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Via Electronic Mail

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Attention: Judge Michael Tierney  
Post-Grant Review Proposed Rules.

IBM Corporation Comments regarding “Changes to Implement Post-Grant Review Proceedings”, Federal Register Volume 77, Number 28 (February 10, 2012)

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IBM supports initiatives by which the United States Patent and Trademark Office (“Office”) may review patents after they are granted, in order to determine validity and proper scope. It is recognized that the Office is uniquely positioned to address these issues to achieve consistency, cost savings, and the advancement of the useful arts. IBM agrees that post grant review (“PGR”) can be an effective, economic alternative to litigation in addressing disputes and enhancing the quality of the patent system.

As a company who holds a sizable portfolio of patents representing decades of investing in research and development, and as a company invested in making, using and selling innovative high technology products, IBM recognizes the value of procedures aimed at improving the quality and substance of enforceable patents. Accordingly, IBM appreciates the opportunity to comment on the proposed PGR Rules.

#### **§ 42.201(b) - Estoppel**

Proposed rule 42.201(b) states that “A person who is not the owner of a patent<sup>1</sup> may file with the Office a petition to institute a post-grant **review of the patent** unless:...(b) the petitioner..., is estopped from challenging **the claims** on the grounds identified in the petition.” The statutory basis behind this proposed rule is 35 U.S.C. §325(e)(1), which states that “the petitioner in a **post-grant review of a claim**... may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that post-grant review.”

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<sup>1</sup> It is presumed that a real party in interest to the petitioner would not submit a PGR petition and, if it did, such petition would be denied.

The statute raises an estoppel bar with respect to a *claim* in a patent (for which a final written decision has been issued), whereas in proposed rule 42.201(b) it is unclear whether estoppel applies against a petition at a *claim* level or at a *patent* level. The Office should clarify that estoppel should apply against a petition at a claim level, as required by the statute.

Further, it would be desirable for the Office to provide some guidance regarding the meaning of the statutory phrase "... that the petitioner raised *or reasonably could have raised*..." For example, it is unclear whether a ground that was part of an originally filed petition, but that was not part of the review authorized by the Board (where the Board rejected the ground under its authority, as stated in rule 42.208(b)) may be raised in a subsequent petition by the same petitioner. While it may be argued, on the one hand, that the ground was raised in the petition, it may be argued, on the other hand, that the ground was not subject to substantive review for which estoppel attaches.

More substantively, the meaning of "reasonably could have raised" leaves much room for confusion and uncertainty. For example, information that was not available to the petitioner in the review (perhaps because of a limitation on discovery, or because of an intentional withholding by the patent owner) may otherwise come to the attention of petitioner. It surely seems that a new petition should be accepted in such a case. The Office might consider modifying the rule to further explain that the Board will not consider a ground as subject to estoppel where relevant information was not reasonably available to the petitioner within the constraints of the prior review or where the proceeding might not permit inclusion of such information or ground.

The estoppel issue is also discussed in the IBM submission concerning the Inter Partes Review Proceedings and in the IBM submission concerning the Proposed Rules of Practice for Trials. Similar considerations apply to PGR in this context.

#### **§ 42.202(b) - Limitation on Number of Post Grant Reviews**

Proposed rule 42.202(b) states that "The Director may impose a limit on the number of post-grant reviews that may be instituted during each of the first four one-year periods in which the 35 U.S.C. §321 is in effect by providing notice in the Office's Official Gazette or Federal Register. Petitions filed after an established limit has been reached will be deemed untimely". The commentary to proposed rule 42.202(b) states that "The Office, however, does not expect to limit the number of petitions at this time". Notwithstanding that statement, if the Office does apply a limit, adverse consequences could result. A

challenger could file a petition, which is served on the patent holder, only to discover that the limit on petitions has been reached and that no PGR can be instituted. The challenger has, then, informed the patent holder of its interest and issues with the patent, while receiving no benefit.

It is also unclear whether a petitioner filing after the limit has been reached will be permanently foreclosed from consideration for PGR. For example, the 9-month limit could preclude a subsequent filing. To help avoid this, the Office should, at least, provide adequate public notice **prior to and when** the limit is reached. A monthly count of the number of instituted PGRs compared to the limit should be posted on the Office website and in the Federal Register to provide guidance to prospective petitioners. In addition, the Office might consider modifying the rule so that petitions deemed “untimely” because of the imposed limit will be afforded priority in the following year if the petition is resubmitted. Additionally, IBM suggests that the Office consider whether a petition deemed “untimely” due to a numerical limit and having an expiring 9 month window contains subject matter or challenges which the Office may have an interest in pursuing. Under the current proposed rules, such an “untimely” petition would not be instituted and would also be barred from institution at a later date due to expiration of the 9 month statutory period. In these cases, the Office should consider adjustments or exceptions to the numerical limit for PGRs.

#### **§ 42.205(b) - Service**

Proposed rule 42.205(b) states that “If the petitioner cannot effect service of the petition and supporting evidence on the patent owner at the correspondence address of record for the subject patent, the petitioner must immediately contact the Board to discuss alternate modes of service”. The commentary to § 42.205(b) provides that “[w]hen the petitioner becomes aware of a service problem, it must promptly advise the Board of the problem. The petitioner may be required to certify that it is not aware of any better address for service of the patent owner.” This may be burdensome and problematic for petitioners, especially sizable entities. If the certification involves “corporate knowledge,” determining whether employees know of a “better address” could be unduly burdensome. Moreover, if the knowledge can be “constructive” (for example, an employee subscribing to a publication that references the patent owner), the duty and risk of noncompliance may be unacceptable.

IBM suggests that the rule be clarified. IBM believes that if a certification is required, it should be limited to certifying a lack of actual knowledge of a patent holder’s address by the petitioner’s employees that have an involvement with the PGR petition.

### **§ 42.207 -- Precluding testimony**

35 USC §323 provides that the patent holder may file a preliminary response as to why “requirements” for instituting a PGR have not been met under, for example, 35 U.S.C. §322 (Requirements of Petition) or estoppel. Rule 42.207, which implements Section 323, precludes new testimony although Section 323 does not.<sup>2</sup> It is appreciated that the Office wishes to streamline the process of instituting a PGR and, therefore, disallow new testimony. However, this limitation could hamper the patent owner in proving failure of at least some “requirements” (e.g. real parties not identified or documents have not been received by patent owner) for which testimony could be a particularly vital and efficient means of proof.

If the patent owner is limited in how it may present these failures, it is assumed that these matters may be raised later in the case-in-chief where new testimony may be provided. Otherwise, the restriction on testimony for this narrow assessment procedure might be re-considered.

### **§ 42.208(a) -- PGR limited to claims and grounds approved when PGR instituted**

Rule 42.208(a) implements 35 U.S.C. §324. The statute simply allows for a PGR if at least one claim satisfies the threshold. The Rule, however, is more specific by limiting the PGR review to specific identified claims and grounds. It appears that, under the Rule, the petitioner cannot add or revise its grounds based on how the patent owner responds. For example, if the patent owner presents a different claim interpretation or if discovery reveals a new ground, such grounds cannot be introduced. This may affect the efficiency and efficacy of the procedure. Rule 42.223 allows for the filing of supplemental information for an “authorized” ground, but does not provide for raising new grounds. Admittedly, new grounds can stall or delay the process and impact deadlines, but they can also dispose of issues expeditiously. Presumably, if new grounds arise during the proceeding and they cannot be argued, the Rules might clarify that estoppel does not apply.

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<sup>2</sup> It is recognized that 35 U.S.C. §2(b)(2) provides that the Office “may establish regulations, not inconsistent with law, which...(A) shall govern the conduct of proceedings in the office...” Although the Rule may be consistent with the law, the Office may consider whether testimony on the limited grounds relating to requirements for instituting a PGR procedure advance the spirit of the law.

### **§ 42.208(c) – Sufficient grounds for Institution of PGR**

Proposed Rule 42.205(b) provides that the Board may not institute a PGR unless the Board determines that it is “**more likely than not** that at least one of the claims challenged in the petition is unpatentable”. (emphasis ours).

No meaningful description of that standard of review has been provided in the commentary. For example, it isn’t clear how the “more likely than not” standard differs from the “reasonable likelihood” standard of *inter partes* review. Such a lack of clarity will have an unnecessary “chilling effect” on petitioners since the consequences to petitioner for failing to meet the standard are serious. A judgment that the standard has not been met, which is made only after the patent owner has been made aware of and responded to the challenge, is “final and nonappealable” under 35 U.S.C. §324(e). Additionally, the fees for filing the petition are not insubstantial. IBM suggests a clarification of the “more likely than not” standard to mitigate any possible confusion.

### **§ 42.208 (d) – Additional Grounds**

Proposed rule 42.208(d) states that “Sufficient grounds under § 42.208(c) may be a showing that the petition **raises a novel or unsettled legal question that is important to other patents or patent applications.**” (emphasis ours). The commentary to this proposed rule states that this is consistent with 35 U.S.C. §324(b) and that the expectation is that this ground would be used sparingly for PGR. That said, some questions regarding this Rule warrant consideration. A first point to consider is whether the “unsettled question” must be of importance to existing patents or applications, or is it sufficient that future patent applications could be impacted. Stated differently, must the petitioner identify specific patents or applications other than the subject of the petition to support this ground. A second point to consider is whether derivative PGRs based on the same legal question could be triggered and, if so, how would the Office handle these proceedings. If there are multiple proceedings, how does resolution of one impact others? While multiple proceedings directed at a single patent may be consolidated under 35 U.S.C. § 324, the rules do not address consolidating multiple proceedings directed to the same ground but different patents.

### **§ 42.208 (d) – Discovery**

35 USC §326, (implemented by Rule 42.224), provides seemingly broader discovery "of relevant evidence, including that such discovery shall be limited to evidence related

to factual assertions advanced by either party in the proceeding" than the routine discovery described in the Practice Guide and Trial Rules. That is, Section 326 would seem to allow for discovery of documents beyond just "(1) Production of any exhibit cited in a paper or testimony, (2) the cross examination of the other sides declarant, and (3) information that is inconsistent with a position advanced during the proceeding..." as stated in the Practice Guide and Trial Rules. Note that the scope of "routine discovery" found in the Trial Rules and Practice Guide is identical for *inter partes* and PGR, despite the differences in statutory language and scope of issues covered by the proceeding (where post grant is broader in both respects). For example, broader discovery for PGR would be apt given the additional grounds (e.g. prior sale and use) which may necessitate greater flexibility. Amendment of the Trial Rules and Practice Guide to cover needed discovery in PGR, or at least clarification as to how the Office believes the proposed scope of discovery is sufficient to cover the requirements of 35 USC 326, would be appreciated. This is especially so because of the scope of estoppel, *i.e.* covering issues that "reasonably could have been raised". While we understand the Office may be subject to certain constraints in structuring discovery, we are concerned that the narrow definition of "routine discovery" will prevent the petitioner from "reasonably raising" an issue during PGR proceedings. In such circumstances, the Office should make clear it does not intend to apply estoppel to that issue.

A discussion of discovery is provided in greater detail in IBM's response to the Proposed Rules of Practice for Trials. For example, whether the limited discovery is adequate to even become aware of evidence (let alone fully develop arguments) relating to use, sale, and Section 112 matters is a concern. That discussion is referenced here to the extent it applies to PGR.

### **35 USC 328(c) -- Intervening Rights**

In light of the recent decision in *Marine Polymer Technologies Inc. v. Hemcon Inc.*, No. 2010-1548 (Fed. Cir., Mar. 15, 2012), we suggest it may be instructive for the Rules or comments thereto to note that intervening rights applicable to a PGR proceeding shall be accorded based on 35 U.S.C. §328(c) and 35 U.S.C. §252 as interpreted by case law. Under Section 328(c), "any proposed or new claim determined to be patentable and incorporated into a patent following a PGR under this chapter shall have the same effects as that specified in section 252 of this title for reissued patents..." The recent Federal Circuit *Marine Polymer* decision would clarify that an existing claim must be amended in order for intervening rights to apply - - *i.e.* that a new interpretation of the existing words arising from the PGR do not trigger such rights.

## **Conclusion**

IBM thanks the Office for providing the public an opportunity to submit comments regarding implementation of the Leahy-Smith America Invents Act. We look forward to working with the Office on forthcoming regulations and guidance.

Respectfully submitted,

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