

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

PETITION FOR RULEMAKING PURSUANT TO 5 U.S.C. § 553(e)  
FOR SPECIFIC CRITERIA FOR DECIDING INSTITUTION OF AIA TRIALS

PETITIONERS:

US Inventor  
Small Business Technology Council

Director Andrei Iancu  
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Mail Stop Petitions, Commissioner for Patents  
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**INTRODUCTION**

This is a petition under 5 U.S.C. § 553(e) for rulemaking that would provide specific criteria for deciding institution of trials under the America Invents Act. The proposed rule is expected to be deregulatory for purposes of Executive Order 13771, since it imposes a net reduction of costs on parties, more of whom would no longer be subject to costly trials. For similar reasons, the proposed rule is not considered a significant regulatory action under Executive Orders 12866 or 13563, and is not expected to require review by the Office of Information and Regulatory Affairs (OIRA).

Rulemaking improvements are required in order to increase the reliability of the patent grant and bring the patent system into compliance with the Constitutional mandate of “securing to inventors the exclusive right to their discoveries.” Current procedures have defeated the traditional presumption of validity, jeopardizing meritorious patents with a high risk and expense of a trial

designed to undo the patent grant. Indeed, trials continue to be instituted on 65% of challenged patents<sup>1</sup>, despite the Director’s recent emphasis on discretionary factors in updates to the Trial Practice Guide and designation of precedential decisions. The importance of integrity and reliability of issued patents as the basis for building businesses, which the current Director has often emphasized, require more predictability and uniformity at the institution phase than currently exists.

These attempts at setting policy through informal guidance, although a welcome departure from prior practices, lack bright line rules and therefore leave excessive discretionary decision making in the hands of the administrative patent judges (APJs) assigned to each case.<sup>2</sup> For instance, the Trial Practice Guide states that:

General Plastic enumerated a number of non-exclusive factors that the Board *will consider*...

The General Plastic factors, alone or in combination, *are not dispositive*, but part of a balanced assessment of all relevant circumstances in the case...

[it is] *the Board’s discretionary decision* to institute or not institute.<sup>3</sup>

(Emphasis added.)

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<sup>1</sup> <https://www.ipwatchdog.com/2020/05/21/ptab-institution-data-analysis-proves-reforms-failed>

<sup>2</sup> Such attempts at informal guidance also appear inconsistent with EO 13891 and EO 13892 issued on October 9, 2019 by President Trump. I.e., “agencies in the executive branch adopt regulations that impose legally binding requirements on the public even though, in our constitutional democracy, only Congress is vested with the legislative power. The Administrative Procedure Act (APA) generally requires agencies...to engage in notice-and-comment rulemaking to provide public notice of proposed regulations under section 553 of title 5...”; “When an agency takes an administrative enforcement action, engages in adjudication, or otherwise makes a determination that has legal consequence for a person, it must establish a violation of law by applying statutes or regulations.”).

<sup>3</sup> <https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf> at 56, 58

Yet Congress did not give this level of discretion to the Board; it gave it to the Director. Thus, §314(a) states: “The *Director* may not authorize an *inter partes* review to be instituted unless the Director determines ...”. The Director is also required to promulgate regulations that govern how such discretion should be exercised. *See, e.g.*, §316(a): “The *Director* shall prescribe regulations...” (Emphasis added). Petitioners recognize that the Director can only implement the post-issuance aspects of the AIA by delegation, but we submit that the approach most consistent with the statute and relevant decisional law is for the Director to implement the institution discretion through notice-and-comment rulemaking providing objective criteria for institution. With objective criteria in place, both patent owners and prospective petitioners will know with a greater degree of certainty whether or not a patent is likely to be subject to post issuance review by the USPTO. Reliability of the patent grant thus will be substantially increased.

Relevant to this petition is a position taken by the USPTO in *Facebook v. Windy City*, wherein the USPTO asserted that decisions of the PTAB Precedential Opinion Panel are entitled to *Chevron* deference. In its brief, the agency acknowledges that:

Congress [contemplated] that the USPTO would not rely exclusively on adjudication insofar as it provided that the Director “shall prescribe regulations” about specified topics.

Yet in the 9 years since enactment of the AIA, the USPTO has not undertaken ANY notice-and-comment rulemaking to govern discretionary considerations, which is pivotal and in reality one of the single most important junctures in the process. Instead, The entirety of the Director’s discretion has been delegated to the individual APJs assigned to a new petition, who in turn conduct a “balanced assessment of all relevant circumstances.” This unconstrained and highly subjective approach leads to arbitrary institution decisions that undermine the

integrity and reliability of issued patents. A proper rule-making process will do much to restore confidence in issued patents.

## **GUIDANCE FAILS TO PROVIDE PREDICTABILITY**

To date the PTO has relied on two mechanisms to govern the use of discretion in the institution decision. The Trial Practice Guide and designation of certain decisions as precedential. These include: Consolidated Trial Practice Guide November 2019; Trial Practice Guide July 2019 update; Trial Practice Guide August 2018 update; *Apple v. Fintiv* (Mar. 20, 2020); *Oticon Medical v. Cochlear* (Oct. 16, 2019); *Valve v. Electronic Scripting Products* (May 1, 2019); *Valve v. Electronic Scripting Products* (Apr. 2, 2019); *NHK Spring v. Intri-Plex Technologies* (Sept. 12, 2018); *Becton, Dickinson v. Braun Melsungen* (December 15, 2017); and *General Plastic Industries v. Canon Kabushiki Kaisha* (Sept. 6, 2017).

The primary failing of this approach, and the reason for this petition, is that it does not provide for reliable and predictable patent rights. It is impossible to predict with any confidence whether a trial will be instituted or not. The uncertainty impacts petitioners and patent owners alike as their investment, asset (for patent owners), and liability (for petitioners) hinge on what is essentially a wager. This is especially a problem for small entities with limited financial resources. Predictability is critical to avoid having to “bet the business” on post-issuance review by the PTO.

### **I. Co-pending District Court Actions**

Precedential decisions *NHK* and *Fintiv* have not translated to predictability. Both decisions provide “non-exclusive” factors that are to be “weighed” as a part of a “balanced assessment”. What does this mean? No one knows. How is a factor to be scored and how much weight does each get and what score will assure or

prevent denial of institution? A sample of recent institution decisions illustrates the problem.

- On September 12, 2019 institution was **denied** in IPR2018-00752. A district court trial between the same parties was scheduled 6 months ahead of the PTAB final decision. The judge had not ordered a stay or issued any order contingent on the PTAB. There were 134 docket entries including a Markman order.
- On May 13, 2020 institution was **denied** in IPR2020-00019. A district court trial between the same parties was scheduled 2 months ahead of the PTAB final decision. The judge had not ordered a stay or issued any order contingent on the PTAB. There were 89 docket entries including a Markman order.
- On June 16, 2020 institution was **granted** in IPR2019-01393<sup>4</sup>. A district court trial between the same parties was scheduled 4 months ahead of the PTAB final decision. The judge had not ordered a stay or issued any order contingent on the PTAB. There were 101 docket entries including a Markman order.
- On July 28, 2020 institution was **granted** in IPR2020-00235. A district court trial between the same parties was scheduled 9 months ahead of the PTAB final decision. The judge had not ordered a stay or issued any order contingent on the PTAB. There were 192 docket entries including a Markman order.

There are many other apparently conflicting decisions which are altogether undecipherable. The analysis under *NHK* and *Finitiv* has only added complexity and unpredictability to the institution decision. Clear and unambiguous rules would alleviate this and achieve the intended purpose of §314(a) and §316(b).

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<sup>4</sup> This was a rehearing in *Sand Revolution v. Continental Intermodal Group* where Vice Chief APJ Scott Weidenfeller was added to the panel which reversed the earlier decision denying institution. The decision has been designated informative. Judge Albright subsequently denied a motion to stay stating “the Court strongly believes the Seventh Amendment”, further confounding the decision to institute.

## II. Previously Considered Issues

For some time the PTAB was inconsistent in determining that a prior art or argument had previously been presented to the Office, for example declining to recognize that prior art initialed by the examiner on an IDS met this condition. Fortunately *Advanced Bionics* has largely addressed this problem and has gone a long way toward providing predictability around this issue.<sup>5</sup> This petition proposes to incorporate the analysis required by *Advanced Bionics* into a notice-and-comment rulemaking so that it is binding on the parties, provides long term predictability, and fulfills the requirements of recent Executive Orders on agency guidance and administrative adjudication by President Trump.

## III. Multiple Petitions

*General Plastics* has failed to provide predictability to parties with respect to the number of petitions permitted. The PTAB continues to grant petitions that are filed both in parallel and in series relative to other petitions by the same petitioner. The PTAB has rewarded such gamesmanship by normally granting at least one of the multiple petitions. This provides no relief to patent owners who are forced to contend with responding to multiple petitions and at least one costly trial and commensurate likelihood of invalidation of important claims.

In Fiscal Year 2020 (beginning October 1, 2019) 72% of patents subjected to parallel petitions were instituted for trial and 71% of patents subjected to serial

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<sup>5</sup> Petitioners observe that there is still lack of clarity with respect to what qualifies as “substantially the same prior art or arguments” with panels allowing trivial distinctions to avoid this bar. See for example IPR2020-00021 and IPR2020-00285. We do not provide a proposal at this time, but leave it to the PTO to determine when and how to address this emerging problem.

petitions were instituted for trial.<sup>6</sup>

	Patents Instituted	Patents Challenged	Patent Institution Rate
Single	306	518	59%
Parallel	86	120	72%
Serial	65	91	71%
Total	457	729	63%

- On January 20, 2020 institution was **granted** in IPR2019-01223 and IPR2019-01224. These were 2 of 5 petitions filed against patent 7,686,631 by the same petitioner. Each petition challenged the same 18 claims.
- On February 21, 2020 institution was **granted** in IPR2019-01241. This was 1 of 3 petitions filed against patent 7,683,903 by the same petitioner. Each petition challenged the same 8 claims.
- On March 11, 2020 institution was **granted** in IPR2019-01520, IPR2019-01521, and IPR2019-01522. These were 3 of 6 petitions filed against patent 10,186,523 by the same petitioner. One of the claims was challenged 6 times, another was challenged 4 times, and while others were challenge 2 times each. Every challenged claim was instituted.
- On June 26, 2020 institution was **granted** in IPR2020-00130. This was the 5th petition granted of 6 petitions filed against patent RE45380 by the same petitioner. The petitions challenged 3 independent claims and 32 dependent claims.
- On July 28, 2020 institution was **granted** in IPR2020-00255. This was the 5th petition granted of 7 petitions filed against patent 9,516,127 filed by 4 different petitioners.

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<sup>6</sup> Data was obtained from the PTAB API 2.0 at <https://developer.uspto.gov/ptab-api/swagger-ui.html#/proceedings>; detailed report at <https://usinventor.org/wp-content/uploads/FY20-PTAB-Institutions.xlsx>

As shown in the table above over 200 patents have similarly been subjected to multiple petitions in FY2020, resulting in institution rates of 71-72%. Current guidance and precedents have failed to limit both serial and parallel petitions.

#### IV. The Effect on the Economy and the Integrity of the Patent System

It is widely accepted that AIA trials have had a dramatic impact on the economy and the integrity of the patent system. There is a vigorous debate over whether the impact has been positive or negative. Petitioners propose that a more granular analysis is advisable, in particular the impact on small practicing entities. Whatever the net impact of PTAB has been, it has caused serious harm to these stakeholders.

The PTAB has been heavily utilized by large corporations, who can easily afford to litigate their invalidity challenges in district court where a small business might obtain contingency representation and an opportunity to plead their case to a jury. The majority of PTAB cases involve a corporation with orders of magnitude greater resources than the patent owner.

Apple Inc. (636)	HTC America, Inc. (113)
Samsung Electronics Co., Ltd. (514)	Comcast Cable Communications Management, LLC (112)
Samsung Electronics America, Inc. (469)	Facebook, Inc. (110)
Google LLC f/k/a Google Inc. (336)	ZTE Corporation (109)
Microsoft Corporation (224)	Comcast Business Communications, LLC (108)
Unified Patents, LLC f/k/a Unified Patents Inc. (207)	Comcast STB Software I, LLC (106)
LG Electronics, Inc. (205)	NBCUniversal Shared Services, LLC f/k/a Comcast Shared
Intel Corporation (199)	Huawei Device USA, Inc. (103)
LG Electronics USA, Inc. (178)	Comcast Holdings Corporation (103)
Comcast Cable Communications, LLC (159)	Comcast Financial Agency Corporation (103)
Cisco Systems, Inc. (143)	Ericsson Inc. (101)
Comcast Corporation (142)	Huawei Technologies Co., Ltd. (99)
ZTE (USA), Inc. (127)	Amazon.com, Inc. (97)
LG Electronics MobileComm USA, Inc. n/k/a LG Electronics US	Sony Corporation (96)
HTC Corp. (118)	Dell Inc. (92)

Top Petitioners at the PTAB by Number of Petitions (Docket Navigator)

Some patent owners (often characterized as patent assertion entities (PAEs) or non-practicing entities (NPEs)) have resources and have adjusted their business



models to manage the cost and risk associated with PTAB trials. However a substantial number of others are small practicing entities who fully allocated their resources to R&D, manufacturing, and other investments in developing and commercializing the claimed invention. To small practicing entities institution of a trial has a substantial negative impact on their business, introducing dramatic unexpected costs and risk.

Such small businesses are the backbone of innovation and job creation<sup>7</sup> and normally do not have hundreds of thousands of dollars to risk on outcomes in post-issuance proceedings. A 2008 survey of technology startups found that “cost considerations in patenting loom large for startups, with the cost of prosecuting and the cost of enforcing the patent cited by more respondents than any other reason [for not patenting]”.<sup>8</sup> Another scholar explained, “even if an early-stage company had a patent, it is unlikely that it would have resources available to enforce the patent through litigation against a competitor. That is particularly true when the competitor is a large firm. One problem is the disparity in litigation resources. One investor emphasized the concern that a large defendant would ‘rain lawyers on your head and tie you up in court for the next ten years.’”<sup>9</sup>, which is what happens

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<sup>7</sup> See M.J. Meurer, “Inventors, entrepreneurs, and intellectual property law”. *Houston Law Review*, 45, 1201-1281. Available at <https://houstonlawreview.org/article/4828-inventors-entrepreneurs-and-intellectual-property-law> (2008) at 1201 (“Small innovative firms make crucial contributions to technological progress and economic growth...One of the relatively few empirical regularities...is the critical role...of entrants—typically de novo start-ups—in emerging industries.”.)

<sup>8</sup> Stuart Graham, et al, “Intellectual Property and Technology Startups: What Entrepreneurs Tell Us”. *Technological Innovation: Generating Economic Results: Advances in the Study of Entrepreneurship, Innovation & Economic Growth*, Vol. 26, pp. 163-199. Available at <https://ssrn.com/abstract=3077282> (2016)

<sup>9</sup> Ronald Mann, “Do Patents Facilitate Financing in the Software Industry?”. *Texas Law Review*, Volume 83, Number 4. Available at <https://pdfs.semanticscholar.org/7d53/b6f11090bbf764e28ff2905d95bcdeb119bc.pdf> (March 2005) at 981)

to many patent owners at the PTAB. These small businesses must be able to rely on their issued patents, and disputes with competitors must not be encumbered with delays, expense, and uncertainty of post-issuance review within the PTO.

- Patrick Buckley is the inventor of several patented smartphone accessories including a virtual reality viewer that was manufactured by his company *DodoCase* in their San Francisco factory. They were put out of the VR viewer business by infringing Chinese importers, one who filed IPRs on each of the 3 patents for the invention. Lacking funds to defend the IPR, *DodoCase* was forced to assign the patents to their attorney in exchange for representation at the PTAB and in federal court. The delays and cost added by the PTAB proceedings eventually forced the attorney-assignee to settle the infringement case. But for the PTAB, Patrick would have profited from his invention, invented and launched more products, and created more American jobs.
- *Mark Kilbourne* is the inventor of the patented Remotizer – a mechanism to retrofit deadbolts for remote actuation. He manufactures his invention and sells it on his website remotizer.com. Kilbourne sent a sample to Apple at their request for testing so his App to operate the deadbolt could be offered on the Apple App Store. Then Apple went to market with their own device and filed an IPR to invalidate the patent. Kilbourne did not have anywhere near the \$450,000 (average) required to defend his patent at the PTAB. With his limited budget, he retained an attorney who has never won a case at the PTAB for a patent owner and he did not retain an expert. Apple prevailed because they had better representation and AIA trials inherently have high invalidation rates.<sup>10</sup> Apple is a 2 trillion dollar company that could easily afford to plead their case

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<sup>10</sup> 84% of 2,534 patents with final written decisions have been invalidated in part or whole. See <https://usinventor.org/5213-assessing-ptab-invalidity-rates/>

in a regular court where the inventor would have had a better chance of prevailing.

- David Chadwick is the inventor of a patented automated creel for supplying yarn to a carpet loom, making it safer and more efficient. His company *Automated Creel* designed and built the prototype which he then shared with a customer in the carpet manufacturing business. The customer implemented the design and filed two IPR petitions challenging the patent to avoid paying for a license to practice the patent. The PTAB dispute ran almost 4 years during which the infringement case was stayed, concluding with 13 claims invalidated and 8 claims upheld. *Automated Creel* laid off employees and closed down business due to the uncertainty, delays, and expense introduced by the PTAB.
- Ramzi Maalouf is the inventor of the patented wireless selfie-stick which enables taking stable one-handed selfies with a smartphone. His company *Dareltech* designed, built, and manufactured his invention. While their patent was pending, similar products flooded the market and *Dareltech* struggled to survive. When *Dareltech* attempted to enforce their patent, Shenzhen DJI (the Chinese drone manufacturer deemed to be a security risk by several U.S. agencies) filed 6 IPRs against 4 of *Dareltech*'s patents. Lacking funds to defend the patent, *Dareltech* was forced to settle with the Chinese company and acquiesce to their violation of the patents. Following that, Microsoft filed an IPR against one of the patents on behalf of their strategic partner Xioami, another Chinese corporation. *Dareltech* has been beaten down and distracted and discouraged from developing and launching new products as a result of the PTAB cloud hanging over their patents.

Hundreds of other small practicing entities have been jeopardized by PTAB reviews including: *360Heros*, *Alan Stuart*, *Avenue Innovations*, *Bragel International*, *Cablz*, *Capriola Corporation*, *Carlis Stephens*, *Collect*, *Cellspin*

*Soft, Chestnut Hill Sound, Choon's Design, Chrimar, Christy, Clearplay, Comarco Wireless, Corephotonics, DDR Holdings, Emed Technologies, Engineered Corrosion, E-Watch, Goodson Holdings, IMTX Strategic, Jodi Schwendimann, Leachman Cattle, Leak Surveys, Lodge Manufacturing, Parkervision, Performance Pricing, Plastic Engineering & Technical Services, Polyzen, Putco, Inc., Roller Clutch Tools, Shane Chen, Shoes By Firebug, Southern Visions, Susan McKnight, Tas Energy, Tinnus Enterprises, Tom Waugh, Trans Technologies, Valencell, Vilox, Virnetx Inc., Visibly, Wavetronix, William Grecia, William O'Keeffe, Worldsource Enterprises, Zaxcom, Zipit Wireless, Zomm, and Zond.* The vast majority of these examples were founded and managed by the named inventor on the patents.

## **PROPOSAL**

### **I. Definition of Privy**

Petitioners request amendment of 37 CFR § 42.2 by inserting before “*Proceeding*”:

*Privy* means a party to an agreement with the petitioner or real party of interest related to the validity or infringement of the patent where at least one of the parties would benefit from a finding of unpatentability.

### **II. Requirements for Denial of *Inter Partes* Review**

Petitioners further request amendment of 37 CFR § 42.108 by adding new subsection (d) as follows:

(d) Notwithstanding subsection (c), *inter partes* review shall not be instituted if the patent owner objects and:

(1) the same or substantially the same prior art or arguments previously were presented to the Office, unless the petitioner has demonstrated that the Office

clearly erred in a manner material to the patentability of the challenged claims;

(2) another *inter partes* review or post-grant review of any of the challenged claims has been instituted;

(3) any of the challenged claims are also challenged in another petition by the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner;

(4) any of the challenged claims are concurrently asserted against the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner in a district court action and the court has not issued any order that is contingent on institution of review; or

(5) the patent owner—

(A) was the applicant to whom the patent was originally issued;

(B) claimed small entity or micro entity status at the time the patent was issued; and

(C) actually reduced one or more of the challenged claims to practice.

### **III. Requirements for Denial of Post Grant Review**

Finally, Petitioners request amendment of 37 CFR § 42.208 by adding new subsection (d) as follows:

(d) Notwithstanding subsection (c), post-grant review shall not be instituted if the patent owner objects and:

(1) the same or substantially the same prior art or arguments previously were presented to the Office, unless the petitioner has demonstrated that the Office clearly erred in a manner material to the patentability of the challenged claims;

(2) another *inter partes* review or post-grant review of any of the challenged claims has been instituted;

- (3) any of the challenged claims are also challenged in another petition by the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner;
- (4) any of the challenged claims are concurrently asserted against the petitioner, the petitioner's real party-in-interest, or a privy of the petitioner in a district court action and the court has not issued any order that is contingent on institution of review; or
- (5) the patent owner—
  - (A) was the applicant to whom the patent was originally issued;
  - (B) claimed small entity or micro entity status at the time the patent was issued; and
  - (C) actually reduced one or more of the challenged claims to practice.

These rule changes will improve the reliability of the patent grant and better align procedures for AIA trials with the Constitution and Congressional intent, as detailed below.

## **DISCUSSION**

### **I. Definition of Privy**

There remains confusion and uncertainty over who may petition for *inter partes* review under §315(b). Despite devoting several pages to the topic, the Trial Practice Guide offers only general commentary. The precedential decisions are fact specific and difficult to predictably apply to each new situation. Concerns of abuse remain. The legislative intent for AIA reviews and the case law on privy can be met by limiting *inter partes* review for all entities associated with an accused infringer to the first year after filing of a complaint, while preserving the right for completely unrelated entities to file a subsequent petition. The uncertainty and

prejudice to patent owners outweighs any benefit of allowing related entities to extend the one year time bar.

## **II. Explanation of the Proposed Institution Criteria**

The remainder of the proposed criteria funnel the experience and discretion of the Director into what is essentially a checklist, to announce stable and predictable criteria meriting institution denial. These criteria have the beneficial effect of reducing the burden on APIs attempting to ascertain how to apply their delegated duty to decide institution. They supply predictability to all stakeholders. They also reflect the considered experience of patent owners (and, in many cases, the declared experience of the Office itself) about what situations make institution unfair to patent owners, what situations make institution deleterious to the overall economy, and what situations make institution destabilizing to the integrity of the patent system.

In combination, the proposed factors discussed below are intended to make institution less common. This will have a beneficial effect on petitioners: fewer remittances of expensive nonrefundable petition fees that eventually get surrendered through unpredictable non-institution decisions. It is also obvious that fewer decisions to institute will result in many patentees no longer having to bear the impoverishing costs of defending their patent (on average \$450,000 for a single proceeding). In many cases, individuals bear such costs, who innocently gave notice (without threatening a lawsuit) to a large company that they believed to be trespassing on their government-approved rights.

Petitioners understand that granting this Petition subjects the proposed rule to notice and comment, and administrative rulemaking procedure. Petitioners thus understand that the public comment process may result in modifications or amendments to the named factors. Petitioners welcome such input from all stake

holders. What is untenable, however, is for the Office to continue to do nothing, despite the 9-year pending statutory mandate to issue rules on these factors for the guidance of the APJs.

**A. the same or substantially the same prior art or arguments previously were presented to the Office...**

There is a statutory presumption that original determinations by the Office were sound (35 U.S.C. §282). The best way for the Office to respect this presumption is to allow such outcomes to stand where an item of already-considered prior art or argument is used in a petition. At worst, from a petitioner point of view, precluding an AIA trial will funnel such a petitioner into an ex parte reexamination process or district court. If the petitioner (as a requester) can convince the Central Reexamination Unit that there is a substantial new question of patentability under reexamination statutory thresholds, despite using an already-considered reference or argument, the petitioner may equitably proceed there. And of course, a district judge can always consider a challenge to the validity of a patent.

Further rationale for this rule is found in the precedential opinion *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, Case IPR2019-01469, Paper 6.

Permitting AIA trials to proceed based on already-considered prior art arguments has heretofore undermined confidence in the patent system, and in the Office itself. This proposed provision corrects this situation.

**B. another inter partes review or post-grant review of any of the challenged claims has been instituted**

The Office has plenary statutory authority to manage how it handles multiple pending proceedings on the same patent. See 35 U.S.C §315(d) and §325(d). This proposed subsection clarifies how the Office would handle that authority in the



case of AIA trials. Here the Office would limit its review of a patent under the AIA to no more than one trial per patent. This has the same beneficial effect on the economy and perceptions of fairness as the previous subsection, and prevents what has become known as “gang tackling” by multiple adverse parties. Furthermore, this rule would provide a potential for “quiet title” to the exclusive right to the claimed invention.

Under this proposed rule any person wishing to challenge the validity of a patent would be encouraged to monitor the PTAB docket for patents of interest and request to join the first instituted petition. Additionally a person with standing could challenge the validity of a barred patent in a district court action. These avenues provide for balancing of the equities – quiet title for patent owners with freedom to operate for others.

**C. any of the challenged claims are also challenged in another petition by the petitioner...**

The patent system and the Office have come under particular criticism for allowing multiple “bites at the apple” by the same AIA petitioner. Some petitioners routinely use the costs of the process itself (rather than the outcome) to drive rivals out of business or to discourage small companies from pursuing their rights in court proceedings. Current rules and guidance do not prevent harassment of patent owners who are forced to respond to multiple petitions from the same challenger who usually enjoys vastly greater financial resources. If a patent is indeed mistakenly issued, then the petitioner should identify the clearest substantial defect and take its best shot. If the best attack fails at institution, then no estoppel attaches which allows the same petitioner to challenge the claims a second time in a district court action. The equities of a limiting challengers to at most two bites at the apple (one at PTAB and one in district court) is entirely consistent with the intent of Congress and fair to both petitioners and infringers.

**D. any of the challenged claims are concurrently asserted...and the court has not issued any order that is contingent on institution of review**

The Office has been used as a tool for litigants in federal court to circumvent the court system by opening a parallel battlefield against the patentee in an AIA trial. This proposed subsection would close that pathway, restore confidence among the judiciary that they (and they alone) manage cases before them, and prevent another type of gamesmanship. The court is capable of determining whether a matter could be simplified by the Office taking a second look at the claims, or when the expertise of the Office is helpful concerning questions of validity. To be clear, the proposed rule would not prevent parallel proceedings, but leave the decision of their appropriateness in the hands of a trial judge.

This rule eliminates guesswork and unpredictability with respect to efficiency and fairness. It is inefficient for cases to proceed in multiple venues. Courts have proven willing to manage dockets in order to invite the assistance of the PTAB as needed. A recent study indicates that 70-89% of motions to stay proceedings were granted in 2019 by the three district courts that handle most patent cases.<sup>11</sup> Even the oft-maligned Eastern District of Texas granted 70% of motions to stay pending IPR in 2019. These are the cases where the PTAB should focus resources and work in harmony with the district courts. Parallel proceedings are necessarily inefficient and are generally unfair to patent owners who must prevail in multiple proceedings, whereas a petitioner permitted to multiply proceedings need only prevail once.

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<sup>11</sup> <https://www.sterneckessler.com/news-insights/publications/success-motions-stay-rising-why>

**E. the patent owner...claimed small entity or micro entity status at the time the patent was issued; and actually reduced one or more of the challenged claims to practice**

The economic value of the patent system and patenting is most evident to the general public when companies make or sell items under their own patent rights. Conversely, those who advocate for a weaker patent system repeatedly invoke the alleged unfairness of having to defend suits brought by those who do not make or sell under their own patent. A major thrust of AIA reviews was to address perceived abuses by nonpracticing entities, often referred to as “patent trolls”. Without rendering any moral or economic judgment about nonpracticing entities, the Office can at least offer some protection to practicing ones. This proposed subsection would embody the Office’s evaluation that it harms the economy and/or the integrity of the patent system to permit AIA trials where the patent owner, in reliance on the patent, is a small entity and has actually reduced the claimed invention to practice.

Individuals and startups have in the past relied on patent rights to enter a market. Incumbents rely on a variety of advantages and barriers to entry, whereas a new entrant often has nothing more to differentiate other than exclusive use of the technology they created. Such would-be disrupters face great difficulty establishing a business while their invention is copied and their patent is jeopardized with a review proceeding that lasts 3 years or more (counting appeals) and costs an average of \$450,000.<sup>12</sup>

This rule would mitigate a practice of market incumbents who pirate patented technology then leverage the cost and risk imposed by a PTAB to eliminate the

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<sup>12</sup> 2019 AIPLA Report of the Economic Survey at I-184, I-188

smaller competitor. The patent system should be balanced in favor of encouraging invention, creation of new businesses, and competition. This rule helps achieve that balance.

## CONCLUSION

Petitioners respectfully submit that the Constitutional and statutory objectives related to institution of trials under the America Invents Act are better achieved by implementation of these criteria and revisions through notice-and-comment rulemaking. Current procedures are excessively subjective and unpredictable as to whether or not a panel will institute review of a patent in most circumstances. Adoption of these rules will accomplish the purpose of AIA while increasing the reliability of the patent grant, restoring inventor confidence, and promoting innovation.

Respectfully submitted,

August 27, 2020

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