

April 5, 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_Rules@uspto.gov*)

**Re: Comments on Notice of Proposed Rulemaking
“Changes To Implement Transitional Program
for Covered Business Method Patents”
77 Fed. Reg. 7080 (February 10, 2012)**

Dear Under Secretary Kappos:

The American Intellectual Property Law Association (“AIPLA”) is pleased to have the opportunity to present its views with respect to the Notice of Proposed Rulemaking entitled, “Changes To Implement Transitional Program for Covered Business Method Patents,” as published in the February 10, 2012, issue of the *Federal Register*, 77 Fed. Reg. 7080 (the “Notice”).

AIPLA is a U.S.-based national bar association with approximately 15,000 members who 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 Leahy-Smith America Invents Act (“AIA”) requires the Director to establish a transitional post-grant proceeding for reviewing the validity of “covered business method patents.” The Section 18 proceedings will employ the standards and procedures established for post-grant review by the AIA, but Section 18 petitioners are not required to file within nine months of the date the patent in question was granted. The post-grant review standards and procedures are the subject of a separate rulemaking proposal (*see* 77 Fed. Reg. 7060, February 10, 2012), and AIPLA has submitted separate comments on that proposal.

The present rulemaking addresses matters specific to the Section 18 proceeding not addressed by the post-grant review rulemaking. In particular, Section 18(a)(1) identifies “covered business method patents” as the subject matter that qualifies for this proceeding. That term is defined at Section 18(d), and the proposed rule implements that definition by tracking the literal language of the statutory definition. One aspect of the definition is the exclusion of “patents for technological inventions,” which is the subject of a separate rulemaking proposal (*see* 77 Fed. Reg. 7095, February 10, 2012) and on which AIPLA has submitted separate comments.

The comments presented here address aspects of the transition proceeding not already addressed by AIPLA’s comment submissions on post-grant review and definition of technological invention rulemakings.

37 CFR §42.301 Definitions.

Repeating the statutory language of Section 18(d), proposed rule Section 42.301 defines “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, except that the term does not include patents for technological inventions.”

AIPLA urges the USPTO to revise Section 42.301 to clarify that a “covered business method patent” is not one that merely “recites” an operating environment related to data processing or management of a financial product or service. This clarification would emphasize the statutory limitation that eligibility for the transitional procedure is to be determined by what the covered business method patent “claims.”

We also urge that the new rules clarify that the term “financial product or service” does not include any financial transaction in any industry, or any accounting in enterprise management for a business. The USPTO should limit this term to the products or services of the financial services industry, which includes firms that deal with the management, investment, transfer, and lending of money.

37 CFR §42.300 Procedure; pendency.

Proposed Section 42.300(b) provides that “[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.” Identical provisions have been proposed for the post-grant review (“PGR”) proceeding at Section 42.200(b) and for the *inter partes* review (“IPR”) proceeding at Section 42.100(b).

AIPLA opposes adoption of proposed Section 42.300(b) for the reasons given in opposing this language in separate AIPLA comments on the IPR and PGR proposals.

In summary, PGR, unlike examination and reexamination proceedings, involves review of issued patents that enjoy a presumption of validity; the issue of claim construction is a matter of substantive rulemaking beyond USPTO authority and improperly included in a procedural rule; and Section 42.300(b) will result in the double standard of applying to the same patent a broad claim construction for validity determinations in PGR and a narrow claim construction for infringement determinations in court.

Proposed Section 42.300(c) states that a transitional proceeding should not normally be pending before the Board for more than one year, allowing an extension of up to six months for good cause.

AIPLA recommends, however, that the rules provide opportunities for the patent owner to expedite the proceedings by filing a preliminary response early, filing a notice to expedite, or expediting discovery. Although IPR and PGR regulations have been proposed to allow a patent owner to expedite the proceeding by filing an election to waive the preliminary patent owner response (*see* proposed Sections 42.107(b) and 42.207(b)), the regulations should also permit other opportunities for the patent owner to expedite the proceeding.

For example, the discovery in the patent owner's period for discovery could be expedited, with the result that the patent owner's response would be filed sooner than required. If the patent owner takes aggressive steps to self-expedite the proceeding by, for example, immediately filing a Notice to Expedite and responding with its Final Response within two months of the institution of the proceeding, it is possible the proceeding could be completed in as little as 11 months from petition filing, and 8 months from the institution of the proceeding.

37 CFR §42.302 Who may petition for a covered business method patent review.

Section 18(a)(1)(B) states that a person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person's real party in interest or privy has been sued for infringement of the patent "or has been charged with infringement under that patent." Proposed Section 42.302(a) for the most part tracks the literal language of the statute, particularly with respect to the phrase "charged with infringement."

AIPLA urges that the regulations clarify the "charged with infringement" criterion to state that this element refers to more than the showing required to establish declaratory judgment jurisdiction in district court, which in some cases has been expansively interpreted. Rather, a "charge" should be defined in plain words as the patentee's unequivocal assertion directed at the petitioner that: (1) a specific product or process of the petitioner (2) presently infringes (3) a specific patent claim that qualifies as a covered business method patent.

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

37 CFR §42.304 Content of Petition.

Proposed Section 42.304 details the content that must be included in a petition to use the Section 18 covered business method proceeding, addressing the request for judgment, grounds for standing, and complete identification of relief sought.

However, the regulation fails to implement the requirements of Section 18(a)(1)(C), which specifies the prior art showing required if the petition raises invalidity grounds based on Sections 102 and 103 of Title 35, as in effect on the day before March 16, 2013 (the effective date of the first-inventor-to-file provisions of the AIA). The provisions of Section 18(a)(1)(C) are described in the Supplementary Information of the Notice, but they are not implemented in the proposed rule. AIPLA believes that these provisions should be addressed in the rules to adequately instruct examiners on the specific limitations described in the statute.

Finally, AIPLA believes that all Section 18 petitions should be published, whether they are allowed or denied. It is in the public interest that the USPTO's analyses in determining which bases for challenges are appropriate under Section 18 be available for public review. This transparency will allow the public to learn which bases are likely to be rejected and refrain from filing petitions similar to those that have already been denied, and will reduce the burden on the USPTO. The rules should allow for the filing of confidential information, along with non-confidential versions that may be published, and should encourage all Section 18 petitions to be submitted electronically to facilitate their publication.

Conclusion

Section 18 has many complexities and challenges, some of which cannot be anticipated in advance. Because the program will involve significant procedural and legal issues, AIPLA urges the USPTO to monitor the program and make any midcourse corrections found necessary. In this regard, the implementing regulations should identify milestones and metrics that will be used to determine the need for any midcourse corrections. In addition, the Section 18 implementing regulations should be revisited and analyzed no later than two years after implementation.

AIPLA appreciates the opportunity to provide these comments on the proposed rules to implement the Transitional Program for Covered Business Methods. We would be pleased to answer any questions these comments may raise and look forward to participation in the continuing development of rules appropriate for patent practice and for implementation of the America Invents Act.

Sincerely,



William G. Barber
AIPLA President