

7. An unfortunate unintended consequence of the AIA that regulators did not anticipate is the creation of well-funded opaque third-parties that challenge patents through the PTAB on behalf of others without those entities needing to disclose the identity of their members, the real parties in interest. This is especially problematic for patent owners, including small businesses and independent inventors, who could face multiple challenges to the validity of their patent coming essentially from the same, yet unidentified, funding source. Because some of these opaque third-party entities adopt rather aggressive tactics and PR campaigns that have led to an overall increase in patent-related litigation and costs, some commentators have referred to them as “reverse patent trolls” or “PTAB trolls”. While there are a few of these entities, one clear example is Unified Patents, a company that was created with the specific (and originally sole) purpose to challenge the validity of patents at the PTAB on behalf of its members. It is significant this opaque third party is not required to disclose the real party in interest on whose behalf it is really filing its petition.

Allowing opaque third-parties to file petitions at the PTAB has contributed to a large number of petitions (for example, Unified Patents enthusiastically announced before the Summer the filing of its 200<sup>th</sup> PTAB petition: <https://www.unifiedpatents.com/insights/2020/6/2/unified-patents-files-200th-challenge>) and, rather than the PTAB being used as an alternative to litigation, I fear that has often – at least for those petitions brought by PTAB trolls – resulted in an overlay to existing litigation, or forced patent owners, including many small and medium-sized businesses and independent inventors, to expend limited resources to defend in administrative proceedings against these well-funded third-parties. This use of the PTAB is not consistent with the AIA’s goals for the PTAB as a cheaper, faster alternative to district court litigation.

Another unexpected problem with allowing opaque third-parties who challenge patents, allegedly, independently from its members is the fact that those same members, unless they are identified as real parties in interest, could use similar arguments in parallel or other petitions, or in other fora like ITC or the courts. The situation in which a nebulous third party can bring a challenge at PTAB, especially without having to disclose its funders or connections to the real petitioner, is truly unique in law.

Forcing patent owners, especially small businesses or individual inventors, to defend from possible multiple challenges by these opaque third-parties that work on behalf of well-funded undisclosed parties – in addition to often costly litigation to defend their patent rights against infringers – could have a chilling effect on innovation and on the patent system overall. Transparency in the IPR process is important to ensure the overall health of the patent ecosystem. Transparency allows for greater accountability and accessibility in the patent system for all users.

To address these unintended consequences identified above, I propose that the USPTO consider promulgating a bright-line rule that precludes institution of an AIA trial against challenged claims if the petitioner is an entity or membership organization that is challenging claims on behalf of other entities, unless the petitioner discloses petitioner’s

real parties in interest and all funding sources. By providing greater transparency in the IPR process, the PTAB can more accurately and fully assess all of the parties involved in determining whether a similar petition has already been addressed by the Board. These changes will promote greater efficiencies at the PTAB and ensure that the true intent of the AIA – to reduce patent litigation in any form – is achieved.

Additional proposals:

- I further propose that the Office adopt a bright-line rule that precludes institution of an AIA trial against challenged claims if the petitioner is an entity or membership organization that is challenging claims on behalf of other entities, and any of the challenged claims have previously been challenged in another petition by the petitioner's real party in interest. I also propose that the Office adopt a bright-line rule that precludes institution of an AIA trial against challenged claims if any of the challenged claims have previously been challenged in another petition by an entity whose real parties in interest included the petitioner.
  
- I further propose that the Office adopt a bright-line rule that precludes institution of more than one AIA trial against challenged claims if the petitioner is an entity or membership organization that is challenging claims on behalf of other entities, and any of the other petitions are brought by the petitioner's real party in interest. I also propose that the Office adopt a bright-line rule that precludes institution of more than one AIA trial against challenged claims if any of the other petitions are brought by an entity whose real parties in interest included the petitioner.
  
- I further propose the Office consider and take appropriate action with regards to the institution of an AIA trial against challenged claims if the petitioner is an entity or membership organization that is challenging claims on behalf of other entities, and any of the challenged claims are or have been asserted against the petitioner's real party in interest in a district court or ITC action.