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September 9, 2019

The Honorable Thom Tillis, Chairman
Subcommittee on Intellectual Property
Committee on the Judiciary
U.S. Senate
224 Dirksen Senate Office Building
Washington, D.C. 20515

RE: The US Patent System and PTAB injustice

Dear Senator Tillis,

As an introduction, I am a tech entrepreneur in San Antonio, Texas and have been involved with technology innovation since 1970. Early in my career I helped grow a local computer startup to a fortune 500 company and became Vice President of R&D. Then I founded a series of small companies that pioneered teleradiology, networking, image transmission for Unites States Government applications including for DoD, the FBI and other agencies.

By invitation of the United States, I sat as a non-voting civilian on the Government National Imagery Transmission Format board and helped write the Government's NITF image standard that is the basis of Government image transmission today. A small company I started and owned, PhotoTelesis Corporation, was the first civilian company to be certified under this standard. Through many steps of evolution, PhotoTelesis spawned other companies, including e-Watch Corporation and its sister company, e-Watch, Inc., that further developed, patented and sold advanced imagery systems and other solutions.

Throughout my career I and my companies have extensively utilized the USPTO. Over 50 US patents have been issued in my name and assigned to my companies to protect intellectual property used as a basis for their products. Millions of dollars were spent by myself and these small companies on R&D, filing, prosecuting and maintaining patents, product development, marketing and sales. Profits from sales were repeatedly poured back into product development and intellectual property that helped push the state-of-the-art forward.

On September 16, 2012 The Leahy-Smith America Invents Act went into effect and, in my experience, created near total chaos for the US patent system. The American Invents Act (AIA) created the Patent Trial and Appeal Board (PTAB) which is a redundant parallel path to adjudicate patent validity matters. The PTAB utilizes *different procedures* and *different legal standards* to evaluate patent validity. The AIA was advertised as a method to streamline patent dispute resolution and to be a remedy to a "patent troll" situation. In my reality, it has done exactly the opposite. The AIA and the creation of the PTAB has created a new Government bureaucracy and increased dispute resolution costs. This is an explicit advantage to large businesses over small, and as a side effect, an advantage to foreign businesses over domestic. It took away any review by my peers, and my testimony in the process was essentially eliminated due to the PTAB procedures. I will give a few examples:

Relative to streamlining dispute resolution, prior to the AIA patent disputes were adjudicated in Federal District Court. Judges take an reasonable approach of limiting the scope of litigation, such as by limiting the plaintiff to applying a small number of their "best" claims against an infringing product, and limiting the defendant to a small number of their "best" alleged prior art examples. The AIA does not decrease, it multiplies the workload and the cost of litigation. An Inter Parties Review (IPR) can challenge *every* claim of a patent in dispute, thus multiplying the workload. Multiple IPR's can be filed on the *same* patent, further increasing the workload. And finally, there is *no standing requirement* for IPR, so companies can file IPR's even though they are no involved in any dispute, creating a new kind of "troll" some are calling a "PTAB troll".

My companies have experienced all of these costly situations:

- 28 IPR's have been filed against my patents.
- As many as 12 IPR's have been filed against one patent alone, 8 against another.
- One IPR was filed by a "PTAB troll", a university professor operating though a shell company, basically demanding ransom to prevent his filing of an IPR. We couldn't and wouldn't pay, so he filed the IPR and, after much expense, eventually extracted a settlement.

The AIA has reportedly been invalidating 84% of the patents it adjudicates. This is inherently damaged my companies:

- Large sums were expended on R&D, filing fees, legal fees, maintenance fees to establish patents on which we based our products. We then spent more putting them into production and marketing them. We were relying on the US patent system to protect our investment. In fact, when that protection was needed, the patent system under the AIA was a liability to our company. Not only did we lose protection because claims were taken back that had been issued by the Patent Office, we spent a lot of money in attempt to save them. The USPTO should be held to high quality standards such as we are held to in commercial in business. We have to stand behind our products or we will go out of business. The USPTO doesn't, and is even paid to find defects in and invalidate its own work.
- Because of the high risk of having IPRs filed and losing claims or entire patents, litigators have started suing smaller alleged infringers rather than larger egregious ones to attempt to settle lawsuits without IPRs. My company was sued with a patent that we obviously didn't infringe. We could not afford to pay the fees for an IPR, so the IPR mechanism

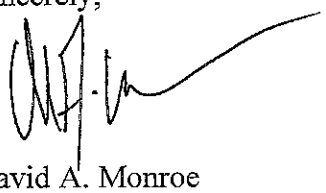
was not available to us due to expense even if we had wanted to use it. We fought in District Court and won. But, in my opinion, the case should never have been filed in the first place and the AIA probably encouraged this "troll" litigator to set sights on our small business.

In closing, the US Patent system has been fundamental to the growth and success of America since America's founding. Americans have been the premiere innovators of the world, and our country's great fortune has been based on the protection of this innovation.

The AIA and the actions of the PTAB have dramatically "changed the rules" and created quicksand for America's innovators and inventors. The wide scope of these changes have created many new unanswered legal and procedural questions creating even more issues that are and will be litigated. It has substantially increased the risk and cost of protecting vital intellectual property. In order for small companies to innovate and create the new technology allowing them to grow into larger companies, or to supply innovative technologies to larger companies, the PTAB must be reformed or eliminated.

The current burdens of the US patent system have nearly eliminated my small companies' ability to continue to innovate and protect the intellectual property we develop. I am hopeful that Congress will thoughtfully work with small inventors as well as large corporations in rolling back the damaging changes of the past and making the necessary reforms to strengthen the great patent system we have enjoyed

Sincerely,



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