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VIA www.regulations.gov submission

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Re: Comments in response to Docket No.
PTO-P-2020-0022, RIN 0651-AD47 titled “Changes
Under Consideration to Discretionary Institution Practices,
Petition Word-Count Limits, and Settlement Practices for
America Invents Act Trial Proceedings Before the Patent
Trial and Appeal Board”

To: Honorable Katherine K. Vidal
Under Secretary of Commerce for Intellectual Property and Director of the United States
Patent and Trademark Office

Dear Director Vidal:

I am a registered patent attorney. I have been in practice the mid 1990s. I have practiced substantially before the PTAB, and the BPAI. I provide my personal comments.

In my comments below, I generally refer to the statutory provisions relating to IPRs, only, because the provisions for IPRs and PGRs are generally parallel, for brevity. However, my comments apply to both, where the statutory and policy considerations are generally the same.

General Concerns Regarding Your Power to Regulate

First, you notice that the AIA empowers you to prescribe regulations under proscribed circumstances. You should therefore question whether the AIA empowers you to proscribe the regulations you now contemplate. You should identify, specifically, the statutory authority for each such regulation you contemplate. If there is doubt whether the statute empowers you to promulgate such a regulation, you should decline to act. Grant of statutory authority is the role of Congress, not the agency.

Second, you identify seven issues for which you seek comments. These seven items are quoted below, followed by my responses.

Your item “1. Petitions filed by certain for-profit entities;”

You should use your discretion to minimize the availability of AIA PTAB petitions to

entities whose business model is to earn income by killing patents. This is because the very existence of such entities inhibits, rather than promotes, advancements in the useful arts.

As a matter of public policy, nurturing entities whose business model is to kill patents is not in the public interest. Promoting that business model diverts mind-power of exceptional individuals from more productive enterprises that actually do promote the useful arts. And allowing patent killing entities to thrive, suppresses the value of all patents, not just those entities whose patents are challenged. This is because the existence of patent killing entities has a chilling effect on enforcement of all patent rights, and therefore also on obtaining patents and thus of disclosure to the public of new information. Accordingly, you should exercise your discretion to minimize those economically negative effects by minimizing the availability of AIA PTAB petitions to entities whose business model is to earn income by killing patents.

You can act within your statutory authority to do so. This includes authority to broadly construe the statutory limitations on who is entitled to file a PTAB AIA proceeding, and your unfettered discretionary authority to not institute proceedings in response to the filing of a PTAB AIA petition.

The statute allows anyone that is not the patent owner, to file an IPR, but “[s]ubject to the provisions of this chapter.” 35 USC 311(a).

One of those provisions is the requirement to identify in the petition all real parties in interest. 35 USC 312(2).

Another provision is the requirement related to whether “the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.” 35 USC 315(a)(1).

Another provision is the requirement related to whether the petition is filed “more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.”

You should construe all of these provisions liberally, in favor of limiting who is statutorily entitled to file a PTAB AIA petition.

You have unfettered discretion to not institute a PTAB AIA petition. *See* 35 USC 314(a) and Biodelivery Sciences International, Inc. v. Aquestive Therapeutics, Inc., 2019-1643, 2019-1644, 2019-1645 (Fed. Cir. 8/29/2019).

You should use your discretion to not institute petitions filed by such patent killing entities whenever any of their clients or members (those with whom the patent killing entity earns income relating to their patent killing activities) would have been barred from filing the petition. And by requiring the petition of a patent killing entity to (1) identify its clients expressly and (2) certify in their petition that none their clients would have been barred from filing the petition.

You should use your discretion to specify that one factor in considering whether to use your discretion to deny *any* PTAB AIA petition for *any* patent, is the extent to which that petitioner has been identified in other PTAB AIA petitions filed by a patent killing entity, as a client of that patent killing entity.

You should use your discretion to specify that one factor in considering whether to use your discretion to deny a PTAB AIA petition for a patent, is whether the petitioner has been identified in a prior PTAB AIA petition for the same patent filed by a patent killing entity, as a client of that patent killing entity.

You should use your discretion to specify that one factor in considering whether to use

your discretion to deny a PTAB AIA petition for a first patent, is whether the petitioner has been identified in a civil action charging patent infringement of that first patent and also a second patent, and the second patent has been the subject of a PTAB AIA petition filed by a patent killing entity, and the petitioner for PTAB AIA petition for a first patent is a client of that patent killing entity.

You can define a patent killing entity by regulation to include any entity that (1) collects subscription fees from its clients or members; (2) advertises that it seeks to deter the assertion of patents; and (3) files PTAB AIA petitions.

Other factors showing an entity is a patent killing entity include:

that the entity is not a law firm;

that the entity advertises that it does not settle with patent owners;

that the entity advertises that it is “designed to deter” activity;

the entity’s client or member subscription fees are based upon technology sectors;

that entity’s client or member subscription fees paid for a particular technology sector, are not use for the entity’s actions in other technology sectors;

that the entity advertises that it is interested in receiving demand letters and hearing about patents that are for sale in a particular technology sector;

that the entity advertises or does monitor patent ownership data, secondary-market patent sales, demand letters, post-grant procedures, and litigation to track activity and risks in each technology sector.

You should also, by regulation, specify sanctions for knowingly failing to disclose an RPI, above and beyond not instituting or terminating when you find such a knowing violation. See the discussion of the interplay of sanctions and institution in Bennett Regulator Guards, Inc. v. Atlanta Gas Light Co. 2017-1555, 2017-1626 (Fed. Cir. 9/28/2018). And you should promulgate regulations empowering the PTAB to issue their own discovery demands whenever they have concerns relating to the relationships between a petitioner and entities that may be real parties in interest, privies, and patent killing entities.

Additional regulatory actions related to, but not limited to certain for-profit entities

You should take additional action to limit the availability of PTAB AIA petitions to only those situations where they are in the public interest.

For example, you should by regulation require a petition to have a “correct” identification of all RPIs, by overruling Sharkninja Operating LLC v. Irobot Corporation, IPR2020-00734, paper 11 (PTAB 10/6/2020; designated precedential 12/4/2020).

You should also overrule Alcon Research, Ltd v. Dr. Joseph Neev, IPR2014-00217, paper 21 (PTAB 5/9/2014) (Decision by APJ Petravick, for a panel consisting of APJs Petravik, Bisk, and Arpin), by promulgating regulations that a petition will not be instituted, or will be terminated at the election of the patent owner if instituted, if the petitioner, their real party in interest, or their privies, has filed or does file an arbitration action challenging validity of any claim of the patent.

You should overrule Alcon Research, Ltd v. Dr. Joseph Neev, IPR2014-00217, paper 21 (PTAB 5/9/2014) (Decision by APJ Petravick, for a panel consisting of APJs Petravik, Bisk, and Arpin), by promulgating regulations that a petition will not be instituted, or will be terminated at the election of the patent owner if instituted, if the petitioner, their real party in interest, or their

privies, has filed or does file an arbitration action challenging validity of any claim of the patent.

Your item “2. Petitions challenging under-resourced patent owner patents where the patentee has or is attempting to bring products to market;”

You state that “the Office is considering limiting the impact of AIA post-grant proceedings on such entities by denying institution when certain conditions are met.”

I support that kind of limitation because it would promote advancements in the useful arts.

Under-resourced patent owners are normally legally inexperienced. Facing PTAB challenges to their patents may be devastating.

A PTAB petition is normally filed against a patent owned by an under-resourced patent owner only after the patent owner has been forced to file a civil action for patent infringement, as a result of an existential threat to their business, regardless of the patent owners financial ability to support the patent infringement litigation. The cost of defending against PTAB AIA petitions in this situation can financially crush such an under-resourced patent owner.

You have plenary authority under the statute to deny institution. Accordingly, you should deny institution when there is a factual showing by the patent owner that they are an “under-resourced patent owner patents where the patentee has or is attempting to bring products to market.” How you define “under-resourced.” and “attempting to bring [sic; covered by existing patent claims or pending patent application claims covering] products” and that those products are products they are attempting to bring to market is fact based. However, the requirements should be lenient, not imposing further substantial hardship on the patent owner.

You should impose irrebutable presumptions that certain facts conclusively show the patent owner meets the criteria. For example, for “under-resourced,” based in the alternatives of values for: available short liquid assets; total equity; financial projections showing cash insufficient to maintain operations for more than 24 months; and number of full time employees. For example, for attempting to bring [sic; covered by existing patent claims or pending patent application claims covering] products,” minimal evidence of product development or marketing is sufficient and an assertion that the patent, related patents, or pending patent application claims either cover the intended product or will provide a competitive benefit relating to the intended product, such as covering certain potentially competing products.

People who are “under-resourced” normally do not apply for patents, without the goal of bringing a product to market, either by internal development, or in connection with other entities. Accordingly, your regulations should be designed to broadly allow a demonstrably “under-resourced” patentee to make the required showings.

Your item “3. Petitions challenging patent claims previously subject to a final adjudication upholding the patent claims against patentability challenges in district court or in post-grant proceedings before the USPTO” and your item “4. Serial petitions;”

Your proposal does not go far enough to promote the useful arts. You need to remember that AIA PTA petitions are an optional remedy to a defense in district court. That is, an alternative to litigating validity in district court. Allowing serial petitions, even by different and unrelated legal entities, inhibits the progress in the useful arts by undermining the value of

innovation. This is true even if the second or third petition against the same patent has a substantial chance of success. We all know that each such petition, even if by different parties, and the decision on institution and subsequent, in such a proceeding, provide roadmaps to brilliant litigators, that result in new petitions with changed change grounds and arguments. Despite the apparent neutrality of the laws of anticipation and obviousness, every practitioner knows that whether a patent claim is found found unpatentable, depends largely on the quality of the arguments and evidence, and hence the sophistication of the attorneys, as much as the actual legal criteria. From this knowledge, it follows that serial petitions by any party are an unfair advantage. They do not weed out clearly invalid patent claims. Instead, they at best test the fuzzy margins of patentability, which is contrary to the public interest in quiet title, and limited costs for patent procurement and patent related litigation.

The cost to patent owners, and even the second or third petition successes on the same claim, do not justify the chilling effect on innovation, the PTO incurred costs to the public, and the unjust cost and risk to patent owners to enforce their granted rights.

For all these reasons, you should by regulation impose a complete bar on serial petitions against any claim, by invoking your statutory complete discretion whether to institute.

You state that you are considering discretionary denials, but with exceptions:

...in cases in which [1] the petitioner has standing to challenge the validity of the claims in district court or [2] intends to pursue commercialization of a product or service in the field of the invention of a challenged claim, [3] was not a real party in interest or privy to the party previously challenging one or more of the challenged claims (unless any earlier challenge was resolved for reasons not materially related to the merits of the petition, e.g., a post-grant proceeding that was discretionarily denied or otherwise was not evaluated on the merits); and [4] meets a heightened burden of compelling merits.

For the reasons I stated above, you should not provide any exception. You have the authority under the statute to deny for any reason, and such a reason is the right to quiet title, particularly given that a PTAB AIA petition is an alternative remedy. Any party needing to challenge claims of a patent can do so in a civil action via a declaratory judgement (DJ) civil action if there is a real threat of enforcement, and by counterclaiming invalidity in an infringement civil action. Allowing serial petitions on any patent delays advancement of the useful arts, and allowing such petitions is in effect allowing different parties more than one bite at the apple, and therefore unjust to patentees.

Your item “5. Petitions raising previously addressed prior art or arguments (subject to the 35 U.S.C. 325(d) framework);”

Your proposed and current practice limitations on 325(d) are far too narrow. What you propose, and current practice, inhibits, rather than promotes, advancement of the useful arts. In particular, you state:

...The mere citation of a reference on an Information Disclosure Statement

(whether or not checked off by an examiner), in a Notice of References Cited (PTO-892) during prosecution of the challenged patent, or in search results would not be considered sufficient to be deemed “previously addressed” for purposes of 35 U.S.C. 325(d).

Under this guidance, a reference that the record shows the examiner actually considered by entering that reference into the official record for the patent, can in most cases still form part of the evidentiary basis for a ground of rejection in a PTAB AIA Petition. See Becton, Dickinson and Company v. B. Braun Melsungen AG, IPR2017-01586, paper 8 (PTAB 12/15/2017)(Decision by APJ Daniels for APJs Daniels, Woods, and Kinder)(Designated Informative on 3/21/2018)(The PTAB panel whether the official record for the patent showed that the reference was “evaluated substantively by the Examiner during prosecution, *** in the same manner as Petitioner proposes now,” as the reason for finding the ground violated 325(d).)

The PTAB’s requirement that the record expressly show the examiner considered a particular teaching in a reference for that teaching to be part of substantially the same argument in the petition, is too limiting. Instead, you require, but regulation or internal guidance, that PTAB deem all teachings of any reference as having been considered by the examiner, when that reference is identified by the examiner as having been considered during prosecution of the application or any application to which the patent claims benefit under 35 US 120.

Examiners are each steeped in the sub-field of technology which they examine, and much more familiar with that field and the meaning of terms of art and teachings and inferences drawn from references, than APJs assigned to PTAB petitions.

The problem with your allowing the PTAB to discount the fact that references identified in the record as having been considered by the examiner, were considered for all that they teach, is that discount undermines the value of examination. And it replaces the sub-field specific technical knowledge and legal expertise of the examiners, with the more broader technical knowledge of the APJs, biased by the savvy characterization of facts and law presented in PTAB AIA petitions. That allows for error due to APJs lack of specific technical understanding and specific knowledge of meaning of terms and technology in the particular art of the subject patent’s claims. Any reliable determination of many of these fact specific issues would benefit from substantial discovery, which is lacking in AIA PTAB petition proceedings.

Again, you must recognize that AIA PTAB petitions are not required to challenge patent claims. Petitioners have a fully adequate remedy in civil actions, and suffer no prejudice by discretionary petition non institution. And therefore, you need not let petitions be instituted where there is any legitimate basis for denial, or any legitimate concern for the propriety of the resulting final decision.

Your item “6. Parallel petitions;”

You define “parallel petitions” as “more than one petition ...filed by the same petitioner (or privy or real party in interest with a petitioner) at the same time as the first filed petition or up until the filing of the preliminary response in the first filed proceeding.” Notably, your definition refers to patent, not to the claims of the patent.

I support defining certain limited circumstances in which parallel petitions will not be

denied, and I do support defining other certain limited circumstances in which parallel petitions will be denied.

You state in relevant part:

the Office recognizes that there may be circumstances in which more than one petition may be necessary, including, for example, when there is a dispute about a priority date or two different claim constructions, requiring arguments under multiple prior art references or mutually exclusive unpatentability theories. ...one potential outcome of separating the alternative theories into different petitions, which would benefit patentees as well as petitioners, is that it would allow the Board to deny petitions with non-meritorious theories, such that the instituted AIA trial and related appeal to the Federal Circuit and the Supreme Court, if any, will be focused only on the meritorious theories, thereby eliminating the cost and burden of an AIA trial and appeal on rejected theories.

I do not support allowing parallel petitions because of “a dispute about a priority date.” That is a red herring. A petitioner should ensure that the facts and law show a reference is entitled to a priority date required for their petition; that is the petitioner’s burden. The law of entitlement to a priority date for disclosed subject matter, aka prior art, is clear, and therefore petitioners are not biased by excluding “a dispute about a priority date” from a reason entitling them to parallel petitions.

I do not support allowing parallel petitions because of “a dispute about ... claim constructions.” The law of claim construction is well developed, with thousands of decided cases, and therefore petitioners are not biased by excluding “a dispute about ...claim construction” from a reason entitling them to parallel petitions. Moreover, allowing this as a basis for parallel petitions allows the petitioner to unfairly manipulate the claim construction issue in the parallel district court proceeding by using two PTAB proceedings, in the hopes of obtaining a claim construction in the district court that is adverse to the patent owner. Equity suggests you prevent that kind of behavior.

I support, in part, allowing parallel petitions on the basis that there are “multiple prior art references,” as explained below.

I do not support allowing parallel petitions on the basis of multiple grounds of attack on a particular patent claim. The petitioner is not required to challenge a patent claim in a PTAB AIA petition; they have alternatives where they can present multiple challenges against each claim. Therefore, if a petitioner decides to challenge a patent claim in a PTAB AIA proceeding, they should take their “best shot” in a single petition against that claim. PTAB AIA petitions are supposed to be a limited remedy, as an alternative to district court litigation, to determine validity. There is no public policy reason to provide petitioners a smorgasbord of options to choose from for PTAB AIA petitions.

Instead, public policy favors limiting PTAB AIA petition proceedings favor filing a petition when there is a single clear, strong, basis for unpatentability of the challenged claim. What you do now, however, with parallel petitions, is to allow a smorgasbord of options, allowing a petitioner to test multiple legal theories in different petitions, in the hopes that one will be

successful. That smorgasbord approach is an inefficient use of PTO resources. That smorgasbord approach also unfairly biases the patent owner, on the merits, because the substantive test for unpatentability in a PTAB AIA proceeding is lower than the clear and convincing standard for invalidity in civil actions. And it biases the patent owner by increasing the costs to defend against multiple petitions.

I do support allowing parallel petitions, only when the various petitions challenge different claims of the same patent, and only when those challenges present different combinations of prior art as the factual basis for unpatentability. This is because there is no policy based reason for you to consider institution of more than one ground for any particular patent claim. While different prior art basis for the same claim may be stuffed into a single petition, space permitting, there is no policy reason supporting allowing those grounds to be spread across multiple petitions. Any other policy is unfair to the patent owner, an inefficient use of public resources, chills innovation, and thereby inhibits advancement of the useful arts.

Your item “7. Petitions challenging patents subject to ongoing parallel litigation in district court”

I do not support allowing institution of petitions subject to ongoing parallel litigation because of “compelling merits” Applying the compelling merits” criteria is an inefficient use of resources, and unfairly burdens the patent owner with an unnecessary parallel proceeding.

Keep in mind that PTAB AIA petitions are an alternative and optional form of relief. Instituting petitions that you would otherwise not institute because of the existence of ongoing parallel litigation in district court is an unnecessary use of PTO resources and unfairly burdensome to the patent owner, for the following reasons.

First, you define “compelling merits” to mean those merits that “plainly lead to a conclusion that one or more claims are unpatentable.” You state that you are considering instituting a petition that “would otherwise potentially be a candidate for discretionary denial” as a result of the parallel litigation. The basis for such a denial is that the parallel litigation is at a relatively advanced stage compared to the PTAB petition proceeding.

You ask the question:

..The Office is also considering whether, in certain circumstances, challenges presenting “compelling merits” will be allowed to proceed at the Board even where the petition would otherwise be a candidate for discretionary denial (as is the current practice under the Director’s Memorandum Regarding Interim Procedure for Discretionary Denials in AIA Post-grant Proceedings with Parallel District Court Litigation of June 21, 2022 (discussed below)).

The “compelling merits” procedure has no value, for the following reason.

If an unpatentability argument is truly compelling, then that same argument can be brought in the ongoing parallel civil action as an invalidity challenge, with the same outcome. Moreover, if an invalidity argument is truly compelling on the merits, and brought to the patent owner’s attention, then the patent owner is obliged to promptly withdraw their assertion of infringement. And if they do not then they face the likelihood of the district court finding the case an

exceptional for not dropping a clearly invalid assertion of infringement, and the resulting award of attorneys fees to the defendant. See Octane Fitness, LLC v. Icon Health & Fitness, Inc., (4/29/2014) (“We hold, then, that an “exceptional” case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is “exceptional” in the case-by-case exercise of their discretion, considering the totality of the circumstances.”)

Therefore, allowing institution based upon a showing of “compelling merits” is a valueless action.

Accordingly, you should change the current policy and not allow institution which you would otherwise not allow, based upon a finding of “compelling merits.”

Very truly yours,

/RichardNeifeld/

Richard Neifeld, Reg. No. 35,299

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