



By Email

December 21, 2018

Acting Deputy Chief Administrative Patent Judge Jacqueline Wright Bonilla
Vice Chief Administrative Patent Judge Michael Tierney
Mail Stop Patent Board
Director, United States Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450
TrialRFC2018Amendments@uspto.gov

Re: Request for Comments on Motion to Amend Practice and Procedures in Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 83 FR 54319

Dear Judge Wright Bonilla and Judge Tierney:

I write on behalf of Askeladden L.L.C. (“Askeladden”) in response to the Office’s Request for Comments on Motion to Amend Practice and Procedures in Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 83 FR 54319.

We greatly appreciate the Office’s attention and continuing efforts to improve post-grant patent review proceedings under the America Invents Act including the proposed revisions to the claim amendment process and associated pilot program (collectively, the “Proposal”) outlined in the notice. We also appreciate the Office’s consideration of our thoughts, concerns, and suggestions related to the Proposal provided below.

Askeladden’s Patent Quality Initiative

Askeladden is an education, information and advocacy organization which, through its Patent Quality Initiative (“PQI”), is dedicated to improving the understanding, use, and reliability of patents in financial services and elsewhere. Through the PQI, Askeladden strives to improve patent quality and to address questionable patent holder behaviors. Askeladden files amicus briefs that highlight issues critical to patent quality and petitions the Office to take a second look at patents under *inter partes* review (IPR) that it believes are invalid. In addition, Askeladden works to strengthen and support the patent examination process by coordinating educational briefings on the evolution of technology in financial services.

Askeladden is a wholly owned subsidiary of The Clearing House Payments Company L.L.C. Since its founding in 1853, The Clearing House has delivered safe and reliable payments systems, facilitated bank-led payments innovation, and provided thought leadership on strategic payments issues. Today, The Clearing House is the only private-sector ACH and wire operator in the United States, clearing and settling nearly \$2 trillion in U.S. dollar payments each day, representing half of all commercial ACH and wire volume. It continues to leverage its unique capabilities to support bank-led innovation, including launching RTP[®], a real-time payment system that modernizes core payments capabilities for all U.S. financial institutions. Askeladden pursues its PQI independently of the business and activities of The Clearing House.

The Importance of Balanced and Effective Post-Grant Review Proceedings

Askeladden and the financial services industry have a strong interest in the proper implementation of America Invents Act (“AIA”) post-grant proceedings, such as *inter partes* review and the transitional program for covered business method patents. Today, financial services companies are heavily investing in developing technologies related to fraud detection, blockchain, advanced authentication, faster payments, and big data analytics, to name a few. Moreover, the financial services industry provides frictionless movement of capital in every sort of financial transaction including credit card purchases, ATM withdrawals, online and mobile banking, and digital wallet payments—all of which are fundamental to the modern financial system. Financial services companies have increasingly sought to protect such innovation through the patent system in recent years. Thus, financial services companies have a strong interest in ensuring that AIA post-grant proceedings are fair to patent owners.

Additionally, the financial services industry is the primary source of capital for start-ups of every kind. Based on data from the Small Business Administration, as of June 2015 there were \$599 billion in small business loans outstanding.¹ Traditional banks also help fund millions of businesses every year, and have a strong interest in seeing those entities achieve returns on their innovations. As lenders, therefore, it is essential that the intellectual property that they may rely on as collateral is of high quality.

At the same time, the financial services industry has been plagued for years by patent litigation based on patents that claim longstanding financial or business practices or that are otherwise of low quality and that should not have issued. The issuance of such patents leads directly to costly and wasteful litigation that is detrimental to economic progress and actual innovation. The financial services industry therefore has an equally strong interest in ensuring that AIA post-grant proceedings, which were designed to provide a lower-cost alternative to district court litigation for determining patent validity, are effective at accomplishing that goal.

Askeladden’s Comments on the PTAB’s Proposal: “Preliminary Decision by the Board on a Motion to Amend and an Opportunity to Revise That Motion”

Nearly everyone agrees that quality patents and a strong patent system are important for incentivizing investment in technology development and otherwise driving innovation. Patent quality is also critical for minimizing wasteful expense stemming from patent assertions based on patents that should not have issued. While we recognize that substantive amendments are often a last resort for patent owners pursuing past damages, we maintain that the overarching priority with respect to claim amendments in AIA review proceedings must be ensuring that all new claims that emerge truly meet all of the requirements for patentability. Failing to do so raises the risk of subsequent assertions based on invalid claims. In the best case scenario, subsequent AIA review proceedings would be needed to address those new invalid claims. However, given the Board’s discretion to deny “follow-on” petitions under the *General Plastic* factors or simply for efficiency reasons², in many cases subsequent AIA review proceedings may not be available at all. For these reasons and additional reasons outlined below, we strongly believe that all substitute claims proposed in motions to amend under the current practice, or

¹ https://www.sba.gov/sites/default/files/Banking_study_Full_Report_508_FINAL.pdf

² “There may be other reasons besides the ‘follow-on’ petition context where the ‘effect . . . on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings,’ 35 U.S.C. § 316(b), favors denying a petition even though some claims meet the threshold standards for institution under 35 U.S.C. §§ 314(a), 324(a).” August 2018 Update to the PTAB Trial Practice Guide; https://www.uspto.gov/sites/default/files/documents/2018_Revised_Trial_Practice_Guide.pdf.

under any revised practice and procedures arising from the Proposal, should be subject to examination by the Office.

In addition, based on our review of the Proposal, we believe that preliminary decisions on motions to amend would be a welcome improvement in terms of clarity and efficiency, but are concerned that the compressed timeframe and the option for patent owners to submit a revised motion to amend as outlined in the Proposal substantially increases the risk that new low quality claims will emerge from the amendment process, especially where examiner assistance is absent.

Our detailed comments and suggestions are set forth below.

Examiner Assistance in All AIA Review Proceedings with Motions to Amend

Given the importance of quality patent claims for driving innovation and the harm that stems from low quality claims, we strongly believe that examiner assistance should be employed with respect to all motions to amend—both in proceedings using the current motion to amend process and in proceedings employing any revised motion to amend practice and procedures that may be implemented pursuant to the Proposal. For a variety of reasons outlined herein, relying on petitioners to effectively carry out the role of patent examiner for proposed substitute claims is likely to have mixed results. The only currently viable way to ensure that proposed substitute claims are properly examined is to solicit examiner review with respect to all applicable statutory requirements, including Sections 101 and 112, for all motions to amend.

Even with respect to motions to amend under the current regime, some petitioners may have budgetary constraints and/or lack of motivation with respect to addressing certain proposed substitute claims (e.g. substitute claims irrelevant to their own products or services). Without ample resources or interest, a petitioner cannot reliably be entrusted with the role of examiner for proposed substitute claims. Accordingly, examiner review of proposed substitute claims is necessary to avoid issuance of new low quality claims even under the current amendment process.

With respect to motions to amend and revised motions to amend under the Proposal, examiner assistance is even more crucial. For the reasons discussed in more detail below, the compressed timelines and increased cost render untenable the proposition of relying on petitioners to perform the role of examiners for proposed substitute claims. We believe that solicitation of examiner assistance with respect to all motions to amend and revised motions to amend would mitigate to a degree, but not fully resolve, our concerns with the revised amendment practice and procedures outlined in the Proposal.

Concerns Raised by the Proposed Revisions to Motion to Amend Practice and Procedures

With the goals of patent quality and AIA Review efficiency in mind, we are concerned that implementation of the Proposal as outlined in the Federal Register notice would increase the risk of issuance of new poor quality claims and would increase the costs of AIA post grant proceedings to all parties, petitioners in particular, thereby undermining the role of AIA review proceedings as efficient alternatives to district court litigation for addressing poor quality patents.

First, the Proposal drastically reduces the time between a patent owner's motion to amend and petitioner's opposition to the motion to amend from typically three months down to six weeks. Whereas six weeks may be sufficient for a patent owner to review the four corners of the challenged patent against the prior art of record to develop proposed substitute claims and prepare its motion, the efforts required by petitioner will generally require searching the vast universe of prior art for new prior art references,

whether performed internally or by a prior art search firm, analyzing the prior art search results and developing new or revised grounds for unpatentability often in conjunction with an expert, and preparing the opposition to the motion to amend. Cutting in half the time a petitioner has to perform the tasks necessary for its opposition increases the risk that new low quality claims will emerge from the proceeding. For example, given the compressed timeline petitioners are increasingly likely to fail to uncover or identify as relevant existing prior art that renders the proposed substitute claims unpatentable.

Moreover, the risk of issuance of new low quality claims is exacerbated by the opportunity for a patent owner to change its proposed substitute claims in a revised motion to amend and by petitioner having but a scant four weeks to prepare its opposition to the revised motion to amend. Allowing the petitioner to present a wholly revised set of proposed substitute claims in a revised motion to amend will often render useless all or most of the work petitioner performed in preparing its opposition to the originally-filed motion to amend and require petitioner to completely restart the entire arduous process outlined above to prepare its opposition to the revised motion to amend—but now in only four weeks.

Insufficient time is not the only driver of the risk of issuance new low quality claims, however. Beyond undermining the intended role of AIA patent reviews as efficient and less expensive alternatives to litigating validity in district courts, the substantially increased financial cost stemming from addressing a third set of claims³ in the proceedings may lead some petitioners, especially small entities with limited resources, to prepare “budget” oppositions (e.g., limited prior art search, limited expert engagement, etc.) to revised motions to amend or no oppositions at all.

In sum, the compressed timeline and the opportunity for patent owners to propose a wholly new set of substitute claims in a revised motion to amend are quite likely lead to the issuance of new poor quality claims in many instances and would be financially taxing especially to small entities with limited resources.

The Board Should Always Have the Authority to Find Substitute Claims Unpatentable for Reasons Beyond Those Presented by Petitioners

In the notice, the Office specifically requests comments with respect to potential rulemaking regarding allocation of the burden of persuasion and, in particular, “on the circumstances in which the Board itself may justify findings of unpatentability.” We strongly believe that the Board should be permitted to make its own findings of unpatentability in every circumstance. An overarching priority of the motion to amend practice and procedure should be that substitute claims emerging therefrom are truly patentable. Accordingly, the Board should not be precluded from finding claims unpatentable based on its own findings—or based on findings in an examiner’s report pursuant to our proposal above—simply because petitioner failed to present such grounds of unpatentability for whatever reason (e.g., error, lack of time, lack of motivation, lack of skill, etc.). Accordingly, we support rulemaking that explicitly recognizes the Board’s ability in every circumstance to find claims unpatentable for reasons beyond those presented by petitioners, including failure to meet the requirements of Sections 101 and 112.

Preliminary Decisions on Motions to Amend

In the notice, the Office seeks comments in response to two particular questions related to preliminary decisions on motions to amend:

³ 1. Original claims in the challenged patent; 2. First set of substitute claims in the motion to amend; 3. Second set of substitute claims in revised motion to amend.

Question 4: If the Office implements this proposal, should the Board prepare a preliminary decision in every proceeding where a patent owner files a motion to amend that proposes substitute claims?

Question 5: What information should a preliminary decision include to provide the most assistance to the parties in presenting their case? For example, is there certain information that may be particularly useful as the parties consider arguments and evidence to present in their papers, how issues may be narrowed for presentation to the Board, and/or whether to discuss a settlement?

In our view, the primary purpose and benefit of preliminary decisions on motions to amend is that they provide clarity to the parties in AIA review proceedings and drive efficient decision making (e.g., earlier settlements or requests for adverse judgement versus continuing to expend resources completing AIA review proceedings). To that end, we believe that preliminary decisions on motions to amend should be implemented, prepared in every proceeding in which patent owner proposes substitute claims, and should include a clear indication of the Board's view of the patentability of each individual proposed substitute claim along with a clear articulation of the basis and reasoning for the Board's view with respect to each proposed substitute claim. Moreover, because of their ability to provide clarity and efficiency, we believe that preliminary decisions on motions to amend would independently—regardless of the availability of revised motions to amend—be an improvement to the motion to amend practice and procedures.

Revised Motions to Amend

While we believe preliminary decisions on motions to amend would be a clear improvement, the option for a patent owner to submit a revised motion to amend, especially as outlined in the Proposal, is accompanied by an increased risk of issuance of low quality substitute claims and substantially increased costs thereby undermining the purpose of the AIA review proceedings. Accordingly, we suggest that the Office consider implementing preliminary decisions without also implementing revised motions to amend.

In the event that the Office implements revised motions to amend, patent owners should only be permitted to add limitations to, or otherwise narrow the scope of, the substitute claims proposed in the originally-filed motion to amend. Allowing patent owners to completely change their proposed substitute claims to eliminate all limitations introduced in the original motion to amend and introduce new limitations would introduce inefficiencies by often rendering useless all of the prior art research, attorney and expert analysis, and preparation of the opposition to the originally-filed motion to amend. While the same inefficiencies may arise where only further narrowing is permitted, depending on the limitations added, the manifestation of those inefficiencies would likely be reduced.

Pilot Program Should be Voluntary

Given the substantial burdens of increased cost and time constraints introduced by the Proposal combined with the uncertainty surrounding the Proposal's viability, we suggest making participation in the pilot program voluntary by requiring consent by both parties. While the clarity provided by a preliminary decision on a motion to amend may be worth the additional cost to some parties involved in AIA review proceedings, where a prospective petitioner is of limited resources and has no certainty as to whether patent owner will file a motion to amend, thereby unilaterally invoking the burdensome pilot program under the mandatory regime specified in the Proposal, it may decide to forgo AIA review process altogether. To avoid this and other potential undesired consequences, we propose making the pilot

program voluntary during the vetting process. In addition, we propose tracking how often parties volunteer for the pilot program in order to gauge interest in in the Proposal beyond comments submitted in response to the Proposal.

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Askeladden is grateful for the opportunity to comment on the Patent Trial and Appeal Board's proposed revisions to the practices and procedures for motions to amend in trial proceedings under the America Invents Act. Askeladden remains committed to working towards an improved patent system together with the Office.

Very truly yours,

Sean Reilly

General Counsel
Askeladden L.L.C.