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Patent Reform Bill Nearing Passage; Financial Services Sector to Be Impacted

After several years of consideration, comprehensive patent reform is nearing passage. Both the House and Senate have passed versions of the "America Invents Act," and as early as next week legislators will work to reconcile the two versions. Banks and other companies with an interest in preserving their freedom to operate in the financial services sector should act quickly if they would like to attempt to influence the language of the proposed legislation.

Of particular interest to the financial services sector, both bills are intended to make it easier and less costly to challenge the validity of certain business method patents. Both bills provide for a temporary program, called a "transitional proceeding." If sued for infringement of a covered business method patent, a bank or other financial services sector company will be able to challenge the validity of the patent under the new transitional proceeding in the United States Patent and Trademark Office. The cost of the transitional proceeding will almost certainly be much less expensive than challenging validity in a U.S. District Court.

Though the House and Senate versions of the transitional proceeding are similar, there is an important difference as to how the two versions define "covered business method patent," and as a result they differ as to which business method patents would be subject to challenge in the new proceeding. The Senate version defines "covered business method patent" to mean "a patent that claims a method or corresponding apparatus for performing ***data processing operations*** utilized in the practice, administration, or management of a financial product or service" (emphasis added, see S. 23, Section 18 (d)). The House version of this definition is nearly identical in substance, but rather than being confined to "data processing operations," the House version encompasses "***data processing or other operations***" (see H.R. 1249, Section 18(d)(1)).

This difference can have dramatic implications. The addition of "or other" significantly expands the scope of patents that may be subject to challenge. For example, a patent directed to a method for generating or assembling provisions of a financial services contract might not be considered a "data processing" operation under the Senate version, but under the House version, would almost certainly be considered a "data processing or other operation." Accordingly, a company accused of infringing such a patent would have recourse through the new proceeding under the House version but not the Senate version. Companies that might be subject to an infringement action under such a patent can take action now to ensure the broader House protection against patent infringement liability by advocating for the Senate's adoption of the House's version of the bill.

Other differences between the House and Senate versions may also be of interest. For example, the two bills differ with respect to the life span of the transitional proceeding, and also regarding who may file a petition for invalidity under the transitional proceeding.

Venable's patent attorneys and legislative advisors are monitoring the Senate's consideration of the America Invents Act. If you would like to have your interests heard in Congress as this historic Act's final language is crafted, or if you would like to learn more, please contact us.
