

bans tax patents, ending the troubling practice of persons seeking patents for tax avoidance strategies.

Issuing such patents abuses the Tax Code by granting what some could see as a government imprimatur of approval for dubious tax strategies, while at the same time penalizing taxpayers seeking to use legitimate strategies. The section makes it clear that patents can still be issued for software that helps taxpayers prepare their tax returns, but that provision is intended to be narrowly construed and is not intended to authorize patents for business methods or financial management software.

The bill will put a halt to both new and pending tax patent applications. Although it does not apply on its face to the 130-plus tax patents already granted, if someone tries to enforce one of those patents in court by demanding that a taxpayer provide a fee before using it to reduce their taxes, I hope a court will consider this bill's language and policy determination when deciding whether such efforts are consistent with public policy.

This legislation is an important step forward and I urge my colleagues to support it.

Mr. SCHUMER. Madam President, I would like to clarify the record on a few points related to section 18 of the America Invents Act. Section 18, of which Senator KYL and I were the authors, relates to business method patents. As the architect of this provision, I would like to make crystal clear the intent of its language.

It is important that the record reflect the urgency of this provision. Just today, while the Senate has been considering the America Invents Act, Data Treasury—the company which owns the notorious check imaging patents and which has already collected over half a billion dollars in settlements—filed suit in the Eastern District of Texas against 22 additional defendants, primarily community banks. These suits are over exactly the type of patents that section 18 is designed to address, and the fact that they continue to be filed highlights the urgency of signing this bill into law and setting up an administrative review program at the PTO.

I would like to elucidate the intent behind the definition of business method patents. Other Members have attempted to suggest a narrow reading of the definition, but these interpretations do not reflect the intent of Congress or the drafters of section 18. For example, in connection with the House vote on the America Invent Act, H.R. 1249, Congressman SHUSTER submitted a statement in the RECORD regarding the definition of a “covered business method patent” in section 18. 157 Cong. Rec. H4497 (daily ed. June 23, 2011).

In the statement, Mr. SHUSTER states: “I would like to place in the record my understanding that the definition of ‘covered business method patent’ . . . is intended to be narrowly con-

strued to target only those business method patents that are unique to the financial services industry.” Mr. SHUSTER’s interpretation is incorrect.

Nothing in the America Invents Act limits use of section 18 to banks, insurance companies or other members of the financial services industry. Section 18 does not restrict itself to being used by petitioners whose primary business is financial products or services. Rather, it applies to patents that can apply to financial products or services. Accordingly, the fact that a patent is being used by a company that is not a financial services company does not disqualify the patent from section 18 review. Conversely, given the statutory and regulatory limitations on the activities of financial services companies, if a patent is allegedly being used by a financial services company, the patent will qualify as a “covered business method patent.”

The plain meaning of “financial product or service” demonstrates that section 18 is not limited to the financial services industry. At its most basic, a financial product is an agreement between two parties stipulating movements of money or other consideration now or in the future. Types of financial products include, but are not limited to: extending credit, servicing loans, activities related to extending and accepting credit, leasing of personal or real property, real estate services, appraisals of real or personal property, deposit-taking activities, selling, providing, issuing or accepting stored value or payment instruments, check cashing, collection or processing, financial data processing, administration and processing of benefits, financial fraud detection and prevention, financial advisory or management consulting services, issuing, selling and trading financial instruments and other securities, insurance products and services, collecting, analyzing, maintaining or providing consumer report information or other account information, asset management, trust functions, annuities, securities brokerage, private placement services, investment transactions, and related support services. To be eligible for section 18 review, the patent claims must only be broad enough to cover a financial product or service.

The definition of “covered business method patent” also indicates that the patent must relate to “performing data processing or other operations used in the practice, administration, or management” of a financial product or service. This language makes it clear that section 18 is intended to cover not only patents claiming the financial product or service itself, but also patents claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity. Any business that sells or purchases goods or services “practices” or “administers” a financial service by conducting such transactions. Even the notorious “Ballard patents” do not

refer specifically to banks or even to financial transactions. Rather, because the patents apply to administration of a business transactions, such as financial transactions, they are eligible for review under section. To meet this requirement, the patent need not recite a specific financial product or service.

Interestingly, Mr. SHUSTER’s own actions suggest that his interpretation does not conform to the plain meaning of the statute. In addition to his statement, Mr. SHUSTER submitted an amendment to the Rules Committee that would exempt particular types of business-method patents from review under section 18. That amendment was later withdrawn. Mr. SHUSTER’s subsequent statement in the RECORD appears to be an attempt to rewrite through legislative history something that he was unable to change by amendment.

Moreover, the text of section 18 further demonstrates that section 18 is not limited to patents exclusively utilized by the financial services industry. As originally adopted in the Senate, subsection (a)(1)(B) only allowed a party to file a section 18 petition if either that party or its real parties in interest had been sued or accused of infringement. In the House, this was expanded to also cover cases where a “privy” of the petitioner had been sued or accused of infringement. A “privy” is a party that has a direct relationship to the petitioner with respect to the allegedly infringing product or service. In this case, it effectively means customers of the petitioner. With the addition of the word “privy,” a company could seek a section 18 proceeding on the basis that customers of the petitioner had been sued for infringement. Thus, the addition of the “privy” language clearly demonstrates that section 18 applies to patents that may be used by entities other than the financial services industry.

The fact that a multitude of industries will be able to make use of section is evident by the broad based support for the provision, including the U.S. Chamber of Commerce and the National Retail Federation, among many others.

Mr. KIRK. Madam President, I support H.R. 1249, the Leahy-Smith America Invents Act, because this long-overdue patent reform will spur innovation, create jobs and strengthen our economy.

In particular, I am proud that this legislation contains a provision I worked to include in the Senate companion, S.23, that would establish the US Patent and Trademark Office Ombudsman Program to assist small businesses with their patent filing issues. This Ombudsman Program will help small firms navigate the bureaucracy of the patent system. Small businesses are the economic engine of our economy. According to the Small Business Administration, these companies employ just over half of all private sector employees and create over fifty percent of our nonfarm GDP. Illinois alone is