



James M. Conrad, Ph.D.
President, IEEE-USA

14 July 2020

Sen. Thom Tillis, Chairman
Subcommittee on Intellectual Property
Senate Judiciary Committee
224 Dirksen Senate Office Building
Washington, D.C. 20510

Sen. Chris Coons, Ranking Member
Subcommittee on Intellectual Property
Senate Judiciary Committee
224 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairmen Tillis, and Ranking Member Coons:

The Transitional Program for Covered Business Method Patent Review (CBM) is an administrative proceeding before the Patent Trial and Appeal Board (PTAB) at the U.S. Patent & Trademark Office (USPTO) for challenging the validity of issued business method patents on financial products or services. The CBM Transitional Program was uncodified in the patent law but under § 18(a)(3)(A) of the America Invents Act (AIA), this program is set to expire on September 16, 2020. For the reasons explained below, IEEE-USA urges you to let this program expire permanently as intended in the AIA, and we would oppose any legislation to renew it.

In contrast with AIA's *inter partes* review (IPR) trials which provide for challenging an issued patent based only upon grounds of 35 U.S.C. § 102 (anticipation by prior art) and 35 U.S.C. § 103 (obviousness due to prior art), a CBM challenge may be based upon any ground of invalidity, including the *additional* grounds of 35 U.S.C. § 101 (subject matter ineligibility), and 35 U.S.C. § 112 (lack of enablement, lack of written description, and indefiniteness).¹ Moreover, patent challengers risk much less in CBM reviews than in other types of AIA trial proceedings because petitioners in CBM reviews are uniquely exempted from estoppel after final adverse PTAB decisions,² which allows a petitioner to challenge the patent again in the ITC or in district court on the same grounds upon which it lost at the PTAB. The broader range of statutory grounds for challenging patents, coupled with the lack of estoppel provisions, make CBM proceedings more potent in decimating patent rights without the protections available in Article III courts.

¹ 35 U.S.C. § 321(b). See 37 C.F.R. § 42.304(b)(2).

² AIA § 18(a)(1)(A) specifically *excludes* as applicable to CBM the estoppel provision in 35 U.S.C. §315(e)(2), which provides that after a final written decision in a proceeding before the PTAB, the petitioner may not raise in court action or an ITC proceeding “any ground that the petitioner raised or reasonably could have raised during that [proceeding].”

As its “transitional” name suggests, Congress made the CBM Transitional Program temporary for a reason. Following the Federal Circuit’s decision in *State Street*,³ the USPTO began issuing patents on methods of doing business. “At the time, the USPTO lacked a sufficient number of examiners with expertise in the relevant art area.”⁴ Congress later received complaints from the financial industry alleging that this resulted in “the issuance of poor [quality] business-method patents during the late 1990’s through the early 2000’s.”⁵ By early 2000’s, however, the USPTO had assigned and trained sufficient number of examiners with expertise for properly examining and issuing business method patents.⁶ Since the problem was temporary, Congress believed that the CBM program should only exist during a “transitional” period, and the Senate bill provided for a sunset after 4 years following the establishment of the CBM Transitional Program.⁷ While such 4-year sunset would have permitted challenging the old business method patents issued prior to the early 2000’s, the final CBM provision that Congress enacted in the AIA provided for even a later sunset. The House Report explains that “[t]he program sunsets after 10 years, which ensures that patent holders cannot delay filing a lawsuit over a shorter time period to avoid reevaluation under the transitional program.”⁸ Indeed, the patent term of all old business method patents that were examined prior to the early 2000’s will have expired under the 20-year patent term by September 16, 2020, the AIA’s CBM sunset date. Therefore, this leaves no justification for any extension of the CBM program.

In addition, changes in patent law helped prevent ineligible business methods from being patented. That was but one of the reasons that the USPTO urged that the

³ *State Street Bank & Trust Co. v. Signature Financial Group, Inc.*, 149 F.3d 1368, 1375 (Fed. Cir.1998) (Holding that a business method invention involving “transformation of data, representing discrete dollar amounts” is patentable if it yields a “useful, concrete and tangible result.”). This test has later been superseded. *In re Bilski*, 545 F.3d 943, 959-60 (Fed. Cir. 2008) (*en banc*), *aff’d by Bilski v. Kappos*, 561 U.S. 593 (2010).

⁴ H.R. Rpt. 112-98 pt. 1, (June 1, 2011), at 54.

⁵ *Id.*

⁶ See Manual of Patent Examining Procedure § 2106 (Rev. 1, Feb. 2000) (“Office personnel have had difficulty in properly treating claims directed to methods of doing business. Claims should not be categorized as methods of doing business. Instead, such claims should be treated like any other process claims, pursuant to these Guidelines when relevant. See, e.g., *State Street*, 149 F.3d at 1374-75, 47 USPQ2d at 1602 (Fed. Cir. 1998).”); *Notice of Roundtable on Computer-Implemented Business Method Patent Issues*, 65 Fed. Reg. 38811 (June 22, 2000); *Notification of Required and Optional Search Criteria for Computer Implemented Business Method Patent Applications in Class 705*, 66 Fed. Reg. 30167 (June 5, 2001);

⁷ S. 23. *America Invents Act*, U.S. Senate, 112th Cong. 1st Sess. (March 8, 2011). See §18.

⁸ H.R. Rpt. 112-98 pt. 1, (June 1, 2011), at 54. Senator Schumer later argued that the previous four-year sunset provision was too short because “bad actors would just wait out the program before bringing their business method suits.” 157 Cong. Rec. at S5410 (daily ed. Sept. 8, 2011) (statement of Sen. Schumer).

CBM Transitional Program should *not* be extended past its prescribed expiration date:

“The USPTO recommends adhering to the sunset period and discontinuing CBM proceedings on September 16, 2020. The purpose of the CBM provision was to enable third parties to challenge covered business method patents issued under pre-AIA law for subject matter ineligibility. Since enactment of the AIA, U.S. law has been evolving in the courts. Notably, U.S. judicial practice has evolved in the wake of the Supreme Court decision in *Bilski v. Kappos*, 561 U.S. 593 (2010), which addressed the subject matter eligibility of business methods and has helped prevent ineligible business methods from being patented. This change in case law renders the need for the CBM provision unnecessary. Additionally, third parties may challenge patents for ineligible subject matter under both Section 6 of the AIA for IPR and PGR proceedings, the latter of which permits a patent ineligibility challenge.”⁹

The limited scope in subject matter and duration of the CBM program was an essential part of the delicate and balanced legislative compromise that was reached among stakeholders in enacting the AIA. Extending this program would upset the original legislative intent in enacting the AIA. In 2015, the House Judiciary Committee considered, but rejected an amendment that would have extended the CBM program. The ranking member opposed the amendment noting the transitional framework of CBM; the fact that the USPTO had improperly broadened the scope of the program beyond its statutory contours; that CBM has become “a new tool for infringers to drain legitimate patent holders of resources;” and that extending CBM “would work injustice on legitimate patent holders.”¹⁰ Unfortunately, CBM petitions have challenged patents directed to technologies far and remote from the financial services industry. For example, these challenged patents involve technologies concerning improved Digital Rights Management (DRM) for digital content,¹¹ Ethernet management,¹² pharmaceuticals,¹³ and even “a method for providing a shopper with personalized nutrition information.”¹⁴ One study found that only half of all the patents challenged in CBM proceedings were originally assigned class 705 during prosecution—the traditional classification home of business method

⁹ USPTO, “*Study and Report on the Implementation of the Leahy-Smith America Invents Act*,” at 39, (Sept. 2015).

¹⁰ Gene Quinn, “Amendment to extend CBM defeated in House Judiciary Committee,” *IPWatchdog*, June 11, 2015.

¹¹ *Google Inc. and Apple Inc., v. Contentguard Holdings, Inc.*, CBM2015-00040, CBM2015-00160, Paper No. 34, at 7-12 (PTAB. Jun 21, 2016).

¹² *Sony Corp. of Am. v. Network-1 Techs., Inc.*, CBM2015-00078, Paper 7, at 8–9 (PTAB. July 1, 2015)

¹³ *Par Pharma., Inc. v. Jazz Pharma., Inc.*, CBM2014-00149, CBM2014-00150, CBM2014-00151, and CBM2014-00153, Paper No. 11, at 4 (PTAB. Jan. 13, 2015).

¹⁴ *Google Inc. v. Better Food Choices LLC*, CBM2015-00071, Paper No. 10, at 9 (PTAB. Aug. 20, 2015).

inventions.¹⁵ And contrary to the CBM program’s intended use, the top-ranking users of CBM proceedings to challenge patents are neither banks nor financial industry companies: the top two users are Apple and Google, who each initiated 73 and 53 CBM proceedings respectively.¹⁶ This should not come as a surprise, as opponents of Section 18 of the AIA presaged this outcome in the first place.¹⁷

In addition, pioneering computer or software-implemented inventions have been improperly drawn into the CBM Program in some instances. Protections for technologies from artificial intelligence to DRM to blockchain or to cybersecurity—which are implemented through software—are put at greater risk because of the CBM Program. This risk reduces the incentives for research and development investment due to a perception that the patents protecting the exclusive rights obtained by such investment can be more easily challenged and invalidated than patents in other areas.

Other technology-neutral proceedings for review of issued patents will continue to be available after the CBM Program expires. Post grant reviews, *inter partes* reviews, and *ex parte* reexaminations can be used for addressing invalidity concerns in all patents, including financial services patents. These technology-neutral mechanisms will continue to be available beyond 2020.

The use of CBM has been declining to insignificant levels, from 177 petitions filed in FY 2014, to 149, 94, 48, 36, 22, filed in FY 2015 through FY 2019 respectively, and with 10 petitions filed in FY 2020 as of May 31.¹⁸ Thus, CBM should expire of disuse as intended, if not to eliminate a proceeding now misused for questionable purposes.

For the reasons described above, IEEE-USA strongly urges you to oppose any legislative efforts to extend the CBM program.

IEEE-USA represents nearly 170,000 engineers, scientists, and allied professionals whose livelihoods depend on American technology companies and their domestic research and development operations. Our members work for large and small companies, and as individual inventors or entrepreneurs, all depending on a strong American patent system.

¹⁵ See Manny Schechter, et al., “The Effects of *Alice* on Covered Business Method (CBM) Reviews,” 14 *NW. J. Tech. & Intell. Prop.* 381, 391 (2017) (Suggesting that the PTAB may be “overinclusive” in instituting CBM proceedings.)

¹⁶ See Unified Patents Portal, [CBM ranking by petitioner](#) (June 27, 2020).

¹⁷ See 157 Cong. Rec. at S5408 (daily ed. Sept. 8, 2011) (statement of Sen. Cantwell) (“[T]his is basically drafted so broadly that I am worried that other technology companies are going to get swept up in the definition and their patents are also going to be thrown out as invalid.”)

¹⁸ USPTO, PTAB Statistics, at www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/statistics

We thank you for your attention to these important matters. If we can be of any assistance, or if you have any questions, please do not hesitate to contact Erica Wissolik at (202) 530-8347 or e.wissolik@ieee.org.

Sincerely,

A handwritten signature in black ink that reads "James M. Conrad". The signature is written in a cursive style with a large, stylized initial "J".

James M. Conrad, Ph.D.
President, IEEE-USA