



December 3, 2020

Submitted Via E-Rulemaking Portal

<https://www.regulations.gov>

Attention: Scott C. Weidenfeller, Vice Chief APJ  
United States Patent and Trademark Office

**Re: Proposed Rulemaking Regarding Use of Discretion in Instituting Trials before the Patent Trial and Appeal Board (Docket No. PTO-C-2020-0055)**

The Entertainment Software Association (“ESA”) welcomes the opportunity to respond to the U.S. Patent and Trademark Office’s request for comments regarding considerations for instituting trials before the Office under the Leahy-Smith America Invents Act (“AIA”). ESA’s comments focus on questions 5 and 6 and support the view that the USPTO should refrain from rulemaking that would authorize denying institution of AIA trials based on the timeline, progress, or status of parallel U.S. district court or ITC litigation.

ESA is the U.S. trade association that represents nearly all of the major video game platform providers and major video game publishers in the United States.<sup>1</sup> ESA’s member companies constitute one of America’s fastest-growing industries and are leaders in bringing creative and innovative products and services into American homes. They make an enormous contribution to America’s economy, employing tens of thousands of Americans and contributing over \$35 billion in U.S. video game software revenue in 2019.<sup>2</sup> With growing numbers of Americans playing video games during COVID-19 lockdowns, ESA member companies are on pace to far exceed their 2019 revenue contributions to the U.S. economy.<sup>3</sup>

This success has not gone unnoticed by non-practicing entities (“NPEs”), companies that hold patents without any intention of developing them. NPEs continue to target ESA member

---

<sup>1</sup> A complete list of ESA’s member companies is available at <https://www.theesa.com/about-esa#tabs>.

<sup>2</sup> Additionally, the U.S. video game industry as a whole generated \$90.3 billion in annual economic output in 2019 while supporting nearly 429,000 U.S. jobs. See <https://www.theesa.com/industry/economic-growth/>.

<sup>3</sup> Video game engagement is at an all-time high. According to Nielsen Games Video Game Tracking (VGT), the number of gamers who say they are playing video games more now due to the COVID-19 pandemic has increased week-over-week since March 2020. The increase was highest in the U.S. (46%), followed by France (41%), the U.K. (28%) and Germany (23%). See also *Lockdown and loaded: coronavirus triggers video game boost*, BBC News (May 6, 2020), <https://www.bbc.com/news/business-52555277> and *Industry Spend on Video Games in Third Quarter Reaches Highest Total in U.S. History*, NPD (November 11, 2020), <https://www.npd.com/wps/portal/npd/us/news/press-releases/2020/q3-2020-us-consumer-spend-on-video-game-products/>.



companies and other leading innovators with U.S. patent litigation, often asserting low-quality patents. For example, during Q3 2020, NPE activity in the software, hardware, and networking sector alone contributed more U.S. patent infringement cases than all non-NPE patent litigation combined.<sup>4</sup> Frivolous patent litigation is expensive, time-consuming, and counterproductive to the research and development activities by ESA member companies that help drive growth of the U.S. economy.

By enacting the AIA, Congress sought to curb such abusive litigation and improve patent quality. “[C]oncerned about overpatenting and its diminishment of competition,” Congress “sought to weed out bad patent claims efficiently” by creating inter partes reviews (“IPR”).<sup>5</sup> Thus, Congress intended that the AIA would “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”<sup>6</sup>

While IPRs successfully effectuated Congress’ intent for many years,<sup>7</sup> the Patent Trial and Appeal Board’s (“Board”) increasing use of the so-called “*NHK-Fintiv*” rule to discretionarily deny IPRs based on the pendency of a parallel proceeding has frustrated it.<sup>8</sup> Indeed, nothing in the AIA, aside from the one-year time period in which a petitioner may seek IPR after receiving a complaint alleging infringement of the challenged patent, authorizes denying institution of an IPR based on parallel district court or ITC proceedings against the petitioner.<sup>9</sup> To the contrary, IPR was “designed in large measure to simplify proceedings before the courts and to give the courts the benefit of the expert agency’s full and focused consideration of the effect of prior art on patents being asserted in litigation.”<sup>10</sup>

---

<sup>4</sup> *Q3 2020 Patent Dispute Report*, Unified Patents (September 30, 2020), <https://www.unifiedpatents.com/insights/q3-2020-patent-dispute-report>.

<sup>5</sup> *Thryv, Inc v. Click-To-Call Technologies, LP*, 140 S.Ct. 1367, 1374 (2020).

<sup>6</sup> H. R. Rep. No. 112-98, pt. 1, p. 40 (2011).

<sup>7</sup> *Patent Review is Working for Startups*, Engine, <https://innovatewithoutfear.engine.is/wp-content/uploads/2020/01/IPR-is-working-one-pager.pdf>.

<sup>8</sup> <https://www.unifiedpatents.com/insights/2020/10/21/ptabdistrict-court-trial-date-denials-spiraling-upward-ptab-discretionary-denials-third-quarter-report>.

<sup>9</sup> See 35 U.S.C. § 315(b) (setting one-year time bar).

<sup>10</sup> *NFC Tech. LLC v. HTC Am., Inc.*, 2015 WL 1069111, at \*4 (E.D. Tex. Mar. 11, 2015) (Bryson, J., sitting by designation).



The Board’s reliance on early trial dates in parallel litigation to deny IPRs is problematic for another reason: trial dates often slip, making it speculative as to whether the trial will even take place before the final written decision is due in the IPR.<sup>11</sup> Similarly, refusing to institute an IPR due to a parallel ITC proceeding is problematic because, unlike the PTAB or a district court, the ITC has no authority to invalidate patents. So, a defendant may need to litigate the issue of invalidity again in a district court proceeding even after succeeding with an invalidity defense in an ITC proceeding.

The practical effect of the Board’s application of the *NHK-Fintiv* rule is that it renders IPRs illusory for many companies facing patent litigation. In certain “rocket dockets” for example, initial trial dates are set so early that once a case is filed, it is probably too late to avoid discretionary denial of an IPR based on the *NHK-Fintiv* rule.<sup>12</sup> Congress plainly did not intend to deprive parties of the ability to seek IPR simply because they face patent litigation in a venue that sets early trial dates.

ESA therefore encourages the USPTO to refrain from rulemaking that considers the timeline, progress, or status of parallel patent proceedings in determining whether to institute an AIA trial.

Respectfully submitted,

A handwritten signature in black ink that reads "Ben Golant". The signature is written in a cursive, slightly slanted style.

Chief Counsel for IP Policy and Legal Affairs

---

<sup>11</sup> *District Court Trial Dates Tend to Slip After PTAB Discretionary Denials*, Scott McKeown (July 24, 2020), <https://www.patentspostgrant.com/district-court-trial-dates-tend-to-slip-after-ptab-discretionary-denials/#:~:text=In%20the%20WDTX%2C%2070%25%20of,than%20more%20significant%20schedule%20remodels>

<sup>12</sup> For example, the Western District of Texas, which has seen the highest number of new patent case filings in 2020, typically sets initial trial dates for around 18 to 20 months after the filing of the complaint. See <https://www.unifiedpatents.com/insights/q3-2020-patent-dispute-report> and Order Governing Proceedings – Patent Case, U.S. District Court for the Western District of Texas (Nov. 5, 2020), <https://tinyurl.com/y4nxokvz>.