

**Comments in response to USPTO notice of proposed rulemaking**

**FR Citation: 85 FR 66502-66506**

**Agency Docket: PTO–C–2020–0055**

**Comment Deadline: Friday, November 19, 2020, extended to Dec. 3, 2020**

**I. INTRODUCTION**

Unified Patents, LLC submits the following comments to the United States Patent and Trademark Office relevant to Docket No. PTO–C–2020–0055, the Request for Comments (RFC) on Discretion to Institute Trials Before the Patent Trial and Appeal Board.

Respectfully, the Office’s RFC does not reflect an honest summary of the many diverse opinions routinely conveyed to the Office on these topics by all users of the system. What’s more, the questions the RFC begs all rest on the same shaky logical foundation; each fits the following form: either the Office should file some unannounced notice of proposed rulemaking vaguely in line with its current practice, or it should adopt either an all-or-nothing approach. Such formulations seem designed to elicit responses aligning with a foregone conclusion, and do not comport with the requirements that the agency give stakeholders proper notice and an opportunity to be heard prior to any properly promulgated regulation.

Substantively, the RFC misapprehends the Congressional statements the USPTO argue are supportive of potential proposed rules. These legislative statements were not invitations to the USPTO to set its own outcome-determinative policies to bar meritorious petitions. They refer to other statutes explicitly adopted by Congress in the AIA, a bipartisan, bicameral law that was the result of “countless hours of meetings and negotiations [between] Republicans and Democrats, Senate and House” over the course of six years. S. Hrg. 112-58, 1-2 (June 20, 2012). These included the one-year statutory bar for filing petitions, estoppel, various other timing requirements, and substantive threshold changes. *See, e.g.*, H.R. 112-98, 46-47. Otherwise, Congress considered and declined to limit which petitions the agency might consider based on the status of district court

cases. And, while the RFC cites legislative history discussing preventing harassment of patent owners, it takes this quote out of context; their cited legislative history refers to the post grant review process. H.R. 112-98, 48. Regarding the *inter partes* review context, the committee observed that “*no empirical evidence*, even anecdotally, was proffered to the Committee to demonstrate such abuses occur.” H.R. 112-98, 164 (emphasis added). No empirical evidence has materialized since; if anything, the limited data provided by the Office have shown the opposite.

Congress debated at length and established the safeguards it deemed necessary to balance the need to efficiently dispose of a glut of low-quality patents with the interests of patent owners in avoiding belated validity attacks and bolstering the strength of their legitimate patents, settling on the 315(b) one-year bar. It is not within the authority granted to the Director by Congress to shorten that period.

## II. SERIAL PETITIONS

### A. Requests

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?
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?

### B. Comments

The Office lacks the authority to promulgate regulations setting *ultra vires* limits on entire classes of claims or creating additional substantive, context-specific requirements for filing. While the Director and Board retain discretion in each case, and that discretion is certainly not unbounded, it likewise cannot be artificially constrained or politically guided—or used to sneak in a rule the Office does not otherwise have the authority to promulgate—without legislative action.

Denying petitions where the same claims have been presented before the Office was specifically addressed by Congress through 35 U.S.C. § 325, and it is disingenuous to argue that Congress, without ever suggesting it, intended the Director to regulate freely under 35 USC § 314 to issue whatever rules it deems appropriate barring certain petitions and certain petitioners. The Director and the Board must be free to consider the merits of each individual case, without self-imposed artificial political constraints. Congress was clear: Office must decline to adopt Proposal 3 as written, as they were only given the particular rulemaking authority to issue rules regarding the stay, transfer, consolidation, or termination of *co-pending* proceedings, not patents challenged in previous petitions not currently pending. 35 U.S.C. § 315(d) & 325(d) (“multiple proceedings”).

The Office’s Proposal 2, in both parts, presents a false dichotomy—either the Office must adopt a rule similar to what they are proposing (which begs the question), or it must adopt one of an either/or approach; either the office must disregard previous proceedings, or it must decline to institute as a rule.<sup>1</sup> This flies in the face of discretion and the Director and Board’s freedom to consider all of the relevant information and apply all of the relevant statutory provisions. Under 35 U.S.C. § 325(d), for instance, the Director and Board may consider whether the same or substantially the same arguments have been previously presented. So, if a previous petition challenging the same claims presented the same or substantially the same arguments, Congress has spoken. Other factors related to previous petitions may explicitly be considered. There is unacknowledged middle ground. So too may parties use the sanctions and motions processes to root out any threatened abuse. There are avenues to consider other petitions; any consideration of them need not be presented as a Hobson’s choice.

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<sup>1</sup> The RFC’s repeated use of “altogether” itself is suggestive.

To the extent the RFC's second part begs an all-or-nothing answer, though, it would be far more consistent with the statutes and Congress's direct intent to, absent some statute authorizing them to, disregard whether the claims have previously been challenged in another petition. That, of course, includes the myriad situations Congress already debated and legislated over; for instance, where the petitions are co-pending; where they are statutorily barred; or where the same or substantially the same arguments have been presented to the Office.

The Office's RFC question 2 seems to presume it has the authority to legislate a blanket denial of any additional petitions. It does not, by Congress's plain language. It would be particularly wrong to do so based on policy and would lead to perverse results. Consider, for instance, where a patent licensor serially asserts a patent against dozens of defendants over as many years; it would be inappropriate to arbitrarily cut off access to the Office, where the art or arguments presented are neither the same or substantially the same. An absolute bar might even abridge the right to petition.

The Office must consider the impact of any future-filed notice of proposed rulemaking on whether the previous precedential decisions they are relying on have led to the denial of meritorious challenges, how many have been denied, and whether such denials unfairly impact certain petitioners over others, such as those sued as part of a multi-defendant litigation campaign. Currently, the Office has conducted no studies and offered no data on the impact of its *General Plastic* decision and its progeny on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability to timely complete *inter partes* review proceedings. It has not even released how many cases have been denied under these new *de facto* rules.

Finally, even if it does choose to issue a proper notice of proposed rulemaking proposing some rule similar to what the RFC seems to suggest, the Office should quite clearly decline to adopt Proposal 2(b). It would erect an *ultra vires* total bar to subsequent petitions in a system that expressly and statutorily planned for them through joinder, consolidation, and other mechanisms; it would unduly constrain individual decisionmakers and the Director in future cases; and it would ensure that at least some patent claims that never should have issued would remain in force and be used by “wrongful claimants” for the “fraudulent exactions of fees by persons possessed of patents.” Letter from James Madison to Congress, 11 April 1816.

The Board must retain the ability to assess petitions based on the merits to address cases where the issuance of a patent may have been a result of a mistake. For example, in the case of U.S. Patent 9,503,742, the examiner was forced to allow a patent as a result of a typographical error in an office action and unique procedural circumstances that prevented the examiner from reopening prosecution.<sup>2</sup> The proposed rules, if adopted, would prevent the PTAB from correcting even such obvious errors. This runs against the goals of the AIA trials, which were meant to correct the mistakes that occur during examination. 157 Cong. 131, S5375 (Sep. 7, 2011). This also runs against the purpose of the PTAB, which provided for the review of patents by administrative patent judges who, as persons of “competent legal knowledge and scientific ability,” are well suited to answer technical questions regarding a patent’s validity. 35 U.S.C. § 6; *see also* 157 Cong. 34, S1352 (Mar. 8, 2011).

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<sup>2</sup> *See Sony Interactive Entertainment LLC v. Techno View IP, Inc.*, IPR2018-00534, Paper 9, 9-10 (Aug. 21, 2018).

### III. PARALLEL PETITIONS

#### A. Proposed Changes

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?
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.

#### B. Comments

As the Office has the statutory authority to issue rules governing page, type, and word limits, as well as other procedural limitations, it stands to reason that it is within the Office's procedural authority to put reasonable limits on petitioning through appropriate notice-and-comment rulemaking. It had the authority to consider multiple petitions from one party at a time under these practical procedural considerations; it likely has the authority to, within reason, limit too-lengthy filings, or conversely, force parties to file multiple petitions and pay more for more consideration.

But it cannot and should not have issued such rules under the guise of guidance updates to the Trial Practice Guide.<sup>3</sup> It has already done so. The USPTO, without much discussion, simply filed a brief notice in the Federal Register without accepting any commentary, circulating the update among stakeholders, or publishing a notice of proposed rulemaking. These amendments

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<sup>3</sup> PTAB Trial Practice Guide Update (July 2019 Update), *available at* [https://www.uspto.gov/sites/default/files/documents/trial-practice-guide-update3.pdf?MURL=noticed in Office Patent Trial Practice Guide, July 2019 Update, 84 Fed. Reg. 33,925 \(July 16, 2019\)](https://www.uspto.gov/sites/default/files/documents/trial-practice-guide-update3.pdf?MURL=noticed%20in%20Office%20Patent%20Trial%20Practice%20Guide%2C%20July%202019%20Update%2C%2084%20Fed.%20Reg.%2033%2C925%20(July%2016%2C%202019)), *available at* <https://www.federalregister.gov/documents/2019/07/16/2019-15083/officepatent-trial-practice-guide-july-2019-update>.

required new substantive “Considerations in Instituting a Review,” limiting the number of petitions that will normally be appropriate, dictating the content on whether to institute, among other things.

It argued, without evidentiary support, that “Based on the Board’s prior experience, one petition should be sufficient to challenge the claims of a patent in most situations.” This was a radical departure from the previous seven years of Board practice, when parties often filed multiple petitions at the same time based on page limits or a substantial number of patent claims challenged, as allowed under the statute.

Just months previous, a Board panel had noted in *Apple Inc. v. Qualcomm Inc.*,<sup>4</sup> that “there is nothing per se improper with filing multiple petitions at the same time to avoid issues associated with the word limit,” citing the Board’s prior guidance that “Petitioners should consider filing multiple petitions if exceeding word or page limits were of concern.”<sup>5</sup>

That departure merited notice-and-comment consideration and laid down a new de facto rule. Early studies show that almost all second petitions have been denied in practice.<sup>6</sup> If the Office does now seek to engage in a good-faith notice-and-comment rulemaking process, it must issue a notice of proposed rulemaking presenting a proposed regulation, and justify to the public the departure from the previous rule, and address comments and concerns over lengthy claim sets, alternative grounds, flexibility in page and word-limit, and other practical considerations.

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<sup>4</sup> IPR2018-01279, Paper 11 (Feb. 1, 2019).

<sup>5</sup> *Id.* at 8 (noting where petitions are filed near in time, the policy concerns related to multiple petitions filed on the same patent claims weren’t salient.)

<sup>6</sup> Monica Grewal, Heather Petruzzi & Wenli Gu, *Ranking Parallel Petitions Before the PTAB: A Survey*, 19 Chi.-Kent J. Intell. Prop. 523 (2020), available at <https://scholarship.kentlaw.iit.edu/ckjip/vol19/iss4/4>.

The Office should also decline to adopt Proposal 4(b) as stated: it would be wrong to decline to institute on more than one petition as a bar, without making allowance for the vast difference in patent claiming, prior art, and other considerations. Many patents are complex and include many claims (some include hundreds), long claims (some as long as a page of text, each), or means-plus function claims, and more than one petition—or alternatively, one petition of vastly expanded length—may be necessary in view of the Office’s word limitations, which are fixed independent of the number of claims or the patent.

#### **IV. PROCEEDINGS IN OTHER TRIBUNALS**

##### **A. Proposed Changes**

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?
6. Alternatively, in deciding whether to institute a petition on a patent that is or has been subject to other proceedings in district court or the ITC, should the Office (a) altogether disregard such other proceedings, or (b) altogether decline to institute if the patent that is or has been subject to such other proceedings, unless the district court or the ITC has indicated that it will stay the action?

##### **B. Comments**

The Office RFC again presents the Hobson’s Choice between a potential unstated but seemingly pre-ordained notice of proposed rulemaking, and whether the Office should “altogether” disregard other proceedings or “altogether” decline to institute if there is any parallel litigation.

Nevertheless, of the limited options the Office presents, it only has the statutory authority to adopt Proposal 6(a), and it should refrain from trying to issue a rule limiting petitions over District Court and ITC filings, outside of the scope of other statutory grants of authority to do so, like 35 U.S.C. 315 or 325. Congress has debated and specifically *not* authorized the Director to



deny institution of timely meritorious petitions based on any aspect parallel district court or ITC proceedings outside of particular statutorily enumerated circumstances. ***Indeed, Congress considered and declined to implement any such deadline based on the progress in district court proceedings, instead settling on the 12-month deadline.*** HR. 112-98, 164-65 (raising concerns about the 12-month deadline as potentially too short for complex cases). To shorten that Congressionally mandated window now, nine years after the signing of the AIA, would fly in the face of six years of bipartisan, bicameral legislating.

The Office, seeking to rob Peter to pay Paul, now cites §§ 315(d) and 325(d)—different statutory grants of authority entirely—in support of its newly proposed regulations governing denials under 314. But these sections relate to multiple proceedings before the Office and themselves, and explicitly address those concerns as Congress intended; nothing in the AIA gives the Director the authority to “borrow against” that explicit Congressional authority to now set regulations denying review under 314, based on a concocted timing requirement related to parallel proceeding scheduled trial dates. The AIA strikes the appropriate balance on its own through its provisions related to the 1-year time bar and estoppel. It is not silent on the reach of the impact of parallel litigation; rather, it has already addressed it via other provisions and reaching beyond that statutory grant is *ultra vires*.

The RFC adds §§ 316(a) or §326(a) to try to build support outside of 314, but none of the provisions under these sections permit the Director to prescribe regulations regarding wholesale non-merits-based denials or to add additional substantive and procedural institution limitations on Petitioners related to district court proceedings. They certainly do not grant the Office *sub rosa* the power to arbitrarily ignore Congress’s explicit dictates.

What's more, there is no evidence that this increase in discretionary denials has served to benefit the economy, the integrity of the patent system, the efficient administration of the Office, nor is there evidence that it reflects a need to improve the Office's ability to timely complete *inter partes* review proceedings. If anything, economic studies reveal that limiting parties ability to review patents as Congress intended will cost the U.S. economy much of the savings it has accrued over the course of the past decade. See The Perryman Group, *An Assessment of the Impact of the America Invents Act and the Patent Trial and Appeal Board on the US Economy* (June 2020) (finding that AIA trials have saved the U.S. economy over \$2.95 billion in gross domestic product and more than 13,500 job-years of employment). The USPTO and commenters supportive of such changes (many of whom stand to benefit professionally from such changes) provide little in the way of data or factual support for the contention that doing so saves the U.S. economy money or is more economical to the parties or the system.

Indeed, the data underlying *inter partes* review proceedings before *Apple v. Fintiv* show that that PTAB's use of discretionary denials has harmed the economy and integrity of the patent system. The rate of discretionary denials more than doubled between 2016 and 2019. In 2016, by the most conservative count, just 5 petitions, or less than 6% were denied under the Board's § 314(a) authority; in 2017, it was 15; by 2018, it was 45; and in 2019, it was 75, or over 11%.<sup>7</sup> By July 2020, the Office already met its mark from the previous year; there were 75 PTAB denials based on § 314(a) alone; by the end of Q3, there were 151 non-merits denials.<sup>8</sup> As we round out

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<sup>7</sup> Unified Patents, *PTAB Procedural Denial and the Rise of 314* (May 13, 2020), available at [https://www.unifiedpatents.com/insights/2020/5/13/ptab-procedural-denial-and-the-rise-of-314?utm\\_source=Portal+Users&utm\\_campaign=50e4062939EMAIL\\_CAMPAIGN\\_2020\\_04\\_20\\_02\\_39\\_COPY\\_01&utm\\_medium=email&utm\\_term=0\\_e28acac8d0-50e4062939-124550739](https://www.unifiedpatents.com/insights/2020/5/13/ptab-procedural-denial-and-the-rise-of-314?utm_source=Portal+Users&utm_campaign=50e4062939EMAIL_CAMPAIGN_2020_04_20_02_39_COPY_01&utm_medium=email&utm_term=0_e28acac8d0-50e4062939-124550739)

<sup>8</sup> Unified Patents, *PTAB Discretionary Denials in the First Half of 2020* (June 27, 2020), available at <https://www.unifiedpatents.com/insights/2020/7/27/ptab-discretionary-denials-in-the-first-half-of-2020-denials-already-exceed-all-of-2019>.

the year's end, the Board has already denied 204 petitions without considering the merits. Commenter would cite the USPTO's official numbers, but they don't publish and haven't released how many petitions have been denied under these newly formed adjudicative rules.

The IPR process, on the other hand, has consistently benefitted U.S. manufacturers since its inception. Between 2012 and 2019, over 60% of petitions between 2012 and 2019 were filed by U.S. manufacturing companies, while nearly 70% of these petitions challenged patents owned by foreign companies.<sup>9</sup> When meritorious petitions are denied due to a co-pending district court proceeding, the net effect is that it hurts the U.S. economy.

Further, between 2012 and 2020, over half of patent owners at the PTAB have been non-practicing entities, which are the kind of entity the AIA was designed to deter, given the lack of irreparable harm they experience from infringement, and given the far greater public interest at stake in allowing operating companies to continue to be productive.<sup>10</sup> These entities have benefitted from the PTAB's exercise of discretionary denials in over 40% of cases denied under either § 314 or § 325(d), including aggressively litigious, well-known litigation entities like Uniloc, a vehicle owned by capital investor Fortress IP.<sup>11</sup> One "focus of the AIA was to reduce the problem of overpatenting, particularly by so-called patent trolls—the situation where weak or frivolous applications have been developed through creative or predictive lawyering, rather than, as Abraham Lincoln put it, through the fire of genius." S.H. 112-128, 5. Despite this focus, the

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<sup>9</sup> Unified Patents, *Patent Quality Initiative*, available at <https://www.unifiedpatents.com/pqi>

<sup>10</sup> Unified Patents, *PTAB Annual Report 2020*, available at <https://portal.unifiedpatents.com/ptab/annual-report?year=2020>

<sup>11</sup> See Jonathan Stroud, *Pulling Back the Curtain on Complex Funding of Patent Assertion Entities*, Landslide Dec 1, 2019 and Unified Patents, Portal PTAB Search filtering by patent owner entity type, available at [https://portal.unifiedpatents.com/ptab/caselist?discretionary\\_denial\\_statutes=325D&discretionary\\_denial\\_statutes=314A&sort=filing\\_date&up\\_po\\_type=NPE+%28Patent+Assertion+Entity%29&up\\_po\\_type=NPE+%28Small+Company%29&up\\_po\\_type=NPE+%28Individual%29](https://portal.unifiedpatents.com/ptab/caselist?discretionary_denial_statutes=325D&discretionary_denial_statutes=314A&sort=filing_date&up_po_type=NPE+%28Patent+Assertion+Entity%29&up_po_type=NPE+%28Small+Company%29&up_po_type=NPE+%28Individual%29)

Office's current procedural practice favors litigants who file first in districts with aggressive time-to-trial that are unlikely to stay cases in light of IPRs, like the Western District of Texas, which schedules Markman hearings six months after a case management conference, with trials scheduled roughly 18 months after the conference (although they have yet to fit this schedule), and where 80% of the filings were brought by NPEs as of March 2020.<sup>12</sup> In that court, the primary judge hearing patent cases is on record saying that he likely would not stay a case unless the IPR was filed *before* the suit was even filed, even though defendants generally would not know of the asserted patent by that point. That discretionary denials have been benefiting non-practicing entities goes against the primary economic consideration underlying the AIA's implementation of post grant and *inter partes* reviews.

For example, in at least one post grant review, the Board declined to review based on a speculative trial date set for two months after the institution decision, even though the merits of the petitioner's ineligibility arguments were "strong" and the patent owner identified no "legitimate weakness" in the petitioner's obviousness arguments.<sup>13</sup> That proposed trial date has since been delayed months, and with pandemic delays and the percentage of cases that settle, it seems unlikely (or at least speculative) if it will materialize. In another, just last week, the Board denied multiple petitions based on an April trial date in the Eastern District of Texas before Judge Gilstrap, just before he suspended all trial dates between now and then indefinitely.<sup>14</sup> Shifting schedules and ephemeral trial dates should not limit a party's Congressionally mandated right to petition the government.

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<sup>12</sup> Unified Patents, *Q1 2020 Patent Dispute Report*, (Mar. 31, 2020), available at <https://www.unifiedpatents.com/insights/2020/18/q1-2020-patent-dispute-report>

<sup>13</sup> *Supercell Oy v. GREE, Inc.* PGR2020-00053, Paper 12, 20-22 (Oct. 5, 2020).

<sup>14</sup> See, e.g., *Google LLC & Samsung Electronics Co. et al v. AGIS Software*, IPR2020-00872, Paper 16 (Nov. 26, 2020) (one of four denials under *Fintiv*).

Further, *Apple v. Fintiv* cripples a defendant's ability to make use of the *inter partes* review system because it promotes a darken-the-skies strategy in which non-practicing entities have incentive to file multiple suits at once, and to file as early as possible, at least in part to make it difficult to meet the one-year statutory deadline, let alone a *de facto* shortened deadline under *Apple v. Fintiv*. For example, starting in March 2020, one NPE has filed over 150 single-patent suits against an estimated thirteen different families of entities, averaging more than one dozen suits per defendant.<sup>15</sup> Ninety percent of these filings were in the Western District of Texas. Filing IPRs on all of these different patents will understandably take time, and a defendant may reasonably take a year to file IPRs on all of these suits. *Apple v. Fintiv* does not include any factors that take into account a patent owner's abuse of a district court's preconceived, fast-paced schedule.

As to the integrity of the patent system, discretionary denials of meritorious petitions based on district court or ITC proceedings run against this consideration because “[t]he strength of our system relies on granting strong patents that are truly novel and are nonobvious inventions, those that are the result of true innovations and not the product of legal gamesmanship.” S. 112-128, 5. The risk of discretionary denials in meritorious cases is even greater when considering that over

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<sup>15</sup> Based on an analysis of docket systems like Unified's Portal and *Lex Machina*, in 2020, WSOU Investments LLC filed 168 single-patent suits against 14 different defendants, over 150 of which were in the Western District of Texas, with the remaining suits filed in the Eastern District of Virginia and the District of Delaware.

50% of discretionary denial cases have applied to High Tech, which historically has had higher institution rates on average than other industries.<sup>16, 17</sup>

As to the efficient administration of the Office, categorically denying *inter partes* review proceedings runs contrary to the purpose of the Office, and there is no evidence that suggests that the Office has been more effective in its other duties by denying meritorious petitions based on district court or ITC proceedings. Further, according to Professor Saurabh Vishnubhakat, the AIA PTAB proceedings have been an efficient substitute for litigation, as 86.7% of patents challenged in IPR or CBM are also being litigated in the courts.<sup>18</sup> Just as a judge’s “perceived ability to more quickly schedule a trial,” is not dispositive in transfer motions, the judge’s perceived ability to have a “patent trial resolved more quickly than the PTAB” should not weigh on the PTAB’s exercise of one of its primary functions, to review obvious or non-novel patents.<sup>19,20</sup> This is particularly true given that PTAB judges, who are required to have legal *and* scientific expertise, were found to be more appropriate than juries made up of laypeople in assessing patent validity. 157 Cong. 34, S1352 (Mar. 8, 2011).<sup>21</sup>

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<sup>16</sup> Unified Patents, Portal PTAB Search (filtering by industry and discretionary denials), available at [https://portal.unifiedpatents.com/ptab/caselist?discretionary\\_denial\\_statutes=325D&discretionary\\_denial\\_statutes=314A&sort=-filing\\_date&up\\_industry=T](https://portal.unifiedpatents.com/ptab/caselist?discretionary_denial_statutes=325D&discretionary_denial_statutes=314A&sort=-filing_date&up_industry=T)

<sup>17</sup> USPTO, *Trial Statistics, Patent Trial and Appeal Board 7* (September 2020), available at [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20200930.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf)

<sup>18</sup> Saurabh Vishnubhakat *et al.*, *Economic Analysis of PTAB Proceedings*, 2020 PTAB Bar Ass’n Annual Conf. (Sept. 24, 2020).

<sup>19</sup> *In re Adobe Inc.*, 823 Fed.Appx. 929, 932 (Fed. Cir. 2020).

<sup>20</sup> Britain Eakin, *West Texas Judge Says He Can Move Faster Than PTAB* (Nov. 27, 2019), available at <https://www.law360.com/articles/1224105/west-texas-judge-says-he-can-move-faster-than-ptab>

<sup>21</sup> See also Amy Semet, *An Empirical Study Comparing Patent Validity Challenges at the Patent Trial and Appeal Board vs. the Federal District Courts*, University of Buffalo School of Law, SUNY, 1-2 (Nov. 2, 2020) (forthcoming).

Finally, as to the ability of the Office to timely complete *inter partes* review proceedings, the Patent Trials and Appeals Board is more efficient than any District Court in practice, and since its inception, it has rarely found good cause to extend the final written decision deadline by six months. Indeed, the first time the Office extended a case for good cause (outside of joinder cases) was in 2017, and that was due to extenuating circumstances, not due to the Office's inability to timely complete its review.<sup>22</sup> Meanwhile, district courts take between 2-3 to reach completion and decide validity in less than a quarter of the cases before the PTAB (and then, most of those decisions are on subject matter eligibility, not anticipation or obviousness).<sup>23</sup> That the Office has been exceptional in meeting its deadlines under the AIA without extensions, and that district courts still take significantly longer to reach decisions indicates that the discretionary denials based on district court proceedings are not only unnecessary, but are also an inefficient shifting of judicial resources.

## V. OTHER CONSIDERATIONS

### A. Proposed Changes

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?

### B. Comments

It is worth noting that the RFC is not and cannot serve as the proper basis for a final rule. If the USPTO wishes to propose a rule in line with the comments it receives, it must observe

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<sup>22</sup> Scott McKeown, *First AIA Trial Extended Beyond 12 Months for Good Cause* (Oct. 18, 2017), available at <https://www.patentpostgrant.com/ptab-extends-first-aia-trial-beyond-12-months/>

<sup>23</sup> Amy Semet, *An Empirical Study Comparing Patent Validity Challenges at the Patent Trial and Appeal Board vs. the Federal District Courts*, University of Buffalo School of Law, SUNY, 5 n.22, 20-21 (Nov.

notice-and-comment rulemaking, starting with a notice of proposed rulemaking, a proper 60-day comment period as per Executive Order Executive Order.<sup>24</sup>

Any such rule would clearly be both substantive and economically significant, and would thus need to comply with Executive Order 12,866, which requires agencies to allow the Office of Information and Regulatory Affairs (OIRA) to review all rules to ensure that rules advance the public interest.<sup>25</sup>

EO 12,866 divides all rules into three tiers:

- (1) not significant (rules that have essentially no economic effect);
- (2) economically significant (“likely to result in . . . an annual effect on the economy of \$100 million or more”); and
- (3) significant (anything in between).<sup>26</sup>

The classification determines the level of scrutiny that the OIRA gives the rule. For economically significant rules, agencies must conduct a regulatory analysis. Any such future proposed rule has already had an impact directly on over 200 denied cases, each costing more than \$30,000 in filing fees and around \$100,000 in lawyer’s fees, according to the AIPLA’s biannual economic survey. That is roughly \$26 million dollars this past year alone. Practitioners will tell you that the current administrative decisions must be addressed in most other petitions and add time and expense to almost all filings and the process; and presumably the effect of such a rule would stretch on for years if not in perpetuity. Presuming that any rule will not be economically significant beggars belief, and as such, the USPTO would be required to study the economic impact

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<sup>24</sup> § 6(a), 58 Fed. Reg. 51735 (October 4, 1993) (stating that the public’s opportunity to comment “in most cases should include a comment period of not less than 60 days”).

<sup>25</sup> Exec. Order No. 12,866, 58 Fed. Reg. (Sept. 30, 1993).

<sup>26</sup> David Boundy, *An Administrative Law View of the PTAB’s Ordinary Meaning Rule*, *Westlaw J. Intell. Prop.* (2019).



of such a rule. The sheer volume of comments submitted during this RFC process—before a rule has even been proposed—demonstrate the likely significant economic impact of any such rule.

Should the Office move forward despite the significant concerns as to their authority to do so, they should at a minimum observe proper notice-and-comment rulemaking procedures, or risk whatever rule they seek to propose being struck down by the courts as improperly promulgated.

## **VI. CONCLUSION**

Thank you for your consideration and for the opportunity to provide comments and to discuss the wisdom of proposing any future notice of proposed rulemaking.

Sincerely,

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