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Re: Request for Comments on the Discretion to Institute Trials Before the Patent Trial and Appeal Board appearing at 85 Federal Register 66502-66506 (October 20, 2020)

Under Secretary Iancu,

Thank you for the opportunity to offer commentary in response to the *Request for Comments on the Discretion to Institute Trials Before the Patent Trial and Appeal Board* appearing at 85 Federal Register 66502-66506 (October 20, 2020). The comments that follow are my own, reflecting my personal views, and do not reflect any entity with which I have, or have had, any professional relationship.

The commentary below is informed in part by my involvement with the enactment of the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011), and reflects my views on the origin and purpose of the various legislative provisions that Congress enacted into law through the AIA. In addition, my views have been crystalized by the manner in which the inter partes review (IPR) procedure under Chapter 31 of Title 35, United States Code, enacted as part of the AIA, has been utilized as a patent litigation gambit, a development that should have been—but was not—fully anticipated in the course of congressional consideration of this new procedure.

The comments being sought by the United States Patent and Trademark Office relate to the Director's discretionary authority to institute proceedings under the IPR statute. At 85 Fed. Reg. 66506, comments are specifically requested on two topics that will be addressed in this communication:

(1) Under the heading "Proceedings in Other Tribunals," input has been requested on the following issue:

"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?"

(2) Under the heading "Other Considerations," input has been requested on the following issue:

"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?”

By way of brief background, the driving force for collecting together the specific changes to the patent law enacted through the AIA can be found in the learned efforts of the Committee on Intellectual Property Rights in The Knowledge-Based Economy working under the auspices of the National Research Council of the National Academies of Science. The NRC produced a number of patent reform recommendations in its seminal 2004 report, *A Patent System for the 21st Century* (Committee on Intellectual Property Rights in the Knowledge-Based Economy of the National Research Council. [A Patent System for the 21st Century](#). Washington, D.C.: National Academy Press, 2004.) See also <https://issues.org/levin/>.

One of the most important—and most controversial—recommendations of the NRC (and one I strongly supported) was its proposal for an unprecedented “open review” procedure within the USPTO to reassess the validity of issued patents: “Open Review procedure. Congress should seriously consider legislation creating a procedure for third parties to challenge patents for a limited period after their issuance in an administrative proceeding before administrative patent judges of the USPTO. The speed, cost, and design details of this proceeding should make it an attractive alternative to litigation to determine patent validity and be fair to all parties.” (<https://www.nap.edu/read/10976/chapter/6#82>)

The more detailed recommendations of the NRC urged that, in addition, to opening up issued patents to an open review during a limited period after a patent had issued (such as the post-grant review or PGR statute now does during the 9-month period after a patent has issued), *the USPTO should be charged with assessing patent validity where an accused infringer raised an invalidity defense to infringement*. The NRC specifically recommended that: “The Federal District Courts should be able and encouraged to refer issues of patent validity raised in a lawsuit to an Open Review proceeding, confining themselves to resolving issues of infringement. The Department of Justice or the Federal Trade Commission should be able to request the director of the USPTO to initiate a review if they suspect that an invalid patent or patents are being used to adversely affect competition.” (<https://www.nap.edu/read/10976/chapter/6#97>)

The legislative response by Congress to the NRC “open review” recommendations was to enact Chapter 32 of Title 35, United States Code, authorizing the USPTO to institute PGR proceedings. Congress did not, however, extend the PGR process to include an option for district courts in patent infringement actions to confine themselves to deciding issues of infringement and damages—by referring issues of patent validity to the Patent Trial and Appeal Board, where a PGR-type trial could address all invalidity issues raised by the accused infringer.

Instead, what Congress did through the AIA can best be characterized as “updating” the “inter partes reexamination” provisions that had previously been enacted into law under the American Inventors Protection Act of 1999, Pub. L. No. 106-113. Congress did so by replacing what was—at least compared to PGR—an extremely limited inter partes reexamination statute *with an even more restrictive inter partes review (IPR) statute*.

Specifically, the IPR statute differed from inter partes reexamination in three critical respects:

(1) Congress further limited the already limited grounds for invalidating a patent under the inter partes reexamination statute by carving out obviousness-type double patenting jurisdiction from IPR proceedings,

(2) the threshold standard for institution of an IPR was tightened (*i.e.*, USPTO must find a reasonable likelihood of invalidity to institute) compared to the inter partes reexamination threshold for institution (*i.e.*, the Director was only obliged to identify a substantial new question of patentability), and

(3) IPR is conducted in a manner akin to a PGR-like “trial,” rather than proceeding through a “reexamination” model—although both procedures were designed to produce a final adjudication by administrative patent judges at the Patent Trial and Appeal Board (PTAB).

Since the enactment of the AIA, the Federal Circuit has further constrained the effectiveness of the IPR statute relative to the old inter partes reexamination statute by tightened the standing requirements for an appeal of a PTAB decision. (See *AVX Corp. v. Presidio Components, Inc.*, 923 F. 3d 1357, 1367 (Fed. Cir. 2019), “Because AVX’s estoppel and ‘competitor standing’ theories both fail, we must dismiss this appeal for lack of jurisdiction in this court.”) No such jurisprudence had limited an appellant from appealing to the courts a ruling of the Office in an inter partes review procedure.

Congress, without question, had the option of simply following the NRC recommendation on affording accused patent infringers a USPTO forum for contesting all invalidity issues. It could readily have done by extending the PGR process to any defendant in a civil action entitled to plead a defense of noninfringement. Rather than take such a straightforward step, Congress elected instead to introduce what amount to a *procedurally streamlined*, but *substantively scaled back* IPR procedure as a replacement for inter partes reexamination.

Self-evidently, Congress could not have been signaling to the Office (or the courts) that the IPR statute was inherently designed to play any more prominent role in patent litigation than the repealed inter partes reexamination had played during the decade before enactment of the AIA. Indeed, the IPR statute, as now written, is a “scaled back” inter partes reexamination that—at least procedurally—just “piggybacks” off the new PGR procedures.

In addition to newly creating the PGR and IPR procedures, the AIA left in place the ex parte reexamination (EPR) statute. The EPR procedure is, in fact, jurisdictionally broader in its reach than the IPR process (*i.e.*, obviousness-type double patenting issues can be raised in an EPR, but not an IPR). Moreover, ex parte reexamination has a lower threshold for institution compared to IPR (only a substantial new question of patentability is needed). However, notwithstanding its broader subject matter jurisdiction and the more generous access threshold, the remedy available through an EPR is identical to the remedy under an IPR. The Director is given *the identical authority to cancel patent claims* under both EPR and IPR statutes.

When the IPR and EPR statutes are carefully compared, the combination of similarities and differences underscores the *non-exclusive, non-essential nature* of the IPR statute as a tool for

the public (accused patent infringers included) for canceling invalid claims of patents administratively. At most, IPR offers to a petitioner some potential procedural virtues (notably some limited discovery and appeal rights) not to be found in the EPR statute.

When the effects of these various statutory provisions are aggregated, a complex, duplicative, and (some might say) perplexing gestalt appears. The AIA made it possible for a patent to be serially challenged in the USPTO (1) promptly upon issuance under the PGR statute on any invalidity ground, (2) yet again in an IPR procedure for lack of novelty or nonobviousness in view of patents or printed publications, and (3) potentially a third time in a EPR procedure on both novelty-nonobviousness, as well as obviousness-type double patenting grounds.

This “triple whammy” of invalidation procedures in the USPTO exists, of course, in the context of a statute that also allows patents to be invalidated in the courts—either as a defense to infringement or pursuant to a declaratory judgment claim or counterclaim of invalidity. The right of accused infringers to such a judicial invalidation is subject only to the pleading threshold under Rule 11 of the Federal Rules of Civil Procedure. Otherwise, *an accused infringer in a civil action is entitled to pursue any ground of patent invalidity as a matter of right.*

Given the current menagerie of invalidation forums to be found in the patent statute, it becomes useful to explore the extent—in the IPR statute itself—that Congress was signaling to the Office and the courts that its use might be, and should be, administratively constrained, in the discretion of the Director. Put another way, just how assiduous was Congress, in its legislative drafting efforts, signaling to the USPTO that IPR proceedings should not become commonplace?

These statutory signals begin with the explicit discretionary authority of the Director to limit IPR institution under the 35 U.S.C. §314(a) “reasonable likelihood” institution threshold. However, they are most evident in the *absolute non-institution discretionary authority* vested in the Director under 35 U.S.C. §315, which applies whenever any other USPTO proceedings are involved: “during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.”

The importance of §315 as a measure of the Director’s IPR discretionary authority to institute or not cannot be overstated. Consider just one option the Director is explicitly given under the patent statute.

The Director, upon review of any petition to institute and IPR on a patent could decide to exercise the authority that Congress left in place under the AIA to *sua sponte* institute ex parte reexamination (EPR) of that patent on any ground raised in the petition—or any other ground the Director determined met the *lesser* institution requirement for an EPR (*i.e.*, a substantial new question of patentability exists under 35 U.S.C. §304). This Director option comes from the absolute nature of 35 U.S.C. §303: “On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him....”

The upshot of the Director's authority under §303/§315 is Congress unquestionably vested in the Director rulemaking that would allow the Director to require applicants to utilize EPR in preference to IPR whenever the Director itself could determine that EPR, not IPR, should be the forum of choice. This, of course, means the Director has plenary rulemaking authority to reject an IPR petition with respect to a patent whenever and EPR request would allow the same invalidity issues to be addressed.

Other statutory drafting in the AIA confirms this conclusion. While there are necessary conditions that must be met by a petitioner seeking the institution of an IPR, Congress quite intentionally did not set out any *sufficient* conditions that, if met, would have mandated institution. There is not anywhere in title 35, United States Code, a petitioner's right to an IPR—but numerous provisions underscore the Director's discretion not to institute one going well beyond.

For example, under 35 U.S.C. §314(a), through the aforementioned institution standard, Congress provided other conditions that, unless met, an IPR proceeding cannot be instituted. See also 35 U.S.C. §312, establishing a set of further requirements for a petition to institute. Other provisions of the IPR statute impose categorical bars to instituting an IPR, *e.g.*, invalidity declaratory judgment plaintiffs (35 U.S.C. §315(a)(1)). In addition, categorical time limitations are placed on defendants in civil actions for patent infringement to petition for an IPR proceeding (35 U.S.C. §315(b)). These provisions—and others—clearly demonstrate a congressional intent that no general right to an IPR adjudication is to be found in the statute.

If all this were not enough, the ultimate manifestation of the Director's non-institution authority appears in 35 U.S.C. §314(d). It states: "The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable." This is clearly unfettered authority to just say "no." Congress did not limit this absolute discretion of the Director to say "no" to one or more of the subsidiary grounds on which a non-institution might have been made—the non-appealability applies even if the petition was timely, included required content, and met the "reasonable likelihood" institution standard.

Even if the Director's authority is not absolute, nothing in the current patent statute would limit the Director's authority to limit access to IPRs so long as that action was not simply arbitrary, but instead grounds on rational policy considerations, not inconsistent with any statutory provision. No matter how draconian such limitations might be to IPR aficionados, they would not, as either a matter of policy or practice, deny members of the public multiple alternative procedures in which to have the limited set of IPR-permitted invalidity issues adjudicated.

So where should the above considerations lead the Office in rulemaking that might constrain access to an IPR?

There are two limitations that would appear to be solidly grounded on the NRC recommendations from 2004, the intent of Congress in enacting the IPR procedure in 2011, the various statutory provisions dealing with post-issuance review of patents in the USPTO, good patent policy, and the experience of the USPTO under the AIA:

1. Limit access to the IPR procedure, when a civil action for patent infringement is pending, to situations where the only invalidity defenses to infringement being pled in such civil actions would be addressed through the petition for the IPR. Where an IPR petition from a litigant would result in only a piecemeal invalidity determination at the PTAB (some issues heard in the USPTO and others in the district courts), rulemaking could require that the PTAB consider such novelty/nonobviousness issues though an EPR request, not an IPR proceeding.

2. Limit access to an IPR procedure when a civil action for patent infringement is not pending, except in two situations. If the patent is a first-inventor-to-file patent under the AIA, require the petitioner to set forth a sufficient explanation for why one or more invalidity issues raised in the petition could not have been addressed in a PGR procedure with respect to the patent. For a first-to-invent patent, require that the petitioner establish that the issues raised cannot be fully addressed by the Office through a EPR proceeding. These constraints, once again, represent a reasonable exercise of rulemaking discretion given that, without some rationale for not *sua sponte* instituting an EPR, the Director would have explicit statutory authority to deny the petition upon such an EPR institution.

Under the first of these limitations, the USPTO's forbearance in instituting the IPR proceeding—or a decision by the Director to institute—would assure that *all extant invalidity issues* with respect to the patent at issue could be and would be addressed in a single forum at a single time. Both accused infringers and patent owners would benefit from the ability to have one forum address all invalidity issues. Moreover, this is precisely the circumstance under which the NCR had recommended that the USPTO take jurisdiction over the invalidity of a patent when a civil action to enforce the patent was pending. And, of course, this limitation on access to the IPR proceeding would not limit the accused infringer's access to a PTAB adjudication of the novelty/nonobviousness issues because the Office's EPR procedure would remain available in cases of "divided invalidity" contests where, for whatever reason, the accused infringer wished to have some of its invalidity contentions decided by a district court and others decided at the PTAB.

Under the second of these limitations, the USPTO could withhold access to the IPR where the petitioner, for no substantial reason, had waited to raise invalidity grounds that could have readily been raised earlier—during the 9-month window following the grant of a first-inventor-to-file patent. In those situations where the petitioner waited—to the detriment of both the public and the patent owners—before asserting its invalidity grounds, the petitioner's invalidity issues could nonetheless be addressed by the PTAB in an EPR proceeding. For a first-to-invent patent, the Director could institute the IPR if its procedural differences from the EPR statute would justify proceeding to address invalidity under the former rather than the latter. For example, a showing that the limited discovery under the IPR would be important to a full and fair adjudication of the novelty/nonobviousness issues raised might justify IPR institution in preference to the ability of the petitioner to seek an EPR.

While these two limitations will undoubtedly face criticism that they appear a tad *radical* as compared to current practice, they are demonstrably *reasoned*, as well as thoroughly statutorily grounded. The only limitations that would be imposed on access to an IPR procedure would be where the IPR procedure would be a fully duplicative opportunity for the petitioner to assert

patent invalidity by other means. There would be alternative forums—either in a district court already exercising jurisdiction over the patent’s validity or in an EPR—that would be a fully competent forums for addressing invalidity issues that could otherwise be heard through the IPR procedure.

For the first-to-invent patents, except for defendants in patent infringement actions, IPR would be available where its differences from the EPR process would potentially be consequential—but unavailable where the EPR would suffice. Even for defendants in patent infringement actions, not only would EPR remain available to defendants in patent infringement actions who would be precluded from IPR, but the EPR proceeding would be available for defenses (*i.e.*, obviousness-type double patenting issues) and in situations (*i.e.*, only a substantial new question of patentability has been identified) where IPR would not have been an option that a petitioner could have successfully pursued in any event.

As noted above, for the first-inventor-to-file patents, the limited bar to IPR petitions would have the salutary effect of encouraging *prompt* and *more complete* challenges to patent validity under the more generous jurisdiction of the PGR procedure. This change could have a remarkably beneficial impact on the patent system by not only promoting quiet title for patent owners, but also encouraging would-be challengers to promptly come forth after a patent has issued and—in what might be a substantial number of PGRs—protect the public from any later assertion of claims not meeting the requirements for patentability. Significantly, the PGR procedure can address all grounds of invalidity, not just the 35 U.S.C. §102/§103 issues available in an IPR proceeding.

However well-grounded the proposed limitations on access to the IPR procedure might be on policy grounds, for the Office to move forward to impose limitations of this type would require some level of confidence that the Director’s actions fell squarely within the statutory discretion that Congress provided in enacting the AIA. For the reasons noted above, the Director should have complete confidence that there is no right of a petitioner to have an IPR instituted, and it lies well within the authority of the Director to impose the above policy-grounded limitations on a procedure where the Director has plenary statutory authority to just say “no” on any ground.

Finally, if the Director were to reform IPR institution practice in the manner outlined above it might stimulate Congress to examiner further reforms to the current trilogy of proceedings that now exist in the AIA’s aftermath: EPR, IPR, and PGR. For example, if Congress wished to have the expertise of the Office’s technically and legally trained administrative patent judges available for patents involved in civil actions to assess questions of patent validity—as is currently the case with IPRs—it would be readily possible for Congress to *repeal the invalidity defense to infringement* and grant a *right to any person entitled to raise a noninfringement defense in a civil action to have a PGR-like administrative procedure address the issues that otherwise would have been the subject of the invalidity defense*. This would allow IPRs to transiently continue for an ever-diminishing cohort of first-to-invent patents where the EPR statute might be less suitable based on the procedural differences between the two proceedings.

Respectfully submitted,
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