



Before the
United States Patent and Trademark Office
Alexandria, VA

In re

Patent Trial and Appeal Board Rules of Practice: Instituting on All Challenged Patent Claims and All Grounds and Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence

Docket No. PTO-P-2019-0024

**COMMENTS OF
ACT | THE APP ASSOCIATION**

ACT | The App Association hereby provides the following comments in response to the United States Patent and Trademark Office's (USPTO) request for comments on its proposed changes to the rules of practice for instituting review on all challenged claims or none in *inter partes* review (IPR), post-grant review (PGR), and the transitional program for covered business method patents (CBM) proceedings before the Patent Trial and Appeal Board (PTAB) in accordance with *SAS Institute Inc. v. Iancu*.¹

The App Association is an international not-for-profit grassroots advocacy and education organization representing more than 5,000 small business software application developers and technology firms that create the technology innovations used on consumer mobile devices and in enterprise systems around the globe. Today, the ecosystem the App Association represents is valued at approximately \$1.7 trillion and is responsible for 5.9 million American jobs.² Our members lead in developing

¹ PTAB Rules of Practice for Instituting on All Challenged Patent Claims and All Grounds and Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence, 85 Fed. Reg. 31728 (May 27, 2020).

² *Online Platforms and Market Power, Part 2: Innovation and Entrepreneurship: Hearing Before the H. Subcomm. on Antitrust, Commercial, and Administrative Law, 116th Cong. 2 (2019)* (statement of Morgan Reed, President, ACT | The App Association) available at <https://actonline.org/wp-content/uploads/Online-Platforms-and-Market-Power-Part-2-Innovation-and-Entrepreneurship-1.pdf>.

innovative applications and products across consumer and enterprise use cases, driving the adoption of the internet of things (IoT).³

The small business software and hardware technology industry that the App Association represents is a driving force behind the growth of the IoT revolution. The App Association has a keen interest in the U.S. patent system functioning predictably and fairly while continuously rewarding innovation. Our members include companies that own patents as well as those that license patents, all of which are directly impacted by the USPTO's approach to patent rights and litigation. Further information about the Association and its activities is available on our website at <http://actonline.org>.

The App Association supports USPTO's proposed rule changes that would amend its regulations to align with the *SAS Institute Inc. v. Iancu* decision. We believe the rule change proposed is appropriate and reflects this new precedent. However, we strongly encourage USPTO to clarify that the preexistence of a claim where no likelihood of success on that claim has been demonstrated does not create a negative presumption where there is another claim that does have a reasonable likelihood of succeeding. The App Association further supports USPTO's proposal to put the current PTAB processes and practices into regulation for sur-replies and replies, which will provide certainty in the PTAB's processes to App Association members.

The App Association strongly opposes USPTO's third proposal, which would amend the rules to eliminate the presumption in favor of the petitioner for a genuine issue of material fact created by testimonial evidence submitted with a patent owner's preliminary response when deciding whether to institute an IPR, PGR, or CBM review. Such a rule change would shift the PTAB's process to unduly favor patent owners, significantly reducing due process for PTAB petitioners. Further, the App Association believes that USPTO has failed to meet the requirements of the Administrative Procedure Act in proposing this rule change.

This third proposal from USPTO would allow for a decision not to institute based on unchallenged testimonial evidence, giving rise to serious fairness concerns for App Association members. The USPTO's proposal would require a PTAB petitioner to seek leave to file a response to a patent owner's testimonial evidence, because PTAB rules do not guarantee that a petitioner can cross-examine prior to a patent's institution. Providing for a process that does not allow a petitioner to confront an adverse witness is plainly unconstitutional and lacking in due process under longstanding legal precedent.⁴

³ See Department of Commerce Internet Policy Task Force and Digital Leadership Team (Jan. 2017), available at https://www.ntia.doc.gov/files/ntia/publications/iot_green_paper_01122017.pdf (The IoT will involve everyday products using the internet to communicate real-time analysis of data collected through sensors. IoT is expected to enable improved efficiencies in processes, products, and services across every sector, both consumer and enterprise. In key segments of the U.S. economy, from agriculture to retail to healthcare and beyond, the rise of IoT is demonstrating efficiencies unheard of even a few years ago).

⁴ *Goldberg v. Kelly*, 397 U.S. 254, 269 (1970).

The App Association notes that the USPTO's third proposal is also based on an insufficient rationale and evidence. USPTO has in the past clearly stated that a presumption in favor of petitioner for disputed facts, which may be fully vetted during a trial when cross-examination of declarants is available, is appropriate given the effect of denial of a petition.⁵ Yet, USPTO's third proposal offers only undefined claims of confusion as its basis, citing *Hulu, LLC v. Sound View Innovations, LLC* (Case IPR2018-01039) and various amicus briefs filed in the case, and unsupported claims of the current rules discouraging patent owners from bringing forward testimonial evidence. Neither of these claims provide a sufficient bases for the removal of a petitioner's right to cross-examine an opposing witness.

Finally, the App Association notes that USPTO's decision making process raises serious procedural issues. In proposing its amendment with respect to eliminating the presumption in favor of the petitioner, USPTO has declared that its third proposal is not significant nor economically significant under Executive Order 12866. Given the effect of its proposal discussed elsewhere in this comment, such a determination is plainly incorrect. Further, "significance" under E.O 12866 invokes a requirement to offer a minimum of 60 days for the public to provide comment, while USPTO has only provided 30 days in this case.

The USPTO's third proposal, if enacted as proposed, would particularly harm small business innovators the App Association represents. App Association members have limited resources for litigation, and that reply on the PTAB process for an efficient and fair means to settle some patent disputes. The IPR process should provide a much-needed resource for small businesses that do not have the ability to withstand years of expensive federal court litigation. By enacting the AIA, Congress recognized "a growing sense that questionable patents [were] too easily obtained and are too difficult to challenge."⁶ Congress sought to "provid[e] a more efficient system for challenging patents that should not have issued" and to "establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs."⁷ Small businesses, the main drivers of the U.S. economy, were at the core of Congress's decision to enact the AIA; the IPR process is intended to provide a more affordable and efficient recourse for small businesses to exercise their rights – whether defending the validity of their granted patent or challenging a granted patent.

In 2015, the American Intellectual Property Law Association reported that patent infringement cases with less than \$1 million at risk could still be faced with an average cost of \$400,000 to get through the discovery process of the claim, which is only a

⁵ Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board (Final Rule), 81 Fed. Reg. 18750, 18756 (Apr. 1, 2016).

⁶ H.R. Rep. No. 112–98.

⁷ See *id.*

fraction of the entire proceeding.⁸ For small business technology developers, these costs raise a significant barrier for patent litigation, leaving them more likely to accept an unreasonable license rather than fight the case. IPR has proven to cut significant costs to litigants, while preserving the rights of the parties, affording our members the ability to fight off or defend claims effectively and efficiently without expending too much hard-earned capital. Preserving said capital to invest in research, development, and innovation is essential to the continued growth of the app economy. USPTO's third proposal would undermine foundations of fairness in the PTAB process that our members rely on and would dis-incentivize the small businesses who rely on it the most from utilizing the process. Such an effect would not be consistent with Congressional intent or the public interest.

Based on the above, the App Association supports USPTO's first and second proposals, and strongly opposes the third. We call on USPTO to withdraw this third proposal.

Respectfully submitted,



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⁸ AIPLA, *Report of the Economic Survey*, at p. 37 (2015) <http://files.ctctcdn.com/e79ee274201/b6ced6c3-d1ee-4ee7-9873-352dbe08d8fd.pdf>.