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**American Bar Association  
Real Property, Probate and Trust Law Section  
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**BY**

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# Business Method Technologies

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- **Today, the computer-implemented “business method” area includes business practices in many fields such as health care management, insurance and insurance processing, reservation and booking systems, financial market analyses, point of sale systems, tax processing, inventory management, accounting and financial management.**



# Tax Strategy Patents

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- Recently, subclass 36T in Class 705 has been established and dedicated to tax strategies.
- We have identified 53 issued patents related to tax strategy. Further, 85 published applications, not yet examined, relate to tax strategy.
- This is a very small area of business methods.
  - To put it in perspective, over 8,000 applications were filed last year in business methods, while only approximately 100 patents and patent publications exist in the tax strategy area to date.



# Current Pendency

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- **The average pendency to first office action in the tax strategy area is approximately 40-44 months and the average pendency to issue or abandonment is approximately 50 months.**
  - **Currently, applications in this area filed in May 2002 are receiving their first office action.**
- **Examiners have 31.6 hours per balanced disposal based on a GS-12 grade.**



# Criteria for Examination

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- An examiner examines a tax strategy application using the same statutory requirements for patentability as would be used in examining any other technology.
  - 35 USC 101 – the invention must be useful;
  - 112 – the invention must have an enabling disclosure and clear and concise claims;
  - 102 – the invention must be novel; and
  - 103 – the invention must be non-obvious.



# Criteria for Examination

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- **In determining novelty and obviousness, the examiner consults a variety of databases directed to the subject matter being examined to find the best prior art.**
  - **For applications involving tax strategies, the resources include U.S. Patent databases, foreign databases, IRS databases available to the public, and a significant number of commercial databases directed to accounting, finance, and banking.**
  - **The examiner also has a library dedicated to finance and accounting subject matter.**



# Prior Art

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- **The USPTO is always looking for ways to ensure that examiners have the best prior art as early as possible in the examination process. Our data shows that when examiners have the right art in front of them, they make the right decisions.**



# Proposed Prior Art Initiatives

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## Proposed or existing initiatives with regard to prior art include

- **alternative examination**
- **proposed changes to ids**
- **the peer review pilot**
- **open source prior art pilot**



# Rule 105

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- **If in the course of examination, the examiner identifies a tax strategy claimed or disclosed, the examiner will, under Rule 37 CFR 1.105, request from the applicant information as to which section or sections of the tax code are applicable so that those sections may be consulted.**



# Reasons For Allowance

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- **If in the course of examination, the examiner determines that all the claims in the application are allowable, the examiner will, under Rule 37 CRF 1.104(e), at the time of allowance, place in the record Reasons For Allowance so as to make clear why the claim or claims was allowed.**



# USPTO Outreach Efforts

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- **To gain knowledge and improve our examination of applications relating to tax strategies, the USPTO is working on developing two significant relationships.**
  - **The USPTO has partnered with the IRS and is currently developing a partnership with the American Bar Association's Section of Taxation (ABA) to pursue training and information exchange opportunities.**
    - **The partnership with the IRS has resulted in training by the IRS for our finance examiners on financial products, wealth transfer, and pensions.**



# USPTO Outreach Efforts

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- **The USPTO also provided a modified Patent Examiner Initial Training (PEIT) for non-examiners for selected IRS employees. Topics included:**
  - **(a) statutory requirements of a patent application; (b) concept of prior art under 35 USC 102 and 103; (c) patentability under 35 USC 102 and 103; (d) identifying and searching relevant databases; and (e) and post-grant review procedures by the USPTO for issued patents.**



# Publication Opt Out Option

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- Approximately 90% of patent applications are published 18 months after the earliest effective filing date.
  - Applicant may request that the application not be published if the invention has not been and will not be the subject of an application filed in a foreign country that requires publication 18 months after filing.
- Following publication, the application for patent is no longer held in confidence by the USPTO and any member of the public may gain access through our website to the entire file history of the application.



# Post Grant Review

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- **A post-grant review of patent claims takes place before the USPTO under certain circumstances:**
  1. **a patentee files an application to reissue a patent to correct at least one error in the patent;**
  2. **an applicant and a patentee claim the same invention and an interference is declared between the patentee and the applicant, and the applicant seeks judgment based on unpatentability of patent claims; and**
  3. **a patent owner or third party requests the reexamination of a patent.**
    - **Reexamination requests and 37 CFR 1.501 submissions are limited to printed publications and patents.**



# Reexamination

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- Ex parte reexamination, enacted in 1980, permits a third party to petition for reexamination of the patent.
- As part of the American Inventors Protection Act of 1999 (AIPA), Congress created inter partes reexamination, whereby the third party could participate in the reexamination proceeding and appeal to the USPTO's administrative Board of Patent Appeals and Interferences.
  - The AIPA's inter partes reexamination practice was expanded in 2002 to afford third parties the right to appeal to the CAFC.



# Reexamination

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- The most common third-party participation is through reexamination proceedings.
- This is an important check on patent quality and relates to the occasions when prior art (i.e., printed publications and patents) is brought to the USPTO's attention that may raise a substantial new question of patentability.
- This evidence may be identified and submitted by a third party, such as a commercial rival that wishes to challenge the patent's validity.
- Congress established this administrative procedure for the USPTO to take a second look at an issued patent and consider questions of validity during the life of the patent.



# Third Party Challenges

How can a third party disclose their own knowledge that something is well known and what is the evidence requirement?

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- 1. Prior to publication under 35 USC 122 or mailing of a notice of allowance (whichever is earlier):**
  - A third party may file a petition and fee for the institution of a public use proceeding under 37 CFR 1.292. This submission would include evidence of a prior public use or sale. If an examiner determines that the submission establishes a prima facie showing that the claimed invention had been in public use or on sale before the filing of the application, then a hearing may take place before the Director to determine whether a public use proceeding should be instituted.**



## Third Party Challenges

How can a third party disclose their own knowledge that something is well known and what is the evidence requirement?

- **The evidence may be supported by affidavits or declarations, which could include a brochure or written contract.**
  - **However, for a variety of reasons, members of the public seldom invoke public use proceedings.**
- **A third party may file a protest under 37 CFR 1.291 supported by an affidavit establishing facts to support a conclusion that something is well known. Protests are typically supported by documentary evidence. Examination continues in an *ex parte* nature after the protest is submitted, and applicant is given the opportunity to rebut any evidence presented by the protest.**



# Third Party Challenges

How can a third party disclose their own knowledge that something is well known and what is the evidence requirement?

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## 2. After publication under 35 USC 122 or mailing of a notice of allowance (whichever is earlier):

- Public use proceedings are precluded and protests may only be filed with consent of the applicant. See 35 USC 122(c).
- Third parties may provide printed publications or patents under 37 CFR 1.99 for up to two months after publication, but no discussion of the documents may be included. The documents may result in the examiner raising a public use or novelty rejection based on the evidence provided in the 37 CFR 1.99 submission.



# Defense to Infringement

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- **In the American Inventors Protection Act of 1999, Congress created a defense to infringement suits for those who had begun, and not abandoned, the commercial use of business methods that were reduced to practice more than a year before the filing date of a patent on the business method by another.**
  - **This defense alone does not invalidate the patent itself.**



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**Thank You**