jurisdiction. A compulsory counterclaim must be raised as a counterclaim in the case in question, and cannot be asserted in a later case. Without this modification, it is possible that a defendant could raise unrelated and unnecessary patent counterclaims simply in order to manipulate appellate jurisdiction. With the modification, a defendant with a permissive patent counterclaim who wanted to preserve Federal Circuit appellate review of that counterclaim could simply wait to assert it in a separate action.

The second modification, in subsection (d), corrects an error in H.R. 2955 that would have required remand of patent and other intellectual-property counterclaims after their removal. H.R. 2955's proposed removal statute, at section 1454(c)(1) of title 28, required a remand to the state court of all claims that are not within the original or supplemental jurisdiction of the district court. Since the bill no longer amends section 1338 to give district courts original jurisdiction over patent counterclaims, however—and since, pursuant to Holmes Group itself, patent counterclaims are not within the district courts' original jurisdiction—then under paragraph (1), district courts would be required to remand the patent counterclaims. Courts would probably strain to avoid reading the paragraph this way, since doing so defeats the only apparent purpose of the section, and the amendments to section 1338 strip the state courts of jurisdiction over patent counterclaims. But that is exactly what H.R. 2955's proposed 1454(c)(1) ordered the court to do. In the modified text of section 17(d) of this bill, the court is instructed to not remand those claims that were a basis for removal in the first place—that is, the intellectual-property counterclaims.

Section 18 of the bill creates an administrative mechanism for reviewing the validity of business-method patents. In 1998, the U.S. Court of Appeals for the Federal Circuit, in its decision in *State Street Bank & Trust Co.* v. *Signature Financial Group, Inc.*, 149 F.3d 1368 (Fed. Cir. 1998), substantially expanded the patentability of business-method inventions in the United States, holding that any invention can be patented so long as it produces a "useful, concrete, and tangible result" and meets other requirements of title 35. In recent years, federal judicial decisions, culminating in the U.S. Supreme Court's decision in *Bilski* v. *Kappos*, 561 U.S. ____, 130 S.Ct. 3218 (2010), have overruled State Street and retracted the patentability of business methods and other abstract inventions. This judicial expansion and subsequent judicial retraction of U.S. patentability standards resulted in the issuance, in the interim, of a large number of business-method patents that are no longer valid. Section 18 creates a relatively inexpensive administrative alternative to litigation for addressing disputes concerning the validity of these patents.

This section grew out of concerns originally raised in the 110th Congress about financial institutions' inability to take advantage of the authority to clear checks electronically pursuant the Check Clearing for the 21st Century Act, at chapter 50 of title 12 of the U.S. Code, without infringing the so-called Ballard patents, patents number 5,910,988 and 6,032,137. See generally Senate Report 110–259 at pages 33 through 34. Once the committee began to examine this issue in greater depth, however, the question quickly turned from whether the Ballard patents should be allowed to disrupt compliance with the Check 21 Act, to how it is that the Ballard patents were issued in the first place. These patents consist of long recitations of technology created by others to implement the supposed "invention" of transmitting and processing checks and other business records electronically. The first of these patents was assigned to the class of cryptography inventions, but its specification itself concedes that the invention's "controller" will "execute[] an encryption algorithm which is well known to an artisan of ordinary skill in the field." The second patent is assigned to Class 705, home to many of the most notorious business-method patents. Both of these patents are obviously business-method patents, and it is difficult to see how they were even novel and nonobvious and otherwise valid under the more liberal State Street standard, much less how they could survive the strictures of Bilski.

Section 18's definition of business-method patent, and its authorization to raise prior-art challenges in the petition for review, are designed to allow the Office to recognize a business-method patent as such despite its recitation of technological elements that are not colorably novel and nonobvious. This definition does not require the Office to conduct a merits inquiry into the nonobviousness of a technological invention, and should not be construed in a way that makes it difficult for the Office to administer. But if a technological element in a patent is not even assertedly or plausibly outside of the prior art, the Office should not rely on that element to classify the patent as not being a business-method patent. Thus when patents such as the Ballard patents recite elements incorporating off-the-shelf technology or other technology "know to those skilled in the art," that should not preclude those patents' eligibility for review under this program.

At the request of other industry groups, section 18's definition of "covered business-method patent" has been limited to those patents that relate to a financial product or service. Given the protean nature of many business-method patents, it often will be unclear on the face of the patent whether it relates to a financial product or service. To make such a determination, the Office may look to how the patent has been asserted. Section 5(g) of the present bill modifies section 301 of title 35 to allow any person to submit to the Office the patent owner's statements in federal court or in any Office proceeding about the scope of the patent's claims. With this and other information, the Office should be able to determine whether the patent reads on products or services that are particular to or characteristic of financial institutions.

As the proviso at the end of the definition makes clear, business methods do not include "technological inventions." In other words, the definition applies only to abstract business concepts and their implementation, whether in computers or otherwise, but does not apply to inventions relating to computer operations for other uses or the application of the natural sciences or engineering.

One feature of section 18 that has been the subject of prolonged discussion and negotiation between various groups during the last few weeks is its subsection (c), which concerns stays of litigation. The current subsection (c) reflects a compromise that requires a district judge to consider fixed criteria when deciding whether to grant a stay, and provides either side with a right to an interlocutory appeal of the district judge's decision. The appeal right has been modified to provide that such review "may be de novo," and in every case requires the Federal Circuit to ensure consistent application of established precedent. Thus whether or not every case is reviewed de novo, the court of appeals cannot simply leave the stay decision to the discretion of the district court and allow different outcomes based on the predilections of different trial judges.

It is expected that district judges will liberally grant stays of litigation once a proceeding is instituted. Petitioners are required to make a high threshold showing in order to institute a proceeding, and proceedings are required to be completed within one year to 18 months after they are instituted. The case for a stay is particularly pronounced in a section 18 proceeding, given the expectation that most if not all true business-method patents are abstract and therefore invalid in light of the Bilski decision.

In pursuit of this congressional policy strongly favoring stays when proceedings are instituted under this section, subsection (c) incorporates the four-factor test for stays of litigation that was first announced in *Broadcast Innovation, L.L.C.* v. *Charter Communications*, 2006 WL 1897165, D. Colo. 2006. Broadcast Innovation includes, and gives separate weight to, a fourth factor that has often been ignored by other courts: "whether a stay will reduce the burden of litigation on the parties and on the court."

In order to ensure consistency in decisions whether to stay, regardless of the court in which a section 281 action is pending, paragraph (2) of subsection (c) requires consistent application of