

The Limited Monopoly™

Challenging Business Method Patents Under Section 18 of the AIA

by Robert Gunderman, PE, Michael R. Graif, Esq., and John Hammond, PE

Patent Reform- The America Invents Act

This is our ninth article describing the various sections of the America Invents Act (AIA)¹. Section 18 of the AIA legislates what is called a transitional program for covered business method patents. This program essentially creates a post grant review² for business method patents meeting certain criteria, by which the claims of a business method patent can be challenged through a proceeding within the Patent Office.

Section 18- A Historical Perspective

Business method patents have long been the subject of controversy. While they are permissible by law, they have also been the subject of much litigation. The intent of the author of Section 18, Senator Charles Schumer, D-N.Y., was to expose and eliminate low quality business method patents that “lack substantive merit and (are) asserted purely for financial gain.”³ Senator Schumer wished to provide relief to constituents in the New York banking industry from “non-practicing entities” (disparagingly referred to as “patent trolls”), which had been aggressively asserting their patents. (One such company, Data Treasury of Plano, Texas, asserted patents for secure check image capture and storage. As of 2010, the company had 2 employees, about 1000 shareholders, and had generated over \$350 million in licensing revenue in the previous four years.⁴) In order to limit the opportunity to assert certain business method patents, Section 18 even goes so far as to exclude ATM machines as a venue tool.

Start and End Dates

The effective date for the provisions of Section 18 is September 16, 2012. Unlike other provisions of the AIA, the business method review provision “sunset” on September 16, 2020, eight years after the effective date.

Eligible Patents

Patents that are drawn to a covered business method either before or after the first inventor to file provisions of the AIA are eligible for a covered business method review. A covered business method patent is specified by the AIA 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. The AIA does not, however, specify what a patent for a technological invention covers. In determining whether a patent is for a technological invention, the Patent Office considers whether the claimed subject matter as a whole recited a technological feature that is novel and unobvious over the prior art and solves a technical problem with a technical solution. This definition of a covered business method patent parallels that of class 705⁵, making those patents in class 705 prime targets for challenges under Section 18. It should be noted that the claims of the patent must meet this definition in order to be eligible.



Who Can Petition

Only a person or the person's real party in interest or privy who is sued or charged with infringement of a covered business method patent may petition for a covered business method review of the patent. Charged with infringement, as defined by the Patent Office for the purposes of a covered business method review, means a real and substantial controversy regarding infringement of a covered business method patent exists, such that the petitioner would have standing to bring a declaratory judgment action in Federal courts. This person (the petitioner) must demonstrate that the challenged patent is in fact a covered business method patent based on the definition above, and must also show that at least one claim of the challenged patent is not directed to a technological invention.

Requesting a Covered Business Method Review

A covered business method review may be requested unless a petition for post-grant review is still available. The time frame to petition for post-grant review is on or before 9 months after the issuance of a patent subject to first inventor to file rules unless the transitional review program for non first inventor to file patents is used.

Further, in order to petition for a covered business method patent review, the eligibility requirements outlined in this article must be met. They include being sued or charged with infringement of the covered business method patent, the asserted patent

being a covered business method patent and not a technological invention as defined above, and indicating by petition that at least one claim of the covered business method patent is invalid and not patentable. A petitioner may request to cancel as unpatentable one or more claims of a covered business method patent that was granted subject to first inventor to file rules on any ground that could be raised under the statutory requirements for patentability (i.e., utility, novelty, non-obviousness, and proper written description⁶). With patents granted under the prior first to invent rules, limited prior art can be applied.

The fees for a covered business method review are the same as that for post-grant review, currently \$35,800 for challenging up to 20 claims.

The Trial

Covered business method reviews are conducted as a trial before the Patent Trial and Appeal Board having a panel of at least three administrative judges, with procedures similar to that of a post grant review² with exceptions related to estoppel and grounds for challenge. The patent owner must be served with a copy of the petition that includes specifics of each claim challenged and supporting evidence. The patent owner in turn has the right to file a preliminary response to the petition including reasons why the petition should not be granted. If a review is instituted, the patent owner may file a response along with one motion to amend the claims. The motion to amend must respond to a ground of unpatentability, and may not broaden the scope of the claims or introduce new matter. A covered business method review is required by statute to be completed within one year. This time can be extended up to six months for good cause. The Patent Trial and Appeal Board will issue a final written decision that addresses the patentability of the challenged patent claims and also addresses any new claims added by amendment during the review.

Estoppels Against Both The Petitioner and The Patent Owner

After the Patent Trial and Appeal Board renders a final decision in a covered business method patent review, various estoppels apply. The petitioner may not request or maintain a subsequent proceeding before the Patent Office with respect to any claims on any ground that was raised or reasonably could have been raised during the review. Furthermore, the petitioner may not assert in a district court or in an International Trade Commission proceeding that a claim is invalid on any ground that the petitioner raised. Likewise, a patent owner is estopped from taking action inconsistent with any adverse judgment including obtaining a claim in a patent that is patentably indistinct from a finally refused or cancelled claim, or making amendments to the specification or drawings in a way that was not permitted during the proceeding.

Appealing a Decision of the Board

Once a decision is rendered by the Patent Trial and Appeal Board, either party may request a rehearing of the Board's decision. Further, a party dissatisfied with the written decision in a covered business method review may appeal to the U.S. Court of Appeals for the Federal Circuit. If a party seeks a stay of a civil action alleging infringement (35 USC §281) relating to a transitional proceeding, the Court shall decide whether to

enter a stay based on criteria contained in Section 18 of the AIA.

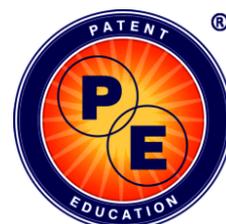
Other Details

Should there be more than one covered business method review for the same patent, the Patent Trial and Appeal Board may enter any appropriate order including stay, transfer, consolidation, or termination of the additional matters. The parties to a covered business method review are also permitted to settle, similar to that in post grant review. Improper use of the covered business method review such as abuse of process, abuse of discovery, or other improper uses for the review are subject to sanctions. A covered business method review under Section 18 of the AIA is a complex legal proceeding that requires competent representation. This representation must be, by law, through a registered patent practitioner. It is also new, and will only be in effect for eight years.

1. H.R. 1249
2. See also "[The Limited Monopoly™](#)" **September 2012**
3. Letter from Senator Charles Schumer to Lead Judge Michael Tierney dated April 10, 2012.
4. http://en.wikipedia.org/wiki/Data_Treasury.
5. Class 705 is "Data Processing: Financial, Business Practice, Management, or Cost/Price Determination."
6. 35 USC §§101, 102, 103 and 112, respectively.

This month we would like to thank Michael R. Graif, Esq., a partner with Curtis, Mallet-Prevost, Colt & Mosle, LLP an international law firm with headquarters in New York City. Mr. Graif is chair of their intellectual property group, and is a registered patent attorney. He focuses his practice on intellectual property and intellectual property litigation, and teaches social media law at the Benjamin N. Cardozo School of Law at Yeshiva University in New York City.

Authors Robert D. Gunderman P.E. (Patent Technologies, LLC www.patenttechnologies.com) and John M. Hammond P.E. (Patent Innovations, LLC www.patent-innovations.com) are both registered patent agents and licensed professional engineers. They offer several courses that qualify for PDH credits. More information can be found at www.patenteducation.com. Copyright 2013 Robert Gunderman, Jr. and John Hammond



Note: This short article is intended only to provide cursory background information, and is not intended to be legal advice. No client relationship with the authors is in any way established by this article.

PHOTO CREDIT: Robert D. Gunderman, Jr. - "Method of Doing Business."