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Via Electronic Mail
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Attention: Lead Judge Michael Tierney
Patent Trial Proposed Rules

IBM Corporation Comments on “Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions” (77 Fed. Reg. 6879, Feb. 9, 2012)

IBM fully supports the efforts of the United States Patent and Trademark Office (“Office”) to implement the provisions of the Leahy-Smith America Invents Act (“AIA”) relating to trials before the Patent Trial and Appeal Board (“Board”). We thank the Office for the opportunity to provide our views regarding the proposed changes.

We support the majority of the rule changes proposed in the subject notice (“Notice”). However, we believe that the following provisions raise some concerns and require clarification from the Office.

Significant Concerns

Proposed Rule 42.51

IBM’s most significant concerns are with some of the discovery provisions in proposed rule 42.51. We have general concerns about the limited scope of discovery under proposed rule 42.51 and the possible implications for the estoppel resulting from the proceedings. In addition, IBM believes that the requirements of proposed rule 42.51(b)(3) are unnecessary and unworkable.

As to the first point, IBM agrees that the scope of discovery in trials before the Board should be more limited than in a district court because these proceedings were intended to be less burdensome than district court proceedings. Even so, IBM is concerned that proposed rule 42.51 does not provide for adequate discovery, as that concept is generally understood. In particular, beyond production of evidence relied upon (rule 42.51(b)(1)), cross-examination of affiants (42.51(b)(2)), and the production of “inconsistent” evidence (42.51(b)(3)), a party can only obtain “additional discovery” under 42.51(c) by going through a cumbersome procedural process, see rules 42.20(b), 42.21(a) and 42.22, and after receiving authorization under either of two restrictive standards. Discovery is generally understood to be a preliminary phase during which parties can learn

about facts relevant to the case. By contrast, under the proposed rules, outside of the “additional discovery” mechanism, a party is only entitled to a copy of the other side’s exhibits and to create a trial record by cross-examining the other side’s affiants.

Although the AIA provides for limits on discovery in trial proceedings, IBM submits that the limits proposed by the Office appear to be more restrictive than necessary and could be clarified in the proposed rules. For inter partes review proceedings, the AIA requires the Office to set forth standards and procedures for discovery which are limited to deposing the other side’s affiants and to “what is otherwise necessary in the interest of justice.” See 35 U.S.C. § 316 (as amended). Accordingly, the proposed rules for inter partes review provide that the “interest of justice” standard must be met for a party to obtain additional discovery under rule 42.51(c). The comments to this rule indicated that a request meeting this standard “is expected to be rare.” See Notice, 77 Fed. Reg. at 6888. In this regard, the Board’s restrictive experience with the “interest of justice” standard in interferences should not overly color its application of this standard in the new trial proceedings given the different nature of these new proceedings, which are intended to take the place of and reduce the number of invalidity challenges in district court litigation.

In the case of post grant review, the AIA requires the Office to set forth standards and procedures for discovery that limits it to “factual assertions advanced by either party in the proceedings.” See 35 U.S.C. § 316 (as amended). The Office proposes to implement this limitation by providing that to obtain additional discovery under rule 42.51(c), a request for additional discovery must be filed showing that the “good cause” standard of proposed rule 42.224(a) is met. But the AIA does not require this standard or any preauthorization for discovery in post grant review. Even though the issues in a post grant review proceeding are narrower than in an infringement case in district court, discovery of material such as prior divulgations, adequacy of the specification, and prior positions on claim construction might be important, the first two being relevant to factual assertions of invalidity and the later to claim construction. For these reasons, IBM proposes that the parties to a post grant review trial proceeding before the Board be allowed a limited number of automatic discovery mechanisms. For example, a party might automatically be allowed three interrogatories, three requests for production and three depositions. Allowing a limited number of discovery requests has been viewed as a way to control the costs of the proceeding. *Cf.* Federal Circuit Advisory Counsel, Model E-Discovery Order (proposing presumptive limits on the number of custodians and search terms for all email production requests.) The exact numbers suggested here are merely examples, and the main point is to allow for limited, automatic discovery without having to receive authorization from the Board.

Finally, IBM suggests that rules 42.51(c) and 42.224(a) could be made clearer by more closely tracking the explanation used in the comments to these rules, which

state that a showing of “good cause” may be made by “a particular and specific demonstration of fact,” whereas under the “interest of justice standard” the moving party “would also be required to show that it was fully diligent in seeking discovery and that there is no undue prejudice to the moving party.”

With regard to the scope of estoppel, given the limited scope of discovery in these proceedings, and that the Office has a duty to enforce the estoppel provisions on the bringing of subsequent trials before the Board, *see, e.g.*, 35 USC § 315(e)(1) (as amended by the AIA), the Office should formally take the position that an estoppel does not attach from a Board trial to the extent that an applicant was unable to discover evidence or bring a claim because discovery into that issue was limited by the Board or the applicable rules. In other words, the Board should adopt a rule providing that an issue is not one that a party “reasonably could have raised” in a Board trial proceeding if either (a) that party was not able to obtain adequate discovery on that issue or (b) that party first learns of the issue during the proceedings and the Board does not rule on the issue during the proceedings.

Turning to proposed rule 42.51(b)(3), it would require that a party produce any information that is “inconsistent with a position” advanced by that party. IBM requests that the Office withdraw this section of the proposed rule. Whether or not evidence is inconsistent with a position taken by a party could be a difficult judgment call. It could require defining the granularity of the position (i.e., the ultimate issue vs. subsidiary issues) and the degree of inconsistency that triggers this requirement. For example, a party may be capable of distinguishing certain evidence and thereby harmonizing it with that party’s position, but its adversary could view this distinction differently, thus making it unclear whether the evidence will be held as inconsistent so as to require disclosure under 42.51(b)(3). In other words, whether or not evidence is consistent with a position is often in the eye of the beholder; such are the grounds over which legal disputes are generally waged. Thus, to the extent a disclosure is required when there is room for a reasonable difference of opinion as to whether evidence is inconsistent with a position taken, this rule is overbroad and unworkable. On the other hand, the rules impose a duty of candor and good faith (see proposed rule 42.11), which addresses the scope of required disclosures by the parties. Rather than imposing a second, inconsistent disclosure requirement, we suggest deleting proposed rule 42.51(b)(3) as it is not needed.

In addition, the proposed specificity requirement in 42.51(b)(3) – which would require a party state the relevance of the inconsistent information and identify where the information is in the documents filed – goes against the basic philosophy of adversarial proceedings by requiring that a party must not only present its case, but also must make the other side’s case for it. Similarly, while the Board understandably does not want to have to dig through the evidence itself, a feature of the adversarial system is that both parties have a strong

incentive to find the evidence most relevant to their case and clearly present it to the Board. Thus, the Board can rely on the parties to do the digging for them.

The closest analogy to the proposed 42.51(b)(3) requirement is in rule 1.56(b)(2), which requires an applicant to disclose to the Office any information that refutes, or is inconsistent with, a position the applicant takes in prosecuting an application. But as the Office acknowledges in the comments to proposed rule 42.51, it recently proposed removing the current requirements of rule 1.56(b)(2) and stated that “neither mere nondisclosure of information to the Office nor failure to mention information in an affidavit, declaration, or other statement to the Office constitutes affirmative egregious misconduct.” See “Revision of the Materiality to Patentability Standard for the Duty To Disclose Information in Patent Applications,” 76 Fed. Reg. 43631, 43633 (July 21, 2011) (citing *Therasense*, 2011 WL 2028255, at *12). Proposed rule 42.51(b)(3) cuts against the currently proposed change to rule 1.56, and for the same reasons should not be included in the final version of rule 42.51(b).

Because the scope of required discovery under proposed rule 42.51(b)(3) is unclear, as are the consequences of falling short of that required discovery, proposed rule 42.51(b)(3) will discourage use of trials before the Board. While the Office recognizes this in the comments to this proposed rule, its decision to nonetheless propose this rule suggests that the Office is underestimating this concern.

Other Comments

Proposed Rule 42.4

IBM submits that proposed 42.4(b) could be clarified to specify what address the Office will use to send a party the notice of trial. Note that section (c)(1) refers to an additional means of notice being to send it to “another address” associated with the party, but there is no antecedent basis for this reference to “another” address, as an address was not mentioned earlier in this proposed rule. Also, section (c) could be clarified to specify when these additional modes of notice would be used, and whether the Office intends that as a supplement or substitute for the notice specified in section (b). Proper notice to parties is important because, as the Office’s commentary to this rule states, there can be adverse consequences if a party is not aware of the proceedings.

Proposed Rule 42.8

Proposed rule 42.8(b) requires the filing of four different notices that must each be filed “on a separate paper.” IBM is not aware of the justification for the compliance burden of such a “separate paper” requirement. Particularly as the rule requires that each notice have its own specified caption, the Board should

not have trouble distinguishing between the different notices. In finalizing the new Board trial rules, the Office should seek as much as possible to minimize the burden of marginally beneficial requirements, of which proposed rule 42.8(b) appears to be an example. Cf. “Rules of Practice Before the Board of Patent Appeals and Interferences in Ex Parte Appeals,” 76 Fed. Reg. 72270, 72271 (Nov 22, 2011) (stating that the goals of the new ex parte appeal rules were to “not unduly burden[] appellants or examiners with unnecessary briefing requirements” and “effect an overall lessening of the burden on appellants and examiners to present an appeal to the Board.”). If separate papers are necessary to the operation of the Office, the Office should at least explain why this is the case.

Proposed Rule 42.9

Proposed rule 42.9(a) refers to “an involved application or patent,” while section (b) of that proposed rule in a similar context refers instead to “the subject patent.” IBM suggests that the adjective “subject” should be used throughout this or any of the other proposed trial rules, rather than sometimes using the adjective “involved” instead. In addition to the advantage of consistency, this change would eliminate the need to define the term “involved” in rule 42.2, which as currently proposed would define “involved” to mean “subject.” The Office’s proposed definition could lead to confusion, as an application or patent could have some involvement with a proceeding (e.g., as prior art) even though it is not the subject of the proceeding.

Proposed Rule 42.21

In addition to the filing of an underlying petition or motion requesting particular relief, proposed rule 42.21 allows the Board to further require the filing, as a separate document, of a notice of request for relief. It appears that the purpose of proposed rule 42.21 is to help the Board decide whether it should authorize the filing of the underlying motion; if so, the Board should clarify this purpose in comments or practice guides. In addition, proposed rule 42.21(c) provides that such motions can only be filed if they are consistent with the notice, and ambiguities will be construed against the party filing the notice. IBM suggests that the Board should be liberal in its application of proposed rule 42.21(c) so as not to elevate formalities over substance. As long as the motion is reasonably within the scope of the notice, the Board should address the motion on its merits.

Proposed Rule 42.53

Proposed rule 42.53(c)(1) states that, in the situation where the parties cannot agree on the time and place for taking testimony, the party seeking the testimony “must initiate a conference with the Board to set a time and place.” Section (c)(3) states that in the case of direct deposition testimony, the party seeking the direct testimony must serve certain notices “at least 3 business days prior to the

conference in paragraph (c)(1) of this section.” When these provisions are read together, it appears that the due date of the (c)(3) notices would be undefined if the parties agree on the time and place for taking testimony and, therefore, do not have to hold a conference under (c)(1) of this section. Thus, the Office should clarify in rule 42.53(c)(1) how this date would be applied in such a situation.

Proposed rule 42.53(e)(8) provides that any objection to the content, form, or manner of taking a deposition must be preserved in a timely filed motion to exclude. To avoid the prophylactic filing of motions to exclude testimony upon which neither party eventually decides to rely, the time for filing of motions to exclude should generally be set after the parties’ substantive papers have been filed with the Board, as suggested in timelines shown in the “Practice Guide For Proposed Trial Rules,” 77 Fed. Reg. 6868, 6869 (Feb. 9, 2012).

Proposed Rule 42.62

Proposed rule 42.62 provides that, in general, the Federal Rules of Evidence (“FRE”) shall apply to a trial proceeding before the Board. By contrast, the FRE does not apply in patent trials in the International Trade Commission under section 337. See 29 CFR § 210.37(b) (“Admissibility. Relevant, material, and reliable evidence shall be admitted. Irrelevant, immaterial, unreliable, or unduly repetitious evidence shall be excluded.”); see also W. Kuehnle, Standards Of Evidence In Administrative Proceedings, 49 NY Law School L. Rev. 829, 833-34 (2005) (stating that agency regulations referencing the FRE usually “expressly exclude the restrictive application of the FRE”). IBM suggests that the Office carefully consider the evidentiary rules of similar trial proceedings in other agencies before deciding to adopt the formalities that result from the FRE.

In addition, proposed rule 42.62(c), which contains modifications in FRE terminology, defines “hearing” with reference to FRE 804(a)(5) and, shortly thereafter, separately defines “trial or hearing” with reference to FRE 807. If the Office decides to adopt some version of rule 42.62, IBM suggests removing the first definition of “hearing,” as FRE 804(a)(5) does not appear applicable.

Proposed Rule 42.64

Proposed rule 42.64(c) provides for a motion to exclude, while section (d) of that rule provides for a motion in limine. Particularly given that there is an overlap between the discovery and trial phases of proceedings before the Board, in that trial testimony is submitted in the form of an affidavit or “discovery” deposition (see proposed rule 42.53(a)), then proposed rule 42.64 or its comments should explain the different ways in which Board intends for motions to exclude and motions in limine to be used.

Proposed Rule 42.73

Under proposed rule 42.73(a), “[a] judgment disposes of all issues that were, or by motion could have properly been, raised and decided.” This provision appears directly related to the scope of a judgment for the purposes of applying the AIA estoppel provisions, but the proposed rule is broader than the underlying statutes in that 42.73(a) extends the scope of the judgment to all issues that “could have properly been” raised. By contrast, the estoppel provisions on the AIA are directed to issues that the appropriate party “reasonably could have raised.” See 35 U.S.C. § 315(e) (inter partes review); § 325(e) (post grant review). The Office should revise proposed rule 42.73(a) to conform with this statutory language.

Proposed rule 42.73(d)(1) provides that other than in a derivation proceeding, a petitioner is estopped in the Office from taking an action inconsistent with a judgment on any ground the petitioner raised or “reasonably could have raised” during the trial. In addition, proposed rule 42.73(d)(3) provides that a patent owner or applicant is precluded from obtaining a claim that “could have been filed” in response to a properly raised ground of patentability in these proceedings. Particularly as the Office will be required to apply the “reasonably could have raised” and “could have been filed” standards, IBM requests that the Office provide formal guidance as to when these standards will be met. Given the limited scope of discovery in these proceedings, the Office should take the position that an estoppel does not attach from a Board trial to the extent that an applicant was unable to discover evidence or bring a claim because discovery into that issue was limited by the Board or the applicable rules. In other words, the Board should adopt a rule providing that an issue is not one that a party “reasonably could have raised” in a Board trial proceedings if either (a) that party was not able to obtain adequate discovery on that issue or (b) that party first learns of the issue during the proceedings and the Board does not rule on the issue during the proceedings.

In addition, proposed rule 42.73(d)(1) is inconsistent with its purported statutory basis, 35 U.S.C. §§ 315(e)(1) & 325(e)(1). Where appropriate, these statutory provisions prohibit a petitioner in review “of a claim in a patent . . . [from] request[ing] or maintain[ing] a proceeding before the Office with respect to that claim.” By contrast, the estoppel of proposed rule 42.73(d)(1) is not limited to the claims that were at issue in the original review proceeding, but rather extends to any action the petitioner raised or reasonably could have raised. The Office should revise proposed rule 42.73(d)(1) to conform with this statutory language.

Proposed rule 42.73(d)(3) is not directly supported by the AIA to the extent that it applies estoppel against an *application or patent owner* whose claim was cancelled or who requested an amendment to the specification or drawings that was denied. The estoppel provisions of the AIA are by their terms only

applicable to petitioners; they do not cover application or patent owners. To the extent that the Office intends to apply an estoppel to applicants or patent owners, the Office should clearly set forth its basis for such a provision and should explain in some detail how this rule is to be applied.

Proposed rule 42.73 provides that the estoppel discussed above also attaches to the “the real party in interest or privy of the petitioner.” It is unclear what it means for a *petitioner* to be a “privy” of another party. The office should clarify what it means for a petitioner to be a “privy” of another party.

For a further comments on the estoppel provisions of the proposed rules, the Office is directed to the “Estoppel” section of separately-filed IBM Corporation Comments regarding “Changes to implement Inter Partes Review Proceedings”, 77 Fed. Reg. 7045 (February 10, 2012).

Conclusion

IBM thanks the Office for providing the public an opportunity to submit comments regarding implementation of the Leahy-Smith America Invents Act.

Respectfully submitted,

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