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RULES and REGULATIONS
DEPARTMENT OF COMMERCE
Patent and Trademark Office
37 CFR Part 42
[Docket No. PTO-P-2011-0087]
RIN 0651-AC75

Transitional Program for Covered Business Method Patents—Definitions of Covered Business Method Patent and Technological Invention

Tuesday, August 14, 2012

AGENCY: United States Patent and Trademark Office, Commerce.

***48734** ACTION: Final rule.

SUMMARY: The United States Patent and Trademark Office (Office or USPTO) is revising the rules of practice to implement the provision of the Leahy-Smith America Invents Act ("AIA") that requires the Office to issue regulations for determining whether a patent is for a technological invention in a transitional post-grant review proceeding for covered business method patents. The provision of the AIA will take effect on September 16, 2012, one year after the date of enactment. The AIA provides that this provision and any regulations issued under the provision will be repealed on September 16, 2020, with respect to any new petitions under the transitional program.

DATES: Effective Date: The changes in this final rule take effect on September 16, 2012.
Applicability Date: The changes in this final rule apply to any covered business method patent issued before, on, or after September 16, 2012.

FOR FURTHER INFORMATION CONTACT: Sally C. Medley, Administrative Patent Judge; Michael P. Tierney, Lead Administrative Patent Judge; Robert A. Clarke, Administrative Patent Judge; and Joni Y. Chang, Administrative Patent Judge; Board of Patent Appeals and Interferences, by telephone at (571) 272-9797.

SUPPLEMENTARY INFORMATION:
Executive Summary: Purpose: On September 16, 2011, the AIA was enacted into law (Pub. L. 112-29, 125 Stat. 284 (2011)). The purpose of the AIA and this final rule is to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs. The preamble of this notice sets forth in detail the definitions of the terms "covered business method patent" and "technological invention" that the Board will use in conducting transitional covered business method patent review proceedings. The USPTO is engaged in a transparent process to create a timely, cost-effective alternative to litigation. Moreover, this rulemaking process is designed to ensure the integrity of the trial procedures. See 35 U.S.C. 326(b).

Summary of Major Provisions: This final rule sets forth the definitions of the terms "covered business method patent" and "technological invention" that the Office will use in conducting transitional covered business method patent review proceedings.

Costs and Benefits: This rulemaking is not economically significant, but is significant, under Executive Order 12866 (Sept. 30, 1993), as amended by Executive Order 13258 (Feb. 26, 2002) and Executive Order 13422 (Jan. 18, 2007).

Background: To implement sections 6 and 18 of the AIA, the Office published the following notices of proposed rulemaking: (1) Rules of Practice for Trials before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 FR 6879 (Feb. 9, 2012), to provide a consolidated set of rules relating to Board trial practice for inter partes review, post-grant review, derivation proceedings, and the transitional program for covered business method patents, and judicial review of Board decisions by adding new parts 42 and 90 including a new subpart A to title 37 of the Code of Federal Regulations (RIN 0651-AC70); (2) Changes to Implement Inter Partes Review Proceedings, 77 FR 7041 (Feb. 10, 2012), to provide rules specific to inter partes review by adding a new subpart B to 37 CFR part 42 (RIN 0651-AC71); (3) Changes to Implement Post-Grant Review Proceedings, 77 FR 7060 (Feb. 10, 2012), to provide rules specific to post-grant review by adding a new subpart C to 37 CFR part 42 (RIN 0651-AC72); (4) Changes to Implement Transitional Program for Covered Business Method Patents, 77 FR 7080 (Feb. 10, 2012), to provide rules specific to the transitional program for covered business method patents by adding a new subpart D to 37 CFR part 42 (RIN 0651-AC73); (5) Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 FR 7095 (Feb. 10, 2012), to add a new rule that sets forth the definition of technological invention for determining whether a patent is for a technological invention for purposes of the transitional program for covered business method patents (RIN 0651-AC75); and (6) Changes to Implement Derivation Proceedings, 77 FR 7028 (Feb. 10, 2012), to provide rules specific to derivation proceedings by adding a new subpart E to 37 CFR part 42 (RIN 0651-AC74).

Additionally, the Office published a Patent Trial Practice Guide for the proposed rules in the Federal Register to provide the public an opportunity to comment. Practice Guide for Proposed Trial Rules, 77 FR 6868 (Feb. 9, 2012) (Request for Comments) (hereafter “Practice Guide” or “Office Patent Trial Practice Guide”). The Office envisions publishing a revised Patent Trial Practice Guide for the final rules. The Office also hosted a series of public educational roadshows, across the country, regarding the proposed rules for the implementation of the AIA.

In response to the notices of proposed rulemaking and the Practice Guide notice, the Office received 251 submissions offering written comments from intellectual property organizations, businesses, law firms, patent practitioners, and others, including a United Stated senator who was a principal author of section 18 of the AIA. The comments provided support for, opposition to, and diverse recommendations on the proposed rules. The Office appreciates the thoughtful comments, and has considered and analyzed the comments thoroughly. The Office's responses to the comments are provided in the 124 separate responses based on the topics raised in the 251 comments in the Response to Comments section infra.

Section 18 of the AIA provides that the Director may institute a transitional proceeding only for a patent that is a covered business method patent. In particular, section 18(d)(1) of the AIA specifies that a covered business method patent is 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. Section 18(d)(2) of the AIA provides that the Director will issue regulations for determining whether a patent is for a technological invention. Consistent with these statutory provisions, this rulemaking provides regulations for determining whether a patent is for a technological invention. The AIA provides that the transitional program for the review of covered business method patents will take effect on September 16, 2012, one year after the date of enactment, and applies to any covered business method patent issued before, on, or after September 16, 2012. Section 18 of the AIA and the ***48735** regulations issued under this provision will be repealed on September 16, 2020. Section 18 of the AIA and the regulations issued will continue to apply after September 16, 2020, to any petition for a transitional proceeding that is filed before September 16, 2020.

Pursuant to section 18(d) of the AIA, the Office is prescribing regulations to set forth the definitions of the terms “covered business method patent” and “technological invention” in its regulation. In February 2012, the Office published two notices proposing changes to 37 CFR chapter I to implement sections 18(d)(1) and (d)(2) of the AIA. See Changes to Implement Transitional Program for Covered Business Method Patents, 77 FR 7080 (Feb. 10, 2012) and Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 FR 7095 (Feb. 10, 2012).

This final rule revises the rules of practice to implement section 18(d)(1) of the AIA that provides the definition of the term “covered business method patent” and section 18(d)(2) of the AIA that provides that the Director will issue regulations for

determining whether a patent is for a technological invention. This final rule sets forth the definitions in new subpart D of 37 CFR 42, specifically in § 42.301.

This rulemaking is one of a series of rules that the Office is promulgating directed to the new trials that were created by the AIA. The Office, in a separate rulemaking, revises the rules of practice to provide a consolidated set of rules relating to Board trial practice, adding part 42, including subpart A (RIN 0651-AC70). More specifically, subpart A of part 42 sets forth the policies, practices, and definitions common to all trial proceedings before the Board. In another separate rulemaking, the Office revises the rules of practice to implement the provisions of the AIA for the transitional program for covered business method patents (RIN 0651-AC71). In particular, that separate final rule adds a new subpart D to 37 CFR part 42 to provide rules specific to transitional post-grant review of covered business method patents. Further, that separate final rule adds a new subpart B to 37 CFR part 42 to provide rules specific to inter partes review, and a new subpart C to 37 CFR part 42 to provide rules specific to post-grant review. The notices are available on the USPTO Internet Web site at www.uspto.gov.

Discussion of Specific Rules

Title 37 of the Code of Federal Regulations, Chapter I, Part 42, Subpart D, Section 42.301, entitled “Definitions” is added as follows:

Section 42.301: Section 42.301 provides definitions specific to covered business method patent reviews.

Section 42.301(a) adopts the definition for covered business method patents provided in section 18(d)(1) of the AIA. Specifically, the definition provides that a covered business method patent means 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.

Section 42.301(b) sets forth the definition for technological invention for covered business method patent review proceedings. The definition of technological invention provides that in determining whether a patent is for a technological invention solely for purposes of the Transitional Program for Covered Business Methods, 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. The Office recognizes that, in prescribing a regulation to define technological invention, the Office must consider the efficient administration of the proceedings by the Office, and its ability to complete them timely, consistent with 35 U.S.C. 326(b).

The definition is consistent with the legislative history of the AIA. See, e.g., 157 Cong. Rec. S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (“The ‘patents for technological inventions' exception only excludes those patents whose novelty turns on a technological innovation over the prior art and are concerned with a technical problem which is solved with a technical solution and which requires the claims to state the technical features which the inventor desires to protect.”); 157 Cong. Rec. H4497 (daily ed. June 23, 2011) (statement of Rep. Smith) (“Patents for technological inventions are those patents whose novelty turns on a technological innovation over the prior art and are concerned with a technical problem which is solved with a technical solution.”); 157 Cong. Rec. S5428 (daily ed. Sept. 8, 2011) (statement of Sen. Coburn) (“Patents for technological inventions are those patents whose novelty turns on a technological innovation over the prior art and are concerned with a technical problem which is solved with a technical solution.”).

Response to Comments

The Office received about 47 written submissions of comments (from intellectual property organizations, businesses, law firms, patent practitioners, and others) in response to the proposed definitions. The Office appreciates the thoughtful comments, and has considered and analyzed the comments thoroughly. The Office's responses to the comments that are germane to the definitions adopted in this final rule are provided below:

Section 42.301(a)

Comment 1: Several comments suggested that the Office interpret "financial product or service" broadly.

Response: The definition set forth in § 42.301(a) for covered business method patent adopts the definition for covered business method patent provided in section 18(d)(1) of the AIA. In administering the program, the Office will consider the legislative intent and history behind the public law definition and the transitional program itself. For example, the legislative history explains that the definition of covered business method patent was drafted to encompass patents "claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity." 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer). This remark tends to support the notion that "financial product or service" should be interpreted broadly.

Comment 2: One comment noted that there is no proposed definition of the term "financial product or service" and suggested amending the proposed rule for covered business method patent to include two factors to consider on a case-by-case basis: (1) Whether the claimed subject matter is directed to an agreement between two parties stipulating the movement of money or other consideration now or in the future; and (2) whether the claimed subject matter is particular to the characteristics of financial institutions. Still other comments supported the Office's definition of a covered business method patent as is.

Response: The definition suggested by the comment for "financial product or service" is not adopted. That suggestion would appear to limit the scope of the definition of covered business method patents provided in section 18(d)(1) of the AIA, particularly the second prong of the proposed definition. In addition, the Office has considered the comment seeking to change the definition of a covered business method patent against the comments in support of the ***48736** definition set forth in the proposed § 42.301(a) and in section 18(d)(1) of the AIA. Upon consideration of the diverging comments, and the definition provided in the public law, the Office adopts proposed § 42.301(a), in this final rule, without any alterations.

Comment 3: One comment suggested that the Office should clarify that the term "financial product or service" should be limited to the products or services of the financial services industry. Still another comment stated that the term "financial product or service" is not limited to the products of the financial services industry.

Response: The suggestion to clarify that the term "financial product or service" is limited to the products or services of the financial services industry is not adopted. Such a narrow construction of the term would limit the scope of the definition of covered business method patents beyond the intent of section 18(d)(1) of the AIA. For example, the legislative history reveals that "[t]he plain meaning of 'financial product or service' demonstrates that section 18 is not limited to the financial services industry." 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer). This remark tends to support the notion that "financial product or service" is not limited to the products or services of the financial services industry.

Comment 4: One comment suggested that the Office revise proposed § 42.301(a) to clarify that the determination of a "covered business method patent" would not be satisfied by merely reciting an operating environment related to data processing or management of a financial product or service, but that eligibility should be determined by what the patent claims.

Response: This suggestion is not adopted. The definition set forth in § 42.301(a) adopts the definition for a covered business method patent provided in section 18(d)(1) of the AIA. Specifically, the statutory language states that a covered business method patent is "a patent that claims a method or corresponding apparatus for performing data processing * * *, except that the term does not include patents for technological inventions." (Emphasis added.) Consistent with the AIA, the definition set forth in § 42.301(a), as adopted in this final rule, is based on what the patent claims.

Comment 5: One comment suggested that the proposed definition is based on Class 705 of the United States Classification System and that the definition should be amended to include a specific reference to Class 705, including systems.

Response: The definition set forth in § 42.301(a) adopts the definition for covered business method patents provided in section 18(d)(1) of the AIA. The definition set forth in § 42.301(a) will not be altered to make reference to Class 705 of the United Classification System since doing so would be contrary to the definition set out in the public law. The legislative history reveals that

[o]riginally, class 705 was used as the template for the definition of business method patents in section 18. However, after the bill passed the Senate, it became clear that some offending business method patents are issued in other sections. So the House bill changes the definition only slightly so that it does not directly track the class 705 language.

157 Cong. Rec. S5410 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer). This remark tends to support the notion that the definition of a covered business method patent should not be changed to refer to Class 705 of the United States Classification System. In addition, the Office received comments in support of the definition set forth in the proposed rule. Upon considering the AIA and legislative history, as well as those supporting comments in favor of the definition against the comment to change the definition, the Office has decided to adopt proposed § 42.301(a) in this final rule, without altering the proposed definition.

Section 42.301(b)

Comment 6: One comment asked whether it is the novel and unobvious technological feature that provides the technical solution to a technical problem or that the novel and unobvious technological feature does not necessarily need to be the technical solution to the technical problem.

Response: The definition in § 42.301(b) includes considering 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. The reference "and solves a technical problem using a technical solution" is with respect to "the claimed subject matter as a whole."

Comment 7: One comment suggested that the definition is not actually a definition as it only states two factors to be considered, and that the Office did not have to use legislative history for the rule because Congress instructed the Office to use its own expertise. Still another comment suggested that the Office should not have based the definition on the legislative history.

Response: Section 18(d)(2) of the AIA provides that "[t]o assist in implementing the transitional proceeding authorized by this subsection, the Director shall issue regulations for determining whether a patent is for a technological invention." Consistent with the AIA, the definition for technological invention, as adopted in this final rule, sets forth what is to be considered in determining whether a patent is for a technological invention. The Office disagrees that it should not have looked to the legislative history in formulating the definition. The Office, in determining the best approach for defining the term "technological invention," concluded that the relied upon portion of the legislative history represented the best policy choice.

Comment 8: Several comments sought clarification on whether a single claim can make the patent a covered business method patent or whether it is the subject matter as a whole that is considered.

Response: The definition set forth in § 42.301(b) for a covered business method patent adopts the definition for covered business method patents provided in section 18(d)(1) of the AIA. Specifically, the language states that a covered business method patent is "a patent that claims a method or corresponding apparatus for performing data processing * * *, except that the term does not include patents for technological inventions." (Emphasis added.) Consistent with the AIA, the definition, as adopted, therefore is based on what the patent claims. Determination of whether a patent is a covered business method patent will be made based on the claims. Similarly, determination of whether a patent is to a technological invention will be determined based on the claims of the patent. A patent having one or more claims directed to a covered business method is a covered business method patent for purposes of the review, even if the patent includes additional claims.

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