

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

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Request for Comments on Discretion To Institute Trials  
Before the Patent Trial and Appeal Board

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**Docket No. PTO-C-2020-0055**

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**COMMENTS OF  
SALESFORCE.COM, INC.**

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## STATEMENT OF INTEREST AND SUMMARY

Salesforce.com, Inc. (Salesforce) is a leading technology company that depends on a robust intellectual property system that rewards valid patents on technological innovations while rapidly weeding out invalid patents that never should have been granted. In addition to the thousands of patents that Salesforce owns, Salesforce has been declared the most innovative company in the world by Forbes on multiple occasions during the last decade. To generate this innovation, Salesforce has invested over \$10 billion in research and development over the last six years.

Salesforce relies on the AIA's standards to provide clarity and predictability to weed out invalid patents quickly. Unfortunately, the PTO has disturbed Congress's design by ignoring key provisions of the AIA through a series of precedential decisions governing the exercise of its purported discretion. They are contrary to the statutory language and inconsistent with the legislative history. They are premised on the misconception that trial dates once set never move; they almost invariably do change. Thus, the rules will increase litigation costs, create substantial uncertainty for U.S. businesses, harm innovation and frustrate the purpose of the AIA to attain quick and cheaper determination of the validity of doubtful patents. Accordingly, Salesforce believes these decisions are misguided and opposes any attempt to promulgate formal regulations to codify these decision as suggested in the PTO's recent *Request for Comments on Discretion To Institute Trials Before the Patent Trial and Appeal Board*.<sup>1</sup>

## COMMENTS

### I.

#### **The Precedential Decisions Lead to Forum Shopping and Ignoring Meritorious Petitions**

In its recent *Request for Comments*, the PTO summarizes a series of decisions of the Patent Trial and Appeal Board (PTAB) governing the exercise of discretion to institute AIA trials under Section 314(a). The PTO characterizes these decisions and any ensuing rules as

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<sup>1</sup> PTO-C-2020-0055, 85 Fed. Reg. 66502 (October 20, 2020) (hereinafter "Request for Comments").

eliminating gamesmanship and fostering consideration of meritorious petitions. It also claims the rules take a balance approach. To the contrary, the decisions have led to hundreds of instances of gamesmanship. They effectively block the consideration of meritorious petitions and their approach is anything but balanced.

**a. The PTO’s policies have significantly exacerbated gamesmanship in litigation**

Patent infringement suits filed in the Waco Division of the Western District of Texas – which has only one sitting judge – have grown from 28 cases just two years ago to 779 filings when annualized for this year. This is a 2682% increase in that court’s patent docket since 2018.<sup>2</sup> Faster than the typical patent suit to reach trial, the Western District has gone from being an infrequent patent venue to the most popular forum in the country,<sup>3</sup> as of November, over twenty percent of all patent infringement suits filed in the U.S. are assigned to just one of the nation’s 677 district court judges.<sup>4</sup> When the analysis, is limited to NPEs – whose business model is based solely on patent litigation and account for more than 85% of the patent suits filed against high technology companies -- that twenty percent becomes a much higher percentage.<sup>5</sup>

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<sup>2</sup> Paul R. Gugliuzza and J. Jonas Anderson, How the West Became the East: The Patent Litigation Explosion in the Western District of Texas, *Patently-O* (Sept. 15, 2020), <https://patentlyo.com/patent/2020/09/litigation-explosion-district.html>.

<sup>3</sup> See, Landan Ansell, Ronen Arad, Doug Branch, HyeYun Lee, Adil Pasha, and Paul Robinson, *2018 Patent Litigation Study*, PricewaterhouseCoopers (2018) (reporting the median time to trial as nearly 2.5 years), <https://www.pwc.com/us/en/forensic-services/publications/assets/2018-pwc-patent-litigation-study.pdf>; and Scott Graham, *Patent Litigation Is on the Rebound, Led by WD-Texas Filings*, *The National Law Journal*, July 01, 2020 (reporting that W.D. Tex. has “nosed ahead” of Delaware to become the most popular judicial district among patent plaintiffs), <https://www.law.com/nationallawjournal/2020/07/01/patent-litigation-is-on-the-rebound-led-by-wd-texas-filings/>.

<sup>4</sup> Gugliuzza & Anderson, *supra* note 4 (reporting that “[i]f current trends hold, Judge Albright alone will receive 779 patent cases in 2020”).

<sup>5</sup> Jonas Anderson & Paul R. Gugliuzza, *Federal Judge Seeks Patent Cases*, Temple University Beasley School of Law Legal Studies Research Paper No. 2020-25, (working paper version dated Sept. 18, 2020) at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3668514&download=yes](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3668514&download=yes)

The PTO's rules on discretionary denials – and in particular *Fintiv* have driven this rampant growth in forum shopping. These decisions enable plaintiffs to defeat the institution of an IPR by filing suit in a forum that automatically schedules the case for an early trial; the Patent Office then assumes that the early trial date is carved in stone and that the district court will resolve the matter by that date. That assumption blithely ignores, as the Federal Circuit has noted the Western District's inability to “historically resolve[] cases so quickly”<sup>6</sup> –even before Covid halted trials nationally. Studies based on pre-Covid data showed that one hundred percent of all trials in another popular patent forum did not start on that original trial date.<sup>7</sup>

The manipulation of legal processes to deny an opponent a fair opportunity to avail itself of the Congressionally established process for quick and efficient validity determinations via IPRs constitute the type of “dubious methods” that constitute gamesmanship. The fallacy of the PTO's assumption that trial dates never change has only deepened since Covid stopped almost all jury trials for months.<sup>8</sup> And yet even last month, the PTAB assumed that a patent jury trial on a case filed in April 2020 would be held early in 2021<sup>9</sup> in the Eastern District of Virginia -- even though civil jury trials had apparently been suspended in that district since March, 2020. Further evidence undermining that assumption is the Eastern District also recently suspended all criminal

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<sup>6</sup> *In re Apple, Inc.*, No. 2020-135 slip. Op. at 16 (Fed. Cir. Nov. 9, 2020).

<sup>7</sup> District Court Trial Dates Tend to Slip After PTAB Discretionary Denials, Scott McKeown (July 24, 2020), <https://www.patentspostgrant.com/district-court-trial-dates-tend-to-slip-after-ptab-discretionary-denials/>. And with a docket of hundreds of patent cases assigned to a single judge, simple math suggests that this court will soon be one of the most backlogged patent jurisdictions in the country.

<sup>8</sup> *Compare, e.g.*, Divisional Standing Order Regarding Trials in Waco (W.D. Tex. September 23, 2020) at <https://www.txwd.uscourts.gov/wpcontent/uploads/2020/03/WacoStandingOrderTrials092320.pdf> (Restarting jury trials as of October 1) with the Ninth and Tenth Supplemental Orders Regarding Court Operations Under the Exigent Circumstances Created by the Covid-19 Pandemic (W.D. Tex. October 14 and November 18, 2020) at <https://www.txwd.uscourts.gov/coronavirus-covid-19-guidance/> (Continuing all jury trials until at least January 1, 2021).

<sup>9</sup> Phillip Morris Products, S.A. v. RAI Strategic Holdings, Inc. IPR IPR2020-00921 Paper 9 (November 16, 2020).

jury trials too, creating an even larger backlog of cases that have priority over all civil cases under the Speedy Trial Act.<sup>10</sup>

Given that the suspension of jury trials due to Covid has created a tremendous backlog of patent jury cases, the PTAB should reverse its stance on discretionary denials. Instead of piling an even bigger burden on district courts that are currently unable to hold jury trials, the PTAB should currently be granting all meritorious petitions to help lift the Covid imposed backlog from the district courts. This would help the district courts and follow Congress's mandate that AIA trials are supposed to reduce costs and lead to faster results.

#### **b. Discretionary denials bar meritorious challenges**

The claim that these policies allow meritorious challenges to be maintained is equally indefensible. The specific tests adopted in precedential decisions at issue are employed *solely* to deny petitions without any consideration of the merits. Neither *General Plastic* nor *Fintiv* expressly consider the merits on whether the patent is valid. At best, the Board may consider vague "other circumstances that impact the Board's exercise of discretion." This language is less than clear and appears to have discouraged panels from considering the merits of the petition.

Given that these discretionary denials almost invariably ignore the merits, a straightforward analysis demonstrates that meritorious petitions are being denied. It is likely that the characteristics of petitions denied under *General Plastic* and *Fintiv* at least mirror those of the overall population of petitions. The Board's own statistics show that from 2012-19, at least seventy-five percent of the time, the Board has concluded that the petition is meritorious; i.e., at least one claim in the patent should never have been issued.<sup>11</sup> And, in 65% of the cases where a judgment was entered, the patentee either conceded the petition should be granted in full or the

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<sup>10</sup> Eastern District of Virginia Corona, Virus (Covid-19) Guidance at <https://www.vaed.uscourts.gov/covid-19> (last visited December, 3, 2020).

<sup>11</sup> See Unified Patents, PTAB Discretionary Denials: In the First Half of 2020, Denials Already Exceed All of 2019 (July 27, 2020) at [https://www.unifiedpatents.com/insights/2020/7/27/ptab-discretionary-denials-in-the-first-half-of-2020-denials-already-exceed-all-of-2019?gclid=Cj0KCCQiAk53-BRD0ARIsAJuNhpsqh-A9vevgrF4FjT0O3OECiKQ0oVPUTgdEkfhScFQxnFR7LTJsLhUaAigXEALw\\_wcB](https://www.unifiedpatents.com/insights/2020/7/27/ptab-discretionary-denials-in-the-first-half-of-2020-denials-already-exceed-all-of-2019?gclid=Cj0KCCQiAk53-BRD0ARIsAJuNhpsqh-A9vevgrF4FjT0O3OECiKQ0oVPUTgdEkfhScFQxnFR7LTJsLhUaAigXEALw_wcB)

Board concluded the petition should be granted in full; and in at least 15% more of those cases where judgment was entered, the Board determined that the original decision to grant the petition was correct.<sup>12</sup> With such a high percentage of meritorious petitions and the Board apparently almost never having examined the merits of the petition when denying the petition on these discretionary grounds, the conclusion is inescapable. There is a very high likelihood that hundreds of meritorious petitions have not been considered due to discretionary denials. The result is invalid patents continue to “withdraw[] what already is known” and thus “diminish[] the resources available” for lawful innovation.<sup>13</sup>

### **c. The Discretionary Denial Factors Are Not Balanced**

Neither of the discretionary denial tests are fair and balanced. The test defined by *General Plastic* and its progeny regarding multiple petitions only expressly considers factors that favor denying multiple petitions. It appears to operate on an assumption that multiple petitions, whether filed by the same party or multiple defendants, somehow inherently harm the patentee without any focus on the patentee’s actions.

Clearly, there are many reasons that multiple petitions may prove necessary. If the patentee has asserted a patent with dozens of claims and refused to limit its case, the page limitations for a petition may necessitate multiple petitions. Similarly, the *General Plastics* test fails to consider whether the patentee has changed its claim interpretation necessitating a second petition to deal with the patentee’s nose of wax. Alternatively, the patentee may have asserted the patent against a broad array of infringing products where one set of prior art is the same as or similar to a first accused device and the second set of prior art is close to a second infringing product. The patentee may have also engaged in gamesmanship of suing a weak defendant who files an ill considered petition that may block under these decisions better petitions that are filed by more sophisticated defendants later. If infringement allegations in the second or third case are dramatically different or a Markman changed the interpretation, it is all the more important that

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<sup>12</sup> See USPTO, Trial Statistics at 11 (September 2020) at [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20200930.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf)

<sup>13</sup> *KSR Int’l Co. v. Teleflex Inc.*, 550 US 395, 415-16 (2007).

the Board look at the merits of the second or third petition. Denying their petitions without considering the merits thus raises serious due process issues.

Similarly, discretionary denials due to an early trial date also fails to provide balance. The first consideration should be whether the trial date is likely to actually stick. If experience shows that the trial date will not be met or that a single judge has hundreds of patent cases to try currently or a crowded criminal docket, logic dictates against a discretionary denial. If that judge's docket is further backed up by hundreds of earlier filed civil cases that have not been tried due to Covid, the balance should tilt away sharply from exercising a discretionary denial. Also, consideration should be given by the Board regarding whether the patentee is forum shopping by choosing a remote forum to litigate through a locally incorporated shell entity. It should be express Patent Office policy to discourage forum shopping. Where a patentee exhibits a history of suing dozens of defendants serially and settling each case quickly also militates towards granting the petition. Such behavior often manifests lawsuits that are brought merely to extract small settlements rather than to seriously test the patent.

Balanced tests would explicitly enumerate factors that deal with making sure patentees are not harassing defendants as is too often the case. Absent reforming these tests dramatically, these tests will remain unbalanced and will not foster the whole purpose of the AIA: expeditious and inexpensive determination of the validity of patents.

## **II.**

### **The Precedential Decisions are Contrary to the AIA And Should Not Be Codified**

Not only are the discretionary denial decisions unbalanced policy based upon erroneous assumptions, but they are also not lawful. Analysis of the plain text of the AIA and its legislative history shows that Congress expressly considered how the PTAB should handle multiple petitions and how it should treat parallel district court and PTAB proceedings. Thus, the decisions which conflict with Congress's legislation should not be codified.

**a. The PTO Cannot Refuse to Order Trials on Meritorious Non-Repetitive Multiple Petitions as Congress Refused to Grant the PTO Such Discretion**

In *General Plastic* and its progeny, the PTAB has held that the Board may deny any petition beyond the first petition even if other petitions are meritorious. The earliest predecessor to the AIA, The Patent Reform Act of 2006<sup>14</sup> proposed just such a regime of a “one time only” approach that limited a petitioner to a single petition per patent. The bill prohibited institution of a review proceeding “if the [subsequent] petition for cancellation identifies the same cancellation petitioner and the same patent as a previous petition for cancellation.”<sup>15</sup>

This approach was later rejected by Congress. Congress replaced these sections with the “multiple proceedings” provision found in Section 315(d).<sup>16</sup> In contrast to the provision in S.3818, Section 315(d) of the AIA neither addresses multiple petitions nor gives the PTO discretion to do so; instead it applies only if an inter partes review (IPR) has been instituted and another proceeding such as ex-parte reexamination, an interference or a derivation proceeding is currently pending before the Office. If the other proceeding such as an IPR has been terminated, section 315(d) is inapplicable.

Section 325(d), which by its terms also applies to inter partes reviews, demonstrates how limited the Director’s authority is under section 315(d). Under section 325(d), “[i]n determining whether to institute or order a proceeding . . . the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.”<sup>17</sup> Thus, Sections 325(d) by its terms only provides the Board with authority to discretionarily deny duplicative petitions. If Congress believed that section 314(a) or 315(d) granted the Board the authority to deny multiple petitions for any or no

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<sup>14</sup> The Patent Reform Act of 2006, S.3818, 109th Congress (2006), <https://www.congress.gov/bill/109th-congress/senate-bill/3818>.

<sup>15</sup> *Id.* § 314.

<sup>16</sup> 35 U.S.C. §§ 315(d) & (e).

<sup>17</sup> 35 U.S.C. § 325(d).



reason on the same patent, there would have been no reason for Congress to add language to section 325 to provide the Board with the power to deny duplicative petitions.<sup>18</sup>

Thus, Congress's intent is clear. It affirmatively rejected the 2006 bill's approach of a broad "one petition per patent" rule in favor of permitting the Board to apply its discretion when confronted with multiple duplicative petitions. In sum, Congress considered, and clearly rejected a rule that would disfavor or bar subsequent petitions challenging the same patent on any grounds. The Office should respect Congress's decision and follow the statute instead of seeking to codify these decisions into rules that Congress expressly rejected.

### **B. The Board Cannot Deny a Meritorious, Petition That Is Timely Filed Based on Copending Proceedings in Another Forum**

Even a casual reading of the *AIA* demonstrates that Congress carefully considered the concerns relating to parallel proceedings in the courts or other agencies and expressly addressed how to handle parallel proceedings. Section 315 is entitled "Relation to other proceedings and actions."<sup>19</sup> Section 315(a) dealt with declaratory actions and section 315(b) dealt with the patentee's infringement action. Section 315(b) by its terms only prohibits consideration of the timing of the petition if the petition is filed more than one year after the filing of the complaint.<sup>20</sup> No part of section 315 permits or suggests that the Board has the power to refuse to consider a

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<sup>18</sup> Congress's rejection of rules that sought to prohibit or discourage multiple petitions in favor of providing the PTO discretion to address multiple proceedings is also evident in various other provisions of the *AIA*. For example, the joinder provision found in 35 U.S.C. § 315(c) does not allow the PTO to join or consolidate multiple petitions prior to institution so that they can be disposed of in a single institution decision. Instead, joinder is authorized only once an IPR has been instituted and is pending. Additionally, only a "person who properly files a petition" that independently warrants institution of an IPR may be joined, which again illustrates Congress's affirmative decision to allow (or, in this case, require) the filing of multiple petitions, while providing the PTO only with discretion to address multiple concurrent proceedings after institution has occurred by consolidating them into a single IPR.

<sup>19</sup> 35 U.S.C. §§ 315.

<sup>20</sup> "An inter partes review may not be instituted if the petition requesting the proceeding 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." 35 U.S.C. § 315(b).

meritorious petition due to other timing considerations regarding copending court cases. Thus, the multifactor test articulated in *NHK Spring, Fintiv*, and their progeny effectively overrides the policy decisions made by Congress. It is inconsistent with both the letter and the spirit of the AIA, and the test irreconcilably conflicts with Congress's dual goals of creating a streamlined proceeding that provides a viable alternative to litigation and is effective in "weeding out" invalid claims that had been erroneously granted by the PTO.

The Supreme Court has been clear repeatedly that when Congress has imposed a specific time limit in a statute such as section 315(b), neither the courts nor an administrative agency may alter that time limit. Thus, in *Petrella v. Metro-Goldwin-Mayer, Inc.*, the Supreme Court held that Congress's establishment of a three year statute of limitations means that even extraordinary delay in bringing suit cannot bar a claim noting that "[i]f Congress explicitly puts a limit upon the time for enforcing a right which it created, there is an end of the matter."<sup>21</sup>

In adopting the one year bar in section 315(b), Congress was well aware that time to trial varied significantly, but made a clear and simple rule that involved minimal decisional costs and produced highly predictable. And Congress understood that initial district court trial dates often move for a variety of reasons. Thus, Congress's adoption of a simple one-size-fits-all approach to the time bar clearly evinces the overriding intent that IPRs provide the superior speed and efficiency of streamlined procedures for patent validity determinations. Rules based on *Fintiv* should not be adopted and *Fintiv* and its progeny should be repudiated by the Board—quickly too as the Courts are faced with a backlog of patent cases due to Covid having blocked almost all patent jury trials for about one year.

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<sup>21</sup> 572 U.S. 663, 673 (2014) (quoting *Holmberg v. Armbrecht*, 327 U.S. 392, 395, 396 (1946)); see also *Occidental Life Ins. Co. of Cal. v. EEOC*, 432 US 355, 370-72 (1977)(expressing similar results regarding administrative agency action).

### **III**

#### **Conclusion**

Based upon the foregoing, Salesforce respectfully submits that the precedential decisions should be overruled and not be codified in any manner.