for petitioners/requesters, on whom the burden should rest to show why a claim is not directed to a technological invention. This is clearly preferable to a static definition of technological invention which itself would likely be soon outdated by changing technology and continuously developing case law in the area.

Respectfully Submitted,

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