

June 26, 2020

Via email: PTABNPRM2020@uspto.gov

Mail Stop Patent Board
Director of the U.S. Patent and Trademark Office
P. O. Box 1450
Alexandria, VA 22313-1450

Attn: Michael Tierney, Vice Chief Administrative Patent Judge

Re: **Notice of Proposed Rulemaking 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**

I. Introductory Comments

United States Manufacturers Association for Development and Enterprise (“US MADE”) is an organization comprised of companies that manufacture innovative goods in the United States. As such, our members both rely on and are subject to the US patent system. While we appreciate the recent efforts of the U.S. Patent and Trademark Office (“USPTO”) to increase the quality of patent examination, we also understand that patents which never should have issued slip through the cracks in the system. These improvidently granted patents are often asserted against productive companies in expensive litigation or cease and desist threat letters and can slow, instead of promote, the progress of science and useful arts. As the Supreme Court, too, has recently noted, “[b]y providing *inter partes review*, Congress, concerned about overpatenting and its diminishment of competition, sought to weed out bad patent claims efficiently.” *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020). Thus, it is critical that the USPTO has an effective and efficient procedure available to consider likely invalid issued patents. The post-issuance review proceedings of the America Invents Act (“AIA”) have served this purpose fairly and well.

The USPTO has published proposed rules that would, among other changes, reverse previous USPTO findings and eliminate the well-founded policy decision that testimonial evidence – if material to patentability – should generally be evaluated in a post-issuance review proceeding, where the veracity of the facts proffered by both petitioner and patent owner can be

tested. Notice of Proposed Rulemaking 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, PTO-P-2019-0024, 85 Fed. Reg. 31728 (May 27, 2020) (“Notice”). US MADE appreciates the opportunity to comment on this portion of the proposed rulemaking.

US MADE respectfully submits that eliminating the current presumption as to testimonial evidence at the institution decision would neither advance the public interest nor promote the progress of science and useful arts. To the contrary, eliminating the presumption would:

- Result in the unwarranted denial of meritorious petitions and encourage gamesmanship by respondent patent owners;
- Represent an unjustified departure from previous PTAB findings and standards applied by District Courts in similar circumstances; and
- Increase the panel-dependency of institution decisions.

II. Comments on Proposed Rules

A. Eliminating the presumption would result in the unwarranted denial of meritorious petitions and encourage gamesmanship by respondent patent owners.

It may initially appear fair to give petitioners’ and patent owners’ factual contentions equal weight when considering whether to institute a review proceeding. However, the reality is quite different – as the USPTO has itself previously recognized, and discussed further in Section B below, such a course of action would be “inappropriate and contrary to the statutory framework for AIA review.” 81 Fed. Reg. 18750 at 18756 (April 1, 2016). The proposed rulemaking would create an uneven playing field that prejudices petitioners and incentivizes gamesmanship by patent owners.

First, under the newly proposed rule, if institution is denied a patent owner’s factual assertions will remain untested. In contrast, under the current rule, a petitioner’s factual assertions at most result in institution of a review proceeding, at which point the PTAB has discovery mechanisms that allow for a probing and substantive evaluation of both parties’ factual

assertions. Thus, the current presumption as to genuine issues of material fact makes sense. While the USPTO characterizes the current rule as “favoring” a petitioner, the current practice actually favors a policy for resolving otherwise meritorious petitions on a developed factual record instead of summarily dismissing them at the institution phase.

Second, should institution be denied based on patent owner’s factual contentions, petitioner’s ability to obtain IPR review will be barred, **even if the patent owner’s factual contentions might be mistaken, misleading, or utter fiction**. This presents patent owners a powerful structural incentive to be less than forthright with the PTAB. The current presumption is an important safeguard that ensures that patent owner’s factual statements are actually tested if they would be material to disposition of the IPR.

Third, eliminating the presumption would not create any sort of equality between the factual submissions of petitioners and patent owners. Instead, it would tilt the playing field. With the elimination of the presumption, the petitioner would be left to bear the burden of convincing the Board “that it is more likely than not that at least one of the claims challenged in the petitions is unpatentable” **after** “taking into account” any patent owner preliminary response. Notice at 31731 (emphasis added). A straightforward reading of this language, with the presumption removed, indicates that where there are disputed issues of material fact, petitioner’s factual allegations would need to be even more convincing than the patent owner’s factual allegations.

US MADE notes the proposed rulemaking fails to analyze the set of situations in which the proposed change would alter the outcome of institution decisions. One such situation is noted in the paragraph above, where contrary material factual assertions – each of untested veracity – are made by petitioners and respondents. Another is where a patent owner raises purported facts not addressed by the initial petition (or even within the set of facts knowable by petitioner), for instance, related to claims of secondary considerations of nonobviousness based on commercial success. In that situation, the proposed rule does not provide a right of reply, but rather petitioner must ask permission to address the patent owner’s alleged evidence. Even if the petitioner has relevant knowledge, and if it would be possible to provide a factual rebuttal within the very short time window available, and if the panel grants leave to address the patent owner’s

response, and if the petitioner's reply is meritorious, under the proposed rulemaking, institution may still be denied. However objectively correct petitioner's reply might be, the panel has no way of knowing that at the time of the institution decision – which underlines the problem inherent in denying a petition where the material facts remain untested. For the reasons set forth above, in neither situation is the public interest served – nor are the useful arts advanced – by denying an otherwise meritorious petition based on factual allegations that remain untested.

B. Eliminating the presumption would represent an unjustified departure from previous PTAB findings and standards applied by District Courts in similar circumstances.

The above observations are not merely arguments advanced by US manufacturers concerned about their eroding access to IPR at the very time they need it most, with the economy contracting while at the same time patent assertions increase.¹ Rather, they reflect the USPTO's own findings and lessons learned through the history of the American litigation system.

The USPTO has itself previously found 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.**” 81 Fed. Reg. at 18756 (emphasis added). US MADE respectfully points out that the PTO's previous, and powerful, finding that the very proposed course of action is “contrary to the statutory framework for AIA review” is not addressed in its proposed rulemaking.

Similarly, the USPTO has previously changed IPR practices as fundamental as claim construction to more closely align with the standards and practice followed in U.S. District Court litigation. *See* Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, Docket No. PTO-P-2018-0036. U.S. courts have long recognized that “[m]utual knowledge of all the relevant facts gathered by both parties is essential to litigation.” *Hickman v. Taylor*, 329 U.S. 495, 5017 (1947). It is puzzling

¹ *See, e.g.*, <https://news.bloomberglaw.com/ip-law/patent-lawsuits-on-rise-buying-sprees-hints-more-to-come>

why the USPTO would amend IPR practice to make it closer to District Court practice in one situation and diverge from it in another, particularly with no explanation.

Instead of addressing the statutory framework of the AIA or the generations of American jurisprudence in which material facts are determined before ruling on issues, the Notice only vaguely refers to “stakeholder feedback” and USPTO “concerns” that the current rule “may be viewed as discouraging patent owners from filing testimonial evidence.” Notice at 31729-31730.² This wholly summary explanation – which avoids considering the bases for its previous rulemaking – raises serious concerns regarding the legal adequacy of the USPTO’s proposed about-face. *See, e.g.,* Motor Vehicle Manufacturers Ass’n of the United States v. State Farm Mutual Automobile Insurance Co., 463 U.S. 29 (1983) (an agency changing course must “supply a reasoned analysis for the change beyond that which may be required when an agency does not act in the first instance.”) Of similarly serious concern, the USPTO provides no analysis of prior petitions it has instituted in the past that it would not institute under its current rulemaking, or offer any other substantive analysis of the practical effect of this rule. While the proposed rulemaking makes a number of representations about the impact of the rule, including that “the changes in this notice of proposed rulemaking are not expected to result in an annual effect on the economy of \$100 million or more...”, no evidence is provided to support this position. *Id.* at 31731. The additional costs parties will bear in needless litigation, the amount of verdicts that would not have been reached but for the USPTO’s failure to institute and rule on meritorious petitions, and the broader economic effect of a decrease in access to IPR has apparently not been estimated. US MADE is quite concerned by this failure of analysis, as while the USPTO will not bear any of those costs, US manufacturers will.

C. Eliminating the presumption would increase the panel-dependency of institution decisions.

The USPTO recognizes the value of “produc[ing] reliable and predictable intellectual property rights.” See 2020 USPTO Congressional Budget Justification at 3, *available at* <https://www.uspto.gov/about-us/performance-and-planning/budget-and-financial-information>.

² US MADE notes that, as a collection of stakeholders, it was not aware of any request for feedback on this issue until the Notice of Proposed Rulemaking was published in the Federal Register. It appears that the USPTO is referring not to responses received within any formal public “request for comment” period, but rather to briefing by interested third parties filed in connection with an IPR. *Id.* at 31731.

However, whereas currently PTAB panels have the benefit of a clear presumption to apply, the proposed guidelines eliminate that clarity. As noted in Section A, with the elimination of the presumption, the petitioner would be left to bear the burden of convincing the Board “that it is more likely than not that at least one of the claims challenged in the petitions is unpatentable” **after** “taking into account” any patent owner preliminary response. Notice at 31731.

It is utterly unclear, however, how a panel could or should go about evaluating one or more sets of factual assertions, when neither the petitioner’s nor patent owner’s assertions have been tested in the crucible of discovery. This opens the door for panel decisions to wildly differ in how they evaluate factual arguments, leading to essentially arbitrary institution decisions that rely more on panel-dependent prejudice than structured application of USPTO rulemaking.

III. Conclusion

US MADE appreciates this opportunity to provide feedback on the Proposed Rules, and hopes the comments lead the USPTO to maintain its policy of garnering tested facts to make reasonable decisions. Accordingly, US MADE submits that the USPTO should withdraw the portion of its proposed rule that would remove the existing and well-founded evidentiary presumption at the institution phase.

Respectfully Submitted,

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

Beau Phillips

Executive Director

U.S. Manufacturers Association for Development and Enterprise (US MADE)

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