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MEMORANDUM

DATE: **September 20, 2011**

TO: Patent Examining Corps

FROM: Robert W. Bahr
Acting Associate Commissioner
for Patent Examination Policy

SUBJECT: **Tax Strategies Are Deemed To Be Within the Prior Art**

Section 14 of the Leahy-Smith America Invents Act, enacted on September 16, 2011, provides that for purposes of evaluating an invention for novelty and nonobviousness under 35 U.S.C. §§ 102 and 103, any strategy for reducing, avoiding, or deferring tax liability (hereinafter, "tax strategy"), whether known or unknown at the time of the invention or application for patent, shall be deemed insufficient to differentiate a claimed invention from the prior art. As a result, applicants will no longer be able to rely on the novelty or non-obviousness of a tax strategy embodied in their claims to distinguish them from the prior art. Section 14 aims to keep the ability to interpret the tax law and to implement such interpretation in the public domain, available to all taxpayers and their advisors.

The term ''tax liability'' is defined for purposes of this provision as referring to any liability for a tax under any Federal, State, or local law, or the law of any foreign jurisdiction, including any statute, rule, regulation, or ordinance that levies, imposes, or assesses such tax liability.

There are two exclusions to this provision. The first is that the provision does not apply to that part of an invention that is a method, apparatus, technology, computer program product, or system, that is used solely for preparing a tax or information return or other tax filing, including one that records, transmits, transfers, or organizes data related to such filing.

The second is that the provision does not apply to that part of an invention that is a method, apparatus, technology, computer program product, or system, that is used solely for financial management, to the extent that it is severable from any tax strategy or does not limit the use of any tax strategy by any taxpayer or tax advisor.

This provision took effect on September 16, 2011, and applies to any patent application that is pending on, or filed on or after, September 16, 2011, and to any patent issued on or after September 16, 2011. Accordingly, this provision will apply in a reexamination or other post-grant proceeding only to patents issued on or after September 16, 2011.

Examination Guidance for Claims Relating to Tax Strategies:

1. Construe the claim in accordance with MPEP 2111 *et seq.*
2. Analyze the claim for compliance with 35 U.S.C. §§ 101 and 112 in accordance with current guidance, which is unaffected by this provision.
3. Identify any limitations relating to a tax strategy, as defined above (note the listed exclusions).
   a. Inventions that fall within the scope of Section 14 of the Leahy-Smith America Invents Act include those tax strategies especially suitable for use with tax-favored structures that must meet certain requirements, such as employee benefit plans, tax-exempt organizations, or other entities that must be structured or operated in a particular manner to obtain certain tax consequences.
   b. Thus, Section 14 applies if the effect of an invention is to aid in satisfying the qualification requirements for a desired tax-favored entity status, to take advantage of the specific tax benefits offered in a tax-favored structure, or to allow for tax reduction, avoidance, or deferral not otherwise automatically available in such entity or structure.
4. Evaluate the claim in view of the prior art under 35 U.S.C. §§ 102 and 103, treating any limitations relating to a tax strategy as being within the prior art, and not as a patentable difference between the claim and the prior art. This approach is analogous to the treatment of printed matter limitations in a claim as discussed at MPEP 2112.01 (III).

Examples Directed to Computer-Implemented Methods:

A computer-implemented method that is deemed novel and non-obvious would not be affected by this provision even if used for a tax purpose. For example, a novel and non-obvious computer-implemented method for manipulating data would not be affected by this provision, even if the method organized data for a future tax filing. However, the presence of limitations relating to a tax strategy would not cause a claim that is otherwise within the prior art to become novel or non-obvious over the prior art.

Thus, for purposes of applying art to a software-related invention under §§ 102 and 103, claim limitations that are directed solely to enabling individuals to file their income tax returns or assisting them with managing their finances should be given patentable weight, but by contrast, claim limitations directed to a tax strategy should not be given patentable weight.

Form Paragraph

(New) ¶ 7.06. Claim Limitation Relating to a Tax Strategy Deemed To Be Within the Prior Art under 35 U.S.C. 102 and/or 103.

Claim limitation "**[1]**" has been interpreted as a strategy for reducing, avoiding, or deferring tax liability ("tax strategy") pursuant to Section 14 of the Leahy-Smith America Invents Act. Accordingly, this claim limitation is being treated as being within the prior art and is insufficient to differentiate the invention of claim **[2]** from the prior art.

Examiner Note:

1. In bracket 1, recite the claim limitation that relates to a tax strategy. For more information see the memorandum *Tax Strategies Are Deemed To Be Within the Prior Art* issued by Robert W. Bahr on September XX, 2011.
2. In bracket 2, insert claim number(s), pluralize "claim" as appropriate.