

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Request for Comments on 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

Docket No. PTO-P-2019-0024

**COMMENTS OF
THE HIGH TECH INVENTORS ALLIANCE**

STATEMENT OF INTEREST

Innovation is the cornerstone upon which the companies of the High Tech Inventors Alliance (HTIA) are built. HTIA members (Adobe, Amazon, Cisco, Dell, Google, Intel, Microsoft, Oracle, Salesforce, and Samsung) collectively invested more than \$110 billion in research and development last year alone, which directly supported nearly 500,000 employees in the United States along with the tens of millions of other jobs created as a result of the innovative goods and services our members provide.

Together, HTIA members own over 300,000 U.S. patents. HTIA members have appeared before the PTAB in numerous proceedings as both petitioner and patent owner. HTIA members have asserted their own patents in court and have also been sued by other companies for alleged patent infringement. As such, HTIA members have experience on both the patent owner and petitioner side and are well-situated to comment on the proposed *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*.¹

COMMENTS

HTIA appreciates the efforts of the United States Patent and Trademark Office (USPTO) to promulgate further rules of practice before the Patent Trial and Appeal Board (PTAB). In its May 27, 2020 notice of proposed rulemaking, the USPTO proposes three sets of changes to the PTAB rules of practice. The first implements the USPTO's April 26, 2018 Guidance on the Impact of *SAS Institute, Inc. v. Iancu*² on AIA Trial Proceedings.³ The second conforms the rules to the current practice of providing sur-replies to principal briefs and provides that a post-institution patent owner response and petitioner reply may respond to a decision on institution. The third would eliminate the requirement to view in the light most favorable to the petitioner any genuine issue of material fact created by testimonial evidence filed by patent owner with its preliminary response.

¹ PTO-P-2019-0024, 85 Fed. Reg. 31728 (June 27, 2020) ("Notice").

² 138 S.Ct. 1348, 584 U.S. ____ (2018).

³ [www.uspto.gov/sites/default/files/documents/guidance_on_the_impact_of_sas_on_aia_trial_proceedings_%20\(april_26,_2018\).pdf](http://www.uspto.gov/sites/default/files/documents/guidance_on_the_impact_of_sas_on_aia_trial_proceedings_%20(april_26,_2018).pdf)

The first two of these changes incorporate established USPTO policy and existing law, and HTIA is pleased to support both of them. However, with respect to the second, HTIA respectfully requests that the USPTO conform the proposed rules to reflect the current limits on what materials can be submitted with a patent owner sur-reply.⁴ For the reasons described below, HTIA does not support the third proposed change, which is unwarranted and represents an inappropriate and unexplained departure from established adjudication practices and the USPTO's prior policy.

I. The proposed elimination of the presumption raises fundamental fairness concerns

The arguments in favor of a petition-stage presumption were already presented and considered in 2016, when the Office amended its regulations to allow a patent owner to submit testimonial evidence with its preliminary response to a petition to institute.⁵ In that context, the USPTO recognized the issues created by allowing new testimonial evidence and correctly concluded that the PTAB should view any issues of material fact created by that testimonial evidence in the light most favorable to the petitioner.⁶ The USPTO explained that “because a denial of institution is a final, non-appealable decision, deciding disputed factual issues in favor of the patent owner when a petitioner has not had the opportunity to cross-examine patent owner’s declarant is inappropriate and contrary to the statutory framework for AIA review.”⁷

HTIA strongly concurs with the USPTO’s prior reasoning, findings, and conclusion and is unaware of any change in the intervening period that would make removal of the presumption any more appropriate or consistent with the AIA now than it would have been in 2016. Rather than belabor arguments that have been fully presented previously, HTIA respectfully refers the Office to the comments filed in the prior rulemaking and to the Office’s own reasoning and conclusions in that proceeding.

⁴ See, e.g., 85 Fed. Reg. 31728 at 31729 (May 27, 2020) (“However, the sur-reply may not be accompanied by new evidence other than deposition transcripts of the cross-examination of any reply witness.”)

⁵ See 81 Fed. Reg. 18750 (Apr. 1, 2016).

⁶ *Id.* at 18755-57.

⁷ *Id.* at 18756.

II. The proposed elimination of the presumption represents an insufficiently explained departure from prior USPTO policy

While the USPTO may reconsider its prior policies, in reversing its position on an issue it is required to provide a “reasoned analysis for the change.”⁸ Mere “conclusory statements,” such as those offered here, are insufficient to support a decision to depart from prior policy.⁹ The entirety of the USPTO’s explanation for this change appears in a single paragraph that contains no reasoning, explanation, or analysis:

Stakeholder feedback received in party and amicus briefing as part of the Precedential Opinion Panel (POP) review in *Hulu, LLC v. Sound View Innovations, LLC*, Case IPR2018-01039, Paper 15 (PTAB Apr. 3, 2019) (granting POP review), indicated that the rule has caused some confusion at the institution stage for AIA proceedings. For example, certain stakeholders have indicated that the presumption in favor of the petitioner for genuine issues of material fact created by patent owner testimonial evidence also creates a presumption in favor of the petitioner for questions relating to whether a document is a printed publication. Additionally, the Office has concerns that the presumption in favor of the petitioner may be viewed as discouraging patent owners from filing testimonial evidence with their preliminary responses, as some patent owners believe that such testimony will not be given any weight at the time of institution.¹⁰

In sum, the Office purports to offer two rationales for the rule change: First, that there are some indications of stakeholder “confusion” regarding application of the presumption; and Second, that the presumption “may be viewed as discouraging patent owners from filing testimonial evidence.” Both of these rationales lack any reasoned analysis or supporting evidence, and neither supports the USPTO’s proposed rule change.

The Office’s perception of potential stakeholder “confusion” does not justify abandonment of a rule. Misperceptions or disagreements regarding the proper application of a rule are common and do not suggest that the underlying substantive policy is incorrect, but rather indicate a lack of clarity in the description of the rule or its intended application. In this case, the PTO could simply clarify the application of the rule in its next Trial Practice Guide amendment

⁸ *Motor Vehicle Manufacturers Association v. State Farm Auto Mutual Insurance Co.*, 463 U.S. 29, 42 (1983); *see also Nat’l Cable & Telecomms. Ass’n v. Brand X Internet Servs.*, 545 U.S. 967, 981 (2005) (stating that agency departure resulting in an “unexplained inconsistency” with prior policy is arbitrary and capricious).

⁹ *Encino Motorcars, LLC v. Navarro*, 136 S. Ct. 2117, 2127 (2016).

¹⁰ *Notice* at 31729-31730.

or by designating an appropriate decision as precedential. Indeed, an explanation in the Trial Practice Guide or in a precedential decision could offer clarity beyond a mere regulatory change by providing an example of how the existing rule is to be properly applied. Nothing in the Notice provides any explanation as to why any limited “confusion” warrants wholesale removal of the existing presumption. Moreover, any confusion about the application of the presumption in the specific context of assessing whether a reference is a printed publication has already been addressed and resolved by the Precedential Opinion Panel, which stated in a precedential decision that “[t]here is no presumption in favor of finding that a reference is a ‘printed publication.’” *Hulu, LLC. v. Sound View Innovations, LLC*, Case IPR2018-01039, Paper 29 (PTAB Dec. 20, 2019) at 16. Further, the stakeholders filing *amicus* briefs in that proceeding merely sought clarification and were emphatically not urging the USPTO to abandon its pre-institution presumption. To the contrary, there was stakeholder support for the presumption.¹¹

The USPTO’s second rationale is similarly devoid of any reasoned analysis. As stated in the Notice, “the Office has concerns that the presumption in favor of the petitioner may be viewed as discouraging patent owners from filing testimonial evidence with their preliminary responses.”¹² The Office does not cite any record evidence or agency finding that the presumption has *actually* discouraged patent owners from filing testimonial evidence. Rather, it cites the concern that the presumption “may be viewed” by patent owners as doing so. Unsupported concerns about how a particular rule might be perceived (or misperceived) by a specific group of stakeholders provides no justification for reversal of a prior policy position or rule. Moreover, the USPTO does not (and likely cannot) credibly explain why encouraging patent owners to file testimonial evidence at this early stage is an appropriate policy objective for the Office, especially where patent owners are not required to file such evidence as all.¹³

This is particularly true given that the veracity of patent owner’s testimonial evidence cannot be reliably verified before institution because the current rules do not allow pre-institution

¹¹ See, e.g., Brief of Amicus Curiae American Intellectual Property Law Association in Support of Neither Party, p.6, *Hulu, LLC. v. Sound View Innovations, LLC*, Case IPR2018-01039 (PTAB 2019) (stating that “the Board’s consideration of evidentiary issues should be limited and any factual dispute should be viewed in the light most favorable to the petitioner”).

¹² *Id.*

¹³ See 37 C.F.R. 42.108(c).

cross-examination. Petitioners are not allowed to file a reply to a preliminary response as of right, leaving authorization to file a reply within the Board’s exclusive discretion based on a finding of good cause.¹⁴ It is thus foreseeable that petitioners will – in some cases – be denied any reasonable opportunity to dispute inaccuracies in patent owner submissions. More fundamentally, removing the current presumption allows the PTAB to deny institution on evidence that may not even bind the patent owner. The PTAB Consolidated Trial Practice Guide, November 2019, states that a patent owner “may choose not to rely on testimony submitted with the preliminary response” post-institution.¹⁵ Put another way, basing a denial of institution – a decision that is unappealable – on untested testimony that may later be “withdrawn” from the record¹⁶ creates the opportunity for gamesmanship. Such reliance on unchallenged testimonial evidence will inevitably result in meritorious petitions being denied institution. This is wholly inconsistent with the purpose of the PTAB to “weed out bad patent claims efficiently.”¹⁷

III. The cumulative effect of other recent changes by the Office exacerbates the harm of removing the presumption

HTIA is particularly concerned about this proposed change against the backdrop of the multitude of other recent changes to PTAB practice incorporated through rulemaking, amendments to the PTAB Trial Practice Guide, and the adoption of precedential opinions. The collective effect has been to shift PTAB proceedings away from a level playing field, tilting them steeply in favor of patent owners on various procedural, yet case-dispositive, matters. These changes include: the shift to *Phillips*-style claim construction, allowing all patentees two claim-amendment motions (compressing the time frame available for briefing on the underlying merits), placing the burden on petitioners to show amended claims are unpatentable (which allows claims to issue without being subject to the equivalent of substantive examination), and facilitating the ever-increasing use of discretionary denials to refuse institution without consideration of a petition’s merits. On top of these changes, adding unjustified weight to

¹⁴ See 37 C.F.R. 42.108(c) (providing that a “petitioner may seek leave to file a reply to the preliminary response” and that “such request must make a showing of good cause.

¹⁵ <https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf> at 51.

¹⁶ *Id.*

¹⁷ *Thryv, Inc. v. Click-to-Call Technologies, LP*, 590 U.S. ____ (slip op., at 8) (2020).

petitioners' already substantial burden by adopting a policy that the USPTO itself recognized as "inappropriate and contrary to the statutory framework for AIA review" just a few years ago would undermine the PTAB as a forum for the impartial adjudication and would further upset the balance adopted by Congress in the America Invents Act.

IV. Conclusion

The High Tech Inventors Alliance appreciates the Office's continued efforts to refine the rules governing AIA trial proceedings. HTIA supports appropriate implementation of the first two proposed changes. However, the proposed removal of the presumption in the third proposed change is unsupported, unjustified, and unexplained. This change is contrary to the sound administration of the Congressional policy underlying the creation of IPRs and should be rejected.