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Paper 27
Entered: May 17, 2013

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

BLOOMBERG INC.; BLOOMBERG L.P.; BLOOMBERG FINANCE L.P.;
THE CHARLES SCHWAB CORPORATION;
CHARLES SCHWAB & CO., INC.;
E*TRADE FINANCIAL CORPORATION; E*TRADE SECURITIES LLC;
E*TRADE CLEARING LLC; OPTIONSXPRESS HOLDINGS INC.;
OPTIONSXPRESS, INC.; TD AMERITRADE HOLDING CORP.;
TD AMERITRADE, INC.; TD AMERITRADE IP COMPANY, INC.; and
THINKORSWIM GROUP INC.
Petitioner,

v.

MARKETS-ALERT PTY LTD.
Patent Owner.

Case CBM2013-00005 (JYC)
Patent 7,941,357

Before JAMESON LEE, SALLY C. MEDLEY, JONI Y. CHANG, *Administrative Patent Judges*.

CHANG, *Administrative Patent Judge*.

ORDER
Authorizing Motion for Additional Discovery
37 C.F.R. § 42.224

On May 15, 2013, a telephone conference call was held between respective counsel for the parties and Judges Lee, Medley, and Chang. The subject matter of discussion was Markets-Alert's request for authorization to file a motion for discovery. In particular, Markets-Alert requested the Board's authorization to file a request for routine discovery, a request for mandatory initial disclosures, and a motion for additional discovery.

Expunging Papers

Prior to the conference call, Markets-Alert filed two papers and four exhibits as a request for authorization to file a motion for discovery. (Papers 25 and 26; Ex. 2017 through 2020.) Upon brief review of the papers and exhibits, the Board determined that those papers and exhibits were essentially a motion for discovery filed without a prior authorization. 37 C.F.R. § 42.20. Accordingly, they have been expunged from the record of this trial. 37 C.F.R. § 42.7(a).

Routine Discovery

The Board directed the parties' attention to 37 C.F.R. § 42.51(b)(1), which provides (emphasis added):

> *Routine discovery*. Except as the Board may otherwise order:
>
> * * * *
>
> (iii) Unless previously served, a party must serve relevant information that is inconsistent with a position advanced by the party during the proceeding *concurrent with the filing of the documents* or things that contains the inconsistency. This requirement does not make discoverable anything otherwise protected by legally recognized privileges such as attorney-client or attorney work product. This requirement extends to inventors, corporate officers, and persons involved in the preparation or filing of the documents or things.

Routine discovery does not require any action on the part of Markets-Alert as the rule places the burden upon Bloomberg to come forward and serve information inconsistent with a position advanced. During the conference call, each party confirmed that it has produced all information covered by 37 C.F.R. § 42.51(b)(1)(iii) as routine discovery. As a result, Markets-Alert withdrew its request for routine discovery.

Mandatory Initial Disclosures

Pursuant to 37 C.F.R. § 42.51(a), parties may agree to mandatory discovery requiring the initial disclosures set forth in the Office Patent Trial Practice Guide. Where the parties fail to agree to the mandatory discovery, however, a party may seek such discovery by motion pursuant to 37 C.F.R. § 42.51(b)(2) and 37 C.F.R. § 42.224 in a covered business method patent review. Therefore, 37 C.F.R. § 42.51(a) is not a separate mechanism for filing a discovery motion in addition to that available under 37 C.F.R. § 42.51(b)(2).

The Board explained that Markets-Alert's request for mandatory initial disclosures is in essence a request for additional discovery and must be presented in the form of a motion in compliance with 37 C.F.R. §§ 42.20, 42.51(b)(2) and 42.224. Markets-Alert agreed to present its request for production of information in the form of a motion for additional discovery.

Additional Discovery

The Board further directed the parties' attention to 37 C.F.R. § 42.224, which provides:

> Notwithstanding the discovery provisions of [§ 42.51(b)(2)]:
>
> (a) Requests for additional discovery may be granted upon a showing of good cause as to why the discovery is needed; and
>
> (b) Discovery is limited to evidence directly related to factual assertions advanced by either party in the proceeding.

The Office promulgated that rule pursuant to 35 U.S.C. § 326. *See e.g.*, 35 U.S.C. § 326(a) ("The Director shall prescribe regulations— (5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to evidence directly related to factual assertions advanced by either party in the proceeding;") and 35 U.S.C. § 326(b) ("In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter."). That is significantly different from the scope of discovery generally available under the Federal Rules of Civil Procedure.

In a covered business method patent review, discovery is limited as compared to that available in district court patent litigation. Limited discovery lowers the cost, minimizes the complexity, and shortens the period required for dispute resolution. Given the one-year deadline for completion of a review, the Board will be conservative in granting additional discovery. *See* 154 Cong. Rec. S9988-89 (daily ed. Sept. 27, 2008)(statement of Sen. Kyl).

Upon considerations of the parties' arguments, the Board determined that briefing on the matter is warranted. Therefore, Markets-Alert is authorized to file a

motion for additional discovery, and Bloomberg is permitted to file an opposition to the motion.

The Board indicated that Martets-Alert should prepare its motion for additional discovery with the statutory and regulatory considerations in mind. Markets-Alert's motion should explain specifically what discovery is being requested and include a showing of good cause as to why each item is needed. The Board further advised Markets-Alert that its discovery request should be tailored narrowly and therefore Markets-Alert should not expect the Board to sort through a broad request to find items that meet the statutory and regulatory standard. For instance, the motion must specifically identify the information sought and address the relevance of that information, including identifying the nexus between the information sought and any allegation of commercial success. A discovery request will not be granted if the discovery request is unduly broad and encompasses numerous documents that are irrelevant to the instituted grounds of unpatentability.

For further guidance, the Board pointed out two decisions on additional discovery. In CBM2012-00001 (Paper 24 at 3-5), a discovery request for specific documents that were not burdensome for the petitioner to produce was granted. The factors set forth in the "Decision on Motion for Additional Discovery" entered in IPR2012-00001 (Paper 26 at 6-7) are helpful in determining whether a discovery request meets the statutory and regulatory standard. Notably, the mere possibility of finding something useful, and mere allegation that something useful will be found, are insufficient (Factor 1), and the request must not be overly burdensome to answer (Factor 5).

It is

ORDERED that Markets-Alert is authorized to file a motion for additional discovery under 37 C.F.R. § 42.51(b)(2) by May 20, 2013, limited to 10 pages;

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