



April 9, 2012

Hon. David J. Kappos  
Under Secretary of Commerce for Intellectual Property  
and Director of the U.S. Patent and Trademark Office  
600 Dulany Street  
P.O. Box 1450  
Alexandria, VA 22313-1450

*Submitted via:* TPCBMP\_Definition@uspto.gov

**Re: Comments on Proposed Rules: “Transitional Program for Covered Business Method Patents—Definition of Technological Invention”  
77 Fed. Reg. 7095 (February 10, 2012)**

Dear Under Secretary Kappos:

Intellectual Property Owners Association (IPO) appreciates the opportunity to provide comments to the U.S. Patent and Trademark Office in response to the proposed Definition of Technological Invention published in the Federal Register on February 10, 2012.

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. IPO’s membership includes more than 200 companies and more than 12,000 individuals who are involved in the association either through their companies or as inventor, author, law firm, or attorney members.

Section 18 of the Leahy-Smith America Invents Act (“AIA”) authorizes the USPTO to issue regulations establishing and implementing a transitional post-grant review proceeding for covered business method patents. The AIA defined a 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,” but left it to the USPTO to define “technological invention.” The USPTO proposed the following definition:

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 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.

President  
**Richard F. Phillips**  
Exxon Mobil Corp.

Vice President  
**Philip S. Johnson**  
Johnson & Johnson

Treasurer  
**Carl B. Horton**  
General Electric Co.

Directors  
**Russell W. Binns, Jr.**  
Avaya, Inc.  
**Mark Costello**  
Xerox Corp.  
**William J. Coughlin**  
Ford Global Technologies LLC  
**Timothy Crean**  
SAP AG  
**Robert DeBerardine**  
Sanofi-Aventis  
**Bart Eppenaer**  
Microsoft Corp.  
**Mark Farber**  
Covidien  
**Louis Foreman**  
Enventys  
**Scott M. Frank**  
AT&T  
**Darryl P. Frickey**  
Dow Chemical Co.  
**Bernard J. Graves, Jr.**  
Eastman Chemical Co.  
**Krish Gupta**  
EMC Corporation  
**Henry Hadad**  
Bristol-Myers Squibb Co.  
**Jack E. Haken**  
Koninklijke Philips Electronics N.V.  
**Dennis R. Hoerner, Jr.**  
Monsanto Co.  
**Michael Jaro**  
Medtronic, Inc.  
**George W. Johnston**  
Roche Inc.  
**Lisa Jorgenson**  
STMicroelectronics, Inc.  
**Charles M. Kinzig**  
GlaxoSmithKline  
**David J. Koris**  
Shell International B.V.  
**Mark Lauroesch**  
Corning Inc.  
**Michelle Lee**  
Google Inc.  
**Scott McDonald**  
Mars Incorporated  
**Jonathan P. Meyer**  
Motorola Solutions, Inc.  
**Steven W. Miller**  
Procter & Gamble Co.  
**Douglas K. Norman**  
Eli Lilly and Co.  
**Sean O'Brien**  
United Technologies, Corp.  
**MeMe Rasmussen**  
Adobe Systems Inc.  
**Kevin H. Rhodes**  
3M Innovative Properties Co.  
**Mark L. Rodgers**  
Air Products & Chemicals, Inc.  
**Curtis Rose**  
Hewlett-Packard Co.  
**Matthew Sarboraria**  
Oracle USA, Inc.  
**Manny Schecter**  
IBM, Corp.  
**Steven Shapiro**  
Pitney Bowes Inc.  
**David Simon**  
Intel Corp.  
**Dennis C. Skarvan**  
Caterpillar Inc.  
**Russ Slifer**  
Micron Technology, Inc.  
**Daniel J. Staudt**  
Siemens Corp.  
**Brian K. Stierwalt**  
ConocoPhillips  
**Thierry Sueur**  
Air Liquide  
**James J. Trussell**  
BP America, Inc.  
**Cheryl Tubach**  
J.M. Huber Corp.  
**Roy Waldron**  
Pfizer, Inc.  
**Michael Walker**  
DuPont  
**BJ Watrous**  
Apple Inc.  
**Stuart Watt**  
Amgen, Inc.  
**Paul D. Yasger**  
Abbott Laboratories

General Counsel  
**Michael D. Nolan**  
Milbank, Tweed, Hadley &  
McCloy, LLP

Executive Director  
**Herbert C. Wamsley**

IPO is concerned that the proposed definition of “technological invention” lacks clarity and could potentially subject patents without any serious challenge to their validity to a Section 18 proceeding. The proposed definition also may subject the USPTO to unnecessary burden in its determination of whether or not a patent qualifies for the transitional program because it includes consideration of whether the claimed subject matter recites a novel and nonobvious technological feature. IPO further believes that the proposed definition has not fully embraced congressional intent as demonstrated in the legislative history, portions of which are mentioned below to supplement the history noted by the USPTO in its February 10, 2012 publication.

The legislative history includes strong suggestions that Section 18 is meant to address only the lowest-quality patents. On March 8, 2011, for example, in response to a question from Senator Pryor, Chairman Leahy made it clear in the Congressional Record 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). “[A]s a practical matter,” according to Senator Leahy, “a patent without any serious challenge to its validity would never be subject to a proceeding.” *Id.* On that same day, 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).

The legislative history also includes a strong indication that Section 18 is meant to be a limited proceeding. On September 8, 2011, Senator Durbin voted for the bill 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.” *See* 157 Cong. Rec. S1381 (daily ed. March 8, 2011) (emphasis added). On March 8, 2011, Senator Kyl clarified that the “technological invention” exclusion is included to ensure that the program applies “only to abstract business concepts and their implementation” but does not apply to “inventions relating to computer operations for other uses or the application of the natural sciences or engineering.” *See* 157 Cong. Rec. S1379 (daily ed. March 8, 2011) (emphasis added).

IPO believes that the USPTO should consider amending its proposed definition to reflect the Congressional intent mentioned above by, for example, clarifying that the definition encompasses multiple (indeed, more than two) factors for consideration as a case may warrant and is not simply a two-part or multi-part test. IPO also suggests that potential burden on the USPTO may diminish by removing the novelty and non-obvious requirement from one of USPTO’s proposed factors and including instead factors that consider the presence of technical features where such technical features do not represent simply insignificant pre- or post-solution activity. In particular, removing the novelty and non-obviousness factor and replacing it with a factor that takes into account whether all of the technological features of the subject claims are pre- or post-solution activity may more accurately reflect Congressional intent and avoid having the USPTO apply a § 102/103 analysis to the claims just to consider whether or not the qualifying patents are then eligible for review under, *inter alia*, § 102 and §

INTELLECTUAL PROPERTY OWNERS ASSOCIATION

103. IPO also notes that the proposed definition lacks a factor requiring the USPTO to consider, along with other factors that may be applicable in a particular case, whether the claimed subject matter is directed to the application of science, mathematics, and/or engineering.

IPO thanks the USPTO for considering these comments and would welcome any further dialogue or opportunity to support the USPTO in implementing the Transitional Program for Covered Business Method Patents and Definition of Technological Invention.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. F. Phillips', with a stylized flourish at the end.

Richard F. Phillips  
President