

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 BY THE MOTION PICTURE ASSOCIATION, INC.

December 3, 2020

Introduction and Commenter's Interest

The Motion Picture Association, Inc. (MPA) represents six of the largest producers and distributors of filmed entertainment in the world, including Walt Disney Studios Motion Pictures; Paramount Pictures Corporation; Sony Pictures Entertainment Inc.; Universal City Studios LLC; Warner Bros. Entertainment Inc.; and Netflix Studios, LLC. MPA members and their affiliates are the leading producers and disseminators of filmed entertainment, which consumers enjoy through streaming services, digital optical discs, digital downloads, and theaters, among other media. MPA members also employ hundreds of thousands of U.S. workers, entertain billions across the globe, and participate in significant ways in the marketplace for digital content. As the creative economy and technology continue to converge, the MPA's members are also technological innovators and active participants in the patent system. The MPA members and their affiliates are the owners of thousands of U.S. patents, as well as being among the most recognized copyright and trademark owners in the world. They are, at their core, intellectual property-based companies and steadfast supporters of strong intellectual property protections. They are also regular defendants in patent litigation, including as frequent targets of litigation campaigns that seek to leverage costly and abusive litigation practices and patents of questionable validity. As a result, the MPA members have a keen interest in promoting a robust and balanced patent system—one that supports innovation by promoting high quality patents, while providing efficient procedures to adjudicate the validity of low quality patents that are a drag on innovators and the economy more broadly.

The MPA appreciates the opportunity to comment. In doing so, these comments should not be taken to express a view related to the issues in the case entitled *Apple et al. v. Iancu*, Case No.: 5:20 – cv – 6128, N.D. Cal. (2020), which concerns the propriety of the *NHK-Fintiv* rule under the Administrative Procedures Act. Similarly, MPA Nor should these comments be read to express opposition to the Patent and Trademark Office (PTO) seeking to normalize the procedures for the PTAB through rulemaking. Instead, MPA writes to express some significant concerns about how adoption of a rule embodying the current guidance and factors will affect the ability of MPA member companies to use the PTAB process as intended by Congress in enacting the AIA. MPA believes these concerns reflect a number of substantial challenges that the PTO will need to address should it move forward in seeking to adopt a rule.

The AIA Provides An Important Tool To Ensure Efficient Review Of Patent Validity Balanced By Statutory Limits That Safeguard Against Abuse

The AIA sought to quash the “growing sense that questionable patents are too easily obtained and are too difficult to challenge” while also ensuring that patent owners would not be subject to improper repeated challenges to the validity of their intellectual property based on slightly different legal theories or brought by different parties. *See* H.R. 112-98 at 39-45; *see also id.* at 47 (discussing the AIA’s new estoppel provisions). In this way, the AIA was promulgated to strike a balance between the legitimate interests of patent owners and patent challengers alike, including avoiding the harassment of the former and while providing a vehicle for efficient review of challenges by the latter.

This balance is borne out in the statutory scheme. The statute puts strict limits on who may seek AIA review, what arguments they may present, and when they may challenge a patent. *See* 35 U.S.C. §§ 311, 321 (establishing statutory deadlines on when a petitioner can challenge an existing patent); *id.* §§ 314(a), 324(a)-(b) (requiring petitioners to make a threshold showing

regarding likelihood of success, or at least establish that the petition raises a novel or unsettled issue, before proceedings can even be instituted); *id.* §§ 315(a)(1), (b), 325(a)(1) (barring petitions from a party (or the privies of a party) that has already filed an action in district court challenging the validity of the patent or that waits more than a year after being sued for infringement); *id.* §§ 315(e)(1), 325(e)(1) (barring a party (and its privies) from filing a petition if it includes arguments that could have been raised in a prior PTO proceeding that resulted in a final written decision); *id.* §§ 315(e)(1), 325(e)(1) (creating estoppel for arguments in a civil action or ITC proceeding once a ground has been raised—or reasonably could have been raised—in a proceeding that went to a final written decision).

When these limits are met, the statute was designed to provide a mechanism to improve patent quality, and, in parallel, the legitimacy of the patent system and its critical role in promoting innovation. Before the AIA, frequent patent defendants had access to limited, expensive, and slow options to challenge bad patents. The AIA helped solve that problem by allowing for a second look at patents by specialist judges in a streamlined and speedy administrative process.

Of course, the PTO must also administer AIA proceedings to maintain that balance—to ensure that AIA proceedings serve their statutory purpose while minimizing abuse. To that end, the PTO currently has rules that allow for the efficient management of multiple petitions and for sanctions that protect against harassment or other abuse of the legal process. The Director has the power to “determine the manner in which” proceedings involving a patent already under review advance. *Id.* §§ 315(d), 325(d). The Director may join newly filed petitions with ongoing proceedings that implicate the same patent. 35 U.S.C. §§ 315(c), 325(c). Likewise, a party that submits papers to the PTO “certif[ies]” that “[t]he paper is not being presented for any improper

purpose, such as to harass someone or to cause unnecessary delay or needless increase in the cost of any proceeding before the Office.” 37 C.F.R. § 11.18(b)(2). The sanctions available for such bad behavior include “[t]erminating the proceedings in the Office.” *Id.* § 11.18(c). Similarly, the PTO has provided for sanctions for any “party ... misconduct, including ... abuse of process[] or [a]ny other improper use of the proceedings, including actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.” *Id.* § 42.12(a)(6)-(7). These existing rules allow the PTO to manage its own docket and maintain the integrity of the process, while performing its statutory role in resolving patent challenges that are legitimately authorized by the statute, and MPA supports the PTO’s use of these rules to that end.

As explained below in the context of the specific questions posed, the MPA members respectfully submit that any rules adopted by the PTO should not disrupt the statutory balance by placing significant additional limitations on serial or parallel petitions or narrowing the circumstances in which petitions are instituted based on speculative litigation timelines. MPA members are concerned that if new rules shift the balance, they may effectively exclude from review many challenges in which AIA review is needed most. This is a particular concern where petitions may be denied based on parallel litigation, creating incentives on both sides (for patent owners to strategically initiate litigation to evade AIA review, or for patent challengers to file rushed petitions to ‘beat the clock’ on litigation deadlines) that undermine the effective and efficient review of patents by the PTO that is at the very heart of the AIA.

Responses To Specific Questions

[Serial Petitions (Questions 1 and 2)] One consequence of the AIA’s joinder provisions, coupled with recent changes in the legal standards regarding venue in patent infringement cases, is a sharp decrease in multi-defendant cases and a corresponding increase in serial patent litigation.

The reality of modern patent litigation is that patent owners often engage in litigation campaigns seeking to enforce patents against dozens of different accused infringers (often across different industries), in different courts (often across the country), at different times (often months or even years apart).

Given that reality, rules that would have the effect of precluding—or erecting significant procedural roadblocks to—subsequent petitions present the real challenge of depriving accused infringers of a critical tool to efficiently address bad patents. As explained above, the AIA contemplates that accused infringers will use PTO proceedings for precisely that purpose—as a forum to simplify ongoing litigation by efficiently evaluating the validity of patents that may be in litigation. *See* 35 U.S.C. § 315(b). The AIA does not suggest that the tool is limited to the first accused infringer to file a petition. And for good reason. Because patent litigation campaigns often start by asserting a patent against accused infringers in one industry and then move to other industries, the first accused infringers to initiate an AIA proceeding might not have the benefit of prior art that is known to subsequent accused infringers in other industries. Even within the same industry, an accused infringer may have superior knowledge of particular prior art based on its own research, development, or patent efforts. Moreover, as the assertions of a particular patent evolve to cover new industries or new accused infringers, the patent owner’s own interpretation of the scope of its patent may shift or expand, resulting in new or different grounds for invalidation. In any of these cases, what might be dismissed as a “serial” petition would, in fact, be an effort to efficiently resolve patent validity precisely as contemplated by the AIA.

As the Request for Comments contemplates, AIA proceedings should of course not be used as a vehicle to harass patent owners. But challenging a patent in the PTO that is the subject of litigation in another forum is not harassment in circumstances like the ones described above.

On the flip side, cutting off the ability of accused infringers that are sued to seek AIA review merely because they did not win the race to the PTO (perhaps because they were not even sued until much later) would invite strategies that would allow bad patents to be asserted broadly without the check contemplated by the statute. If AIA review were effectively “one and done,” a patent owner could choose to first assert patents against accused infringers or industries that do not have the sophistication, resources, or access to the prior art to make a robust challenge, and then preclude later accused infringers from making their own challenges. The net effect would be to allow low quality patents to evade exactly the review that the AIA envisions.

As a practical matter, it is worth noting that serial petitions are rare. PTO statistics confirm that the vast majority of challenged patents both this year and prior to the *General Plastic* decision—have only been the subject of one or two petitions for review. And, as explained above, the PTO already has rules that allow for the efficient management of multiple petitions and for sanctions that protect against harassment or other abuse of the legal process. These existing rules allow the PTO to manage its own docket and maintain the integrity of the process, while performing its statutory role in resolving patent challenges that are legitimately authorized by the statute.

Parallel Petitions (Questions 3 and 4)

For many of the same reasons described above in response to Questions 1 & 2 and for the reasons detailed below, there are substantial challenges to consider before restricting the ability to file parallel petitions.

Multiple petitions may be filed where a patent owner has accused multiple parties of infringing a patent—where some accused infringers may have superior knowledge of the prior art (based on their own research, development, and patenting efforts) or simply where some

accused infringers may have distinct interests and distinct views on the patent's validity. Where parallel petitions are not cumulative or intended to harass, this diversity of perspective should only aid in the PTO's performance of its statutory duty to evaluate patent validity and enhance patent quality. In contrast, a regime that creates a "race" to the PTO would only degrade the record on which the PTO conducts its review. Forcing AIA review on the basis of a rushed record is not in the interests of the PTO, patent owners, petitioners, or the patent system writ large.

Nor is it in the interest of the system or its participants to limit AIA review to an unduly restricted record. Multiple petitions are often filed because of the PTO's own rules governing the content of petitions and their length. To ensure that a petition is helpful to the administrative patent judges in resolving patent validity challenges, it must include a "full statement of the reasons for the relief requested, including a detailed explanation of the significance of the evidence including material facts, and the governing law, rules, and precedent." 37 C.F.R. § 42.22(a)(2). Yet, to ensure that petitions are not unwieldy, petitions are limited to anywhere from 14,000 to nearly 19,000 words, depending on the type of proceeding. 37 C.F.R. § 42.24(a)(1). Where patents or prior art is complex, or where there are many or lengthy claims, it is often impossible to adequately present legitimate grounds for cancellation in a single petition. Restricting the number of petitions filed would put petitioners in the unfair position of having to narrow the grounds on which they seek review (which could allow bad patent claims to escape review) or to narrow the explanation that they provide in support of their petitions (which would make it harder to provide the administrative patent judges with a record that will best help them adjudicate validity). Instead, parallel petitions allow a petitioner to present the administrative patent judges with a more complete and cogent record on which to evaluate patent

validity—a goal that is undeniably important not only to maintaining high patent quality but also the legitimacy of the patent system.

Insofar as the PTO is concerned that instituting additional petitions “may place a substantial and unnecessary burden on the Board and the patent owner,” RFC at 13, the PTO can offset the burden of parallel petitions by the fees it charges, which are computed to reflect the expected actual cost to the PTO of conducting a full trial. To the extent the petitions’ arguments overlap, the PTO can consolidate the proceedings and deal with both petitions at once.

Proceedings In Other Tribunals (Questions 5 and 6)

Consistent with its comments on Questions 1-4 above, the MPA submits that the Board’s *Fintiv* framework poses numerous challenges that we are concerned have the net effect of unduly limiting AIA review and thus undermining the AIA’s central purpose of providing a streamlined mechanism to eliminate bad patents at a relatively low cost. These challenges must be considered in any potential rulemaking.

First, as explained above, the effect of the rule will to be make it more challenging to eliminate bad patents in many cases by encouraging accused infringers to rush to file petitions to “beat the clock” on a finding that litigation precludes institution, while incentivizing some patent owners to seek to avoid AIA proceedings altogether by filing in a fast-paced docket with an average short time to trial or with early “placeholder” trial dates that may not ultimately stick. These concerns are not hypothetical. A recent study found that in two of the most prominent patent venues in the country (the Western District of Texas and the District of Delaware), the vast majority of patent trials were pushed back only after the Board denied institution based on

the existing trial dates.¹ Yet, faced with a discretionary denial, an accused infringer seeking to invoke the AIA’s procedures to address a low quality asserted patent would have no choice but to rush to file a petition for review based on what may well be an artificial trial date.

Second, the *Fintiv* rule requires the PTO to predict how a parallel litigation might play out—something not even the presiding judge or participants in a case are in a position to do. For example, one *Fintiv* factor asks the PTO to consider whether, if a stay has not already been entered, “one may be granted” if IPR is instituted. *Fintiv*, Paper 11 at 6. Because the stay analysis often involves a variety of case-specific factors, it is difficult to imagine how the PTO could fairly predict how that analysis would play out in any particular case without prejudging how another judge could or should rule before the record has even been put before that judge. It is also difficult to imagine how that analysis could be consistent across cases and panels.

Compare LG Elecs., Inc. v. Bell N. Research, LLC, No. IPR2020-00319, 2020 WL 3454962, at *8 (P.T.A.B. June 23, 2020) (likelihood of a stay favored denying institution), *with Apple Inc. v. Maxell, Ltd.*, No. IPR2020-00199, 2020 WL 3401272, at *6 (P.T.A.B. June 19, 2020) (likelihood of a stay was a neutral factor).

Moreover, even where the PTO is not required to guess as to how another tribunal might rule on a motion that has not yet been filed, a *Fintiv* analysis that is based on dates that are set at the outset of the case is inherently speculative. Litigation is, by its very nature, uncertain. Dates slip. Schedules are extended. In some districts, multiple cases are set for trial on the same day, with the court assuming that some subset of those cases may settle before the trial date

¹ McKeown, *District Court Trial Dates Tend to Slip After PTAB Discretionary Denials*, ROPES & GRAY (July 4, 2020), <https://www.patentspostgrant.com/district-court-trial-dates-tend-to-slip-after-ptab-discretionary-denials/>.

approaches or that there will be some intervening change in schedule that will resolve the conflict.

Ultimately, the guesswork inherent in predicting how litigation proceedings will play out could lead to similarly situated petitioners receiving dramatically different rulings. To take just one example, one panel has stated that an overlap between proceedings *avored* institution (because the trial was in the distant future) while another panel applied the exact same factors to decide that case decided that overlap *disfavored* institution (because the trial was near). *Compare Medtronic, Inc. v. Teleflex Innovations S.à.r.l.*, No. IPR2020-00135, 2020 WL 3053201, at *16 (P.T.A.B. June 8, 2020), *with Ramot*, 2020 WL 2511246, at *3-4. As another example, one panel has held that denial was warranted where a trial involving a *different* defendant and venue would occur before the final written decision, *see Fitbit v. Philips N. Am. LLC*, IPR2020-00828, 2020 WL 6470312 at *4 (P.T.A.B. Nov. 3, 2020) (“The fact that the trial in the *Garmin* case will likely take place several months prior to the final decision weighs in favor of invoking our discretion to deny institution.”), while another panel reached the opposite conclusion on similar facts just two weeks earlier, *see Dolby Laboratories, Inc. v. Intertrust Techs. Corp.*, 2020 WL 6107204 at *4-5 (P.T.A.B. Oct. 15, 2020) (fact that Texas trial involving patentee and three different defendants would begin seven months prior to deadline to issue final written decision did not weigh in favor of denying institution, as “Dolby is not a party to the Texas Actions”).

The *Fintiv* rule raises even more questions in the context of ITC proceedings because an ITC ruling carries “no preclusive effect in other forums.” *See Texas Instruments, Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1568-1569 (Fed. Cir. 1996); *see also Nichia Corp. v. Lighting Science Group Corp.*, IPR2019-01259, Paper 21, *27 (PTAB Jan. 15, 2020) (noting that “ITC decisions do not preempt issues addressed in an inter partes review proceeding”). Because

an adverse decision for one party in the ITC would as a matter of statute not decide the issue of validity in either the PTO or district court, a winning party would have to relitigate the issue before the PTO or in court to conclusively resolve validity. Moreover, because the ITC applies a more stringent standard when reviewing validity than the PTO does in AIA proceedings, a low-quality patent might survive a validity challenge at the ITC but be found invalid by the PTO. *Compare Linear Tech. Corp. v. ITC*, 566 F.3d 1049, 1066 (Fed. Cir. 2009) (at the ITC, “party asserting invalidity [must] prove it with facts supported by clear and convincing evidence”), with 35 U.S.C. § 316(e) (petitioner has “the burden of proving a proposition of unpatentability by a preponderance of the evidence”) and *id.* § 326(e) (same). The PTO itself has recognized the unique posture of ITC proceedings in granting institution. *See Nichia Corp. v. Lighting Science Group Corp.*, IPR2019-01259, Paper 21, *27 (PTAB Jan. 15, 2020); *Samsung Elecs. Co. v. BitMicro, LLC*, IPR2018-01410, Paper 14, at *18 (PTAB Jan. 23, 2019); *Wirtgen Am., Inc. v. Caterpillar Paving Prods.*, IPR2018-01202, Paper 10, at *7-10 (PTAB Jan. 8, 2019) (same).

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Ultimately, the PTO, the MPA members, and the broader community of innovators and participants in our patent system all share a common interest in enhancing patent quality to support innovation, while efficiently addressing low quality patents that cause a drag on innovation and on the legitimacy of the patent system. The AIA was intended to—and has—helped promote that interest. And the PTO’s existing rules exist to ensure that there are procedural checks on abuses of the AIA process. To the extent the PTO proceeds with a rulemaking, MPA believes it is essential that the concerns identified herein be accounted for and addressed in any final rule.