

December 3, 2020

Director Andrei Iancu  
U.S. Patent and Trademark Office  
Alexandria, VA 22313-1450  
*Via federalregister.gov*

**PTO-C-2020-0055 Request for Comments on Discretion To Institute Trials Before the PTAB  
October 20, 2020**

With respect to Question 7 of the Request for Comments, I recommend a rule to be included in a Notice of Proposed Rulemaking:

Unless the patent owner consents, a petition for AIA review shall not be instituted if the patent owner meets the requirements of 5 U.S.C. §504(b)(1)(b) and actually reduced to practice or directed the actual reduction to practice at least one of the challenged claims.

I quit my corporate job in 2006 to become a full time inventor and entrepreneur. It was a huge investment and risk for my entire family. We gave up my salary as a process engineer, mortgaged our home, depleted our retirement fund, and deferred our children's college fund. We knew that financial success was statistically unlikely, as most startups fail for a variety of reasons. But I believed that if I invented a commercially viable solution to the problems at hand I would secure ownership of that invention by a U.S. patent. Sadly I was mistaken. I never dreamed that the USPTO would take away my patent when I needed to use it.

My invention Bunch O Balloons solved a 63 year old problem of filling and sealing water balloons. The commercial embodiment is comprised of 35 balloons fastened to the ends of flexible tubes by tiny elastic rings, the other ends of tubes joined to a garden hose connector. Water flows down each of the tubes to simultaneously fill the balloons, and when the balloons are detached the elastic ring clinches the neck of the balloon shut. You can make 100 water balloons in a minute.

When I launched my invention on Kickstarter, notorious knock-off company Telebrands surreptitiously ordered a first edition product, reverse engineered it, went into production at their Chinese factory, and flooded the market with copies. They sold millions of infringing products on television, the internet, Walmart, Target, Bed Bath & Beyond, Toys R Us, Walgreens, Kroger, and Home Depot.

I took them to court and won several preliminary injunctions, multiple appeals, a jury verdict, and a final judgment all upholding my patents as not invalid. Meanwhile, the PTAB instituted review of the same four patents and issued a final written decision invalidating the first one.<sup>1</sup> Among many spurious rulings, the PTAB determined that my claims were indefinite because one of ordinary skill cannot determine

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<sup>1</sup> I eventually prevailed in 7 of the 8 petitions filed by Telebrands. I attribute this to several anomalies. I brought media scrutiny to the abuse when I burned my patents in front of the USPTO, leading to a new Director and reassignment of the presiding judge on my pending cases. I obtained evidence of non-obviousness from the district court including copying and commercial success, relying on procedural rights that are not available at the PTAB. I funded a extremely expensive litigation in multiple venues and won the key issues at the Federal Circuit prior to the first PTAB decision. In my view, the merits of my case had minimal impact on the outcomes at the PTAB.

with a balloon is substantially filled with water and that my invention was an obvious combination of a prior balloon filler, a sprinkler, and a gastric dietary balloon.

In my case the PTAB did not serve as a faster or less expensive alternative to district court. Rather it added \$5-10M in extra legal expense by duplicating and extending the district court litigation, eventually leading us to settle for a fraction of the damages.<sup>2</sup> It duplicated, contradicted, and confounded the proceedings and decisions of the district court. PTAB permitted multiple petitions per patent and instituted on the same prior art considered by the examiner and the Office of Patent Quality Assurance.

In my darkest hour, facing annihilation of my rights and livelihood at the hands of the USPTO, I found help from the non-profit organization US Inventor. I joined US Inventor and have since met hundreds of other inventors who suffered the same PTAB abuses as I did. Few have survived. I truly hope that my comments along with the hundreds of other pleas for justice in response to this RFC lead to substantive reforms.

### **Patents Are Not Secure Due to the PTAB**

I am a firm believer in the provision of the U.S. Constitution that our patent system is to “promote progress in the useful arts” by “securing to inventors the exclusive right to their discoveries”.

This Constitutional mandate has been drastically undermined by the implementation of post issuance reviews at the PTAB under the 2011 America Invents Act. I have found it to be impossible to inform inventors as to how they might obtain a patent secure from institution of a PTAB trial and eventual invalidation. Regardless of how groundbreaking an invention or how thoroughly its patent was examined and prosecuted, the PTAB is more likely than not to invalidate the patent if it is used in an attempt to stop an infringer.

The PTAB has instituted review in 4,090 of 5,983 patents challenged (68%) and invalidated claims in 2,469 of the 2,925 patents they have reviewed (84%).<sup>3</sup> Patents that have survived one or more challenges are still at risk of follow-on petitions which are usually successful.

### **PTAB Unpredictability Harms Inventors**

PTAB unpredictability is paralyzing inventors who cannot obtain investment to develop and manufacture inventions or obtain licenses to commercialize them. It is evident from my experience and observations that the burdens of proof are extremely low while subjective determinations are calibrated to err on the side of invalidation. Specifically the “reasonable likelihood” standard for institution is vague and readily achieved by an expert declaration that combining several pieces of prior art “would have been obvious”. Once a trial is instituted, the preponderance of evidence threshold is easily met and the determination is

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<sup>2</sup> We won a final judgment of \$31M on the 2nd version of the infringing product, but settled the 1st and 3rd versions due to delay and uncertainty caused by the PTAB. Telebrands was emboldened to persist in their infringement business model by early victories at the PTAB.

<sup>3</sup> See <https://usinventor.org/assessing-ptab-invalidity-rates> and <https://www.ipwatchdog.com/2020/05/21/ptab-institution-data-analysis-proves-reforms-failed>. A total of 7,615 patents have been challenged, with 5,983 subject to an institution decision. Of those 1,893 have been denied with 4,090 instituted (68%). 2,925 have reached final decision with 2,469 having one or more claims determined to be unpatentable (84%). I do not consider patents denied institution as favorable for the inventor, because follow on petitions are common and frequently successful.

infected with hindsight. PTAB judges have interpreted these provisions of the AIA as removing the presumption of validity and have oriented their decision-making toward invalidation whereby patent owners lack any viable defense against an obviousness argument.

Thus the implementation of the AIA has made it easy to invalidate “bad patents” but has not provided a means for securing “good patents”. In particular, no provision has been made for the disproportionate harm caused to inventors who rely on patents to develop and commercialize our inventions.

Fortunately, Congress provided a safety valve in the AIA at 35 U.S.C §316(b):

In prescribing regulations...the Director shall consider the effect...on the economy, the integrity of the patent system, the efficient administration of the Office.

Question 7 of the RFC asks:

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?

It is crucial that the Office establish procedures on the use of discretion that account for the unique harms to small practicing entities, such as those founded and owned by individual inventors. A large corporation or a patent assertion entity can absorb the expense and risk of PTAB trials as a cost of doing business. They have access to billions of dollars in capital and portfolios of hundreds or thousands of patents. They need only factor in the cost and risk of PTAB invalidation in their budget and business plans.

Small practicing entities on the other hand, rely on a single patent or a small portfolio to survive – it is often the only means to protect a fledgling startup from a huge predator that copies our invention. Where an examiner, supervisor, district judge, and/or jury will uphold the validity of our core patent(s), the PTAB usually will not. These are not glaring mistakes, but close calls that could go either way under the AIA statutory provisions. These scenarios can only be balanced through regulations on institution that take into account the effect on the economy and the integrity of the patent system.

### **Who Benefits from the PTAB?**

It is important to step back and consider the intent of the PTAB as compared to what has actually transpired. In fact many of the comments submitted for this RFC reflect a misconception that the PTAB is necessary for small businesses to fend off “patent trolls”.<sup>4</sup> To the contrary, of the more than 12,000 petitions that have been filed, less than 2% comprise small and medium size entities against NPEs. The vast majority of petitions are filed by large operating companies, usually against a smaller competitor.<sup>5</sup>

Petitioner Type	Cases	
Large Operating Company v. Operating Company	4,909	40.1%
Large Operating Company v. NPE (PAE)	3,444	28.1%

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<sup>4</sup>See for instance the large volume of comments parroting the content posted at <https://www.eff.org/deeplinks/2020/11/tell-trumps-patent-office-director-dont-make-permanent-rule-changes-now>

<sup>5</sup> Data obtained from Unified Patents at <https://portal.unifiedpatents.com/ptab/caselist>

SME v. Operating Company	1,428	11.7%
Large Operating Company v. NPE (Individual)	730	6.0%
Large Operating Company v. NPE (Small Company)	666	5.4%
Other v. Operating Company	275	2.2%
Large Operating Company v. Other	241	2.0%
Unified/RPX v. NPE (PAE)	225	1.8%
SME v. NPE (PAE)	116	0.9%
SME v. NPE (Individual)	80	0.7%
Unified/RPX v. NPE (Individual)	46	0.4%
SME v. Other	43	0.4%
SME v. NPE (Small Company)	40	0.3%
<b>Total</b>	<b>12,243</b>	<b>100.0%</b>

Of particular concern are the 40.1% of petitions by large operating companies against other operating companies. While Unified Patents does not break this down further, my observations show that the petitioner is usually multi-billion or trillion dollar corporation challenging a much smaller competitor. Top petitioners include Apple (673 petitions), Samsung (549 petitions), Google (354 petitions), and Microsoft (227 petitions).<sup>6</sup> These trillion dollar corporations can easily afford to litigate their invalidity challenges in district court where a small business might obtain contingency representation and an opportunity to plead their case to a jury.

Apple Inc. (673)	Comcast Cable Communications Management, LLC (112)
Samsung Electronics Co., Ltd. (549)	Comcast Business Communications, LLC (108)
Samsung Electronics America, Inc. (484)	Huawei Technologies Co., Ltd. (107)
Google LLC f/k/a Google Inc. (354)	ZTE Corporation (106)
Microsoft Corporation (227)	Comcast STB Software I, LLC (106)
Unified Patents, LLC f/k/a Unified Patents Inc. (219)	NBCUniversal Shared Services, LLC f/k/a Comcast Shared Se
LG Electronics, Inc. (204)	Huawei Device USA, Inc. (103)
Intel Corporation (203)	Comcast Holdings Corporation (103)
LG Electronics USA, Inc. (178)	Comcast Financial Agency Corporation (103)
Comcast Cable Communications, LLC (159)	Ericsson Inc. (102)
Cisco Systems, Inc. (150)	Amazon.com, Inc. (102)
Comcast Corporation (142)	Sony Corporation (98)
Facebook, Inc. (127)	Dell Inc. (93)
LG Electronics MobileComm USA, Inc. n/k/a LG Electronics USA, Inc. (126)	Mylan Inc. (87)
ZTE (USA), Inc. (125)	Toshiba Corporation (83)
HTC Corporation (118)	Sony Corporation of America (83)
Mylan Pharmaceuticals Inc. (115)	Taiwan Semiconductor Manufacturing Company Ltd. (80)
HTC America, Inc. (113)	GlobalFoundries US Inc. (80)

It is rare that a small business avails itself of the PTAB to fend off a meritless patent assertion. Conversely, it is common that a large corporation weaponizes the PTAB to crush a smaller competitor with superior technology. If these were clear cut cases of overlooked prior art, we would not object. However, most cases are a threshold judgment call on obviousness, often relying on a broad claim construction disavowed by the inventor. Such scenarios are common and have led to significant erosion

<sup>6</sup> Data obtained from <https://docketnavigator.com>

of confidence in the patent system – a much greater harm than allowing such disputes to proceed in regular court.

Where is the benefit in summoning a small entity with limited resources to defend their patent at the PTAB against a challenger with vastly greater resources? Clearly the benefit is that it is easier to invalidate a patent at the PTAB. Under what circumstances is this a good thing? Advocates for the PTAB (including more than 200 individuals participating in this RFC) believe PTAB is good when used by a small business to fend off an NPE (~2% of petitions). Perhaps it is good when PTAB is used by a large corporation to invalidate some number of claims asserted by an NPE (~40% of petitions). It might be good when PTAB is used by a small business to challenge claims of a competitor (~12% of petitions). There remain a large number of petitions where it is not clear that easier invalidation is good policy. Certainly there are circumstances where a presumption of validity, the clear and convincing burden of proof, robust discovery, liberal procedural rights, an independent judge, and/or a trial by jury are warranted.

### **The Unique Challenges of Small Practicing Entities**

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

In general NPEs have resources and can adapt their business models to manage the cost and risk associated with PTAB trials. Small practicing entities however, fully allocate our resources to R&D, manufacturing, and other investments in developing and commercializing the claimed invention. To small practicing entities institution of a trial has a substantial negative impact on our business, introducing dramatic unexpected costs and risk.

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

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

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

your head and tie you up in court for the next ten years.”<sup>9</sup>, which is what happens to many patent owners at the PTAB. Small businesses must be able to rely on their issued patents, and disputes with competitors must not be encumbered with delays, expense, and uncertainty of post-issuance review within the USPTO.

- Patrick Buckley is the inventor of several patented smartphone accessories including a virtual reality viewer that was manufactured by his company *DodoCase* in their San Francisco factory. They were put out of the VR viewer business by infringing Chinese importers, one who filed IPRs on each of the 3 patents for the invention. Lacking funds to defend the IPR, *DodoCase* was forced to assign the patents to their attorney in exchange for representation at the PTAB and in federal court. The delays and cost added by the PTAB proceedings eventually forced the attorney-assignee to settle the infringement case. But for the PTAB, Patrick would have profited from his invention, invented and launched more products, and created more American jobs.
- *Mark Kilbourne* is the inventor of the patented Remotizer – a mechanism to retrofit deadbolts for remote actuation. He manufactures his invention and sells it on his website *remotizer.com*. Kilbourne sent a sample to Apple at their request for testing so his App to operate the deadbolt could be offered on the Apple App Store. Then Apple went to market with their own device and filed an IPR to invalidate the patent. Kilbourne did not have anywhere near the \$450,000 (average) required to defend his patent at the PTAB. With his limited budget, he retained an attorney who has never won a case at the PTAB for a patent owner and he did not retain an expert witness. Apple prevailed because they had better representation and AIA trials inherently have high invalidation rates. Apple is a 2 trillion dollar company that could easily afford to plead their case in a regular court where the inventor would have had a better chance of prevailing.
- David Chadwick is the inventor of a patented automated creel for supplying yarn to a carpet loom, making it safer and more efficient. His company *Automated Creel* designed and built the prototype which he then shared with a customer in the carpet manufacturing business. The customer implemented the design and filed two IPR petitions challenging the patent to avoid paying for a license to practice the patent. The PTAB dispute ran almost 4 years during which the infringement case was stayed, concluding with 13 claims invalidated and 8 claims upheld. *Automated Creel* laid off employees and closed down business due to the uncertainty, delays, and expense introduced by the PTAB.
- Ramzi Maalouf is the inventor of the patented wireless selfie-stick which enables taking stable one-handed selfies with a smartphone. His company *Dareltech* designed, built, and manufactured his invention. While their patent was pending, similar products flooded the market and *Dareltech* struggled to survive. When *Dareltech* attempted to enforce their patent, Shenzhen DJI (the Chinese drone manufacturer deemed to be a security risk by several U.S. agencies) filed 6 IPRs against 4 of *Dareltech's* patents. Lacking funds to defend the patent, *Dareltech* was forced to settle with the Chinese company and acquiesce to their violation of the patents. Following that, Microsoft filed an IPR against one of the patents on behalf of their strategic partner Xioami, another Chinese corporation. *Dareltech* has been beaten down and distracted and discouraged from developing and

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

launching new products as a result of the PTAB cloud hanging over their patents. Lacking funds hire an attorney, Ramzi is attempting to defend his patent pro se in the pending Microsoft IPR.

Hundreds of other small practicing entities have been jeopardized by PTAB reviews including: *360Heros, Alan Stuart, Bragel International, Cablz, Capriola Corporation, Carlis Stephens, Collect, Cellspin Soft, Chestnut Hill Sound, Choon's Design, Chrimar, Christy, Clearplay, Comarco Wireless, Corephotonics, DDR Holdings, EMED Technologies, Engineered Corrosion, E-Watch, , Goodson Holdings, Gramm, IMTX Strategic, Jodi Schwendimann, Leachman Cattle, Leak Surveys, Leroy Hagenbuch, NuCurrent, Parkervision, Performance Pricing, Plastic Engineering & Technical Services, Polyzen, Putco, Inc., Roller Clutch Tools, Shane Chen, Shoes By Firebug, Snik, Southern Visions, Susan McKnight, Tas Energy, Tom Waugh, Trans Technologies, Valencell, Vilox, Virnetx Inc., Visibly, Wavetronix, William Grecia, William O'Keefe, Worldsource Enterprises, Zaxcom, Zipit Wireless, Zomm, and Zond*. Each of these examples were founded and/or managed by the named inventor on the patents.

### **Regulations can Provide Balance While Achieving Congressional Intent**

These business and financial parameters are relevant for purposes of balancing. The harmful effects of a few trillion dollar corporations having to litigate a few hundred patents in a regular court must be balanced against the harm of a few hundred small businesses having to defend a few patents at the PTAB. The former will suffer expenses of no more than a few cents per share, while the latter face extinction. More importantly, discouraging independent inventors and entrepreneurs is harmful to society due to lost future innovation for lack of diverse and non-conventional approaches to solving technical problems.

PTAB implementation to date has not accounted for the impact on small practicing entities. Current PTAB practice has rendered United States patents completely unreliable and ineffective in securing to inventors the exclusive right to our discoveries. This is not what Congress intended. But the Director “shall prescribe regulations setting forth the standards for the showing of sufficient grounds to institute consider[ing] the effect on the economy and the integrity of the patent system”.

Based on my experience and consultation with hundreds of others subjected to PTAB reviews, I have begun advising inventors against patenting in the U.S. All of my efforts to devise a strategy for inventors to follow have come up empty. At present it is impossible to obtain a patent from the USPTO that can be relied upon. Substantial improvements are necessary.

### **Rulemaking is Required**

I strongly support the premise of the RFC that notice-and-comment rulemaking is necessary, and applaud the USPTO for this initiative.

In 2012 discretion for denying petitions was wholesale delegated to the PTAB panel assigned to each case. No guidance was provided for denial of institution on policy grounds. The effect on the economy and the integrity of the patent system was not considered.

In recent years the USPTO has developed two mechanisms to govern the use of discretion in the institution decision. The Trial Practice Guide and designation of certain decisions as precedential. These include: Consolidated Trial Practice Guide November 2019; Trial Practice Guide July 2019 update; Trial Practice Guide August 2018 update; *Apple v. Fintiv* (Mar. 20, 2020); *Oticon Medical v. Cochlear* (Oct. 16, 2019); *Valve v. Electronic Scripting Products* (May 1, 2019); *Valve v. Electronic Scripting Products* (Apr. 2,

2019); *NHK Spring v. Intri-Plex Technologies* (Sept. 12, 2018); *Becton, Dickinson v. Braun Melsungen* (December 15, 2017); and *General Plastic Industries v. Canon Kabushiki Kaisha* (Sept. 6, 2017).

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

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

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

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

[it is] *the Board’s discretionary decision* to institute or not institute.<sup>10</sup>

(Emphasis added.)

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

The requirement for rulemaking is acknowledged by the USPTO in a recent pleading in *Facebook v. Windy City*, to wit:

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

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

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<sup>10</sup> <https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf> at 56, 58



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

#### **RFC Questions 1-4: Multiple Petitions**

The USPTO should not issue more than one institution decision on the same patent.

#### **RFC Questions 5-6: Proceedings in Other Tribunals**

The USPTO should not institute a review where the patent owner is engaged in active (unstayed) district court or a concluded ITC investigation involving the petitioner, the petitioner's real party in interest, or a privy of the petitioner.

#### **RFC Question 7: Other Considerations**

The USPTO should prohibit institution of any petition filed against a patent held by a small practicing entity unless the patent owner consents to proceed before the PTAB. Whenever PTAB is a faster and less expensive alternative to district court, a small practicing entity will voluntarily consent to PTAB review.

In defining who may benefit as a small practicing entity, the USPTO should consider several factors and observations, including:

- The small entity limit of 500 employees in 37 CFR §121.802(a) is a logical starting point
- The licensing cap of 37 CFR §121.802(b) is unduly restrictive because: 1) mid-size practicing entities need PTAB relief as well; and 2) a licensee will often put up a weak defense or no defense in order to save millions of dollars in legal fees and royalties by allowing the patent to be invalidated – in other words, the inventor/patentee is left to fend for themselves
- Financial resources are relevant, especially in comparison with the petitioner, the petitioner's real party in interest, or a privy of the petitioner
- The conditions in the Equal Access to Justice Act 28 U.S. Code § 2412(d)(2)(b) are germane, which provide relief for non-profits, individuals with a net worth not exceeding \$2M, and small businesses with a net worth not exceeding \$7M
- The practicing criteria should credit any actual reduction to practice of the challenged claims, without requiring continual practice, especially where infringement has contributed to suspension of practice by the patent owners
- The practicing criteria should credit good faith licensing, joint ventures, teaching, copying, and other conditions where the invention was practiced in reliance on the teaching of the inventor

I've studied these issues for thousands of hours, considering my own experience as well as hundreds of others. I fully understand and appreciate the positions and concerns of all stakeholders. I have invented for a Fortune 500 tech company, directed many law firms for my own cases, helped dozens of inventors with their IPRs, attended and presented at several of conferences on PTAB issues, written dozens of articles, conducted original research and analysis, and collaborated with many industry and bar associations. I care deeply about this. It is not easy to strike the right balance, but I believe I have come up with a narrowly tailored solution to move us forward.

I propose the following rule to be included in a Notice of Proposed Rulemaking:

Unless the patent owner consents, a petition for AIA review shall not be instituted if the patent owner meets the requirements of 5 U.S.C. §504(b)(1)(b) and actually reduced to practice or directed the actual reduction to practice at least one of the challenged claims.

Such a rule would mitigate a practice of market incumbents who pirate patented technology then leverage the cost and risk imposed by a PTAB to crush the smaller competitor. The patent system should be balanced in favor of encouraging invention, creation of new businesses, and competition. This proposed rule would move closer to achieving that balance while preserving most of the supposed benefits of the AIA. The baby (legitimate inventor) that was thrown out with the bath water might be rescued and rehabilitated.

## **CONCLUSION**

The time has come for intervention to correct the unintended consequences of the PTAB. Small practicing entities are a crucial source of innovation and competition, but implementation of the AIA has sidelined us largely due to cost and risk associated with AIA trials. It is imperative that the patent system works to “promote progress in the useful arts” by “securing to inventors the exclusive right to their discoveries”. The analysis and recommendation presented for regulating the institution decision can rectify the problems, invigorate an army of inventors, and put our nation back on track to be the global leader in innovation.

Sincerely,

Josh Malone

Inventor of Bunch O Balloons