

Response to [Docket No. PTO–C–2020–0055] “Request for Comments on Discretion To Institute Trials Before the Patent Trial and Appeal Board”

By Rick Neifeld, as revised 12/5/2020

To: docket number PTO–C–2020–0055, within: <https://www.regulations.gov>
URL: <https://www.regulations.gov/comment?D=PTO-C-2020-0055-0001>

For: “Patent Trial and Appeal Board, United States Patent and Trademark Office, Department of Commerce”

This is my response to your request for public comments.

At 66503, center column, you state:

Additionally, the Office published a Patent Trial Practice Guide to advise the public on the general framework of the rules and proceedings, including the structure and times for taking action in each of the new proceedings. See Office Patent Trial Practice Guide, 77 FR 48756 (Aug. 14, 2012).

I disagree with your conclusion that the legal effect of the “Patent Trial Practice Guide” was to “advise the public on the general framework of the rules and proceedings, including the structure and times for taking action in each of the new proceedings.” In fact, the “Patent Trial Practice Guide” is a promulgated rule. See 77 FR No. 157 August 14, 2012, “Part V, Department of Commerce Patent and Trademark Office 37 CFR Part 42 Office Patent Trial Practice Guide; Rule.” The “Patent Trial Practice Guide” was promulgated and identified as a “Rule,” and it is therefore binding on both the parties and the PTAB.” Therefore, compliance with the Patent Trial Practice Guide is mandatory, not advisory.

At 66503, center column, you subsequently refer to the Consolidated Trial Practice Guide available at <https://www.uspto.gov/TrialPracticeGuideConsolidated>. The document at that URL contains no indication it was promulgated pursuant to the procedural requirements of the Administrative Procedures Act (hereinafter “APA”) (request for comments published in the Federal Register followed by a final rule publication in the Federal Register considering received comments.) Accordingly, unlike the Patent Trial Practice Guide, the Consolidated Trial Practice Guide does not have the force of a rule, is binding upon parties. Consequently, compliance with the Consolidated guide should not be relied upon by the PTAB panels in their decision making process.

At 66503, center column, you state:

Since then, the Office has designated more than 40 decisions in such proceedings as precedential or informative, and it has issued several updates to the Trial Practice Guide that were subsequently consolidated. See Patent Trial and Appeal Board Consolidated Trial Practice Guide (Nov. 2019) (Consolidated Trial Practice Guide or CTPG), available at [https:// www.uspto.gov/](https://www.uspto.gov/)

My response is, first, that your precedential decisions are not promulgated in accordance with the APA and therefore do not have the force and effect of rules.

Second, you should instruct PTAB panels that any of your precedential decisions that are contrary to Federal Circuit law are not binding upon them. For example, the PTAB's *Proppant Express Investments, LLC v. Oren Techs., LLC*, IPR2018-00914, paper 38 (3/13/2019; designated precedential 3/13/2019) decision is contrary to the Federal Circuit's *Facebook, Inc. v. Windy City Innovations, LLC*, 2018-1400, et al. (Fed. Cir. 9/4/2020) decision.

Third, you should re-designate, as either overruled or non-precedential, precedential decisions contrary to Federal Circuit law, and update your policies and procedures to ensure you do that promptly.

At 66503, center column, you state:

In its ongoing effort to achieve consistency and fairness, the Office is considering promulgating additional rules based on this broad experience as it relates to considerations for instituting AIA trials.

My response is, first, that I generally favor rules promulgated in compliance with the procedures specified in the APA, over decisions of tribunals.

My response is, second, I urge you to promulgate rules in compliance with both the procedural requirements and your statutorily granted rulemaking power for AIA proceedings. In particular, you must consider the factors that the statutory grant of rulemaking power requires you to consider.

In particular relating to Inter Partes Review (IPR) petitions, 35 USC 316(a)(2) authorizes you to prescribe regulations "setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a)." Moreover, 35 USC 316(b) requires you to "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."

Accordingly, any rule you promulgate regarding a petitioner's threshold showing pursuant to 35 USC 314(a), must consider the effect of any such regulation on four factors:

"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."

I suggest you promulgate a rule that places this burden on the petitioner to make suitable showings in the petition that the 316(b) factors favor institution, for four reasons.

First, it is any case petitioner's burden of going forward, 35 USC 314(a); 324(a), and burden of proof, 35 USC 316(e); 326(e). It therefore makes sense to require the petitioner to show in the petition why the "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" favor institution.

Second, the petitioner is in a better position to know the facts relevant to their petition,

including facts relevant to the 316(b) factors, than the PTAB.

Third, requiring the petitioner to explain why 316(e) factors favor institution relieves the Board from the burden of weighing factors on a less complete record of 316(e) factors that otherwise would exist if as is the case now, the patent owner were to raise 316(e) factors in the first instance in their patent owner's preliminary response.

Fourth, Congress intended PTAB AIA proceedings to be a non exclusive alternative to invalidity counts and defenses in district court litigation, for specific purposes. Namely to advance the useful arts, as required by the Constitution, and to benefit the economy and the integrity of the patent system, but also in view of the efficiency and timeliness with which the Office could administer these alternatives. And these purposes are exactly what the 316(b) factors require you to consider in promulgating institution regulations. As such, it behooves the PTAB to know why these factors justify the alternative of a PTAB AIA trial on patentability. The entity in the best position to provide that explanation, obviously, is the petitioner.

Although I have presented reasons why 35 USC 316(a)(2); 316(b); 314(a), suggest you promulgate a regulation placing the burden of showing the 316(b) factors favor institution, exactly the same reasoning applies to Post Grant Review (PGR) proceedings. *Cf.* 35 USC 326(a)(2); 316(b); and 324(a).

At 66503, left column, you conclude that:

Congress designed the AIA “to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” H.R. Rep. No. 112–98, pt. 1, at 40 (2011), 2011 U.S.C.C.A.N. 67, 69; see also S. Rep. No. 110–259, at 20 (2008). At the same time, Congress instructed that “the changes made by [the AIA] are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation.” H.R. Rep. No. 112–98, at 48 (2011).

In response, I am concerned that you made this statement, because it does not convey accurately the import of the Congressional reports you cite, which reports clearly make quiet title the paramount concern.

At 66504, left column, you cite H.R. Rep. No. 112–98, pt. 1, at 48 (2011), and you say this stands for the proposition that:

Congress's intent for AIA proceedings to be “quick and cost effective alternatives to litigation,” on the one hand, with “the importance of quiet title to patent owners to ensure continued investment resources,”

In response, I note that you placed the paramount concern of “quiet title” *after* “quick and cost effective alternatives to litigation.” But that is not what the paragraph you reference states, and not what it means.

The paragraph you reference at page 48 of H.R. Rep. No. 112–98, pt. 1 clearly made the

importance of quiet title paramount, and clarified that the changes in statutory authority from inter partes reexamination to AIA post grant review proceedings were not to be used as tools for harassment or a means to prevent market entry through repeated administrative attacks on the validity of a patent, and the report explained that those kinds of bad behavior would not provide a quick and cost effective alternative to litigation. In other words, Congress was very concerned not to elevate the concept of a “quick and cost effective alternatives to litigation” over the goal of securing “quiet title.” But your flipping the order of those two goals, and failing to include the reason why the report included the “quick and cost effective alternatives to litigation,” which was to contrast the foreseeable administrative abuses of harassment, and repeated and serial attacks, as contrary to the concept of a quick and cost effective alternative to litigation.

To avoid doubt, I quote the paragraph you refer to, on H.R. Rep. No. 112–98, pt. 1, at 48 (2011):

The Committee **recognizes the importance of quiet title to patent owners to ensure continued investment resources.** While this amendment is intended to remove current disincentives to current administrative processes, **the changes made by it are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section** as providing quick and cost effective alternatives to litigation. Further, such activity would divert resources from the research and development of inventions. As such, the Committee intends for the USPTO to address potential abuses and current inefficiencies under its expanded procedural authority.

The paragraph emphasizes the “importance of quiet title to patent owners to ensure continued investment resources” and does not emphasize Congress’s intent for AIA proceedings to be “quick and cost effective alternatives to litigation.” This paragraph points out specifically that allowing PTAB AIA proceedings to be tools for harassment, or repeated administrative attacks, was frustration of the Congressional intent. This paragraph does not signify the goal is efficiency. For example, 10 IPR petitions would effectively kill most patents owned by small entities, because of the inability of small entities to fund the cost of defenses. But that is clearly not what Congress intended. You should rethink your rules to tether them to the Congressional goal of a limited and focused challenge only where such a challenge is an alternative to litigation and minimizes the impact on quiet title.

This analysis raises options for you to consider in rulemaking to effect Congressional intent.

One option for you to consider is promulgating a regulation that expressly places the burden on the petitioner to show in their petition, that their petition is not being used as, or would have the effect of, “harassment;” or “prevent market;” and was not a “repeated” attack, as broadly construed with respect to the subject matter of patent infringement litigation. In this sense, repeated attack, broadly construed, would include attacks by patent enforcement trolls, that is, entities whose business it is to attempt to take down patents for their customers, attacks by different defendants against which there is a claim in a civil action for infringement of a patent, or any set of patents for which the accused infringing thing or method is the same.

At 66504-05, after summarizing your relevant decisions, you identify factors from the *General Plastics*, *Valve I*, and *Valve II* decisions, as relevant to serial petitions. The first five of your factors focus on petitioner identity and conduct; the fifth and sixth factors focus on the Board's capacity and capability.

Markedly absent in your list, is any mention of factors relating to the patent owner. Surely, the "the economy" and the "the integrity of the patent system" are impacted by factors relating to the patent owner. The cost of involvement in a PTAB petition is much larger than the cost for prosecuting a patent application. Likewise, the economic impact on smaller less financially power entities, of participation in PTAB proceeding, is much larger than the economic impact on larger financial more powerful entities. Your factors list fails to take economic factors relating to the patent owner into effect.

Similarly, individual inventors and most small companies do not have full time patent counsel and litigation counsel at their beck and call. Compare that to large entities having in house legal departments, where sophisticated practice of law is the norm. In this regard, treating small entities and large entities equally impacts the "the integrity of the patent system."

One can speculate, and I do, that small entities are more likely to concede in a patent dispute as a result of lack of sophistication and financial backing, than large entities. Moreover, now, knowing the significant risk of loss of patent rights that are asserted against infringers, as a result of the existence of expansive PTAB proceedings, there is a disincentive to spend the time and effort acquiring patent rights, in the first instance. I see no factor in your list of *General Plastics* factors accounting for the "the integrity of the patent system" on factors affecting the patent owner.

Congress has recognized a similar distinction by providing reduced patent fees for small business concerns, independent inventors, and nonprofit organizations. 35 USC 41(h). This evinces Congress recognition that less financially power entities should not be treated the same as financially power entities for whatever policy reasons. In considering the integrity of the patent system, as it relates to regulations, you should do likewise.

One option for you to consider in accounting for factors relating to the patent owner, may include by regulation placing the burden on the petitioner to show in the petition why the 316(b) factors favor institution, and to specifically address what the petitioner knows about the financial power of the patent owner and level of legal sophistication of the patent owner and why that bodes for institution.

One option for you to consider in accounting for factors relating to the patent owner, may include by regulation limiting the number of PTAB AIA petitions to one, for any patent identified as having its most recent fee paid as a small entity.

Finally, you asked the following questions, which I answer directly, in summary fashion.

1. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in *General Plastic*, *Valve I*, *Valve II* and their progeny, for deciding whether to institute a petition on claims that have previously been challenged in another petition? - Yes, but subject to, the additional factors and concerns I note above.

2. Alternatively, in deciding whether to institute a petition, should the Office (a) altogether disregard whether the claims have previously been challenged in another petition, or (b)

altogether decline to institute if the claims have previously been challenged in another petition? - No, the Office should not ignore the existence of prior or concurrent challenges.

Parallel Petitions

3. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in the Consolidated Trial Practice Guide, for deciding whether to institute more than one petition filed at or about the same time on the same patent? - Yes, but subject to, the additional factors and concerns I note above.

4. Alternatively, in deciding whether to institute more than one petition filed at or about the same time on the same patent, should the Office (a) altogether disregard the number of petitions filed, or (b) altogether decline to institute on more than one petition? - No, the Office should not ignore the existence of prior or concurrent challenges.

Proceedings in Other Tribunals

5. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in *Fintiv* and its progeny, for deciding whether to institute a petition on a patent that is or has been subject to other proceedings in a U.S. district court or the ITC? - Yes, but subject to, the additional factors and concerns I note above.

6. Alternatively, in deciding whether to institute a petition on a patent that is or has been subject to other proceedings in district court or the ITC, should the Office (a) altogether disregard such other proceedings, or (b) altogether decline to institute if the patent that is or has been subject to such other proceedings, unless the district court or the ITC has indicated that it will stay the action? - No, the Office should not ignore the existence of prior or concurrent challenges, or proceedings in other forums.

Other Considerations

7. Whether or not the Office promulgates rules on these issues, are there any other modifications the Office should make in its approach to serial and parallel AIA petitions, proceedings in other tribunals, or other use of discretion in deciding whether to institute an AIA trial? - As I explained above, the other criteria you should use include (1) making quiet title the primary concern as directed by Congress and (2) accounting for the real world impact disparity due to differences in size and legal sophistication of the petitioner and patent owner.