

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

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

Docket No. PTO-C-2020-0055

**COMMENTS OF
THE HIGH TECH INVENTORS ALLIANCE**

STATEMENT OF INTEREST

The High Tech Inventors Alliance (HTIA) is a coalition of leading technology companies that advocates on patent law and policy issues in favor of a system that promotes and protects investments in technological development. HTIA members are among the most innovative companies in the world. They create products and services in the computer, software, semiconductor, and communications fields that support growth in every sector of the economy. To support such ongoing innovation, HTIA members invest over \$130 billion in research and development each year, and collectively have been granted more than 300,000 patents.

HTIA thus strongly supports the patent system and effective patent protection. At the same time, its members—like many in the high-tech industry and other operating companies across the broader economy—have frequently been defendants in suits brought by parties asserting infringement of patents issued by the U.S. Patent and Trademark Office (“PTO” or “Office”) but later found to be invalid. These invalid patents do not reflect actual innovation or contribute new scientific information to the storehouse of public knowledge.

HTIA and its members have a strong interest in a patent system that fairly balances the rights of patent owners with the interests of those who face infringement accusations. As large patent owners, HTIA’s members rely on the AIA’s standards and rulemaking processes to provide clarity and predictability. As frequent defendants, they also support the availability of robust and balanced patent review procedures. Accordingly, HTIA is pleased for the opportunity to offer its views on the issues raised in the PTO’s recent *Request for Comments on Discretion To Institute Trials Before the Patent Trial and Appeal Board*.¹

As described below, HTIA believes that the precedential opinions discussed in the *Request for Comments* inappropriately abrogate key provisions of the AIA, replacing Congress’s clearly expressed policy decisions with the PTO’s own policy preferences.² Moreover, these decisions embody misguided policies that create substantial uncertainty for U.S. businesses,

¹ PTO–C–2020–0055, 85 Fed. Reg. 66502 (October 20, 2020) (hereinafter “*Request for Comments*”).

² The main precedential opinions addressed in the *Request for Comments* include *General Plastic Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357 (PTAB Sept. 6, 2017) (precedential); *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019-00062, -00063, -00084 (PTAB Apr. 2, 2019) (precedential) (*Valve I*); *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019-00064, -00065, -00085 (PTAB May 1, 2019) (*Valve II*); *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019 (PTAB Mar. 20, 2020) (precedential); and *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752 (PTAB Sept. 12, 2018) (precedential).

unnecessarily increase litigation costs, and harm the very innovation the patent system is intended to foster. Accordingly, HTIA strongly opposes the rules adopted in these decisions, as well as any attempt to promulgate them as formal regulations through notice-and-comment rulemaking as suggested in the PTO's *Request for Comments*.

COMMENTS

1. Introduction

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) and the guidance in the PTAB's Consolidated Trial Practice Guide ("CTPG"). In the course of its discussion, the *Request for Comments* explains the PTO's view as to the underlying rationales and justifications for its adoption of these policies and informs stakeholders that "[t]he Office is now considering promulgating rules based on the framework of the guidance provided in these decisions and in the Consolidated Trial Practice Guide, or a modified framework as appropriate, based on public input and further analysis."³ The PTO goes on to state that it has already received input from stakeholders and that the "most prevalent" feedback has been "that the case-specific analysis outlined in the foregoing precedential opinions and the Consolidated Trial Practice Guide achieves the appropriate balance and reduces gamesmanship" and that these policies help to ensure that "AIA proceedings do not create excessive costs and uncertainty for the patent owner and the system" while allowing "meritorious challenges by petitioners [to] be maintained."⁴

HTIA strongly disagrees with this feedback. The PTAB's analysis neither achieves balance nor reduces gamesmanship. To the contrary, HTIA's view – based on the substantial collective experience of our member companies – is that the policies in question have significantly *increased* gamesmanship by plaintiffs, producing unnecessary cost and uncertainty, and defeating petitioners' ability to maintain "meritorious challenges" to invalid patents. As discussed further below, the PTO's policies relating to the exercise of discretion under

³ *Request for Comments*, 85 Fed. Reg. at 66504.

⁴ *Id.*

Section 314(a) are fundamentally inconsistent with the AIA, employ unreliable evidence and prejudicial considerations, produce inconsistent outcomes, encourage forum shopping and other abusive litigation tactics, and have made the assertion of invalid patents in litigation significantly more profitable. The result has been to unleash a flood of new litigation by Non-Practicing Entities (“NPEs”) against HTIA members as well as other innovators and contributors to the American economy.

2. General discussion of issues raised in *Request for Comments*

The PTO’s characterization of the effect of its discretionary denial decisions stands in stark conflict with the first-hand experiences of HTIA member companies. In particular, the explosive growth of forum shopping, rampant manipulation of trial scheduling practices, and other litigation misconduct incentivized by the PTO’s policies on discretionary denials bely the assertion that these policies have promoted balance. Moreover, contrary to the PTO’s stated view, discretionary denials clearly prevent petitioners from maintaining meritorious challenges to patent validity.

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

The number of patent infringement suits filed in the Waco Division of the Western District of Texas – which has only one sitting judge – has grown from 28 cases just two years ago to 779 projected for this year, which represents a 2682% increase in that court’s patent docket since 2018.⁵ In less time than it takes the typical patent suit to reach trial, the Western District of Texas has gone from being an infrequently-used venue to the most popular forum in the country.⁶ Indeed, more than one in five patent infringement suits filed in the U.S. is assigned to that Division’s single judge, rather than one of the other 677 district court judges in the

⁵ See 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), available at <https://patentlyo.com/patent/2020/09/litigation-explosion-district.html>.

⁶ 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), available at <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), available at <https://www.law.com/nationallawjournal/2020/07/01/patent-litigation-is-on-the-rebound-led-by-wd-texas-filings/>.

nation.⁷ The Western District of Texas is particularly popular with NPEs, whose business model is based on producing litigation instead of traditional goods and services. NPEs account for more than 85% of the suits filed in this time period.⁸

This rampant growth in filings appears to have been driven in large part by the PTO's rules on discretionary denials – and in particular *NHK Spring* and *Fintiv*. These decisions enable plaintiffs to avoid the institution of an IPR by filing suit in a forum that is willing to schedule the case for an early trial date. As a result, these policies create substantial incentives for plaintiffs to engage in forum shopping by selecting a jurisdiction where they will be granted an early trial date with little chance of a stay. Unsurprisingly, a review conducted by HTIA of recent IPR institution decisions indicates that cases in just two districts – the Western District of Texas and the Eastern District of Texas – account for nearly 80% of denials under *Fintiv*.⁹

b. The principal impact of discretionary denials is to deter meritorious challenges

The notion that the PTO's policies are somehow balanced or justified because they prevent “excessive costs and uncertainty” for patent owners while “meritorious challenges by petitioners can [still] be maintained” is entirely disconnected from the reality of how discretionary denials operate or their actual impact in practice.

To the extent this statement is intended to suggest that discretionary denials do no real harm to petitioners because meritorious challenges to validity can still be presented in the district court, that is both inapposite and factually incorrect. The notion that a denial of institution can be justified on the basis that the petitioner will have the opportunity to present its arguments in litigation is a tacit rejection of the fundamental premise underlying the AIA and Congress's intent in creating the PTAB. If Congress were satisfied with leaving validity to be litigated in

⁷ See Gugliuzza & Anderson, *supra* note 4 (reporting that “[i]f current trends hold, Judge Albright alone will receive 779 patent cases in 2020”).

⁸ See 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), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3668514.

⁹ A review of PTAB institution denials issued in 2020 was conducted by HTIA using data provided by Unified Patents. The review identified 43 decisions that denied institution based on *Fintiv* or *NHK Spring*. In 34 of 43 of these decisions, the parallel infringement suit upon which the denial was predicated was pending in either E.D. Texas or W.D. Texas.

court, there would have been no reason to create the PTAB or establish IPR proceedings. Congress’s stated intent in enacting IPR was to provide an *alternative* to litigation that allowed an accused infringer to choose to have validity adjudicated by expert judges in an efficient administrative proceeding instead of litigating in court. Discretionary denials foreclose the pursuit of an IPR as an alternative to litigation and inappropriately deny the petitioner its choice of forum. Moreover, providing this alternative to petitioners was not itself Congress’s goal, but rather was a means to the end of “weed[ing] out bad patent claims” for the benefit of the public rather than that of a petitioner.¹⁰ Thus, Congress’s goal was not simply to facilitate the efficient resolution of a dispute between two private parties, but rather to encourage the cancelation of invalid claims by expanding the ability to pursue a validity challenge and reducing the costs of doing so.

Apart from undermining the core premise of the AIA, the suggestion that no harm is done by the PTO’s policies because a meritorious validity challenge can still be brought in litigation is simply not true. The question is not whether petitioners can *theoretically* pursue their validity challenges in court, it is whether petitioners *actually* do so in practice. District court proceedings are expensive, and the issues are decided by lay decision makers rather than experts. There is no guarantee that the parties will wish to expend the resources to obtain an uncertain judicial determination of validity in the absence of an efficient and reliable PTAB determination. Thus, as a practical matter, the policies underlying the Board’s decisions on discretionary denials do prevent meritorious challenges from being maintained, leaving invalid patents in force.

Alternatively, to the extent that “meritorious challenges by petitioners can be maintained” is intended to mean that discretionary denials somehow do not prevent the PTAB from deciding meritorious petitions, such a contention would be indefensible given that the tests adopted in the precedential decisions at issue are employed *solely* to deny petitions based on consideration of factors unrelated to the merits. The factors articulated in *General Plastic* do not contain any reference – explicit or implicit – to consideration of the merits.¹¹ The *Fintiv* test also does not

¹⁰ *Thryv, Inc. v. Click-to-Call Techs., LP et al.*, 589 U.S. ____ (slip op. at 8-9) (2020) (citations omitted).

¹¹ The *Request for Comments* describes the factors articulated in *General Plastic* as:

- (1) Whether the same petitioner previously filed a petition directed to the same claims of the same patent;
- (2) whether, at the time of filing of the first petition, the petitioner knew of the prior art asserted in the second petition or should have known of it; (3) whether, at the time of filing of the second petition, the

identify consideration of the merits as one of the core factors that comprise the test and contains only a passing reference to the merits as an example of the type of “other circumstances that impact the Board’s exercise of discretion.”¹² The discussion in the CTPG does not attribute any particular importance to consideration of the merits and only states that the merits *may* be considered as “part of a balanced assessment of all relevant circumstances in the case.”¹³

Consistent with these decisions, PTAB panels do not make a determination regarding the merits of a challenge in the vast majority of decisions considering a request for a discretionary denial.¹⁴ The PTAB’s practice of denying petitions without full consideration of the merits under *Fintiv* is particularly troubling given the language of § 314(c), which provides that “[t]he Director *shall* notify the petitioner and patent owner, in writing, of the Director’s determination under subsection (a).” 35 U.S.C. § 314(c) (emphasis added). The only “determination” that is referenced in § 314(a) is whether “the information presented in the petition . . . and any response . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at

petitioner had already received a patent owner’s preliminary response to the first petition or received the Board’s decision on whether to institute review in the first petition; (4) the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition; (5) whether the petitioner provides an adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent; (6) the finite resources of the Board; and (7) the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than one year after the date on which the Director notices institution of review.

85 Fed. Reg. at 66504 (citing *General Plastic Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016–01357 (PTAB Sept. 6, 2017) (precedential)).

¹² The PTO describes the *NHK/Fintiv* factors as:

- (1) Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
- (2) proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision;
- (3) investment in the parallel proceeding by the court and the parties;
- (4) overlap between the issues raised in the petition and in the parallel proceeding;
- (5) whether the petitioner and the defendant in the parallel proceeding are the same party; and
- (6) other circumstances that impact the Board’s exercise of discretion, including the merits.

85 Fed. Reg. at 66505 (citing *Apple Inc. v. Fintiv, Inc.*, IPR2020–00019 (PTAB Mar. 20, 2020) (precedential)).

¹³ CTPG at 58.

¹⁴ An analysis of recent decisions denying institution using discretion under Section 314(a) that was conducted by HTIA found that only one of the nearly 100 denials reviewed contained any significant consideration of the merits, and the vast majority of these decisions appeared to contain no substantive discussion of the merits at all. This analysis did not consider decisions that rejected an argument for a discretionary denial and either granted institution or denied institution based on procedural grounds other than the exercise of discretion under Section 314(a). Obviously, in those cases where institution was granted, the PTAB is required to have made a formal (and positive) determination regarding the merits. Because the merits are considered in every one of these decisions, it is difficult to determine how much of an independent role – if any – consideration of the merits actually plays in decisions that decline to exercise discretion under Section 314(a).

least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a). Thus, the statute does not merely require notification regarding whether the Director has decided to institute a proceeding, but rather specifically requires the Director to make and then communicate to the parties a determination regarding the merits of the petition, whether institution is granted or denied.

c. The PTO’s discretionary denial tests embody bias rather than balance

Contrary to the feedback from other stakeholders recited in the *Request for Comments*, the precedential decisions at issue in no way “achiev[e] an appropriate balance.” Discretionary denials are outcome determinative only for meritorious petitions, as the Director is expressly forbidden from instituting an IPR unless the petition satisfies the statutory threshold of Section 314(a). Accordingly, the effect of these policies is the opposite of “balanced.” Discretionary denials prevent the review of a patent’s validity requested by the petitioner and can only benefit a patent owner. Conversely, a discretionary denial can provide no benefit to the party requesting review and can only harm it.

In addition to their one-sided impact, the tests relating to discretionary denials are likewise imbalanced with respect to the factors considered and how they are analyzed. Those factors largely incorporate considerations that favor patent owners. For example, the *General Plastic* test is dominated by factors such as whether a petitioner knew or should have known about prior art at the time of a prior petition, the length of time a petitioner waited before filing a second petition, and whether the petitioner has an adequate explanation for any delay. The most favorable assessment of each of these factors will typically only *avoid* the factor from weighing in favor of a discretionary denial and generally cannot operate to the benefit of a petitioner by counterbalancing an unfavorable assessment of other factors. In other words, the factors consider circumstances that, if demonstrated, will weigh in favor of denial, but do not weigh against a denial if disproved.

These factors also fail to consider any equivalent tactical behavior by patent owners. There are no factors asking whether a patent owner sued on an unreasonable number of patents, asserted an excessive number of claims, refused to disclose at the beginning of the litigation which claims it intended to rely on to prove infringement, failed to explain at the beginning of the litigation precisely how the accused product infringes, or asked for an early trial date and opposed a stay of litigation to prevent institution of an IPR. Despite having previously received

specific feedback on this point, in its *Request for Comments* the PTO reports only what is characterized as the “prevalent view” that these tests achieve an “appropriate balance” without acknowledging these concerns or seeking feedback on this issue.

3. Objections to codification of precedential decisions

The PTO should not compound the flaws outlined above by enacting codified versions of the PTAB’s discretionary denial opinions as regulations. First, the underlying policies are ill-advised for the reasons explained above. Second, they are contrary to the text and legislative intent of the AIA, as explained in our responses below. Third, because the policies are inconsistent with the PTO’s statutory mandate, the PTO lacks authority to codify them as rules. More specifically, the PTO cannot lawfully exercise any discretion it possesses under Section 314(a) in a way that violates the statute or overrides Congress’s carefully considered policy choices.¹⁵ Thus, the promulgation of rules requiring the PTAB to exercise its discretion in a way that conflicts with the statute is beyond the authority of the PTO.

4. Conclusion

Because they produce substantial harmful effects, conflict with the AIA, and exceed the PTO’s regulatory authority, HTIA opposes any effort to codify these decisions or the policies on which they are based through the promulgation of formal regulations. Rather than seeking their codification, the PTO should abandon these policies by de-designating the decisions discussed in the *Request for Comments*.

¹⁵ See *Tokyo Kikai Seisakusho, Ltd. v. United States*, 529 F.3d 1352, 1361 (Fed. Cir. 2008) (“An agency cannot ... exercise its inherent authority in a manner that is contrary to a statute.”).

RESPONSES TO QUESTIONS

- 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?**

No. The Office should not seek to promulgate such a rule and should de-designate the *General Plastic*, *Valve I*, and *Valve II* decisions. Congress considered and affirmatively rejected proposals to bar multiple petitions or prohibit institution of subsequent petitions challenging the same patent. The PTO should respect Congress's policy decision, adhere to the text of the AIA as enacted, and forebear from any effort to override the letter and spirit of the statute by regulatory fiat.

While the *Request for Comments* seeks to imply that the precedential decisions relating to multiple petitions are within the PTO's statutory authority and consistent with the legislative intent of the AIA, the opposite is true. Congress made a deliberate choice *not* to preclude or disfavor multiple petitions, and this policy decision is unambiguously reflected in the text and structure of the AIA as well as its legislative history.

The first Senate patent reform legislation in the string of bills that culminated in enactment of the AIA was The Patent Reform Act of 2006.¹⁶ In response to the concerns that having a robust administrative review process would enable serial attacks on a patent's validity and result in the imposition of unfair burdens on patent owners, this initial bill proposed a "one-and-done" approach that limited a petitioner to a single petition per patent. This was done by prohibiting 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."¹⁷ S.3818 also would have estopped a petitioner from asserting any grounds that it

¹⁶ The Patent Reform Act of 2006, S.3818, 109th Congress (2006), <https://www.congress.gov/bill/109th-congress/senate-bill/3818>.

¹⁷ *Id.* § 314.

had raised in a prior petition that was denied, resulting in the petitioner’s challenge not being decided by the PTAB.¹⁸

This approach was ultimately rejected by Congress and both of these limitations on multiple petitions were omitted from the AIA as enacted. In doing so, Congress made an affirmative decision not to discourage or prohibit the filing of multiple *petitions* and instead chose to address only multiple *proceedings*. In contrast to the original provision in S.3818, Section 315(d) as enacted neither addresses multiple petitions nor gives the PTO discretion to do so, but instead applies only when a petition has been granted, resulting in a pending proceeding. The decision to address multiple challenges to the same patent only if an IPR is actually instituted is clear from Section 315(d), which is entitled “multiple proceedings,” and provides the Director authority to address a second matter or proceeding only “during the pendency of an inter partes review” that involves the same patent. Similarly, Section 315(e)(1) rejects the prior approach of estopping a petitioner from subsequently asserting grounds that were presented in a previous *petition* that was denied, and instead only estops a petitioner from asserting grounds that it raised or reasonably could have raised in an prior *proceeding* that resulted in a final written decision.

This decision by Congress is also reflected in the language of Section 325(d), which – in contrast to the very broad authority granted to address multiple proceedings – provides very narrow authority to reject a second petition only “the same or substantially the same prior art or arguments previously were presented to the Office.”¹⁹ Thus, Section 315(d) provides the Director with broad authority to “stay, transfer, consolidate[e], or terminat[e]” concurrent proceedings, while Section 325(d) grants the Director authority to address multiple petitions only if they present redundant or duplicative grounds or arguments.²⁰

¹⁸ *Id.* § 317 (providing that if the PTAB “does not institute a . . . review proceeding under this section then the cancellation petitioner may not assert the same grounds against the same claims in any other proceeding within the Office”).

¹⁹ 35 U.S.C. § 325(d).

²⁰ Congress’s rejection of rules that sought to prohibit or discourage multiple petitions in favor of providing the PTO limited discretion to address multiple proceedings in particular instances 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 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

Congress enacted a statutory structure that explicitly envisions the need for multiple petitions, whether filed by the same petitioner or by multiple unrelated petitioners. With the exception of the narrow discretion to deny a petition that presents redundant or repetitive grounds or arguments, Congress declined to discourage multiple petitions and instead chose to address any inefficiencies or potential abuses by giving the Office broad discretion to address multiple proceedings. Moreover, in Section 325(d), Congress expressly stated that the Director “may take into account” the fact that a petition presents redundant prior art or arguments, reinforcing the conclusion that Congress intended that previous petitions should *not* be taken into account when deciding whether to institute a subsequent petition challenging the same patent absent such redundancy. Thus, Congress intended prior petitions to be effectively irrelevant to a decision to institute and that any concerns about unreasonable burdens resulting from multiple challenges be addressed only after institution through the PTO’s authority over multiple proceedings.

Congress’s intent is unmistakable. It affirmatively rejected a mandatory “one petition per patent” rule in favor of a discretionary “one proceeding per patent” approach in which multiple petitions are allowed without limitation so long as they do not present grounds or arguments that were previously before the Office. In sum, Congress heard, considered, and clearly rejected a rule that would disfavor subsequent petitions challenging the same patent. The Office should respect Congress’s legislative decision and adhere to the statute instead of seeking to abrogate it by adopting the very approach that Congress rejected.

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?

As discussed above, the PTO should altogether disregard whether the claims have been previously challenged in another petition so long as the subsequent petition does not present duplicative grounds or arguments. If a subsequent petition presents “the same or substantially

affirmative decision to allow (or, in this case, require) the filing of multiple petitions, while only providing the PTO authority to join them after they have been instituted.

the same prior art or arguments [that] previously were presented to the Office,” it may appropriately be denied under Section 325(d).

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?

As discussed above in relation to Question #1, Congress *already* considered concerns regarding multiple petitions and deliberately chose not to limit the number of petitions that could challenge the same patent. Only if a petition presents “the same or substantially the same prior art or arguments previously [that] were presented to the Office”, then “the Director may take into account whether, and reject the petition” based on such redundancy of grounds under Section 325(d). Otherwise, prior petitions challenging the same claims are irrelevant to the institution decision, and the Office has discretion to address concerns about inefficient duplication or perceived burdens or unfairness to a patent owner only if there is already a pending review proceeding involving the same patent, and only by means of determining the manner in which a subsequent “proceeding or matter” may proceed under Section 315(d) or through joinder of multiple parties into a single proceeding under Section 315(c).

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?

As discussed above in relation to Questions #1 and #3, the PTO should respect Congress’s clear intent and adhere to the statute by altogether disregarding the number of petitions filed at or about the same time on the same patent in deciding whether to institute.

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?

No. As with the questions on multiple petitions, Congress carefully considered the concerns expressed by stakeholders relating to parallel proceedings, extensively debated them during the six-year legislative process that resulted in enactment of the AIA, and expressly addressed those that were determined to warrant a legislative solution in multiple provisions found in Sections 315 and 325.²¹ The multifactor test articulated in *NHK Spring*, *Fintiv*, and their progeny, effectively overrides the considered policy decisions made by Congress, is inconsistent with both the letter and the spirit of the AIA, and 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 extent to which parallel proceedings in the PTAB and district court or ITC should be precluded, and the most appropriate manner of mitigating the cost of inefficient duplication between co-pending proceedings, were among the most hotly debated issues in the legislative process that led up to the AIA. There was substantial consensus that litigating the same validity issues concurrently in two separate venues could be inefficient, but allowing a district court trial or ITC proceeding to preempt a PTAB proceeding would enable a patent owner to avoid review simply by filing an infringement suit. On the other hand, if an IPR were allowed to trump a parallel infringement suit, defendants would delay requesting IPR and seek to use the PTAB review process tactically to interfere with resolution of the infringement trial. In the end, Congress decided to address these competing interests by means of the time bar enacted in Section 315(b). Allowing a defendant to file an IPR up to one year after receiving the

²¹ 35 U.S.C. §§ 315 & 325.

infringement complaint would provide defendants adequate time to prepare and file an IPR, while largely preventing the filing of late-stage petitions as a litigation tactic.

In adopting the time bar, Congress was aware that the time to trial varied significantly across courts and that a one-year period would not be optimal in every case. Yet it made the considered policy decision that a clear, simple rule that involved minimal decisional costs and produced highly predictable outcomes was preferable in light of the substantial costs and delay of engaging in ancillary litigation to determine the “right” amount of time on a case-by-case basis. Congress’s adoption of a simple and clear one-size-fits-all approach to the time bar evinces its overriding intent that IPRs provide the superior speed and efficiency of streamlined procedures, even at the cost of sacrificing the opportunity for an individualized determination of the optimal time period based on the particular facts of each case.

Despite the unambiguous language of the AIA and its clear legislative intent, the PTO has decided to revisit this question and supplant Congress’s decision to adopt the one-year time bar with its own preference for a more costly, fact-dependent, case-by-case determination. Under *Apple v. Fintiv*, the timeliness of a petition filed by a defendant in an infringement suit involving the same patent is litigated in every PTAB case. PTAB panels now apply a six-factor test to determine “whether efficiency, fairness, and the merits support the exercise of [the PTAB’s] authority to deny institution in view of an earlier trial date in [a] parallel proceeding.”²²

The *Fintiv* test adopted by the PTO is precisely the type of fact-dependent, case-by-case analysis that Congress expressly rejected in favor of the one-year time bar. Moreover, the PTO’s stated goal of assessing whether the “efficiency, fairness, and the merits” support a discretionary denial inappropriately predicates the availability of IPR on extra-statutory considerations that were rejected by Congress and that contravene the considered policy judgments embodied in the AIA. Specifically, the *Fintiv* test is based on the implicit conclusions that the public’s interest in ensuring the efficient administration of the Office justifies the denial of PTAB review in deference to adjudication by a district court or in the ITC. It also assumes that the general interest in the efficient resolution of validity challenges and the patent owner’s interest in

²² *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11, pp.5-6 (PTAB Mar. 20, 2020). See also *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752 (PTAB Sept. 12, 2018) (precedential) (mandating a similar test based on scheduled trial dates).

avoiding the adjudication of validity in a disfavored forum may be elevated above the competing interest of a petitioner in having validity adjudicated in its preferred forum. However, these conclusions are directly contrary to the policy choices embodied in the statute, which reflect Congress's intent that IPRs proceed in preference to parallel litigation and to empower solely the petitioner – and not the patent owner or the PTO – to elect adjudication of validity by the PTAB as an alternative to that litigation.

The inconsistency of the assumptions and priorities embodied in the PTO's policies with Congress's intent is illustrated in Section 315(a)(2), which governs situations in which a petitioner files an IPR petition followed by a civil action challenging the same patent. While the statute provides for an automatic stay of the civil action, it allows the stay to be lifted if the patent owner files an infringement suit against the petitioner, which would allow all three proceedings to move forward concurrently.²³ This result cannot be reconciled with the PTO's policies on discretionary denials, which elevate considerations of "efficiency" over the ability of a petitioner to pursue a determination of validity in its chosen forum. Nor can it be squared with the assumption in *Fintiv* that the interests of efficiency and fairness justify the denial of institution in deference to an impending district court trial or ITC decision. As reflected in this example, Congress intended IPRs to proceed irrespective of co-pending litigation and assumed that district courts would address undue duplication or inefficiency by granting a stay of litigation in appropriate cases. Congress chose not to mandate a stay, but instead was content to allow parallel proceedings to advance concurrently unless the district court decided to grant one. *Fintiv* reaches the opposite conclusion and produces the opposite outcome.

Finally, the application of the *Fintiv* test contravenes both Congress's decision that defendants should be allowed a full year before being time barred and its express conclusion that the six-month time period that was initially proposed did not provide defendants an adequate opportunity to prepare and file an IPR petition.²⁴ Under *Fintiv*, the timeliness of a petition is not assessed based on whether a fixed time period has elapsed since the service of an infringement

²³ 35 U.S.C. § 315(a)(2)(B).

²⁴ The Senate bill initially proposed a six-month time bar, but this was extended to one-year to "afford defendants a reasonable opportunity to identify and understand the patent claims that are relevant to the litigation," which could not be determined in the first few months of litigation due in large part to plaintiffs asserting a large number of claims and refusing to identify which ones they actually intended to litigate until shortly before trial. 157 Cong. Rec. S5402, S5429 (Sept. 8, 2011) (statement of Senator Kyl). As a result of *Fintiv*, petitioners now are frequently required to file within that six-month window that Congress deemed insufficient.

complaint, but instead is based on prospective speculation regarding the predicted timing of the eventual resolution of validity in parallel litigation and its relation to the timeframe in which the PTAB would issue a final written decision. As a result, the timeliness of a petition and the availability of IPR depends on factors outside the petitioner’s control – such as the likelihood of a stay and the proximity of a scheduled district court trial date – which often requires defendants to file an IPR petition less than six months after service of an infringement complaint in order to minimize the risk that institution will be precluded under *Fintiv* due to an aggressive trial schedule in the co-pending infringement litigation. In fact, in one recent institution decision the petition was denied under *Fintiv* despite the defendant having filed its IPR petition less than *one month* after receiving the complaint.²⁵

Congress insisted on a streamlined IPR procedure that would “weed out bad patent claims efficiently.”²⁶ *Fintiv* undermines both the efficiency and effectiveness of IPR, frustrating Congress’s primary goal in establishing these proceedings. Petitioners that have filed well in advance of the one-year deadline prescribed in the statute are now forced to litigate whether they could or should have filed their petition at some earlier date. Instead of focusing on the merits, petitioners must spend a significant portion of their page-limited petition arguing about how the PTAB should weigh each of the six factors of the *Fintiv* test. This injects cost and uncertainty into what was supposed to be a streamlined proceeding, unnecessarily impairing the predictability and consistency of institution decisions while simultaneously reducing the effectiveness of IPR as a means of challenging validity, and increasing overall litigation costs.²⁷

In exchange for all the additional cost and uncertainty it creates, the *Fintiv* test is incapable of being consistently or objectively applied, and it frequently produces inaccurate and arbitrary results. In part, this is due to the speculative and subjective nature of the test itself, but it is also the result of excessive reliance on fundamentally unreliable evidence in assessing the

²⁵ See *Philip Morris Products, S.A. v. RAI Strategic Holdings, Inc.*, IPR2020-00921 (PTAB November 16, 2020).

²⁶ *Thryv, Inc. v. Click-to-Call Techs., LP et al.*, 589 U.S. ____ (slip op. at 8-9) (2020) (citations omitted).

²⁷ An invalid patent left in force can produce millions of dollars in extra costs in parallel litigation, and it’s clear many are being left in force. During the explosive growth of discretionary denials, the proportion of denials on the merits have remained relatively stable while the institution rate has dropped. This suggests that many discretionary denials are not substituting for merit denials (*i.e.*, are not denying petitions that would otherwise have been denied on the merits) but instead are often substituting for grants. The means that many of the petitions being denied are meritorious and seek to challenge exactly the type of “bad patent claims” Congress intended the PTAB to “weed out.”

individual factors of the test. For example, the often-decisive factor is the “proximity of the court’s trial date to the Board’s projected statutory deadline for a final written decision.” But an analysis of discretionary denials shows 100 percent of the trials in Delaware and 70 percent in the Western District of Texas – the two busiest patent venues in the country – were delayed well past the initial date used as the basis for denying an IPR.²⁸ Because this factor considers whether the time to trial is less than 12 months away, a difference of a couple of months is often determinative. In Delaware, the average difference between the date relied on by the PTAB and the actual trial date was 4.6 months. As a result of the fundamentally flawed inquiry articulated in *Fintiv*, an IPR can be avoided simply by choosing a venue where an early trial date is likely to be set and will almost certainly slip. Congress clearly did not intend to enable plaintiffs to decide whether their patents would be subject to IPR. Nor did it intend to empower the PTAB to deny institution based on speculation about litigation matters that are outside its expertise and beyond its ability to predict.

Furthermore, discretionary denials in favor of International Trade Commission (“ITC”) investigations are particularly inappropriate. Orders of the ITC have no preclusive effect, and as a result, the ITC cannot invalidate patent claims. Moreover, after an ITC investigation is concluded, a patentee is free to commence a district court litigation against the same parties—whether the patent owner won or lost. In light of this background, it would be singularly unjust for the PTAB to deny institution in view of a co-pending ITC investigation, where the PTAB is the only adjudicator capable of issuing a binding ruling of invalidity. The PTAB’s inaction will ensure inefficiency by requiring multiple expensive serial proceedings, rather than securing an efficient resolution to the parties’ dispute by making a final determination of questions of validity.

For all these reasons, the PTO should not pursue codification of the *Fintiv* test or seek to promulgate a rule based on the *Fintiv* framework or any similar approach. Rather, the PTO should de-designate the decision and preclude its continued application by the PTAB.

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)

²⁸ *District Court Trial Dates Tend to Slip After PTAB Discretionary Denials*, Scott McKeown (July 24, 2020), available at <https://www.patentpostgrant.com/district-court-trial-dates-tend-to-slip-after-ptab-discretionary-denials>.

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?

Except to the extent relevant to the application of one of the statutory prohibitions that precludes institution (such as estoppel or the one-year time bar), proceedings in district court or before the ITC that involve the same patent should be disregarded as irrelevant to establishing the threshold showing required by Section 314(a) or the other statutory preconditions for institution.

As discussed above, the policy objectives, analytical structure, and practical application of the *Fintiv* test are flawed and inconsistent with the AIA. The PTO should not pursue the promulgation of rules based on the precedential decisions at issue or any similar test or inquiry, but instead should de-designate *Fintiv* and *NHK Spring* and abandon the misguided policy upon which they are based.

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?

For the reasons discussed above, the PTO should not maintain its current practices regarding the exercise of discretion under Section 314(a), which HTIA believes are unlawful, inconsistent with the AIA, and beyond the PTO's authority. The public would be better served by a renewed focus on adherence to the letter and spirit of the statute than by continued efforts to implement distinct policy preferences through the exercise of its discretion. If the PTO nevertheless elects to propose new rules or guidance relating to Section 314(a), it should avoid proposals that reconsider or undermine the policy choices already made by Congress in the statute. Finally, while HTIA objects to the PTO maintaining its current policies, if it elects to retain them, the PTO should at the very least adopt a more balanced set of factors to guide the exercise of discretion. As discussed above, the current tests focus on factors that can typically only operate to the advantage of patent owners and often consider only whether the petitioner's activities might disadvantage the patent owner, while ignoring equivalent behavior by the patent owner or how it disadvantages the petitioner.