Congress Giveth and Taketh Away: A Look at Section 18 of the America Invents Act and the Review of Business Method Patents

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ABSTRACT

Business method patents have been criticized since their creation in the 1998 State Street Bank & Trust Co. v. Signature Financial Group, Inc. decision. After the State Street holding “opened the floodgates,” the Supreme Court pulled back on the patentability of business methods in Bilski v. Kappos. Congress has now weighed in on the issue in the form of new patent legislation.

The America Invents Act (AIA) was passed in September of 2011. Under section 18 of the AIA, a transitional post-grant review process gives the United States Patent and Trademark Office a vehicle to invalidate poor quality business method patents. Although ambiguity exists in both section 18 statutory language and judicial interpretations of business method patentability, section 18 seems to correct where State Street allegedly erred. As a less-expensive and quicker alternative to civil litigation, a petitioner will be most successful when she can present prior art to invalidate the business method patent. Additionally, section 18 does not seem to have an overbroad effect, so businesses will still benefit from investing in business method patents that are novel, “unobvious,” and non-abstract.
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I. Introduction

On September 16, 2011, President Obama signed into law the Leahy-Smith America Invents Act ("AIA"),¹ substantially revising patent law in the United States. The AIA notably includes section 18 “Transitional Program For Covered Business Method Patents” ("CBM review"),² whose purpose is to provide challengers with a quicker and less-expensive vehicle to review “low-quality,” “abstract,” and “overbroad” business method patents (“BMPs”) compared to engaging in long and expensive civil litigation.³

² Id. sec. 18.
Business methods were held to be patentable in the 1998
State Street Bank & Trust Co. v. Signature Financial Group, Inc.\(^4\)
decision.\(^5\) Commentators have criticized this holding because many
BMPs issued since State Street are of suspect quality,\(^6\) having


\(^5\) See id. at 1375 (holding that the exception prohibiting
business method patentability no longer exists).

Reform Legislation: Bilski Backlash?, Finnegan (July 15, 2011),
http://www.finnegan.com/resources/articles/articlesdetail.aspx?n
ews=17e127f4-1482-4cfa-a15f-0b1a085b0399 (summarizing general
opinion that these “dubious” patents where, in part, created by
the Federal Circuit's decision in State Street).
previously been in public use for years. Thus companies like financial firms became “the target of meritless patent lawsuits,” allegedly resulting in a chilling effect on innovation.

Twelve years after State Street, the Supreme Court in Bilski v. Kappos pulled back on State Street’s holding, but still maintained the patentability of business methods. As a


8 See id. (clarifying that section 18 protects businesses acting in good faith from unnecessarily spending millions in civil litigation); see also Bilski v. Kappos, 130 S. Ct. 3218, 3225 (2010) (“If business method patents could be patented, then many business decisions, no matter how small, could be potential patent violations.”).

9 See Bilski, at 3229 (Kennedy, J., concurring) (arguing a high bar preventing suspect-quality business method patents (“BMPs”) is necessary to prevent a chilling effect on innovation).

10 Bilski, 130 S. Ct. 3218.

11 See id. at 3230 (holding that the business method involving commodities was unpatentable because it was abstract); see also 157 Cong. Rec. S7413 (daily ed. Nov. 14, 2011) (statement of Rep.
result, ambiguity exists concerning the appropriate test for determining when business methods are patentable.\textsuperscript{12} Section 18 is, in part, Congress’s response to this judicial and administrative uncertainty.\textsuperscript{13}

This Comment analyzes section 18 and argues that this new CBM review, despite having many ambiguities, will likely provide a strong tool for petitioners in defense of being charged or sued for infringement. Part II of this Comment provides both a snapshot of the history of BMPs and analyzes the benefits and detriments of a section 18 review. Part III uses the fact patterns from \textit{State Street, Amazon.com, Inc. v. Smith} (maintaining that the Supreme Court was attempting to restrict the patentability of low-quality business methods).


\textsuperscript{13} See \textit{Arner, Edouard, \& McNeill, supra} note 6 (“[T]he transitional post-grant review procedure for business method patents was likely a response to perceived shortcomings of the Supreme Court's \textit{Bilski} decision . . . .”).
BarnesandNoble.com, L.L.C.,\textsuperscript{14} and Ultramercial, L.L.C. v. Hulu, L.L.C.\textsuperscript{15} to discuss the likely effects of section 18 on BMPs. Part III then argues that section 18’s primary benefit is the broad range of prior art\textsuperscript{16} available to assist in an argument for the invalidation of a BMP. When a BMP is challenged via means outside of prior art, uncertainty from case precedent and statutory ambiguity limits section 18’s effectiveness. Part IV recommends that the United States Patent and Trademark Office (“PTO”) and U.S. courts provide clarity surrounding section 18 statutory language and procedural elements to maximize the effectiveness of this CBM review.

\textsuperscript{14} Amazon.com, Inc. v. BarnesandNoble.com, L.L.C., 239 F.3d 1343 (Fed. Cir. 2001).

\textsuperscript{15} Ultramercial, L.L.C. v. Hulu, L.L.C., 657 F.3d 1323 (Fed. Cir. 2011).

\textsuperscript{16} See also What is Prior Art?, IPWatchdog (Oct. 2, 2010), http://www.ipwatchdog.com/2010/10/02/what-is-prior-art/id=12677/ (“[A] particular reference or piece of knowledge will be considered to be prior art that must be overcome by a patent applicant if the patent examiner is legally allowed to use it against the applicant to reject one or more claims in a pending application.”).
II. Understanding How Congress and Case Law Unlocked the Door to BMPs, and How Congress Now Attempts to Limit Entry

This section provides a brief history of BMPs up through the signing of the AIA,\(^{17}\) and then continues with a statutory analysis of AIA’s section 18.\(^{18}\)

A. Congress Began the Patentability of Business Methods, But Judicial Holdings Fully Opened the Door

In 1952, Congress revised the Patent Act to include “process” in the categories of inventions eligible for patentability under section 101.\(^{19}\) The foundation for discussion on the patentability of business methods began in 1972 in


\(^{18}\) See id. sec. 18 (providing a transitional post-grant review for covered business methods (“CBMs”)).

\(^{19}\) See Bilski v. Kappos, 130 S. Ct. 3218, 3247 (2010) (Stevens, J., dissenting) (clarifying that the change included “replacing the term ‘art’ with ‘process’”); see also 35 U.S.C. § 100(b) (“The term ‘process’ means process, art, or method, and includes a new use of a known process, machine, manufacture, composition of matter, or material.”).
Gottschalk v. Benson,\textsuperscript{20} when the Supreme Court, in the first of a series of three Supreme Court cases to interpret “processes,” rejected the patentability of a mathematical formula for converting binary numerals.\textsuperscript{21} In 1978, the court in Parker v. Flook\textsuperscript{22} followed Benson’s line of reasoning, stating that the method of updating alarm limits in a catalytic converter was an algorithm and abstract despite respondent’s arguments that the method was limited to a specific industry.\textsuperscript{23} In 1980, however,


\textsuperscript{21} See id. at 65, 67, 72 (finding that patenting the process, which was basically mental steps, would result in a patent over the algorithm itself); cf. Ultramercial, L.L.C. v. Hulu, L.L.C., 657 F.3d 1323, 1330 (Fed. Cir. 2011) (holding a method for streaming advertising patentable because it was “removed from purely mental steps”).

\textsuperscript{22} Parker v. Flook, 437 U.S. 584 (1978).

\textsuperscript{23} See id. at 594 (clarifying that some mathematical formulas can be patentable as long as there is an “inventive application of the principle”); see also Bilski, 130 S. Ct. at 3230 (citing Diamond v. Diehr, 450 U.S. 175, 191-92 (1981)) (“Flook stands for the proposition that the prohibition against patenting abstract ideas ‘cannot be circumvented by attempting to limit
the Supreme Court in _Diamond v. Diehr_\textsuperscript{24} reversed direction and held a mathematical equation to be patentable because it was bound to the industrial process of molding rubber and was not wholly “pre-empting the use of that equation.”\textsuperscript{25}

In _State Street_, the Federal Circuit (“CAFC”) further opened the door to patentability of business methods by holding that a claimed method that monitored, recorded, and calculated financial information related to mutual funds was patentable.\textsuperscript{26} The court thus invalidated the rule that all business methods are unpatentable, and stressed that questions concerning the use of the formula to a particular technological environment’ or adding ‘insignificant postsolution activity.’”\textsuperscript{25}

\textsuperscript{24} _Diehr_, 450 U.S. 175.

\textsuperscript{25} See _id._ at 187, 192 (“[W]hen a claim containing a mathematical formula implements or applies that formula in a structure or process which, when considered as a whole, is performing a function which the patent laws were designed to protect . . ., then the claim satisfies the requirements of § 101.”).

\textsuperscript{26} See _State St. Bank & Trust Co. v. Signature Fin. Grp., Inc._, 149 F.3d 1368, 1370, 1371, 1373 (Fed. Cir. 1998) (“[T]he transformation of data . . . by a machine . . . constitutes a practical application of a mathematical algorithm, formula, or calculation . . . .”).
broadness of a business method should not be a section 101 subject matter issue.\textsuperscript{27} Since the State Street holding, the number of BMPs has drastically increased,\textsuperscript{28} leading to an influx of allegedly “poor quality” BMPs.\textsuperscript{29}

\textsuperscript{27} See id. at 1375-77 (clarifying that in past decisions, holdings denying BMPs focused on other criteria like abstract ideas instead of a broad exclusion of the patentability of business methods). But see In re Bilski, 545 F.3d 943, 1001 (Fed. Cir. 2008) (Mayer, J., dissenting) (arguing for the exclusion of business method patentability because prior to State Street, courts had construed patents as being limited to technological inventions), aff’d, Bilski, 130 S. Ct. 3218.


\textsuperscript{29} See 157 Cong. Rec. S7413 (daily ed. Nov. 14, 2011) (statement of Rep. Smith) (discussing the Supreme Court’s attempts in Bilski to cut down on these “poor quality” patents); see also In re Bilski, 545 F.3d at 1004-05 (Mayer, J., dissenting) (“State Street has launched a legal tsunami, inundating the [unprepared] patent office with applications seeking protection for common business practices . . . rang[ing] from the somewhat ridiculous to the truly absurd.”), aff’d, Bilski, 130 S. Ct. 3218.
In 2010, the Supreme court decided **Bilski**, which pulled back on the patentability of BMPs, holding that a claimed method for hedging financial risk was too abstract to patent based on the decisions in **Benson**, **Flook**, and **Diehr**.\(^{30}\) The **Bilski** opinion, however, affirmed that there was no categorical exception for business methods.\(^{31}\) Unfortunately, the court left no definitive guidance for when a business method is unpatentable as an abstract idea.\(^{32}\) Despite this ambiguity, the Court’s opinion did

\(^{30}\) See **Bilski**, 130 S. Ct. at 3229-30 (holding the method involving commodities in the energy industry unpatentable as an abstract idea, thus outside of section 101); see also **Diamond v. Diehr**, 450 U.S. 175, 187 (1981) (holding a mathematical equation to be patentable as not abstract); **Parker v. Flook**, 437 U.S. 437, 594 (1978) (finding the method for updating alarm limits to be an algorithm and abstract); **Gottshalk v. Benson**, 409 U.S. 63, 72 (1972) (rejecting the patentability of a mathematical formula).

\(^{31}\) See **Bilski**, 130 S. Ct. at 3227 (citing **Diehr**, 450 U.S. at 187, 92) (“A categorical rule denying patent protection for ‘inventions in areas not contemplated by Congress . . . would frustrate the purposes of the patent law.’”).

\(^{32}\) See Pamela Samuelson & Jason Schultz, “Clues” For Determining Whether Business and Service Innovations Are Unpatentable Abstract Ideas, 15 **Lewis & Clark L. Rev.** 109, 111 (2011)
provide certain “clues” to assist in determining when a business method is patentable.\textsuperscript{33}

Three post-Bilski cases represent examples of the judiciary’s different approaches in determining the patentability of business methods.\textsuperscript{34} In 2011, the Glory Licensing (asserting that despite the uncertainty concerning abstract ideas, Justice Kennedy still found it important to set a high bar in determining the patentability of business methods).

\textsuperscript{33} See id. at 111-15 (listing takeaways from Bilski, including: the machine or transformation test is a clue to patentability; case precedent should be looked at for guidance; the concept of abstract ideas is not limited to extreme cases; Benson is still valid and an idea is unpatentable; claims that can be reduced to mathematical algorithms are abstract; mental business methods and mathematical formula are abstract; a broad impact is a clue to being abstract; and Flook’s mere post-solution activity intended to mask a simple transformation of data is abstract).

L.L.C. v. Toys R Us, Inc. district court rejected a per-se exclusion of business method patentability under Bilski. In 2010, the CAFC in Research Corp. Technologies v. Microsoft Corp. found a series of six patents related to digital half-toning patentable, stating that the narrowing of subject matter under section 101 should not be a substitute for other analyses under the Patent Act. Regarding the half-toning process, the court

*4 (D.N.J. May 16, 2011) (asserting that only mentioning Bilski’s holding does not support an argument for a business method being unpatentable as abstract).

35 See Glory Licensing, 2011 WL 1870591, at *4 (arguing that the respondent made no substantive arguments about what constitutes an abstract idea, but merely stated it was one).

36 See Research Corp., 627 F.3d at 862-63, 874 (describing halftoning as method where computers can produce many color gradients via a comparatively small number of pixel colors).


38 See Research Corp., 627 F.3d at 859, 868 (“Section 101 does not permit a court to reject subject matter categorically because it finds a claim is not worthy of a patent.”); see also Ultramercial, 657 F.3d at 1327 (following Research Corp. in limiting the broadness of the abstractness analysis). But see Dealertrack, Inc. v. Huber, Nos. 2009-1566, 2009-1588, 2012 WL
held the method was patentable subject matter because "inventions with specific applications or improvements to technologies in the marketplace are not likely to be so abstract that they override the statutory language and framework of the Patent Act." 39

One year later in Ultramercial, Judge Rader referenced his conclusions from Research Corp. stating that subject matter under section 101 is not a substitute for arguments under sections 102, 103, and 112, and, given the ambiguities surrounding defining "abstract ideas," the court would not broadly use abstractness to find a patent invalid. 40 Similar to the holding from Research Corp., the court found that a method of advertising with streaming media contained "specific

164439, at *16 (Fed. Cir. 2012) (acknowledging Research Corp.'s holding, but concluding that the method for managing credit applications was abstract under section 101).

39 See Research Corp., 627 F.3d at 869 (clarifying that despite containing algorithms, like in Diehr, the level of abstractness was not enough to invalidate the patent).

40 See Ultramercial, 657 F.3d at 1326-27 (asserting that the "expansive categories" of section 101 are not to be used in place of the other patentability requirements).
applications or improvements to technologies,” thus making the business method patent-eligible. Additionally, the court stated that the “breadth and lack of specificity does not render the claimed subject matter impermissibly abstract.”

B. A Statutory Analysis of Section 18 Illustrates a Strong Tool to Invalidate Certain BMPs Using Prior Art References

The AIA replaces the PTO’s previous inter partes reexamination by creating four new post-issuance proceedings. See id. at 1328 (stating that the opinion did not announce the amount of programming required or that the use of a website is necessary to satisfy section 101).

See id. (“Many of these steps are likely to require intricate and complex computer programming [and] . . . require specific application to the Internet and a cyber-market environment.”).

See id. at 1329 (commenting that patentability instead requires sufficient disclosure to meet the written description requirements); cf. State St. Bank & Trust Co. v. Signature Fin. Grp., Inc., 149 F.3d 1368, 1377 (Fed. Cir. 1998) (stating that instead of section 101, the broadness of a BMP’s claims should be evaluated using sections 102, 103, and 112).

Pertinent to this Comment is the inter partes review, post-grant review, and section 18 CBM review, which are all held in front of the new the Patent Trial and Appeal Board (“PTAB”).

Section 6(a) inter partes review provides petitioners with a means to “request to cancel as unpatentable 1 or more claims of a patent,” issued either before or after the implementation of the AIA. The petitioner is limited in that she may only use

iplinksnov2011/americainvents.aspx (summarizing that the new proceedings amend the previous inter partes review, and add the new post-grant and section 18 CBM review).


47 See Leahy-Smith American Invents Act, sec. 6(c)(2)(A) (“The amendments . . . shall apply to any patent issued before, on, or
grounds “raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.” Inter partes has no expiration date, but can only be filed: (1) “9 months after the grant of a patent or issuance of a reissue of a patent;” or (2) after the termination of a post-grant review.

Section 6(d) Post-grant review, in contrast, allows grounds under section 282(b)(2) and (3), which includes sections 102, 103, 101, and 112. Despite these broader grounds, the post-grant procedure is limited because it cannot be filed later than after that effective date.

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48 Id. sec. 6(a), § 311(b); see Changes To Implement Inter Partes Review Proceedings, 77 Fed. Reg. at 7041 (summarizing that these grounds to argue invalidation are limited because prior art can only consist of patents and printed publications).

49 Leahy-Smith American Invents Act, sec. 6(a), § 311(c); see Changes To Implement Inter Partes Review Proceedings, 77 Fed. Reg. at 7041 (reaffirming two means of filing for inter partes review: after nine months and termination of post-grant review).

50 Leahy-Smith American Invents Act, sec. 6(d), § 321(b); see Changes To Implement Inter Partes Review Proceedings, 77 Fed. Reg. at 7041-42 (distinguishing post-grant review because prior art is broader and grounds include sections 101 and 112).
“nine months after the date of the grant of the patent or of the issuance of a reissue patent,” thus only applying to patents issued after the enactment of the AIA.\textsuperscript{51}

Section 18 CBM review is a type of hybrid review, employ[ing] the standards and procedures of . . . a post-grant review.”\textsuperscript{52} Thus, with certain limitations,\textsuperscript{53} section 18 allows a review of CBMs using the broader grounds under section 6(d) post-grant but not limited by its nine-month expiration window.\textsuperscript{54}

\textsuperscript{51} See Leahy-Smith American Invents Act, sec. 6(d), § 321(c) (limiting post-grant to only nine months); Changes To Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060, 7061 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) (commenting that post-grant review is limited by its nine-month window).

\textsuperscript{52} See Changes To Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080, 7081 (proposed Feb. 10, 2012) (noting that section 18 has some differences from the traditional post-grant review).

\textsuperscript{53} See Leahy-Smith American Invents Act, sec. 18(a)(1)(A) (listing which post-grant provisions do not apply to CBM review).

\textsuperscript{54} See id. sec. 18(a)(3)(A) (limiting section 18 to 8 years).
Additionally, section 18, like inter partes, applies to patents issued before and after the implementation of the AIA.\textsuperscript{55}

As stated earlier, section 18 was created “to allow the PTO to fix mistakes that occurred in light of an activist judicial decision in the 1998 \textit{State Street} decision.”\textsuperscript{56} The success of section 18 in remedying these alleged mistakes depends on how the PTO applies section 18’s statutory language.\textsuperscript{57}

1. Legislative History and Case Precedent Support a Broad Interpretation of CBMs under Section 18

\textsuperscript{55} See id. sec. 18(a)(2) (applying section 18 to BMPs issued before or after the AIA’s effective date).


Section 18 limits BMPs to “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.”

The limitation requiring BMPs to be a "financial product or service" derives, in part, from judicial history where the invalidated BMP in Bilski was a “series of [financial] transactions between said commodity provider and consumers,”

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58 Leahy-Smith American Invents Act, sec. 18(d)(1).
and the patent in State Street was a “financial services configuration.” But, the AIA drafters have been clear in legislative history to announce that although BMPs in a CBM review must be a “financial product or service,” section 18 applies beyond the financial services industry to include all methods involving financial products or services. Thus, although the definition of a CBM is limited by “financial product or service,” section 18 is intended to apply to all patents that involve “every-day business application[s].”


See State St. Bank & Trust Co. v. Signature Fin. Grp., Inc., 149 F.3d 1368, 1370 (Fed. Cir. 1998) (holding the computerized data processing accounting system for managing mutual funds to be patentable).

See 157 Cong. Rec. S5431 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer) (clarifying that if a patent does not on its face involve a financial services company, this does not necessarily disqualify the patent from section 18).

The modifying phrase “data processing or other operations used in the practice, administration, or management” does not practically limit “financial product or service.” In legislative history, Senator Schumer emphasized the narrowness of this definitional restriction, stating that “or other operations” broadly includes any patent that involves a business that “sells or purchases goods or services,” including practices, from community banks and credit unions to retailers and businesses of all sizes and from all industries); see also 157 Cong. Rec. S5431 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer) (“Types of financial products include . . . credit[related services], . . . real estate services, . . . financial data processing, . . . financial advisory or management, . . . [and] investment transactions . . . .”).

63 See Leahy-Smith American Invents Act, sec. 18(d)(1) (defining which business methods are covered under section 18).
64 See id. (including “of other operations” to the definition of CBMs under section 18).
patents like the Ballard Patents\textsuperscript{66} which cover the technology behind check imaging.\textsuperscript{67} Additionally, Judicial history supports the unpatentability of “data processing” business methods, as in \textsuperscript{Gottschalk} where the Supreme Court rejected the patent for a method for “processing of data by program.”\textsuperscript{68}

The inclusion of “method or corresponding apparatus”\textsuperscript{69} further broadens the pool of CBMs. The AIA drafters explained in


\textsuperscript{67} See \textit{157 Cong. Rec.} S5431 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer) (qualifying that a BMP is financial even if it does not specifically mention banks or financial transactions).

\textsuperscript{68} See \textsuperscript{Gottschalk v. Benson}, 409 U.S. 63, 64, 68 (1972) (finding method for converting binary numerals abstract and overbroad).

\textsuperscript{69} See \textit{Leahy-Smith American Invents Act}, sec. 18(d)(1) (expanding definition of a CBM to include both methods and apparatuses).
legislative history that “apparatus” was included to prevent patent drafters from avoiding a CBM review by calling their invention an apparatus or machine instead of a business method.\textsuperscript{70}

Overall, a broad reading of the definition of CBMs allows the review of a greater range of BMPs, thus benefiting the petitioner in this form of post-grant review.

2. The Technological Invention Exception Does Not Limit Section 18’s Effectiveness

Section 18 limits CBMs by “not includ[ing] patents for technological inventions.”\textsuperscript{71} Technology had traditionally been a requirement for patentability, as exemplified through the exclusion of BMPs prior to \textit{State Street}.\textsuperscript{72} Although recent case law


\textsuperscript{71} See \textit{Leahy-Smith American Invents Act}, sec. 18(d)(1) (limiting CBMs by excluding those for “technological inventions”).

\textsuperscript{72} See \textit{In re Bilski}, 545 F.3d 943, 998 (Fed. Cir. 2008) (Mayer, J., dissenting) (“The patent system is intended to protect and promote advances in science and technology, not ideas about how to structure commercial transactions.”), aff’d, \textit{Bilski v. Kappos}, 130 S. Ct. 3218 (2010); \textit{see also Bilski}, 130 S. Ct. at 3237 (Stevens, J., concurring) (citing Brief for Respondent at
law has not required business methods to have a technological element, the Supreme Court has "implicitly" tied the patentability of business methods to technology.\textsuperscript{73} An example is \textit{Research Corp.}, where the court held the business method that "involv[ed] [an] invention[] with specific applications or improvements to technologies in the marketplace" was patentable.\textsuperscript{74} The section 18 "technological invention" exception

\textsuperscript{26} \textit{Bilski}, 130 S. Ct. 3218 (No. 08-964)) (summarizing government’s argument that machine, manufacture, or composition of matter under section 101 all "involve technology").

\textsuperscript{73} \textit{See In re Bilski}, 545 F.3d at 998 (Mayer, J., dissenting) (citing \textit{Pfaff v. Wells Elecs., Inc.}, 525 U.S. 55, 63 (1998)) ("[T]he patent system . . . encourages both the creation and the public disclosure of new and useful advances in technology . . . ."), \textit{aff’d, Bilski}, 130 S. Ct. 3218.

\textsuperscript{74} \textit{Research Corp. Techs. v. Microsoft Corp.}, 627 F.3d 859, 869 (Fed. Cir. 2010); \textit{see Ultramercial, L.L.C. v. Hulu, L.L.C.}, 657 F.3d 1323, 1328 (Fed. Cir. 2011) (stating technological improvements are patentable because they "drive innovation"); \textit{see also Dealertrack, Inc. v. Huber}, Nos. 2009-1566, 2009-1588, 2012 WL 164439, at *17 (Fed. Cir. 2012) (distinguishing Ultramercial’s BMP, where this method simply involved a computer without any specific use); \textit{Glory Licensing L.L.C. v. Toys R Us},
should be interpreted, in part, by considering this implied technological prerequisite.

AIA drafters have discussed the limited scope of the section 18 technological exception, stating “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.”[^75] But legislative history is careful to state that simple use of known technology will not remove a BMP from the purview of section 18, even if the BMP is novel.[^76] Similarly, software must be novel to be deemed a technological invention.^[^77]


[^76]: See id. (“Inventions . . . that do not simply use known technology to accomplish a novel business process would be excluded from review under section 18.”); 157 Cong. Rec. S5431 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl) (stressing that if the technological exclusion had a broad application the
Consistent with legislative history, the PTO presented a proposed definition of “technological invention,” stating that “technological invention” exists when “the claimed subject matter as a whole (1) recites a technological feature that is novel and unobvious over the prior art; and (2) solves a technical problem using a technical solution.” Other than reaffirming legislative history, this proposed rule seems to do goals behind section 18 would never be met); see also 157 Cong. Rec. S1363, S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (“[C]omputer hardware, . . . software, . . . storage medium, scanners, . . . or other known technologies, does not make a patent a technological invention.”).

See 157 Cong. Rec. S5431 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl) (“If an invention recites software elements, but does not assert that it is novel as software, . . . then it is not ineligible for review simply because of that software element.”); cf. Cybersource Corp. v. Retail Decisions, Inc., 654 F. 3d 1366, 1375 (Fed. Cir. 2011) (stating that the use of software was incidental and did not play a significant part in the performance of the method for detecting financial fraud).

little to assist in defining “technological invention” through its cyclical use of the term “technology.”

Overall, this apparent narrow construction and proposed limited use of the “technological invention” exception is supported by case precedent and legislative history, comporting with the legislative goal of a broad application of section 18.

3. The Procedural Elements of Section 18 Promote Wide Application of This Transitional Review

i. Thresholds for Entry

Section 18(a)(1) states that section 18 “shall employ the standards and procedures of . . . a post-grant review” unless otherwise stated. Regarding statutory thresholds permitting the PTO director to authorize a CBM review, section 18 does not contain any provisions that override those of a section 6(d)

79 See id. at 7101 (clarifying only that “technical invention” goes beyond class 705 of the PTO Classification System).


82 Leahy-Smith American Invents Act, sec. 18(a)(1).
post-grant review. Thus, a petitioner must establish that it is “more likely than not that at least one of the claims challenged in the petition is unpatentable,” or that “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.”

The AIA drafters stated in legislative history that the “more likely than not” standard, which is higher than the inter partes standard of “reasonable likelihood,” limits CBM review to the “worst patents,” shields non-applicable BMP holders “from abuse” and “harassment,” and “ensure[s] that

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83 See id. sec. 6(d) (providing no alternative thresholds to those of a post-grant review for entry to a section 18 review).
84 Id. sec. 6(d), § 324(a)-(b).
85 Id. sec. 6(d), § 324(a).
86 See id. sec. 6(a), § 314(a) (“[T]he information [must] show[] that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims . . . .”).
petitioners . . . present a complete case at the outset.”

This section 18 standard also seems to be higher than the pre-AIA “substantial new question” (SNQ) standard for PTO reexamination proceedings, thus also making it more difficult for a petitioner to challenge the validity of a BMP.

18 in a manner that avoids attempts to use the transitional program against patent owners in a harassing way.”).  


90 See 35 U.S.C. §§ 303(a), 312(a) (determining, by the PTO director, whether a substantial new question of patentability exists affecting any claim); see also Substantial New Question (SNQ), The Reexamination Center, http://reexamcenter.com/2009/09/substantial-new-question-of-patentability-sng/ (last visited Mar. 7, 2012) (“The purpose of the SNQ requirement is to create a threshold for reexamination to prevent serial reexamination proceedings on the same references, and to prevent harassment of the patent owner.”).  

91 See Dennis Crouch, Reviewing the New USPTO Post Grant Review System with Reference to EPO Oppositions, Patently-O (Jan. 6, 2012), http://www.patentlyo.com/patent/2012/01/uspto-post-
The threshold “novel or unsettled legal question that is important to other patents or patent applications,” which provides for another means of gaining standing in a CBM review, seems to provide the PTO Director with leverage in deciding whether to grant a section 18 proceeding. The resultant application of this threshold will have considerable ramifications on the effectiveness of section 18, because it seems to allow a petitioner to raise arguments that would normally not meet the “more likely than not” standard.

**ii. Available Prior Art**

grant.html (calling the “more likely than not” threshold an obstacle to the ultimate utilization of section 18).


93 See Changes To Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060, 7066 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) (“The expectation is that this grounds for a post-grant review would be used sparingly.”).

94 Compare Leahy-Smith American Invents Act, sec. 6(d), § 324(a) (requiring a high threshold of entry), with id. sec. 6(d), § 324(b) (creating a vague standard seemingly based on policy).
Because section 18 employs post-grant procedures unless otherwise noted, a petitioner can use grounds under “paragraph (2) or (3) of section 282(b)” to argue for the invalidation of a patent. This broadly allows the petitioner to use any statutory requirement of patentability under Part II and any matter related to section 112, except for best mode and

95 See id. sec. 18(a) (declaring that section 18 employs the “standards and procedures” of post-grant review unless noted).
96 Id. sec. 6(d), § 321(b).
97 See 35 U.S.C. §§ 100-135 (announcing the various requirements for the “[p]atentability of inventions”).
98 See Leahy-Smith American Invents Act, sec. 4(c) (amending requirements for section 112 specification in a patent application); see also Written Description and Enablement Requirements of Section 112, Nyemaster Goode (Apr. 26, 2010), http://intellectualproperty.nyemaster.com/written-description-and-enablement-requirements-of-section-112 (summarizing section 112’s requirements of a written description, enablement, and best mode).
99 See Leahy-Smith American Invents Act, sec. 15 (amending requirements for disclosure of the best mode of an invention); see also Young Dental Mfg. Co. v. Q3 Special Products, Inc., 112 F.3d 1137, 1144 (Fed. Cir. 1997) (requiring, prior to the AIA,
section 251 challenges. This provides a great advantage over a section 6(a) inter partes review, where a petitioner can only argue invalidation based on grounds “under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.” An illustration of this advantage is that a section 18 petitioner can present evidence of a business method’s prior use or sale to invalidate a BMP, which is available to the petitioner under section 6(d) for all post-grant reviews, but not under section 6(a) for inter partes review. This benefit is clear when considering the PTO’s alleged problems after State Street in accessing these that the specification describe the best means to perform the invention, according to the inventor).

See Leahy-Smith American Invents Act, sec. 20(d) (amending the requirements for the reissue of defective patents).


Leahy-Smith American Invents Act, sec. 6(a), § 311(b).

Compare 35 U.S.C. § 102(a) (allowing evidence showing the invention was of “known or used by others,” which is applied in a retroactive application of section 18), with Leahy-Smith American Invents Act, sec. 3(b), § 102(a) (allowing public use, on sale, or otherwise available to the public; available in a non-retroactive application of section 18).
applicable prior art references, and legislative intent behind section 18 to provide access to these references to invalidate these same BMPs.\textsuperscript{104}

CBM review under section 18 can be applied retroactively to BMPs issued prior to the AIA,\textsuperscript{105} but prior art is limited when the patent was granted 18 months prior to the effective date and the prior art can be described in sections 102 or 103.\textsuperscript{106} If these conditions are met, prior art is then limited to those references preceding the date of invention described in the old section 102(a),\textsuperscript{107} or prior art that discloses the invention more

\textsuperscript{104} See H.R. Rep. No. 112-98, pt. 1, at 47-48 (2011) (“The intent of the post-grant review process . . . is to enable early challenges to patents, while still protecting . . . against new patent challenges unbounded in time and scope.”).

\textsuperscript{105} See Leahy-Smith American Invents Act, sec. 18(a)(2) (applying section 18 to BMPs issued “before, on, or after” AIA’s effective date).

\textsuperscript{106} Id. sec. 18(a)(1)(C).

\textsuperscript{107} Id. sec. 18(a)(1)(C)(i); see 35 U.S.C. § 102(a) ("[T]he invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent.").
than one year before application date and "would be described" by the old section 102(a) "if the disclosure had been made by another before the invention."\textsuperscript{108} This confusing "would be described" text seems to provide a significant benefit to a petitioner because, unlike the first option which requires the prior art to predate the date of invention,\textsuperscript{109} the second option seems to allow the petitioner to present prior art that only predates the date of application using prior art allowable under section 102(a).\textsuperscript{110} Thus, the drafters seem to have chosen not to limit section 18(a)(1)(C)(ii) to the language "prior art that is described by section 102(b)," as section 18(a)(1)(C)(i) uses with "prior art that is described by section 102(a)."\textsuperscript{111} Instead, section 18(a)(1)(C)(ii) seems to allow the priority date under

\textsuperscript{108} Leahy-Smith American Invents Act, sec. 18(a)(1)(C)(ii).

\textsuperscript{109} See id. sec. 18(a)(1)(C)(i) (requiring prior art to be described under section 102(a), existing "before the invention").

\textsuperscript{110} Id. sec. 18(a)(1)(C)(ii). Compare 35 U.S.C. § 102(a) (requiring prior art to precede date of invention through acts of another), with 35 U.S.C. § 102(b) (allowing prior art that precedes date of application).

\textsuperscript{111} See Leahy-Smith American Invents Act, sec. 18(a)(1)(C)(ii) (allowing prior art references under section 102(a) that seemingly only need to precede date of application).
the old section 102(b)\textsuperscript{112} with the expanded prior art under section 102(a)\textsuperscript{113} via the assumption that the “disclosure had been made by another before the invention.”\textsuperscript{114}

iii. Forum-Shopping, Standing, Estoppel, and Cost

A CBM review, because it is held at the PTAB,\textsuperscript{115} benefits a petitioner by reducing a BMP owner’s ability to forum shop. Forum shopping is problematic seeing that fifty-six percent of BMP litigation occurs in the Eastern District of Texas, due to the large number of favorable holdings for patent holders.\textsuperscript{116}

\begin{flushleft}
\textsuperscript{112} See 35 U.S.C. § 102(b) (allowing prior art references that precede date of application).
\textsuperscript{113} Compare 35 U.S.C. § 102(a) (“[T]he invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent.”), with id. § 102(b) (“[T]he invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States.”).
\textsuperscript{114} Leahy-Smith American Invents Act, sec. 18(a)(1)(C)(ii).
\textsuperscript{115} See Smith, supra note 45 (stating that the these post-grant proceedings are held in front of the new PTAB).
\textsuperscript{116} See 157 Cong. Rec. S5410 (daily ed. Sept. 8, 2011) (statement
To have standing under section 18, a petitioner must be "the person or the person’s real party in interest or privy [that] has been sued for infringement of the patent or has been charged with infringement."\textsuperscript{117} This requirement is more rigid than a section 6(d) post-grant review, which requires only that the petitioner be "not the owner" to have standing.\textsuperscript{118} Although legislative history has noted that section 18 review is limited of Sen. Schumer) ("A vast majority of these cases are brought in the Eastern District of Texas where the statistics are heavily weighted against defendants forcing our members to settle even the most meritless suits."); see also Patent Litigation Forum Shopping, Patently-O (May 4, 2010), http://www.patentlyo.com/patent/2010/05/patent-litigation-forum-shopping.html (listing forum shopping factors such as likelihood and speed of getting to trial, and likelihood of winning).

\textsuperscript{117} Leahy-Smith American Invents Act, sec. 18(a)(1)(B).

\textsuperscript{118} See id. sec. 6(d), § 321(a) (eliminating any requirement of being sued or charged for infringement); see also Practice Guide For Proposed Trial Rules, 77 Fed. Reg. 6868, 6870 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) ("[T]here is no ‘bright-line test’ for determining the necessary quantity or degree of participation to qualify as a ‘real party in interest’ or ‘privy’ based on the control concept.").
to the most egregious BMPs, AIA drafters and certain industry
groups support a narrow application of this standing limitation
with a broad interpretation of “charged.”

Another benefit to a section 18 petitioner is the reduced
cost compared to civil litigation, which normally costs around

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119 See 157 Cong. Rec. E1183 (daily ed. June 23, 2011) (statement of Sen. Smith) (stating that section 18 provides a forum to challenge those BMPs that “never should have been issued”).

120 See 157 Cong. Rec. S5431 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer) (stating that standing also includes the petitioner’s customers, if they have been sued for infringement; thus allowing groups outside of the financial services industry access to section 18); Comments of Google, supra note 57, at 3-5 (arguing that parties need broad access to section 18 in order to properly face infringement suits or charges; suggesting the the declaratory judgment (DJ) standard because it considers “implied threats of infringement” which can also be costly). But see Comments and Proposed Regulations of the Committee Appointed by the ABA IPL, AIPLA and IPO, USPTO, 47 (Nov. 18, 2011), http://www.uspto.gov/patents/law/comments/x_aia-a_abaaiplaipo_20111118.pdf (promoting a narrow reading of “charged,” and a more specific standard than DJ).
five to ten million per patent.\textsuperscript{121} This results in clear cost savings when the petitioner is successful, but if the petitioner loses in a CBM review the costs increase because civil litigation will then likely follow.

Similarly, section 18 estoppel provisions negatively impact the petitioner in a failed attempt to invalidate a patent in a CBM review. Section 18 does not allow the petitioner to raise a claim of invalidity in civil action based on “any ground that the petitioner raised” during a section 18 proceeding.\textsuperscript{122} But section 18 is more lenient than a section 6(d) post-grant review because section 18 does not prohibit a petitioner to use a claim

\textsuperscript{121} See 157 Cong. Rec. E1183 (daily ed. June 23, 2011) (statement of Sen. Smith) (comparing section 18 which “costs much less” to the petitioner than civil litigation). But see Tony Dutra, PTO's First Fee-Setting Proposal Asks for Big Hikes in Current Rates, High Post-Grant Fees, Bloomberg BNA (Feb. 9, 2012), http://www.bna.com/ptos-first-feesetting-n12884907779/ (“[C]hallenges would begin at $35,800 for a patent with less than 20 claims and increase to $125,300 for one with 61–70 claims, with $35,800 more for every 10 claims after that.”).

\textsuperscript{122} See Leahy-Smith American Invents Act, sec. 18(a)(1)(D) (limiting estoppel to those grounds actually raised).
in later civil litigation that she “reasonably could have raised” in a CBM review.¹²³

III. Prior Art Will Be the Primary Argument for Invalidation, Leaving Other Avenues Less Effective

This section applies the fact patterns from State Street,¹²⁴ Amazon.com,¹²⁵ and Ultramercial¹²⁶ to the legal standard from part II as a means to discuss the overall effectiveness of section 18.

¹²³ Id. sec. 6(d), § 325(e)(2).
¹²⁴ See State St. Bank & Trust Co. v. Signature Fin. Grp., Inc., 149 F.3d 1368, 1370 (Fed. Cir. 1998) (discussing a method for a computerized data processing accounting system for managing mutual funds); see also U.S. Patent No. 5,193,056 (filed March 11, 1991) (“The present invention is directed to a data processing system and method for use in managing a partnership portfolio and partner fund (Hub and Spoke) financial services configuration.”).
¹²⁵ See Amazon.com v. BarnesandNoble.com, Inc., 239 F.3d 1342, 1347 (Fed. Cir. 2001) (concerning the one-click shopping method of purchasing goods via the Internet); see also U.S. Patent No. 5,960,411 (filed Sept. 12, 1997) (“The single-action ordering system of the present invention reduces the number of purchaser interactions needed to place an order and reduces the amount of
A. Application of the **State Street** Fact Pattern Illustrates an Example of a CBM, But Also Limitations under Section 18

The patent in **State Street** is for a computerized data processing accounting system for managing mutual funds via use of a computer.  

1. The Method Qualifies as a CBM, Not Excluded as a Technological Invention

The first step is to determine if the **State Street** BMP fits within the definition of a section 18 CBM. In determining sensitive information that is transmitted between a client system and a server system.

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126 See Ultramercial, L.L.C. v. Hulu, L.L.C., 657 F.3d 1323, 1328 (Fed. Cir. 2011) (litigating over a method of advertising with streaming video online); see also U.S. Patent No. 7,346,545 (filed May 29, 2001) ("The present invention is directed to a method and system for distributing or obtaining intellectual property products through alternative payment of royalties by interposed sponsor on behalf of consumer via a telecommunications network.").

127 **State St.**, 149 F.3d at 1370; see also U.S. Patent No. 5,193,056 (filed March 11, 1991) ("[T]he data processing system provides means for a daily allocation of assets of two or more funds (Spokes) that are invested in a portfolio (Hub). "").
whether the BMP is “financial,” the analysis must use legislative history for guidance because there is no applicable case law. Here, the State Street BMP for managing mutual funds clearly involves both a financial product and the financial services industry, thus conforming to both a broad and narrow application of the CBM definition. Further, the State Street business method is a method of “financial management,” one of the many categories of BMPs announced in legislative history that meet the section 18 definition of a CBM. The claim language of the patent on its face puts it into the category of “data processing,” thus fulfilling that definitional component of a CBM. Finally, this BMP is both a “method” and an “apparatus” because it is a method performed on a computer.

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128 See Leahy-Smith American Invents Act, sec. 18(d)(1) (defining CBMs in a section 18 review).
129 See 157 Cong. Rec. S5431 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer) (explaining that section 18 broadly includes methods beyond those specifically described as relating to the financial industry, but also those involving financial services).
130 See id. (providing examples of business methods that involve a “financial product or service”).
131 See State St., 149 F.3d at 1371 (“A data processing system for managing a financial services configuration of a portfolio
This BMP qualifies for CBM review because it does not fit within the “technological invention” exception. Legislative history and the PTO were clear that section 18 was not meant to exclude those BMPs that use known technology, even if the business method is novel and “unobvious.” Here, although the established as a partnership, each partner being one of a plurality of funds . . . .”); see also Leahy-Smith American Invents Act, sec. 18(d)(1) (requiring “for data processing” as one way to meet the definition of a CBM under section 18).

See State St., 149 F.3d at 1371-72 (stating that claim 1, interpreted via section 112, is “directed to a machine”); see also Leahy-Smith American Invents Act, sec. 18(d)(1) (requiring “method or corresponding apparatus” to meet the definition of a CBM under section 18).

See Leahy-Smith American Invents Act, sec. 18(d)(1) (excluding “patents for technological inventions” as reviewable by the PTO under section 18).

See 157 Cong. Rec. S5428 (daily ed. Sept. 8, 2011) (statement of Sen. Coburn) (“Inventions related to manufacturing and machines that do not simply use known technology to accomplish a novel business process would be excluded from review under section 18.”); Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 Fed. Reg. 7095,
business method arguably involves more than a superficial use of a computer, there is a very good chance that the PTO would hold "[t]he scheme is, first and last a bookkeeping system, . . . [able to] be performed by hand . . . ." Thus, the novelty of the invention does not turn on technological innovation. This

See Brief of Amicus Curiae Visa International Service Association and Mastercard International Incorporated at 18, State St. Bank & Trust Co. v. Signature Fin. Grp. Inc., No. 96-1327 (Fed. Cir. 1998) (arguing that the patent’s claim language, like “data processing system” and “computer processor,” masks the method’s true nature).

See 157 Cong. Rec. S5428 (daily ed. Sept. 8, 2011) (statement of Sen. Coburn) (stating that a BMP must do more than “recite[] technology” to be exempt from a section 18 review); cf. In re Bilski, 545 F.3d 943, 998, 1002 (Fed. Cir. 2008) (clarifying that masking a business method as a machine or apparatus is not patentable through a “‘token’ use of technology”), aff’d, Bilski v. Kappos, 130 S. Ct. 3218 (2010).
BMP’s incidental use of technology will likely not fall within the “technological invention” exception.

Using legislative intent as a guide, the patent in State Street is an example of a BMP that fits into the definition of a CBM, and is not excluded as a “technological invention.”

2. **Section 18 Does Not Provide Any Clarity Regarding Subject Matter Challenges, Thus the Petitioner’s Benefits are Limited By Procedural Elements**

Under a section 18 post-grant review of BMPs, the petitioner can challenge the validity of a BMP using any ground included in paragraph (2) or (3) of section 282(b).\(^{137}\) This includes subject matter challenges under section 101,\(^ {138}\) illustrating one of the benefits of post-grant review over inter partes review.\(^ {139}\) With a section 101 challenge, one source of

\(^{137}\) Leahy-Smith American Invents Act, sec. 6(d), § 321(b).

\(^{138}\) See id. (allowing certain grounds under section 282, including section 101); see also 35 U.S.C. § 101 (listing patentable categories of subject matter).

\(^{139}\) Compare Leahy-Smith American Invents Act, sec. 6(d), § 321(b) ("A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim.")., with id.
tension is deciding when BMPs are unpatentable as abstract ideas. 140 A petitioner under the State Street fact pattern could argue that the financial business method looks like Bilski’s method of hedging risk in commodities trading loosely tailored to the energy market, which is unpatentable according to the holdings of Benson, Flook, and Diehr. 141 The respondent could counter that the computerized data looks more like the CAFC holdings in Research Corp. and Ultramercial, which stated that the method for digital image half-toning on a computer and a method for advertising with streaming media on a computer were sec. 6(a), § 311(b) (“A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.”).

140 See Bilski, 130 S. Ct. at 3225 (citing abstract ideas as one of the three categories of exceptions to patentability).

141 See id. at 3229-30 (court found the method unpatentable as an abstract idea, thus “fall[ing] outside of § 101”); see also Dealertrack, Inc. v. Huber, Nos. 2009-1566, 2009-1588, 2012 WL 164439, at *16 (Fed. Cir. 2012) (holding that the financial method for managing credit applications similar to concept of hedging financial risk in Bilski, thus unpatentable).
patentable as inventions that have “specific applications or improvements to technologies in the marketplace,” thus not invalidated as abstract ideas.

Notably, section 18 has no language to further clarify the ambiguity surrounding challenges not based on prior art like a section 101 subject matter challenge. In order for a section 18 petitioner to benefit from procedural advantages discussed earlier, like cost savings, lack of forum shopping, and increased grounds for invalidation challenges, the petitioner must still prove that her argument will meet the “more likely than not invalid” or “novel or unsettled legal question”

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142 Research Corp. Techs. v. Microsoft Corp., 627 F.3d 859, 869 (Fed. Cir. 2010); see Ultramercial, L.L.C. v. Hulu, L.L.C., 657 F.3d 1323, 1328 (Fed. Cir. 2011) (stating technological advances in the computer industry are patentable because they promote innovation in “scientific and technical endeavor”).

143 See Ultramercial, 657 F.3d at 1328 (citing Research Corp., 627 F.3d at 869) (“[I]nventions with specific applications or improvements to technologies . . . are not likely to be . . . abstract.”).

144 See generally Meyer & Patel, supra note 12, at 488 (discussing the ambiguity surrounding abstract ideas and subject matter challenges post-Bilski).
standards. Although legislative sentiment would invalidate the State Street patent, the reality is that the State Street fact pattern looks like Bilski and Ultramercial, where the courts’ holdings concerning abstract ideas are vague and downplayed. This makes it increasingly unlikely that this type of challenge will survive the “more likely than not” standard.

Due to judicial and legislative ambiguity surrounding the test for abstract ideas, the PTO might interpret the secondary

145 See Leahy-Smith American Invents Act, sec. 6(d), § 324(a)–(b) (stating the two statutory thresholds a petitioner can meet in order to bring a section 18 challenge).


147 See Ultramercial, 657 F.3d at 1326–27 (limiting the use of abstract ideas when other statutory provisions of the Patent Act are better suited to handle such questions of patent eligibility); Meyer & Patel, supra note 12, at 488 (citing Bilski v. Kappos, 130 S. Ct. 3218, 3228 (2010)) (emphasizing that the court in Bilski stressed that its opinion did not create a rule defining what is an abstract idea).

148 Leahy-Smith American Invents Act, sec. 6(d), § 324(a).
threshold “novel or unsettled legal question”\textsuperscript{149} to allow a subject matter challenge based on abstract ideas. In this situation, section 18 provides a benefit because it allows petitioners to present less concrete subject matter challenges. Unfortunately, the PTO’s proposed rules only stated “[t]he expectation is that this grounds for a post-grant review would be used sparingly,”\textsuperscript{150} thus shedding little light onto how the PTO will implement this standard.

4. Summary of the Application of \textit{State Street}’s Fact Pattern

The BMP for a computerized data processing accounting system for managing mutual funds is an easy fit into the section 18 definition of applicable BMPs because it is a financial transaction not excluded by the technological invention exception.\textsuperscript{151} A petitioner benefits from a CBM review because a section 101 challenge is not allowed under an inter partes

\textsuperscript{149} Id. sec. 6(d), § 324(b).


\textsuperscript{151} See Leahy-Smith American Invents Act, sec. 18(d)(1) (defining section 18 CBMs, excluding BMPs for technological inventions).
But a subject matter challenge is limited by the existing ambiguity surrounding abstract ideas, and may not even surpass the threshold of entering a CBM review unless “novel or unsettled legal question” is interpreted to allow challenges based on abstract ideas. It appears that arguments not involving prior art, like a section 101 challenge, are delegated to being secondary arguments to those arguments that can actually surpass the “more likely than not” threshold.

B. Application of the Amazon.com Fact Pattern Illustrates the Importance of Reading “Financial Product” Broadly and “Technological Invention” Narrowly

The BMP in Amazon.com involves “a method and system in which a consumer can complete a purchase order for an item via an electronic network using only a ‘single action,’ such as the click of a computer mouse button on the client computer

\[152\] See id. sec. 6(a), § 311(b) (limiting the grounds to those under section 102 or 103, only using patents or printed publications).

\[153\] See id. sec. 6(d), § 324(b) (providing petition with another means to qualify for a section 18 review).

\[154\] See Changes To Implement Post-Grant Review Proceedings, 77 Fed. Reg. at 7066 (speculating that the novel or unsettled legal question standard “would be used sparingly”).
In plain language, this method is one-click shopping. The method was commercially implemented in September of 1997, and the patent application filed on September 21, 1997.\footnote{Amazon.com v. BarnesandNoble.com, Inc., 239 F.3d 1342, 1347 (Fed. Cir. 2001); see also U.S. Patent No. 5,960,411 (filed Sept. 12, 1997) (“The server system receives the request and combines the purchaser information associated with the client identifier of the client system to generate an order to purchase the item in accordance with the billing and shipment information whereby the purchaser effects the ordering of the product by selection of the order button.”).}

1. The BMP Would Likely Be Defined as Financial, But Possibly a Technological Invention

The first step is to determine if the Amazon.com BMP fits within the definition of a section 18 CBM.\footnote{Amazon.com, Inc. v. BarnesandNoble.com, Inc., 73 F. Supp. 2d 1228, 1232 (W.D. Wash. 1999), vacated, Amazon.com, 239 F.3d 1342.} In determining whether the BMP is “financial,” the analysis must look at legislative history for guidance because there is no applicable case law. Based on direction provided by AIA drafters in legislative history, this patent for one-click shopping fits the...
definition of a CBM. Although not specifically in the financial services industry, it is a “financial product or service” that involves “every-day business application[s].”\textsuperscript{158} Thus, according to the broad reading of “financial”\textsuperscript{159} supported by legislative history, this business method is “financial.” Next, this method involves the “sell[ing] or purchas[ing] [of] goods or services;”\textsuperscript{160} thus satisfying the “data processing or other operations”\textsuperscript{161} language. This method also meets the requirement of a “method or corresponding apparatus” because it is both a financial services-based method and a computer.\textsuperscript{162}


\textsuperscript{159} See 157 Cong. Rec. S5431 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer) (“[I]f a patent is allegedly being used by a financial services company, the patent will qualify as a “covered business method patent.”).

\textsuperscript{160} See id. (“Any business that sells or purchases goods or services ‘practices’ or ‘administers’ a financial service by conducting such transactions.”).

\textsuperscript{161} Leahy-Smith American Invents Act, sec. 18(d)(1).

\textsuperscript{162} See id. (requiring a CBM to be a “method or corresponding apparatus” under section 18); Amazon.com v. BarnesandNoble.com,
This one-click shopping method could be defined as a technological invention, possibly excluding it from CBM review. Respondents would argue that the BMP is a technological invention that involves more than known technology, "whose novelty turns on technological innovation . . ." and solves a "technical problem . . . with a technical solution,"

\[\text{Inc., 239 F.3d 1342, 1347 (Fed. Cir. 2001) ("[T]he #411 patent . . . [involves] two computer systems in which a program executing on a client computer system makes a service request from another program executing on a server computer system . . . .")}.\]

\text{163 See Leahy-Smith American Invents Act, sec. 18(d)(1) (excluding technological patents from section 18 review).}


\text{165 See Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 Fed. Reg. at 7096}
thus looking like the patentable business method from Ultramercial for advertising in streaming video. Conversely, the petitioner will argue that this is a method is obvious because it is an application of known computer technology, which AIA drafters and the PTO proposed rules do not classify as a technological invention even if novel.

2. Prior Art Examples Will Likely Invalidate the Patent

(“[T]he claimed subject matter as a whole . . . [must] solve[] a technical problem using a technical solution.”).

166 See Ultramercial, L.L.C. v. Hulu, L.L.C., 657 F.3d 1323, 1329 (Fed. Cir. 2011) (arguing that methods with “specific applications or improvements” to technology are not abstract).

Even prior to the drafting of the AIA, tension surrounded the obviousness of the one-click patent due to alleged prior art.\textsuperscript{168} On appeal, the court considered the merits for preliminary injunction, in part due to five examples of prior art.\textsuperscript{169} The first prior art reference was the “CompuServe Trend System” from the mid 1990s, which Barnes and Noble (“BN”) argued

\textsuperscript{168} See Andrew Kopelman, Addressing Questionable Business Method Patents Prior to Issuance: A Two-Part Proposal, 27 Cardozo L. Rev. 2391, 2400 (2006) (stating that the examiner did not have access to prior art to invalidate the patent in Amazon.com).

\textsuperscript{169} See Amazon.com v. BarnesandNoble.com, Inc., 239 F.3d 1342, 1358 (Fed. Cir. 2001) (“[W]e find that the district court committed clear error by misreading the factual content of the prior art references cited . . . .”).
anticipated one of the claims because both inventions involve a “single action ordering technology.”

A second prior art reference was a similar online ordering “Web Basket,” invented by Dr. Lockwood around 1996, which BN argued rendered Amazon’s invention obvious. A book entitled “Creating the Virtual Store,” copyrighted in 1996, was a third prior art reference which BN argued anticipated claim 11 of

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170 See also U.S. Patent Office, Manual of Patent Examining Procedure § 2131 (8th ed. July, 2010) (citing Verdegaal Bros. v. Union Oil Co. of Cal., 814 F.2d 628, 631 (Fed. Cir. 1987)) (“A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference.”).

171 See Amazon.com, 239 F.3d at 1360, 1363 (concluding that that trial court erred in finding that this reference did not raise a substantial question of invalidity).

172 See id. at 1363, 1364 (“[T]he district court failed to recognize that a reasonable jury could find that the [Amazon.com business method] was anticipated and/or rendered obvious by the Web Basket reference.”).

173 See U.S. Patent No. 5,960,411 col.10 l.16 (filed Sept. 12, 1997) (“A method for ordering an item using a client system . . . whereby the item is ordered independently of a shopping cart . . . .")
Amazon’s BMP because the book discussed a method of using an “Instant Buy button”.\footnote{174} A fourth prior art reference was a web-based multi-step shopping cart called “Oliver’s Market,” which only required a single click to place an order.\footnote{175} The last reference was the ‘780 patent where “pages are returned to the user’s browser when an authorized request is received by the content server” via the clicking of a hyper-text link.\footnote{176}

As stated earlier, in a retroactive application of section 18 using a section 102 or 103 challenge, prior art to prove lack model and the order is fulfilled to complete a purchase of the item.”).

\footnote{174} See Amazon.com, 239 F.3d at 1364 (“[T]he district court failed to recognize that a reasonable jury could find that this passage provides a motivation to modify shopping cart ordering software to skip unnecessary steps.”).

\footnote{175} See id. at 1365 (summarizing that Barnes and Noble argued that it anticipated at least one claim; appeals found a substantial question of validity).

\footnote{176} See id. at 1365, 1366 (“We conclude that the district court failed to recognize that a reasonable jury could find that such ‘items’ . . . fall within the scope of the claimed invention [and] . . . may constitute a ‘single action ordering component’ . . . .”).
of novelty or obviousness is limited under section 18(a)(1)(C).\textsuperscript{177} The trial court in Amazon.com found a reduction to practice\textsuperscript{178} in September of 1997,\textsuperscript{179} which means many of the prior art references predate the date of invention, therefore fulfilling the statutory requirements for prior art in section 18(a)(1)(C)(i).\textsuperscript{180} Also, as discussed earlier, even if a prior

\textsuperscript{177} See Leahy-Smith American Invents Act, Pub. L. No. 112-29, sec. 18(a)(1)(C), 125 Stat. 284, 330 (2011) (limiting the type of prior art when raised under sections 102 and 103 before the 18 months after enactment of the AIA).

\textsuperscript{178} See also U.S. Patent Office, Manual of Patent Examining Procedure § 2138.05 (8th ed. July, 2010) (citing Eaton v. Evans, 204 F.3d 1094, 1097 (Fed. Cir. 2000)) ("'In an interference proceeding, a party seeking to establish an actual reduction to practice must satisfy a two-prong test: (1) the party constructed an embodiment or performed a process that met every element of the interference count, and (2) the embodiment or process operated for its intended purpose.'").


\textsuperscript{180} See Leahy-Smith American Invents Act, sec. 18(a)(1)(C)(i) (requiring prior art allowed in section 102(a)); see also 35 U.S.C. § 102(a) ("[T]he invention was known or used by others in
art reference is found not to precede the date of invention, the PTO may permit prior art references under section 18(a)(1)(C)(ii), which seems to allow prior art before date of application under the old section 102(b)\textsuperscript{181} with the expanded range of prior art references under section 102(a).\textsuperscript{182}

With these prior art references, the appellate court in Amazon.com did not opine as to the resultant novelty or obviousness, but did state that there was clear error in dismissing the prior art references because they raised “substantial questions” of invalidity.\textsuperscript{183} Although these examples of prior art appear to be striking, the petitioner must still meet the section 18 threshold of one claim being “more likely

\textsuperscript{181} See 35 U.S.C. § 102(b) (allowing prior art references that precede date of application).

\textsuperscript{182} See id. § 102(a) (allowing prior art references “known or used by others,” either patented or in a printed publication).

\textsuperscript{183} See Amazon.com, 239 F.3d at 1360, 1363 (“Our decision today . . . in no way resolves the ultimate question of invalidity . . . .”).
than not invalid.” Meeting this threshold requires more of a
evidentiary showing than the “substantial question” standard.
Using two CAFC standards as an illustrative vehicle, “likelihood
that patent invalidity would be established” and “substantial
question of invalidity,” the former has been held to be a higher
standard than the latter. Thus even though the prior art
tables in Amazon.com where held to present “substantial
question[s] of invalidity” on appeal, the section 18 threshold
of “more likely than not that at least 1 of the claims
challenged in the petition is unpatentable,” which is similar to
“likelihood that patent invalidity would be established,”
requires a higher burden of proof. As discussed above, even if
the petitioner fails to meet this threshold, the PTO could still
allow review with the “novel or unsettled legal question” standard.

184 Leahy-Smith American Invents Act, sec. 6(d), § 324(a).
185 See Tom Kuhnle and Xin Yang, Patent Invalidity and
Preliminary Injunctions: Substantial Questions Remain, Bingham
McCutchen (2009),
http://www.bingham.com/ExternalObjects/Docs/patent%20invalidity%
20and%20preliminary_(4232).pdf (arguing that “substantial
question” is an easier threshold to meet than “likelihood”).
186 Leahy-Smith American Invents Act, sec. 6(d), § 324(b).
Considering that many of these prior art references were not before the PTO during application;\(^{187}\) that the appellate court found many instances of error in the trial court’s conclusions;\(^{188}\) and tests used, like the teaching, motivation, or suggestion test, have since been vacated;\(^{189}\) policy and legislative history\(^{190}\) suggests that the PTO would grant the petitioner a CBM review and could likely invalidate the patent.

\(^{187}\) See Amazon.com, Inc. v. BarnesandNoble.com, Inc., 73 F. Supp. 2d 1228, 1232-33 (W.D. Wash. 1999) (stating that the web basket, the virtual store, Olivia’s Market, and the CompuServe service prior art references were not before the PTO upon examination), vacated, Amazon.com, 239 F.3d 1342.

\(^{188}\) See Amazon.com, 239 F.3d at 1366 (vacating and remanding for further proceedings due to many sources of judicial error).

\(^{189}\) See Amazon.com, 73 F. Supp. 2d at 1235, vacated, Amazon.com, 239 F.3d 1342 (using abolished test as a factor in its patentability analysis); see also KSR Int’l Co. v. Teleflex Inc., 550 U.S. 398, 419 (2007) (”Helpful insights, however, need not become rigid and mandatory formulas; and when it is so applied, the TSM test is incompatible with our precedents.”).

\(^{190}\) 157 Cong. Rec. S5408 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer) (citing one-click shopping as a business method that had been in public use prior to its patenting).
3. Summary of the Application of Amazon.com’s Fact Pattern

The BMP for one-click shopping in Amazon.com fits into the “financial”\textsuperscript{191} portion of section 18’s definition of CBMs. Depending on how “technological invention”\textsuperscript{192} is interpreted, this patent might be excluded from section 18. Considering the clear policy behind section 18 of eliminating BMPs where prior art references exist that the PTO did not have access to in examination,\textsuperscript{193} the BMP in this fact pattern would most likely qualify for review.

The value of this fact pattern lies in presenting a BMP where prior art references exist, thus likely surpassing the “more likely than not invalid” threshold for a section 18 review. This is the type of BMP that section 18 was designed for, i.e., one that was “issued for practices that [had] been in widespread

\textsuperscript{191} See Leahy-Smith American Invents Act, sec. 18(d)(1) (requiring a CBM to be “a financial product or service”).

\textsuperscript{192} See id. (exempting “patents for technological inventions” from a section 18 review).

\textsuperscript{193} See 157 Cong. Rec. H4421 (daily ed. June 22, 2011) (statement of Rep. Smith) (stating that section 18 reviews those BMPs where the PTO did not have the proper prior art references).
use for years . . . .” As a takeaway, arguments based on prior art references seem to be the most capable of surmounting the “more likely than not” threshold, and, due to the statutory advantages provided in section 18, seem to be the primary benefit to a section 18 petitioner over an inter partes review.

With this increased field of usable prior art references, and procedural and cost advantages over civil litigation, section 18 seems to be a valuable tool for a petitioner in defense against claims of infringement. Of interest is that the PTO projects only 50 section 18 requests in the first year.\footnote{See Changes To Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080, 7083, 7085 (proposed Feb. 10, 2012) (estimating the number of section 18 petitions in the first year to be 50, with about 10 percent being dismissed).}

\footnote{See 157 Cong. Rec. S5408 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer) (“Imagine trying to patent the one-click checkout long after people have been using it.”).}

\footnote{Leahy-Smith American Invents Act, sec. 6(d), § 324(a).}

\footnote{See, e.g., id. sec. 18(a)(1)(C) (seemingly allowing a greater range of prior art references to only precede date of application).}
comparatively small to the 3649 BMPs issued in 2010.\textsuperscript{198} It is possible that via the increased costs\textsuperscript{199} and the high threshold requirements,\textsuperscript{200} the PTO is restricting entrance into a CBM review, thus having the effect of reducing the usefulness of section 18 and undermining the announced legislative intent.\textsuperscript{201}

C. Application of the Ultramercial Fact Pattern is an Example of a BMP That May Not Qualify for a CBM Review

The patent is a “method for monetizing and distributing copyrighted products over the internet . . . by forc[ing]...


\textsuperscript{199} See Dutra, supra note 121 (noting that costs increase as more claims are asserted, coming close to the actual costs of a medium-sized patent litigation).

\textsuperscript{200} See Crouch, supra note 91 (arguing that section 18 threshold requirements of “more likely than not” or “novel or unsettled legal question” are an obstacles to the success of section 18).

\textsuperscript{201} See Dutra, supra note 121 (“For small and middle-sized business, the ones who can least afford patent litigation on an invalid patent, the fees will lead to lower utilization of the proceeding, . . . [running contrary to the goal of a] cost-effective alternative to litigation in district courts.”).
consumers to view and possibly even interact with advertisements . . . .”

1. The BMP Would Likely Be Defined as Financial, But Could Likely be Excluded as a Technological Invention

Like the Amazon.com patent addressed above, this patent would most likely qualify as “financial.” Once again, the analysis must look at legislative history for direction. Although not directly related to a financial services industry, it involves a “financial product or service” that involves “every-day business application[s].” Because it involves a

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202 Ultramercial, L.L.C. v. Hulu, L.L.C., 657 F.3d 1323, 1328 (Fed. Cir. 2011); see also U.S. Patent No. 7,346,545 (filed May 29, 2001) (stating the value of this patent exists in part due to the difficulties involving “conventional advertising space”).

business that “sells or purchases goods or services,” it satisfies the “data processing or other operations” requirement. Additionally, because this business method does not claim to be solely based on an apparatus, it fulfills the requirement of involving a method or an apparatus.

The value of this fact pattern lies in questioning whether this BMP would be excluded from CBM review under the “technological invention” exception. Although Judge Rader’s discussion in Ultramercial was in the context of discussing whether the BMP was abstract under a section 101 subject matter challenge, one could extrapolate from it that the PTO 

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204 See 157 Cong. Rec. S5431 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer) (emphasizing that the selling or purchasing of goods or services fulfills the section 18 definitional requirement of “data processing or other operations”).

205 Leahy-Smith American Invents Act, sec. 18(d)(1).

206 See Ultramercial, 657 F.3d at 1324 (“A method for distribution of products over the Internet via a facilitator.”); see also Leahy-Smith American Invents Act, sec. 18(d)(1) (requiring CBMs to be a “method or corresponding apparatus”).

207 See Leahy-Smith American Invents Act, sec. 18(d)(1) (excluding a BMP when it is a “technological invention”).

would find the Ultramercial patent to have technological elements exempting it from a CBM review.  

Judge Rader stated that the business method “require[s] intricate and complex computer programming,” the “steps clearly require specific application to the Internet and a cyber-market environment,” and the “invention involves an extensive computer interface.” In discussing the role of software with computers and technology, Judge Rader stated that software and hardware “drive innovation in every area of scientific and technical endeavor.” Applying legislative history, judicial history, and

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209 See Ultramercial, 657 F.3d at 1328 (citing Research Corp., 627 F.3d at 869) (“[I]nventions with specific applications or improvements to technologies . . . are not likely to be . . . abstract.”).

210 See id. (arguing that the method falls with section 101 subject matter, but must still “withstand challenges” of novelty, obviousness, and adequate disclosure).

211 See id. at 1329 (“[B]oth this court and the Patent Office have long acknowledged that ‘improvements thereof’ through interchangeable software or hardware enhancements deserve patent protection.”). But see Cybersource Corp. v. Retail Decisions, Inc., 654 F. 3d 1366, 1375 (Fed. Cir. 2011) (“[M]erely claiming a software implementation of a purely mental process that could
the PTO’s proposed guidance to Judge Rader’s language, a petitioner could argue that this BMP is not a simple use of known technology, the software is novel, the technology is not merely a combination of known technology, and the method solves a technical problem with a technical solution.

otherwise be performed without the use of a computer does not satisfy the machine prong of the machine-or-transformation test.


213 See 157 Cong. Rec. S5431 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl) (“[I]n order to fall within the technological-invention exclusion, the invention must be novel as software.”);

Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 Fed. Reg. 7095, 7096 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) (proposing that in order for a BMP to fall within the technological exception, the “technological feature” must be a novel and unobvious over previous prior art references).

214 See 157 Cong. Rec. S1363, S1364 (daily ed. Mar. 8, 2011) (statement of Sen. Schumer) (“In other words, a patent is not a technological invention because it combines known technology in
2. Summary of the Application of Ultramercial’s Fact Pattern

With the Ultramercial court’s holding that the BMP was an “invention with specific applications or improvements to technologies in the marketplace,” there is a strong chance a new way to perform data processing operations.”); see also Glory Licensing L.L.C. v. Toys R Us, Inc., No. CIV. 09-4252, 2011 WL 1870591, at *3 (D.N.J. May 16, 2011) (explaining that a simple use of the computer was not sufficient technology).

See Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 Fed. Reg. at 7096 (“[T]he claimed subject matter as a whole [must] . . . solve a technical problem using a technical solution.”); see also Research Corp. Techs. v. Microsoft Corp., 627 F.3d 859, 869 (Fed. Cir. 2010) (“[I]nventions with specific applications or improvements to technologies in the marketplace are not likely to be so abstract that they override the statutory language and framework of the Patent Act.”)

See Ultramercial, L.L.C. v. Hulu, L.L.C., 657 F.3d 1323, 1328 (Fed. Cir. 2011) (explaining that the patent, on its face, has specific applications or is an improvement to technology in the marketplace by attempting to resolve issues that prior art had with banner advertising).
that this BMP will be excluded as a technological invention. Excluding Ultramercial’s BMP from review does not undermine the policy behind section 18 because this BMP is not a “weak or overbroad patent . . . that never should have been awarded in the first place” in which examiners did not have available prior art to reject. Because the AIA has not excluded business methods from patentability, and section 18 has specific built-in limitations, this BMP is an example that Judge Rader and the section 18 drafters might consider a technological invention and exempt from review despite its financial traits.

D. These Fact Patterns Exhibit the Strength of Challenges Based on Prior Art, and the Limitations of Other Arguments

The fact pattern from Amazon.com illustrates that the main strength of a section 18 review lies in the presentation of

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See Amazon.com v. BarnesandNoble.com, Inc., 239 F.3d 1342, 1347 (Fed. Cir. 2001) (claiming a method for one-click shopping when purchasing goods online); see also U.S. Patent No. 5,960,411 (filed Sept. 12, 1997) (“The single-action ordering system of the present invention reduces the number of purchaser interactions needed to place an order . . . .”).
prior art to invalidate the patent outside of the context of full litigation.\textsuperscript{219} This conclusion is not only supported through the section 18 procedural advantages surrounding the use of prior art, but also via section 18’s announced purpose from legislative history.

The application of the \textit{State Street}\textsuperscript{220} fact pattern illustrates the limitations of a CBM review when the petitioner uses an argument outside of prior art.\textsuperscript{221} Although a section 18


\textsuperscript{220} \textit{See} State St. Bank & Trust Co. v. Signature Fin. Grp., Inc., 149 F.3d 1368, 1370 (Fed. Cir. 1998) (discussing a method for a computerized data processing accounting system for managing mutual funds); \textit{see also} U.S. Patent No. 5,193,056 (filed March 11, 1991) (“A data processing system and method according to the present invention successfully determines each of these ever changing, and interrelated, accounts.”).

\textsuperscript{221} \textit{See} Leahy-Smith American Invents Act, sec. 6(d), § 321(b) (“A petitioner in a post-grant review may request to cancel as unpatentable 1 or more claims of a patent on any ground that could be raised under paragraph (2) or (3) of section 282(b) (relating to invalidity of the patent or any claim).”)

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petitioner benefits in a CBM review because arguments outside of sections 102 and 103 are not available in inter partes review, the petitioner must still surpass the higher thresholds of either “more likely than not that at least 1 of the claims challenged in the petition is unpatentable,” or “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.” Considering the ambiguity concerning the correct test for abstract ideas, and some recent case law’s choice to limit the use of abstract ideas as a means of invalidation, a petitioner will have difficulty

222 See id. sec. 6(a), § 311(b) (“A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.”).

223 Id. sec. 6(d), § 324(a)-(b).

224 See Meyer & Patel, supra note 12, at 488 (explaining that Bilski offered no specific direction on how to determine when a business method is an unpatentable abstract idea).

225 See Ultramercial, L.L.C. v. Hulu, L.L.C., 657 F.3d 1323, 1326-27 (Fed. Cir. 2011) (limiting the use of abstract ideas over other statutory provisions of the Patent Act that are designed to handle such questions of patent eligibility). But
meeting the “more likely than not” threshold. But, if the PTO decides to apply “novel or unsettled legal question” to the uncertainty surrounding abstract ideas, there will be more flexibility in qualifying for a CBM review.

The Ultramercial fact pattern is an example of a BMP that may be exempt from a CBM review because of its technological

see Dealertrack, Inc. v. Huber, Nos. 2009-1566, 2009-1588, 2012 WL 164439, at *16 (Fed. Cir. 2012) (acknowledging Research Corp.’s guidance to not invalidate using abstract ideas, but still concluding that the method was abstract).

Leahy-Smith American Invents Act, sec. 6(d), § 324(a).

Id. sec. 6(d), § 324(b); see Changes To Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060, 7066 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) (expecting that novel or unsettled legal question “would be used sparingly”).

See Ultramercial, 657 F.3d at 1328 (involving a method of web-based advertising and streaming video); see also U.S. Patent No. 7,346,545 (filed May 29, 2001) (“Method and system for payment of intellectual property royalties by interposed sponsor on behalf of consumer over a telecommunications network.”).
elements. This fact pattern’s importance exists in illustrating the built-in limitations to a CBM review.\textsuperscript{229}

By predominantly affecting those patents that have been in public use, section 18 still provides room for investment in business methods that are novel and non-abstract. The fact that the PTO projects only 50 requests for a CBM review in the first year\textsuperscript{230} raises significant questions regarding the ultimate effect section 18 will have in invalidating BMPs. Therefore, due to the increased costs of a CBM review,\textsuperscript{231} and the high threshold

\textsuperscript{229} See Leahy-Smith American Invents Act, sec. 18(d)(1) (limiting the pool of applicable BMPs by defining “business method”).

\textsuperscript{230} See Changes To Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080, 7083, 7085 (proposed Feb. 10, 2012) (estimating the number of section 18 petitions to be 50 in the first year, while dismissing about 10 percent).

\textsuperscript{231} See Dutra, supra note 121 (explaining that costs for all post-grant reviews have dramatically increased).
IV. Section 18 May Function as a Cheaper and Quicker Alternative to Civil Litigation, but There Needs to Be a Clarification of Terminology and Procedural Elements to Be Fully Effective

The section 18 CBM review provides the most value to a petitioner with its expanded range of citable prior art over inter partes review, in addition to benefits related to forum-shopping, costs, and standing. But as discovered in the application of the fact patterns from State Street, See State St. Bank & Trust Co. v. Signature Fin. Grp., Inc., 149 F.3d 1368, 1370 (Fed. Cir. 1998) (discussing a method of data processing accounting system for managing mutual funds); see also U.S. Patent No. 5,193,056 (filed March 11, 1991) (“Data

requirements, this section 18 CBM review might have little effect on the BMP landscape. 

See Leahy-Smith American Invents Act, sec. 6(d), § 324(a)-(b) (requiring petitioner to meet “more likely than not” or “novel or unsettled legal question” standards).

See Dutra, supra note 121 (“For small and middle-sized business, the ones who can least afford patent litigation on an invalid patent, the fees will lead to lower utilization . . . .”).
Amazon.com, and Ultramercial, limitations arise in interpreting and applying section 18.

This section provides a discussion of two areas where courts and the PTO need to provide clarity in regards to judicial decisions and statutory language, including: (1) the terminology defining CBMs; and (2) procedural elements in section 18.

processing system for hub and spoke financial services configuration.

See Amazon.com v. BarnesandNoble.com, Inc., 239 F.3d 1342, 1347 (Fed. Cir. 2001) (analyzing the method for one-click shopping); see also U.S. Patent No. 5,960,411 (filed Sept. 12, 1997) ("The ... invention relates to a computer method and system for placing an order and, more particularly, to a method and system for ordering items over the Internet.").

See Ultramercial, L.L.C. v. Hulu, L.L.C., 657 F.3d 1323, 1328 (Fed. Cir. 2011) (litigating over a method of advertising with streaming video online); see also U.S. Patent No. 7,346,545 (filed May 29, 2001) ("The ... present invention offer[s] people a legitimate and cashless way to obtain copyrighted music or other forms of intellectual property, while still delivering a royalty to the intellectual property rights holder.").
A. The PTO and Courts Need to Clarify the Terminology Defining CBMs in Section 18

1. The Scope of “Financial Product or Service” and “Technological Invention”

Legislative history has provided much guidance concerning how to interpret “financial product or service,” making it clear that section 18 is not limited to those BMPs involved in financial services industry, but rather to any BMP that is related to financial services. The ambiguity in defining a CBM exists in determining the scope of “technological invention.” As with the meaning of “financial,” there is much legislative discussion about the scope of “technological invention” and its exclusionary role, but the discussion lacks in providing a clear view of how this scope will practically play out with any sort of certainty. Although drafters of the AIA have described many of the boundaries of “technological invention,” defining “technology” presents further challenges. In its proposed rules, (footnotes)

237 See Leahy-Smith American Invents Act, sec. 18(d)(1) (limiting CBMs to those that involve a “financial product or service”).


239 See Leahy-Smith American Invents Act, sec. 18(d)(1) (excluding BMPs from section 18 review that are “technological”).
the PTO only reaffirmed legislative history in requiring novelty, “unobviousness,” and a technical solution, but failed to shed any light on what is actually technology. The conclusion reached in the Ultramercial hypothetical was based on Judge Rader’s opinion, where he stated that the BMP was patentable under section 101 because of its “intricate and complex computer programming” and “extensive computer interface,” which are the type that “drive innovation in every area of scientific and technical endeavor.” But many CBM reviews might not have a previous opinion to help in defining the BMP as a technological invention. Thus the parties involved would benefit from guidance on how to apply the “technological invention” exclusion.

2. The Scope of “Charged”

240 See Transitional Program for Covered Business Method Patents—Definition of Technological Invention, 77 Fed. Reg. 7095, 7096 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) (“[Requiring that] the claimed subject matter as a whole (1) recites a technological feature that is novel and unobvious over the prior art; and (2) solves a technical problem using a technical solution.”).

241 Ultramercial, 657 F.3d at 1328.

242 See id. at 1329 (holding that the method for advertising online is technological-enough to be non-abstract).
Section 18 requires that a petitioner “has been sued for infringement of the patent or has been charged with infringement under that patent.” How “charged” is interpreted will affect who can initiate a CBM review. Those arguing for a broad reading argue for a standard that includes “implied threats of infringement [because they] can impose costs that create the need for the target to seek resolution of patent issues.” Considering the other existing barriers to a CBM review, a broad reading of charged will promote policy interests behind the drafting of section 18.

B. The PTO and Courts Need to Clarify Certain Procedural Elements in Section 18

1. The Scope of “If the Disclosure Had Been Made by Another before the Invention”

In a retroactive application of section 18 using a section 102 or 103 challenge, the petitioner must use prior art described in under section 18(a)(1)(C). On its face, the section 18(a)(1)(C)(ii) language seems to give the PTO leverage to admit a greater range of prior art, thus benefiting the

243 Leahy-Smith American Invents Act, sec. 18(a)(1)(B).

244 See Comments of Google, supra note 57, at 3-5 (arguing a more limited application would destroy section 18 effectiveness).

245 Leahy-Smith American Invents Act, sec. 18(a)(1)(C).
petitioner by allowing prior art from the old section 102(a) to only precede the date of application with the assumption that it was “disclosed by another” before the date of invention. Parties involved would benefit from knowing how much flexibility there is to produce prior art under this standard.

2. The Scope of the “More Likely Than Not” and “Novel and Unsettled Legal Question”

Although petitioners benefit in a CBM review because the evidentiary standard for both post-grant and inter partes is a lower one than in civil litigation,\(^{246}\) clarification surrounding these thresholds, specifically “novel and unsettled legal question,”\(^{247}\) would greatly promote the policy interests behind section 18.\(^{248}\) “Novel and unsettled legal question”\(^{249}\) seems to

\(^{246}\) See Lawson, supra note 44 (finding preponderance of evidence is a lower burden than clear and convincing).

\(^{247}\) Leahy-Smith American Invents Act, sec. 6(d), § 324(b).

\(^{248}\) See Michael W. McConnell, Legal Analysis: America Invents Act of 2011, Committee on the Judiciary, 2 (June 23, 2011), http://judiciary.house.gov/issues/Patent%20Reform%20PDFS/M%20McC onnell.pdf (arguing that the lower standard for section 18 review is necessary because under clear-and-convincing, a poor quality BMP can survive even when significant evidence concerning its lack of patentability is presented).
provide the PTO with a large amount of leverage to grant a CBM review. Even though the PTO suggested in the proposed rules that the “novel and unsettled legal question” standard will be used sparingly, there was no discussion of how this standard will be used substantively.\textsuperscript{250} Clarification is important because recent opinions, like \textbf{Bilski}, have created much ambiguity concerning the patentability of business methods and certain tests like “abstract ideas.”\textsuperscript{251} It is in these type of instances where a petitioner could enter a CBM review in which she could make an argument to invalidate a BMP while not having to meet the “more likely than not”\textsuperscript{252} standard. Although this broader reading would increase the workload for the PTO, it would assist in the

\textsuperscript{249} Leahy-Smith American Invents Act, sec. 6(d), § 324(b).

\textsuperscript{250} See Changes To Implement Post-Grant Review Proceedings, 77 Fed. Reg. 7060, 7066 (proposed Feb. 10, 2012) (to be codified at 37 C.F.R. pt. 42) (“The expectation is that this grounds for a post-grant review would be used sparingly.”).

\textsuperscript{251} See Meyer & Patel, supra note 12, at 488 (arguing that Bilski gave no specific guidance as to which BMPs are abstract ideas).

\textsuperscript{252} Leahy-Smith American Invents Act, sec. 6(d), § 324(a).
V. Conclusion

The section 18 transitional post-grant review of BMPs may provide both a less expensive and quicker alternative to civil litigation to invalidate some of these “poor quality” BMPs. Section 18 is the most valuable when a petitioner can present prior art to invalidate a BMP.

Despite the many benefits under section 18, limitations exist in ambiguity surrounding its terminology and procedural elements, in addition to ambiguous tests concerning the patentability of business methods like that of abstract ideas. This Comment recommends that to maximize the legislative intent behind section 18, the PTO and courts need to clarify certain parts of section 18. The performance of these recommendations, in addition to the already obvious strengths of a CBM review, will provide a strong tool to review these “weak or overbroad patents,” saving petitioners “millions of dollars” and preventing “frivolous litigation” as a result of “meritless patent lawsuits.”