

August 15, 2012



## PTO Issues Final Rulemaking for Covered Business Method Patent Review

On August 14, 2012, the U.S. Patent and Trademark Office issued two final rulemakings regarding the Transitional Program for Covered Business Method Patents (also referred to as "Covered Business Method Patent Review" or "CBM"). This program, designed for the financial services sector, provides a way to challenge the patentability of qualifying patents in a wholly new contested CBM proceeding at the USPTO.

One final rulemaking (77 FR 48734) adopts, without change, the previously-proposed definitions of "covered business method patent" and "technological invention" (now finalized as 37 C.F.R. § 42.301). These definitions will be used by the PTO to determine whether a patent is eligible for a CBM proceeding. Although no changes were made to the text of the rules, the PTO did provide several insights regarding its interpretation of these definitions:

- The PTO will not limit CBM proceedings to only those patents that are specifically directed to "products or services of the financial services industry." Likewise, the PTO will not limit CBM proceedings to only those patents asserted against the financial services industry. The PTO relied heavily on the legislative history of Section 18 of the AIA in making this decision, saying that it "tends to support the notion that 'financial product or service' should be interpreted broadly."

For example, the PTO explicitly rejected a suggestion to limit the term "financial product or service" as applying only to "the products or services of the financial services industry." Along these same lines, the PTO rejected a suggestion to limit coverage only to patents that were (1) "directed to an agreement between two parties stipulating the movement of money or other consideration," or (2) "particular to the characteristics of financial institutions."

- If a patent includes even one claim that meets the definition of a "covered business method," then the entire patent is susceptible to a CBM proceeding, even if it includes claims that do not meet the definition.
- The PTO clarified the definition of a "technological invention." Specifically, the phrase "solves a technical problem using a technical solution" relates to "the claimed subject matter as a whole," not just the technological feature that is novel and unobvious over the prior art. That is, the novel and unobvious technological feature does not have to, by itself, solve a technical problem using a technical solution.
- The PTO will not be providing further examples of CBM-eligible patents prior to the rules' implementation on Sept. 16, 2012. Instead, the PTO expects the public to discern the dividing line between CBM and non-CBM patents based on actual decisions as they are issued. Over time, this line will become more clear as more cases are decided. The PTO will make decisions publicly available so as to provide guidance as the proceedings develop.

The other final rulemaking (77 FR 48680) involves the procedural aspects of CBM (37 C.F.R. § 42.300, 302, 303, and 304). In this rulemaking, the PTO adopted the previously proposed rules with minimal modification, and clarified the following issues related to standing:

- CBM is available to specific parties if they have "been sued for infringement of" or "charged with

infringement under" the patent. The PTO revised the rules to say that the current declaratory judgment standard from the courts will be used to determine whether a party has been "charged with infringement." Specifically, the final version of 37 C.F.R. § 42.302(a) defines the term "charged with infringement" as "a real and substantial controversy regarding infringement of a covered business method patent such that the petitioner would have standing to bring a declaratory judgment action in Federal court."

- Eligibility and grounds for standing do not have to be shown on a claim-by-claim basis. Rather, the showing need only be made based on the patent as a whole. This means that even claims that do not satisfy the definition of a "covered business method" may be susceptible to a CBM proceeding, if CBM-eligible claims are also included in the patent. Specifically, "[t]he AIA does not limit the claims that may be challenged to those that are directed specifically to the covered business method."

Although a number of questions remain unanswered, these comments provided by the PTO provide useful insight into some of the most pressing CBM issues. As a reminder, the earliest date to submit a CBM petition is September 16, 2012. Please let us know if you need any assistance regarding the application of CBM to a particular matter.

### Practice Tips for Covered Business Methods

- Petitions for a Covered Business Method proceeding may be filed beginning Sept. 16, 2012.
- Both plaintiffs and defendants should review all patents involved in patent litigation for CBM eligibility.
- In cases where a company is threatened with infringement of a patent, review patent for CBM eligibility.
- Eligibility for a CBM proceeding is broader than traditional notions of "business methods" patents and not limited to financial products and services.
- Only one claim of a patent needs to qualify as a covered business method for the entire patent to qualify for a CBM proceeding.
- A CBM if granted initiates a post-grant review of a patent to be completed in one year.
- Estoppel for a patent challenger is limited to issues actually raised during a CBM.
- Litigation may be stayed by a court while a CBM proceeds before the USPTO Patent Trial and Appeal Board.

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