
IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re: Docket No. PTO-P-2011-0085

**77 Fed. Reg. 7080
(February 10, 2012)**

***Comments by Intellectual Ventures, LLC on Changes to Implement
Transitional Program for Covered Business Method Patents***

Attention:

The Honorable David J. Kappos
Under Secretary of Commerce for Intellectual Property
and Director of the United States Patent and Trademark Office
Mail Stop Patent Board
P.O. Box 1450
Alexandria, VA 22313-1450
Attn: Michael Tierney, Lead Administrative Patent Judge

Submitted by:

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By email to: TPCBMP_Rules@uspto.gov

Dear Under Secretary Kappos:

In reply to the Notice of Proposed Rulemaking regarding Changes to Implement the Transitional Program for Covered Business Method Patents,¹ Intellectual Ventures, LLC (IV) submits the comments below.

I. Introduction

Intellectual Ventures is in business to create and invest in innovation. We work with internal and external inventors—some of the brightest minds of today's inventive society—to create new inventions.² We also build upon our inventions by licensing and acquiring intellectual property from industrial, government, and academic partnerships. We rely upon a strong patent system to protect the innovation that our company fosters. As one of the top 50 patent application filers in

¹ 77 Fed. Reg. 7080-95 (February 10, 2012) (the "Notice").

² For a list of senior inventors at Intellectual Ventures, see <http://www.intellectualventures.com/inventors.aspx>.

the world, we also rely on a patent examination and reexamination system that emphasizes quality and efficiency while minimizing cost. For more information about the business model and work of Intellectual Ventures, please visit our website:

<http://www.intellectualventures.com/inventors.aspx>.

The Notice proposes to add a new subpart D to 37 C.F.R. part 42 to implement the provisions of the Leahy-Smith America Invents Act (the “AIA”) that provide for the transitional program for covered business method patents (the “transitional program”). Specifically, among other provisions, the Notice proposes to add Rule 42.302 to address who may petition for transitional program review and Rule 42.304 to address the requisites of such a petition. As discussed below, because the issue of standing implicated by these two rules is central to a petitioner’s eligibility to pursue transitional program review, we believe the USPTO should require petitioners not merely to certify that they have standing, but to specifically articulate the basis on which their standing is grounded.

II. Comments on the Notice

As proposed in the Notice, petitioners seeking transitional program review must demonstrate standing. Specifically, proposed Rule 42.304 would require a petitioner to “demonstrate that the patent for which review is sought is a covered business method patent, and that the petitioner meets the eligibility requirements of § 42.302.”³ Proposed Rule 42.302 would require that the petitioner, the petitioner’s real party in interest, or a privy of the petitioner (a) has been sued for or charged with infringement of the patent, and (b) is not estopped from challenging the claims.⁴

However, although the proposed rules require the petitioner to demonstrate standing, the Notice provides little guidance as to what showing by the petitioner would be sufficient to do so. In fact, the Notice appears to contemplate that a petitioner could establish standing simply by certifying that it has standing, without any supporting facts or reasoning.⁵

Because questions of standing may turn on nuanced facts and argument, we submit that a greater showing than mere certification is required to support a petitioner’s demonstration of standing. Specifically, as discussed in greater detail below, we urge the USPTO to require a petitioner for transitional program review of a patent to put forth facts and reasoning that fully address the statutory definition of “covered business method patent” with respect to the patent in question, including a showing that the “technological inventions” exception to the definition does not apply. The USPTO should further require the petitioner to produce actual evidence that the petitioner or a suitably related party has been “sued for infringement” or “charged with infringement,” and the USPTO should provide further guidance on the proper interpretation of “charged with infringement.” Moreover, the USPTO should establish rules that facilitate the de-

³ Notice at 7095.

⁴ *Id.* at 7094-95.

⁵ *Id.* at 7082.

velopment of a factual record on which questions of estoppel and privity may be decided and clarify a patent owner's right to challenge standing during a transitional program proceeding based on later-arising questions of estoppel and privity.

A. A petitioner for transitional program review of a patent should bear the burden of propounding facts and reasoning that establishes not only that the patent is directed to a "financial product or service," but that the "technological inventions" exception does not apply.

The Notice acknowledges the importance of requiring a petitioner to demonstrate standing, noting that the goal of proposed Rule 42.304 is in part to "prevent spuriously instituted reviews," and further noting that "[f]acially improper standing would be a basis for denying the petition without proceeding to the merits of the decision."⁶ However, permitting a petitioner to simply allege that a patent is a covered business method patent that is eligible for review presents a scant impediment to "spurious review." Moreover, a mere certification that a patent is eligible for review presents little basis for ascertaining "[f]acially improper standing," rendering this determination a nullity in all but exceptional cases.

Congress provided would-be petitioners for transitional program review with a definition of "covered business method patent" that forms the basis for a factual inquiry into the question of standing. Specifically, Section 18 of the AIA, which establishes the basis for transitional program review, states that

"covered business method patent" means a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.⁷

Moreover, it was the intent of Section 18's sponsor that institution of a transitional program proceeding "requires a high up-front showing."⁸ We therefore urge the USPTO not to simply accept a petitioner's certification regarding the presence of standing, but instead require the petitioner to adduce specific facts and reasoning as to why the patent in question falls within the statutory definition of "covered business method patent."

We note that the definition of "covered business method patent" includes both an affirmative definition and an explicit exception: to satisfy the definition, a patent must both (a) claim a method or apparatus for performing "operations used in the practice, administration, or management of a financial product or service," and (b) not be directed to a "technological invention." Accordingly, to fully establish that a patent is a "covered business method patent" for the purpose of demonstrating standing, a petitioner should be required to provide facts and reasoning showing

⁶ *Id.*

⁷ Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(d)(1), 125 Stat. 284, 331 (2011).

⁸ 157 CONG. RECORD at S1364 (March 8, 2011) (comments of Sen. Schumer).

that the patent involves “a financial product or service” as well as facts and reasoning showing that the patent is not directed to a “technological invention.”

Finally, in clarifying the requirements for demonstrating that a patent is a “covered business method patent,” the USPTO should also offer guidance that to establish that a claim is directed to a “financial product or service,” the claim must be evaluated as a whole, and not merely in a piecemeal fashion. Specifically, the USPTO should clarify that merely nominal recitation of a colorably financial term does not render a claim directed to a “financial product or service” for the purposes of transitional program review. For example, it is possible that a claim might tangentially recite a term, such as “cost,” among other features that have nothing to do with financial products or services, such that the questionable term is “financial” only when considered in isolation. A petitioner’s simply listing selected key terms of a claim and arguing that those terms are “financial” does not square with the notion that institution of a transitional program proceeding requires a “high up-front showing” that the proceeding is warranted. Accordingly, the USPTO should alert petitioners that pointing only to isolated claim language without considering the claim as a whole will not suffice to demonstrate that a patent is eligible for transitional program review.

B. A petitioner for transitional program review of a patent should bear the burden of pro-
pounding evidence, beyond mere certification, that establishes that the petitioner or its privy has
been sued for or charged with infringement, and the USPTO should clarify that demonstrating
“charged with infringement” requires a greater showing than would be necessary to establish
declaratory judgment jurisdiction.

As noted above, in requiring petitioners to demonstrate standing, proposed Rule 42.304 incorporates the requirements of proposed rule 42.302, including a showing that the petitioner or its privy has been sued for or charged with infringement of the patent.⁹ For at least the reasons given in the previous section, a mere certification by a petitioner that it meets the requirements for standing is insufficient to meaningfully implement the USPTO’s stated goals or the intent of Congress regarding standing. Such a certification would amount to an unsupported conclusion that would be impossible for the USPTO or a patent owner to evaluate or challenge in the absence of an independent source of facts contrary to standing. As such, allowing a petitioner to establish standing through certification essentially shifts the burden to the USPTO or the patent owner to disprove standing. This is inconsistent with the USPTO’s goal of discouraging spurious proceedings, and is inconsistent with Congress’s intent that petitioners for transitional program review establish a high showing that they are entitled to such review.

Accordingly, we submit that to show that the infringement prong of standing under proposed Rule 42.302(a) is satisfied, petitioners should be required to produce evidence that they or their privies have been “sued for infringement” or “charged with infringement.” For example, to

⁹ The estoppel prong of proposed Rule 42.302 is discussed in greater detail in the following section.

demonstrate that a relevant party has been sued, petitioners should be required to submit a copy of the complaint. Moreover, if a petitioner is not a named party to a suit, the petitioner should further be required to submit evidence demonstrating the petitioner's relationship to a real party in interest or a privy who is a named party.

We further submit that the USPTO should provide guidance concerning the proper interpretation of "charged with infringement." Specifically, we urge the USPTO to clarify that the criteria for establishing "charged with infringement" should not be the same as the criteria for establishing declaratory judgment jurisdiction, which in some cases have been interpreted expansively. Rather, "charged with infringement" should be defined consistently with the plain meaning of these words, and should require a clear and unequivocal statement by the patentee that:

- (i) a specific financial product or service of the petitioner
- (ii) presently infringes or previously infringed
- (iii) one or more specifically identified patent claims that qualify the patent as a "covered business method patent."

Without such clarification, many patents that were not in fact asserted or claimed to be infringed by the patentees would nevertheless be subject to review.

In particular, we note that a patentee may engage in general discussions with a party regarding the potential benefit to a license without making any particular charge of infringement. For example, the patentee may not have sufficient information regarding the party's activities to even suggest that infringement has occurred. Moreover, the patentee may have no basis for believing that infringement is occurring, but nevertheless may believe that its patent covers valuable technology that would confer a competitive advantage to a licensee.

Allowing such discussions to rise to the level of a "charge" of infringement without further evidence that the patentee has clearly alleged infringement would chill legitimate attempts by patentees to promote their assets. Accordingly, the USPTO should clarify that in the absence of a clear and unequivocal statement by the patentee alleging infringement, merely demonstrating that a patentee has held a meeting with a party showing the potential benefit to a license is insufficient to establish that the party has been "charged with infringement."

As with the "sued for infringement" element of proposed Rule 42.302(a), a petitioner seeking to establish that it has been "charged with infringement" should be required to submit evidence that the patentee has made a clear and unequivocal allegation of infringement having the characteristics presented above. Moreover, if the petitioner is not the party that is "charged with infringement," the petitioner should further be required to submit evidence demonstrating the petitioner's relationship to a real party in interest or a privy who has been so charged.

C. The USPTO should provide rules to facilitate the development of a factual record on which to decide questions of estoppel and privity and to clarify that a patent owner may challenge a petitioner’s standing based on questions of estoppel or privity that arise during the course of a transitional program review.

In creating the new IPR and PGR proceedings for challenging patent validity, Congress was concerned that such proceedings might give rise to “abusive serial challenges to patents.”¹⁰ To address these concerns, the AIA provides estoppel provisions that limit a petitioner’s ability to mount multiple challenges to a patent. Specifically, the AIA provides that upon issuance of a final written decision of the Patent Trial and Appeal Board (“PTAB”), a petitioner or real party in interest in an IPR or PGR proceeding “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” in the IPR or PGR proceeding.¹¹ The AIA specifically provides that a transitional program proceeding will be conducted according to the same procedures as a PGR proceeding, and provides that the PGR estoppel provisions relating to proceedings before the USPTO shall apply to a transitional program proceeding.¹²

As the Notice reflects, the estoppel that arises under these circumstances attaches not only with respect to the petitioner and the real party(ies) in interest, but also to any party who is a “privity of the petitioner.”¹³ This provision promotes fairness by preventing an estopped party from indirectly acting through a distinct but allied party to initiate or maintain a proceeding that the estopped party itself cannot bring directly.

But as the USPTO has recognized, the question of whether a given party is a “privity” of an petitioner “is a highly fact-dependent question” for which there is no bright-line rule.¹⁴ Thus, for the USPTO to accurately and efficiently decide questions of privity, it is imperative that the USPTO facilitate the development of a factual record to serve as the basis for such decisions. In its commentary, although not in the proposed rules themselves, the Notice indicates that “[t]o establish standing, a petitioner, at a minimum, would be required to certify that . . . the petitioner meets the eligibility requirements of § 43.302 [i.e., is not estopped].”¹⁵ However, we believe that the USPTO should take further steps to ensure that it possesses the best and most current information relating to privity in order to ensure that questions of estoppel are promptly and fairly resolved.

Specifically, as described in more detail below, we offer the following recommendations:

¹⁰ 157 CONG. RECORD at S952 (February 28, 2011) (comments of Sen. Grassley).

¹¹ 35 U.S.C. §§ 315(e), 325(e).

¹² Leahy-Smith America Invents Act, § 18(a)(1), 125 Stat. at 329.

¹³ 35 U.S.C. 325(e)(1); Notice at 7095.

¹⁴ “Practice Guide for Proposed Trial Rules,” 77 Fed. Reg. 6868, 6870 (February 9, 2012).

¹⁵ Notice at 7082.

- The USPTO should establish a continuing duty of transitional program petitioners to update all submissions relating to estoppel throughout the pendency of a transitional program proceeding.
- The USPTO should require transitional program petitioners not merely to certify that estoppel does not apply, but to disclose any facts relevant to that certification, and specifically those facts regarding petitioners' relationships with other parties that might implicate questions of privity.
- The USPTO should clarify that questions of estoppel and privity that arise during the pendency of a transitional program proceeding may form the basis of a patent owner's motion to challenge the petitioner's standing to maintain the proceeding.

1. The USPTO should establish a continuing duty of petitioners to update all submissions relating to estoppel and privity throughout the pendency of a transitional program proceeding.

As currently drafted, proposed Rule 42.304 appears to require a petitioner to establish standing only at the time the petition for transitional program review is submitted. However, facts related to estoppel and privity may arise well after this stage. In a separate rulemaking relating to implementation of the AIA's estoppel provisions with respect to ex parte reexamination, the USPTO explicitly contemplated this scenario in noting that "a third party requester may not maintain an ex parte reexamination if the estoppel provisions are met during the pendency of the ex parte reexamination proceeding."¹⁶

Giving effect to an estoppel predicated on facts that arise during the pendency of a transitional program proceeding (i.e., after the petition has been filed) logically requires that those facts be disclosed when they arise. Moreover, of all the entities involved in the proceeding, the petitioner is in the best position to know of the facts that may give rise to an estoppel, including facts regarding the petitioner's potential privies. Accordingly, we believe that petitioners should be subject not merely to an initial duty to disclose relevant facts regarding estoppel and privity at the outset of a transitional program proceeding, but rather to a continuing duty to disclose such facts throughout the proceeding.

The USPTO has a strong policy interest in ensuring that it has the best and most current information relating to the issues it must decide during a given proceeding. Moreover, placing the burden of continuing disclosure of certain facts on a party to a USPTO proceeding is appropriate when that party is in a better position than the USPTO to discern those facts. For example, to serve this policy interest, patentees are subject to a continuing duty to disclose information material to patentability. To ensure that the USPTO is apprised of similarly essential information

¹⁶ "Changes to Implement Miscellaneous Post Patent Provisions of the Leahy-Smith America Invents Act," 77 Fed. Reg. 442, 443 (January 5, 2012) (emphasis added).

that petitioners are in the best position to provide, petitioners should likewise be subject to a continuing duty of disclosure as proposed here.

2. *The USPTO should require petitioners not merely to certify that estoppel does not apply, but to disclose any facts relevant to that certification, and specifically those facts regarding petitioners' relationships with other parties that might implicate questions of privity.*

The Notice appears to suggest that to initiate a transitional program proceeding, a petitioner need only certify that “the petitioner meets the eligibility requirements of § 42.302 [i.e., that estoppel does not apply].”¹⁷ IV respectfully submits that mere certification is inadequate to meaningfully implement the AIA’s estoppel provisions.

As noted above, Congress’s intent in drafting the strong estoppel provisions of the AIA was to protect the interests of patentees by preventing defendants (or their privies) from using serial post grant proceedings to launch multiple attacks on patent validity. Without disclosure of supporting facts, a conclusory statement that estoppel does not apply simultaneously invites abuse and renders the legitimacy of the statement nearly impossible to verify. Moreover, merely accepting the petitioner’s certification that estoppel does not apply effectively delegates to an interested party a critical procedural determination that should properly be within the purview of an independent decision maker—i.e., the USPTO.

Further, the USPTO has acknowledged that whether a given party is a privy of a petitioner for purposes of estoppel is an intensely fact-dependent question. As discussed above, proper resolution of this question demands the establishment of factual record that can be evaluated and challenged. Once again, we note that the petitioner is in the best position to supply detailed facts from which the USPTO may then resolve questions of estoppel and privity.

Accordingly, we recommend that the USPTO not simply rely on a petitioner’s conclusion that estoppel does not apply, but instead compel the petitioner to adduce factual support for that conclusion, including any facts regarding the petitioner’s relationships with other parties that might give rise to questions of privity with respect to such other parties.¹⁸ Examples of facts petitioners should be required to disclose include, but are not limited to:

- a. Identities of predecessors and successors in interest with respect to the petitioner (e.g., resulting from acquisitions, mergers, etc.);
- b. Identities of parties who are codefendants of the petitioner;

¹⁷ Notice at 7082.

¹⁸ For the reasons discussed in the previous section, this disclosure requirement should not be limited to the petition for transitional program review. Rather, petitioners should be under a continuing duty to disclose and update these facts throughout the transitional program proceeding.

- c. Identities of any parties known by the petitioner to have previously petitioned for IPR, PGR, or transitional program review of the patent for which the petitioner requests transitional program review; and
- d. Whether the petitioner is a party to a Joint Defense Agreement (“JDA”) in any copending litigation of the patent for which transitional program review is requested, and if so, the terms of the JDA and the identities of the other parties to the JDA.¹⁹

The fact that no prior estoppel-triggering proceeding exists at the time a petitioner requests transitional program review for a given patent does not negate the USPTO’s need to develop facts such as those listed above. As noted above, a transitional program proceeding is subject to termination in the event of a later-arising estoppel resulting from a pending or subsequent proceeding. Requiring full initial disclosure, as well as a continuing duty to update facts relevant to estoppel and privity as other proceedings progress, will increase factual transparency and improve the USPTO’s ability to determine when estoppel should rightfully apply.²⁰

3. *The USPTO should clarify that questions of estoppel and privity that arise during the pendency of a transitional program proceeding may form the basis of a patent owner’s motion to challenge the petitioner’s standing to maintain the proceeding.*

As recommended above, we believe the USPTO should require petitioners to develop a detailed factual record from which questions of estoppel and privity could be decided. To fully implement the estoppel required by the AIA, however, the USPTO should clarify the procedure through which such questions can be adjudicated. We believe that simply requiring petitioners to certify that estoppel does not apply at the outset of a proceeding is procedurally insufficient, in that it fails to address how a later-arising estoppel would actually be identified and enforced during a pending transitional program proceeding.

The USPTO could assume the sole responsibility for deciding questions of estoppel and privity based on the petitioner’s factual submissions. However, this would require the USPTO to

¹⁹ We note that although existence of a JDA does not dispositively establish that the parties to the JDA are privies for estoppel purposes, participation in a JDA has been held to support a finding of privity. *See, e.g., Asahi Glass Co. v. Toledo Engineering Co.*, 505 F.Supp. 2d 423, 434 (W.D. Ohio 2007) (finding privity based on JDA along with indemnification agreement and retention of shared counsel); *Crown Equip. Corp. v. Toyota Material Handling, U.S.A., Inc.*, 2005 U.S. Dist. LEXIS 22211 at *12-*14 (W.D. Ohio 2005) (finding privity based on JDA along with one party’s funding the other’s litigation expenses, sharing counsel, and one party’s review and approval of documents filed by another, among other factors).

²⁰ If any prior IPR or PGR proceeding with respect to the patent in question is in fact pending or concluded when transitional program review is requested, substantially higher scrutiny is needed with respect to estoppel and privity questions. In this situation, we recommend that in their showing of facts as to why estoppel and privity do not bar transitional program review, petitioners be required to address the related IPR/PGR proceeding with specificity.

bear the entire burden of evaluating the factual record (both at the time of the initial petition and in response to new factual developments) and determining whether estoppel should apply.²¹

We believe that the USPTO should retain the right to decide questions of estoppel and privity on its own initiative. However, the proposed Rules of Practice for Trial Before the Patent Trial and Appeal Board (PTAB) establish a motions practice through which a party may request relief.²² Because challenges to subject matter jurisdiction may typically be raised at any time during litigation, we suggest that the USPTO explicitly clarify that a patent owner has the right to file a motion challenging the petitioner's standing on the basis of estoppel or privity questions at any time during the pendency of a transitional program proceeding.²³

III. Conclusion

In summary, we appreciate the challenges that the USPTO faces in implementing the wide-ranging initiatives of the AIA. At the same time, we believe that to fulfill Congress's intent with respect to the issues of standing relating to transitional program proceedings, the USPTO should take steps beyond those discussed in the Notice.

Specifically, because standing issues are by their nature fact-dependent, the USPTO should require petitioners to bear the initial burden of establishing the basis for their claim to standing. The USPTO should require a transitional program petitioner to put forth facts and reasoning supporting the petitioner's contention that a patent is a "covered business method patent," including a demonstration that the "technological inventions" exception does not apply to the patent in question. The USPTO should further require a petitioner to demonstrate, through evidence and not mere certification, that the petitioner or a suitably related party has been "sued for infringement" or "charged with infringement." Moreover, to ensure the establishment of a well-developed factual record on which to ground the analysis of estoppel and privity issues, the USPTO should (a) require of petitioners a continuing duty of disclosure of estoppel-related facts throughout a transitional program proceeding and (b) require petitioners to provide factual support for their certification that estoppel does not apply. Further, the USPTO should not solely assume the burden of deciding when estoppel should apply, but should clarify the right of a patent owner to challenge a petitioner's standing by motion during a pending transitional program proceeding.

We appreciate the opportunity to comment, and look forward to continuing to work with the USPTO to improve patent examination for the benefit of applicants and the public.

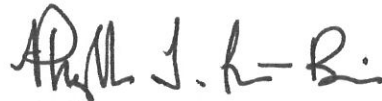
²¹ As noted in the previous section, such factual evaluation is necessary to meaningfully implement estoppel; merely accepting a petitioner's certification at face value is procedurally inadequate.

²² 77 Fed. Reg. 6879, 6909-10 (February 9, 2012).

²³ *Cf.* FEDERAL RULES OF CIVIL PROCEDURE § 12(h)(3) ("If the court determines at any time that it lacks subject-matter jurisdiction, the court must dismiss the action.").

Consideration of the above comments is respectfully requested.

Respectfully submitted,
Intellectual Ventures, LLC

A handwritten signature in black ink, appearing to read "Phyllis T. Turner-Brim". The signature is stylized and cursive.

Phyllis T. Turner-Brim
Vice President, Chief IP Counsel
Reg. No. 39,864

Date: 9 APRIL 2012
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