



December 3, 2020

Scott C. Weidenfeller
Vice Chief Administrative Patent Judge
U.S. Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313
571-272-9797

VIA ONLINE SUBMISSION

Re: Comments of Engine Advocacy in Response to Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, Docket No. PTO-C-2020-0055

Dear Judge Weidenfeller,

Engine is a non-profit technology policy, research, and advocacy organization that bridges the gap between policymakers and startups. Engine works with government and a community of thousands of high-technology, growth-oriented startups across the nation to support the development of technology entrepreneurship through economic research, policy analysis, and advocacy on local and national issues. We appreciate the opportunity to submit these responses to the U.S. Patent and Trademark Office's ("USPTO") request for comment concerning the exercise of discretion to deny *inter partes* review ("IPR") petitions.¹ IPR is an important element for promoting patent quality in the U.S., and a valuable component of the domestic innovation ecosystem.

We oppose codification of the current policies and practices for exercising discretion to deny IPR. Pursuant to these policies and practices, the Patent Trial and Appeal Board ("PTAB") is increasingly denying meritorious IPR petitions, which has in turn reduced patent quality and led to more (and more expensive) abusive patent litigation. Instead of proceeding further down this path, we urge the USPTO to restore focus on patent quality and instituting meritorious IPR petitions that satisfy the statutory criteria.

I. Introduction

IPR is an important tool for patent quality and has made outsized contributions to the U.S. economy. Importantly for startups, IPR has leveled the playing field in abusive patent assertion and reduced the overall costs and burdens associated with low-quality patents. Thanks to IPR, it was becoming harder to

¹ Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 66502 (Oct. 20, 2020) [hereinafter "Request"].

leverage the high costs of weak infringement accusations and defeating low-quality patents to coerce startups into licensing invalid patents.

Through IPR, the USPTO can take a second look at low-quality patents and cancel those that should not have issued (i.e., those that fail to satisfy the statute’s patentability criteria). And cancelling those wrongly-issued patents “helps protect the public’s ‘paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.’”² Likewise, as IPR has been used to weed out invalid patents, it has also cleared the way for startups and other innovators to operate in the space those patents improperly covered. As the PTAB has increasingly exercised its discretion to deny petitions, though, it is protecting invalid patents which can stand in the way of innovative startups.

For several years IPR was working: clearing out invalid patents and contributing to an overall reduction in unwarranted litigation costs and abusive litigation. But recently, in conflict with congressional intent and the statutory text, the USPTO has adopted discretionary denial policies and procedures that limit access to IPR. And by exercising that discretion as it currently is, the PTAB is leaving invalid patents in force to be asserted against multiple defendants, including startups.

On their face, these policies and procedures conflict with what the PTAB was established to do. Not only that, but as detailed below, the USPTO’s discretionary denial policies and practices have led to an increase in abusive litigation and rising costs. At the same time, as more low-quality patents are allowed to survive in the market, the integrity of the U.S. patent system is suffering.

Finally, now is not the time for more abusive litigation or low-quality patents. Both encumber productive activity, and startups and small businesses have the most to lose. As the country faces a long road of economic recovery, we need startups, small businesses, innovators, manufacturers, and others to be able to survive and thrive after the pandemic. Indeed, startups make outsized contributions to economic and job growth. But if startups are forced to waste time now defending frivolous patent assertions—assertions that can be lethal—they will not be poised to grow rapidly after the pandemic.

Instead of codifying current policies and practices, the USPTO should instead reverse course. It should return its focus, and the focus of the PTAB, to patent quality and institute meritorious IPR petitions that comply with the provisions of the America Invents Act (“AIA”).

II. Low-quality patents harm innovation in ways that are particularly pernicious to startups

High-quality patents can be a valuable asset for many startups. But low-quality patents—those that claim things that were already known or that are written in vague, overbroad terms that are difficult to understand—on the other hand lack value.³ Not only that, but such low-quality patents drain resources from innovative companies, are routinely weaponized against startups and other small businesses, and undercut confidence in the U.S. patent system.⁴

² *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (quoting *Precision Instrument Mfg. Co. v. Automotive Maintenance Machinery Co.*, 324 U.S. 806 (1945)).

³ *See, e.g.*, 35 U.S.C. §§ 101, 102, 103, 112 (setting out conditions for patentability).

⁴ *See, e.g.*, Christopher R. Leslie, *The Anticompetitive Effects of Unenforced Invalid Patents*, 91 Minn. L. Rev. 101 (2006); Colleen Chien, *Startups and Patent Trolls*, 17 Stan. Tech. L. Rev. 461 (2014); 153 Cong. Rec. H10270-10307 (Sept. 7, 2007), available at <https://www.congress.gov/congressional-record/2007/09/07/house-section/article/H10270-1> (statement of Rep. Lamar Smith, referring to precursor to AIA, and saying: “The bill will

Despite the well-documented problems caused by low-quality patents, they continue to plague the U.S. patent system. The USPTO has an enormous task of reviewing hundreds of thousands of new patent applications each year,⁵ where examiners have on average 20 hours to review complex and difficult applications.⁶ And there are structural incentives for applicants to seek low-quality patents.⁷ Against this backdrop, it is understandable that invalid patents would occasionally issue. Indeed, studies indicate 30 to 40 percent of issued patents are likely invalid.⁸

But these low-quality patents still create substantial burden and cost on innovation ecosystems. For one, low-quality patents operate like “scarecrows” that can prevent would-be competitors from exploring research, development, or business opportunities where a low-quality patent stands in the way.⁹ And when the USPTO makes a mistake and issues an invalid patent, that patent can still be asserted, forcing private third parties to incur the cost of validity challenges to clear out low-quality patents.¹⁰

Low-quality patents operate in ways that are particularly harmful for startups. Because startups operate on thin margins and do not have time or resources to spare defending frivolous patent assertions, they are frequent targets of patent assertion entities (“PAEs”).¹¹ Such entities have become notorious for wielding

eliminate legal gamesmanship from the current system that rewards lawsuit abuses. It will enhance the quality of patents and increase public confidence in their legal integrity.”)

⁵ E.g., *U.S. Patent Statistics Chart: Calendar Years 1963-2019*, U.S. Patent and Trademark Office (Nov. 29, 2020), https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm (reporting over 600,000 total patent applications filed each year since 2013).

⁶ See, e.g., Josh Landau, *Granted in 19 Hours*, Patent Progress (Mar. 6, 2018), <https://www.patentprogress.org/2018/03/06/granted-19-hours/> (summarizing findings of academic study); Fed. Trade Comm’n, *To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy* 5, 34 (2003) (estimates of time to review applications range from 8-25 hours, and referring to examiners having 20-25 hours to review complex and difficult biotechnology patents).

⁷ E.g., R. Polk Wagner, *Understanding Patent-Quality Mechanisms*, 157 Univ. Penn. L. Rev. 2135 (2019) (analyzing how “the modern patent system affirmatively encourages low patent quality”).

⁸ One study showed patents challenged in district court were held to be invalid a little more than 40 percent of the time. Josh Landau, *A Little More Than Forty Percent: Outcomes at the PTAB, District Court, and the EPO*, Patent Progress (May 1, 2018), <https://www.patentprogress.org/2018/05/01/a-little-more-than-forty-percent/> (citing John R. Allison et al., *Our Divided Patent System*, 82 Univ. Chicago L.R. 1073 (2015), available at <https://ssrn.com/abstract=2510004>). Another study found that 28 percent of patents would be found at least partially invalid were they to be litigated. And that number jumps even higher in the high-tech space, where 39 percent of issued software patents are likely invalid. Shawn P. Miller, *Where’s the Innovation: An Analysis of the Quantity and Qualities of Anticipated and Obvious Patents*, 18 Va. J.L. & Tech. 1, 6-7 (2013).

⁹ Leslie, *supra* note 4, at 116 (quoting *Bresnick v. U.S. Vitamin Corp.*, 139 F.2d 239, 242 (2d Cir. 1943)) (citing *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 95-96 (1993)); see generally, *id.* at 113-39 (analyzing how the “mere possession of invalid patents can injure competition”); Jay P. Kesan, *Carrots and Sticks to Create A Better Patent System*, 17 Berkeley Tech. L.J. 763, 767 (2002) (“the social costs of improvidently granted patents are numerous”).

¹⁰ See, e.g., Megan M. La Belle, *Patent Law as Public Law*, 20 Geo. Mason. L. Rev. 41, 42 (2012) (describing how validity challenges are raised).

¹¹ See, e.g., Chien, *Startups and Patent Trolls*, *supra* note 4, at 461-62 (in survey of startups, majority had received a demand and large percentage reported significant operational impact); Nathaniel Borenstein, Opinion, *More Patent Trolls Are Targeting Startups. Here’s What You Can Do*, Entrepreneur (Apr. 10, 2018), <https://www.entrepreneur.com/article/310648> (“A disproportionate number of patent trolls target smaller companies To trolls, the whole point is to impose a costly and scary lawsuit, so that startups with limited

low-quality patents to coerce startups into paying just to avoid the high cost of proving invalidity in court.¹² Likewise, incumbents seeking to stifle new market entrants can use low-quality patents strategically to “impose distress on their financially disadvantaged rivals,”¹³ and assert such patents in a way that “prevent innovative, disruptive technologies from competing.”¹⁴

Being accused of infringing low-quality patents affects startups in broad and sweeping ways: in the face of an abusive patent demand it is harder for startups to compete, gain market share, attract customers, and attract investors.¹⁵ Startups report significant operational impacts, like changes in business strategy, business or business line exits, delays in hiring, and reduced valuations upon receipt of demand letters from PAEs.¹⁶ And not only do meritless cases over invalid patents force startups to waste time and money,¹⁷ but startups in particular may be more likely skip R&D in areas low-quality patents improperly cover.¹⁸ Ultimately, the assertion of low-quality patents can unfortunately be (and has been) the reason some startups close up shop—especially companies that cannot afford the cost or weather the duration of a patent validity challenge.¹⁹

resources to protect and defend themselves are more likely to settle than fight.”); Benjamin Lennett, *How Patent Trolls Are Crippling Startups*, Slate (Sept. 16, 2013), <https://slate.com/technology/2013/09/report-shows-how-patent-trolls-are-crippling-startups.html> (“Many startups simply do not have the financial resources to deal with a lengthy legal battle. When faced with a patent problem, they often decide to settle quickly . . . even in cases where the patent assertion is weak and could ultimately result in a favorable ruling by a court.”).

¹² Amy L. Landers, *The Antipatent: A Proposal for Startup Immunity*, 93 Neb. L. Rev. 950, 979 (2015) (small “entities are more likely to settle for a higher royalty rate to avoid the high transaction costs of patent litigation”); see also *id.* at 982-83 (“[a] rational startup would pay a licensing fee solely to avoid this massive financial drain”); Ryan Damon et al., *Five Years Later: Lessons Learned from the First Inter Partes Review*, ACC Docket (May 3, 2018), <https://www.accdocket.com/articles/supreme-court-decisions-inter-partes-review.cfm> (“it was often prudent” for a startup “to consider a cost-of-defense settlement rather than seek litigation based on the merits”).

¹³ Colleen V. Chien, *Of Trolls, Davids, Goliaths, and Kings: Narratives and Evidence in the Litigation of High-Tech Patents*, 87 N.C. L. Rev. 1571, 1587-89 (2009) (describing “patent predation”).

¹⁴ Ted Sichelman, *The Vonage Trilogy: A Case Study in “Patent Bullying,”* 90 Notre Dame L. Rev. 543, 549-50 (2014).

¹⁵ See, e.g., *Startups Need Comprehensive Patent Reform Now*, Engine 7-14, available at <http://static1.squarespace.com/static/571681753c44d835a440c8b5/57323e0ad9fd5607a3d9f66b/57323e14d9fd5607a3d9faec/1462910484459/Startup-Patent-Troll-Stories1.d.pdf?format=original> (recounting startups stories); Chien, *Of Trolls*, *supra* note 13, at 1587-89 (describing how litigation can damage, e.g. defendants credit, relationships with customers and investors); Robin Feldman, *Patent Demands & Startup Companies: The View From the Venture Capital Community*, 16 Yale J.L. & Tech. 236, 280 (2014) (investors report that an existing patent demand against a startup as a deterrent in deciding whether to invest).

¹⁶ Chien, *Startups and Patent Trolls*, *supra* note 4, at 474-75

¹⁷ E.g., Colleen V. Chien, *Patent Assertion and Startup Innovation*, New Am. Found. (2013), available at <https://www.newamerica.org/oti/policy-papers/patent-assertion-and-startup-innovation/>; Nat’l Research Council, *A Patent System for the 21st Century* 38 (Stephen A. Merrill et al. eds., 2004) (describing patent litigation as “particularly burdensome for small firms and start-ups with fewer managerial personnel and less access to capital finance”).

¹⁸ Fed. Trade Comm’n, *supra* note 6, at 5; cf. Jean O. Lanjouw & Mark Schankerman, *Enforcement of Patent Rights in the United States*, in *Patents in the Knowledge-Based Economy* 145, 146 (Wesley M. Cohen & Stephen A. Merrill eds., 2003) (“small firms avoid R&D areas where the threat of litigation from larger firms is high”).

¹⁹ See, e.g., Engine, *supra* note 15 (recounting startup stories); Landers, *supra* note 12, at 979-80 (recounting examples of two former startups who won patent cases but lost market opportunities); Ethan Rothstein, *Arlington Startups Founder Testifies Before Congress About Patent Trolls*, ARL Now (Mar. 27, 2015), <https://www.arlnow.com/2015/03/27/arlington-startup-founder-testifies-before-congress/> (referring to “college

III. IPR promotes patent quality, helps level the playing field for startups in abusive patent assertion, and has generated substantial benefits across the U.S. economy

The IPR system had been working well for startups. In passing the AIA, Congress was specifically concerned about the litigation costs and broader economic consequences of low-quality patents, and designed IPR as a more efficient system for challenging them.²⁰ For a while, at least, IPR was succeeding, reducing the burden of abusive litigation and generating broader economic and patent quality benefits.

For one, before IPR, startups accused of infringing a low-quality patent had few choices: they could pay to settle (if that was even an option) or prove invalidity in court (if they could afford it—and many could not). Early-stage startups raise an average of \$78,500 during their first year,²¹ and most are relying on their own personal savings or financing from friends and family.²² But it can easily cost between \$1-\$5 million to defend a PAE lawsuit through trial.²³ This cost is orders of magnitude more than what many startups can afford. Moreover, the costs of litigation are not symmetrical—even in a frivolous case, the accused infringer faces much more substantial costs and risks than the entity asserting the patent.²⁴ As such, many startups accused of infringing low-quality patents would pay to settle just to avoid those massive costs, “even if the asserted patent appears invalid on its face.”²⁵ (Again, that is if settlement is an option. When an industry rival uses meritless litigation just to slow or stop a startup, it may refuse to settle; and may prefer to sue its new competitor out of the market or until its valuation drops substantially.)

IPRs, by contrast, while still expensive are much more affordable—and can be within reach for many startups and smaller tech companies. It costs approximately \$325,000 to challenge an electrical or computer-focused patent in IPR.²⁶ This has opened up invalidity defenses to those who could not afford them before.

Second, and similarly, by reducing the cost of clearing out invalid patents, IPR leveled the playing field in patent assertion, and that has produced other benefits. The costs of district court patent cases had started

students developing a product in a startup incubator who were threatened with a lawsuit by a patent troll” and “folded their company because they couldn’t even pay the licensing fee . . . that trolls ask for to avoid a lawsuit”).

²⁰ E.g., H.R. REP. 112-98, 39-40 (recounting goal to “improv[e] patent quality and provid[e] a more efficient system for challenging patents that should not have issued”); 157 Cong. Rec. S5356- S5357 (Sept. 7, 2011), available at <https://www.congress.gov/112/crec/2011/09/07/CREC-2011-09-07-pt1-PgS5356.pdf> (statement of Sen. Amy Klobuchar that “those low-quality patents clog the system and hinder true innovation”); 153 Cong. Rec. H10270-10307 (Sept. 7, 2007) (statement of Rep. Cannon, “[p]atents of questionable validity are limiting competition and raising prices for consumers”).

²¹ *Startup Funding Infographic*, Fundable, <https://www.fundable.com/learn/resources/infographics/startup-funding-infographic> (last visited Nov. 30, 2020).

²² *Id.*; Meredith Wood, *8 Startup Funding Statistics to Know*, Fundera (Feb. 3, 2020), <https://www.fundera.com/resources/startup-funding-statistics#>.

²³ Am. Intellectual Prop. Law Ass’n, 2019 Report of the Economic Survey 51 (2019) (reporting costs of litigation).

²⁴ E.g., Brian T. Yeh, Cong. Research Serv., R42668, *An Overview of the “Patent Trolls” Debate* 12 (2013); Steven Levy, *The Patent Problem*, Wired (Nov. 13, 2012), <https://www.wired.com/2012/11/ff-steven-levy-the-patent-problem/> (describing PAE litigation in particular as “asymmetric warfare”).

²⁵ Landers, *supra* note 12, at 983.

²⁶ AIPLA, *supra* note 23, at 52.

to decline.²⁷ Startups and others could respond to a patent demand with a credible IPR petition, and—without even filing it—get PAEs to walk away or settle for far less.²⁸ As IPR reduced costs, it also reduced the settlement value of low-quality patents.²⁹ Overall, it was becoming more difficult to leverage the high costs of district court litigation to coerce startups into settling frivolous cases for large sums. And because abusive patent litigation was becoming less lucrative, IPR led to a drop in abusive litigation overall.³⁰

In this vein, startups who have benefited from IPR can speak to its value:

- Mapbox makes customizable maps and provides associated services, such as location, directions, and traffic search. And it has been accused of infringement by multiple PAEs. As Mapbox’s policy lead has explained, that entire industry “is based around this asymmetry of costs and charging [] targets slightly less than it costs” to defend a patent lawsuit. “IPR is a great tool,” as “it offers people who are being targeted . . . another tool for invalidating bad patents.”³¹
- Bitmovin develops technology for improving the quality of video delivered over the Internet. As its general counsel described, Bitmovin has faced assertion of dubious patents that it does not infringe. And it has been able to respond to such demands without even having to file IPR petitions. The mere threat of being able to defend against a questionable patent assertion quickly, effectively, and inexpensively can make PAEs walk away. “To a startup, not having to spend those monies is essential.” IPR “level[s] the playing field and . . . make[s] it easier for us to defend ourselves against low-quality patents.”³²
- Patreon is a popular platform where artists and creators can get paid by their fans. Since the IPR process was instituted, Patreon has seen a decrease in patent demands from PAEs. Patreon’s head of legal has noted: “Having the IPR process available to us as a means of defending our innovation is critical. The number one thing the patent office could do to protect patent quality is not do anything. The current process with IPR . . . has been hugely beneficial to the tech industry.”³³

²⁷ *Id.* at 51; Malathi Nayak, *Cost of Patent Infringement Litigation Falling Sharply*, Bloomberg BNA (Aug. 11, 2017), <https://biglawbusiness.com/cost-of-patent-infringement-litigation-falling-sharply>.

²⁸ *See, e.g., infra.* note 32.

²⁹ *Cf.* Damon et al., *supra* note 12 (reporting data showing how “IPRs have reduced the cost to challenge questionable patents and also reduced their settlement value”).

³⁰ *See, e.g., Patent Review is Working for Startups*, Engine, <https://innovatewithoutfear.engine.is/wp-content/uploads/2020/01/IPR-is-working-one-pager.pdf> (showing less non-practicing entity litigation since IPR went into effect).

³¹ *Protecting Big Ideas - Mapbox*, YouTube (Nov. 9, 2018), https://www.youtube.com/watch?time_continue=2&v=jt4Z_KPI7eo.

³² *Patents Spur Innovation. Weak Patents Have the Opposite Effect.*, YouTube (Dec. 13, 2018), https://www.youtube.com/watch?time_continue=1&v=MvTAE5He9Cg&feature=emb_logo.

³³ *Innovation Toolkit for Startups - Patreon*, YouTube (Dec. 18, 2018), https://www.youtube.com/watch?time_continue=1&v=JjFcZl_Ftpc.

Third, IPR advances the broader goal of weeding out invalid patents.³⁴ When invalid patent claims that should never have issued are deemed unpatentable, it creates a public good.³⁵ “Competitors of the patent owner and consumers of the patented product” including parties that did not petition for an IPR—“benefit just like the party who successfully challenged the patent.”³⁶

Indeed, there are many examples where one IPR petition could (or did) benefit numerous others—saving emerging tech companies and small businesses that were being accused of infringement. Merely by way of example: in one IPR, the invalid patent was already being asserted in ten lawsuits against multiple defendants who were being accused of infringement based on using the Google Play store to distribute an app;³⁷ in another IPR, the invalid patent was being asserted against small podcasting entities in a way that could have threatened everyone in the podcasting industry;³⁸ yet another IPR was used to invalidate a patent that had been asserted against more than 100 defendants in the sports tech industry;³⁹ and another IPR challenged patents being asserted against open source software users.⁴⁰ IPR also allows larger companies that make technology to efficiently weed out invalid patents to protect their users and customers.⁴¹ This is important because PAEs often target end-users of technology, as going after many small companies gives more options for enforcing low-quality patents.⁴²

Finally, IPR and other PTAB review led to an estimated savings in legal costs of \$2.6 billion over five years and contributed nearly \$3 billion in increased U.S. business activity over the same timeframe.⁴³ The

³⁴ *E.g.*, *Thryv, Inc. v. Click-to-Call Techs., LP*, ___ U.S. ___, 140 S. Ct. 1367, 1374 (2020).

³⁵ La Belle, *supra* note 10, at 43 (explaining patent validity challenges “implicate important public interests and potentially affect many parties”); *see also*, *e.g.*, *id.* at 52 (contrasting valid patents that provide the public with a new and useful technology with invalid patents where “the inventor gains exclusivity while society gets nothing in return because the invention was already part of the public domain”).

³⁶ La Belle, *supra* note 10, at 42-43.

³⁷ *Distinctive Developments, Ltd. v. Uniloc USA, Inc.*, IPR2013-00391, Paper 38 (PTAB Dec. 3, 2014); *see also*, *e.g.*, *Uniloc USA Inc. v. Laminar Research, LLC*, No. 6:12-cv-468 (E.D. Tex. July 20, 2012) (complaint alleging infringement based on making Android based apps available on cell phones and/or tablets).

³⁸ Daniel Nazer, *EFF Wins Final Victory over Podcasting Patent*, Elec. Frontier Found. (May 14, 2018), <https://www.eff.org/deeplinks/2018/05/eff-wins-final-victory-over-podcasting-patent>.

³⁹ Aaron L. Parker et al., *How Sports Tech Companies Can Fight Back Against Patent Trolls*, Finnegan (July 27, 2018), <https://www.finnegan.com/en/insights/articles/how-sports-tech-companies-can-fight-back-against-patent-trolls.html>.

⁴⁰ Bart Eppenauer, *Sound View Escalates Patent Assault on Open Source Software with New Wave of Lawsuits*, Cloud IPQ (Apr. 30, 2019), <https://cloudipq.com/2019/04/30/sound-view-escalates-patent-assault-on-open-source-software-with-new-wave-of-lawsuits/>.

⁴¹ *See, e.g.*, *HP Inc. v. MPHJ Tech. Invs., LLC*, 817 F.3d 1339, 1342 (Fed. Cir. 2016) (after letters were “sent . . . to numerous small businesses, alleging that those businesses likely infringed the '381 patent,” and “[b]ecause the letters were sent to users of HP’s multi-function printers, HP petitioned for IPR of the '381 patent”).

⁴² Chien, *Startups and Patent Trolls*, *supra* note 4, at 478.

⁴³ *An Assessment of the Impact of the America Invents Act and the Patent Trial and Appeal Board on the US Economy*, The Perryman Group ii, 4, 6 (June 2020), available at <https://www.unifiedpatents.com/insights/2020/6/23/the-perryman-group-releases-economic-report-an-assessment-of-the-impact-of-the-america-invents-act-and-the-patent-trial-and-appeal-board-on-the-us-economy>; *see also, e.g.*, Josh Landau, *Inter Partes Review: Five Years, Over \$2 Billion Saved*, Patent Progress (Sept. 14, 2017), <https://www.patentprogress.org/2017/09/14/inter-partes-review-saves-over-2-billion/> (estimated legal cost savings from IPR).

availability of IPR had also correlated, until recently, with a steady uptick in startup activity across the country.⁴⁴

IV. USPTO’s recent discretionary denial policies and practices impair the integrity of the U.S. patent system

The USPTO’s recent discretionary denial policies and practices, at issue in this Request, conflict with the letter and spirit of the AIA. These policies and practices are also creating or renewing inefficiencies, and unraveling economic benefits domestic startups and innovators had been enjoying. All of this has damaged the quality of U.S. patents and hurt the integrity of the U.S. patent system. Indeed, in a recent survey of patent practitioners, the USPTO was rated fourth out of five patent offices for quality, behind the EU, Japan, and Korea (ahead only of China).⁴⁵ And “a lower proportion of respondents regard[ed] the office’s patent quality as excellent or very good [this year], and fewer survey takers sa[id] that [U.S.] patents have improved year on year.”⁴⁶

A. The PTAB is leaving likely-invalid patents in force, driving litigation and expense

In recent years, the PTAB has increasingly exercised its discretion to deny meritorious IPR petitions, which has in turn preserved more invalid patent claims that can be (and are being) asserted in court. The statute mandates that the PTAB evaluate the merits of each IPR petition, only instituting where there’s a reasonable likelihood the petitioner will succeed.⁴⁷ So the PTAB would never need to exercise discretion to deny an IPR challenging likely-valid claims. Instead, when it exercises discretion to deny a petition, that reflects a decision to leave likely-invalid claims in force.⁴⁸ This is the opposite of what the PTAB should do—if a third party has undertaken the significant effort and expense of e.g., prior art searching, expert analysis, and detailing a claim’s validity issues—the public deserves to get the benefit of that work, and the PTAB is the body best-suited to review it.

⁴⁴ E.g., Engine, *supra* note 30 (shows increase in startup activity correlated to decrease in PAE litigation since the advent of IPR); *Bloomberg U.S. Startups Barometer*, Bloomberg, <https://www.bloomberg.com/graphics/startup-barometer/> (last visited Dec. 3, 2020) (shows steadily growing startup activity with peak in June 2019).

⁴⁵ Liz Rutherford-Johnson, *European Patent Office Still Top for Quality and Service, New IAM Benchmarking Report Finds*, IAM (May 27, 2020), <https://www.iam-media.com/law-policy/epo-continues-dominate-in-quality-and-service-new-iam-benchmarking-report-finds>.

⁴⁶ Adam Houldsworth & Bridget Diakun, *Benchmarking 2020 – Europe Holds Its Lead But Honeymoon Might be Over for USPTO Head*, IAM (Jun 8, 2020), <https://www.iam-media.com/law-policy/benchmarking-2020-europe-holds-its-lead-honeymoon-might-be-over-uspto-head>.

⁴⁷ 35 U.S.C. § 314(a).

⁴⁸ See, e.g., *Philip Morris Prods., S.A. v. RAI Strategic Holdings, Inc.*, No. IPR2020-00921, 2020 WL 6750120, at *12 (P.T.A.B. Nov. 16, 2020) (denying “particularly strong” IPR filed one month after the complaint in the parallel proceeding); Josh Landau, *PTAB Denies IPR Petitions Filed Less Than One Month After Lawsuit*, Patent Progress (Nov. 19, 2020), <https://www.patentprogress.org/2020/11/19/ptab-denies-ipr-petitions-filed-less-than-one-month-after-lawsuit/>; Robert Colletti et al., *The Recent Rise of Discretionary Denials at the Patent Trial and Appeal Board*, JD Supra (Nov. 19, 2020), <https://www.jdsupra.com/legalnews/the-recent-rise-of-discretionary-97285/> (“[u]nder *NHK/Fintiv*, the Board can decide not to institute a timely, meritorious petition that fully complies with all statutes and regulations”).

The consequences of these discretionary denials are readily apparent. There has been a nearly 40 percent increase in PAE litigation compared to last year, and a 50 percent increase compared to 2018.⁴⁹ At the same time, while the costs of patent litigation had been declining, for the first time in 2019, those costs are back on the rise.⁵⁰ In the context of PAE litigation, the price increases are even starker: the average cost of defending many PAE cases was declining, but in 2019 it jumped to more than double what it was in 2017.⁵¹

B. USPTO’s discretionary denial policies and practices are inconsistent with the statute

The USPTO’s broad interpretation of its discretion to deny institution appears to be “hindering Congress’ intent to provide an effective administrative alternative to litigation on the issue of patent validity.”⁵² In passing the AIA, Congress correctly recognized that the USPTO issues many low-quality patents.⁵³ It acknowledged invalid patents “clog the system,” “hinder true innovation,” “limit[] competition,” and “rais[e] prices for consumers.”⁵⁴ And it sought to “limit unnecessary and counterproductive litigation costs” associated with challenging such low-quality patents.⁵⁵

By exercising discretion to deny meritorious petitions so often, the USPTO is contradicting Congress’s goals to “improv[e] patent quality and provid[e] a more efficient system for challenging patents that should not have issued.”⁵⁶ If petitioners lack confidence that the PTAB will act on meritorious petitions and cancel invalid claims, then they will file fewer petitions—and the problems caused by invalid patents will remain.

Congress further understood the need for “adequate safeguards against patent abuses.”⁵⁷ Yet the exact sorts of problems Congress sought to address with the AIA and IPR are back on the rise.⁵⁸ Increasing

⁴⁹ *Litigation on the Rise: Number of New Cases Filed By Patent Assertion Entities*, Engine (Nov. 9, 2020), <https://www.engine.is/s/Pae-stats-Diagram-Jan-Oct-2020.pdf>.

⁵⁰ AIPLA, *supra* note 23, at 50.

⁵¹ *Id.* at 51.

⁵² Joel D. Sayres & Reid E. Dodge, *Unfettered Discretion: A Closer Look at the Board’s Discretion to Deny Institution*, 19 Chi.-Kent. J. Intell. Prop. 536, 536 (2020).

⁵³ *See, e.g.*, H.R. REP. 112-98, 39 (reflecting “a growing sense that questionable patents are too easily obtained and are too difficult to challenge”).

⁵⁴ *Supra* note 20.

⁵⁵ H.R. REP. 112-98, 40.

⁵⁶ *Id.* at 39-40.

⁵⁷ 153 Cong. Rec. E773-75 (Apr. 18, 2007) available at <https://www.congress.gov/crec/2007/04/18/CREC-2007-04-18-pt1-PgE773-5.pdf> (statement of Rep. Berman); *see also, e.g.*, 153 Cong. Rec. H10270, *supra* note 20 (various references to abuse from, e.g., Rep. Smith: “bill will eliminate legal gamesmanship from the current system that rewards lawsuit abuses,” Rep. Berman: “there have been a variety of abuses in patent litigation rules that have taken valuable resources away from research and innovation,” Rep. Jackson-Lee: it is “right and good and necessary that the Congress now reexamine the patent system to determine whether there may be flaws in its operation that may hamper innovation, including the problems described as decreased patent quality, prevalence of subjective elements in patent practice, patent abuse, and lack of meaningful alternatives to the patent litigation process”).

⁵⁸ *Supra* part IV.A; *infra*. part IV.B.

litigation costs, more new PAE cases, and increasing forum shopping should send a strong signal that USPTO's policies and practices are askew.⁵⁹

The PTAB's exercise of discretion has come into direct conflict with the statute's text, as well.⁶⁰ For example, the AIA "sets a unambiguous standard for judging the timeliness of petitions."⁶¹ Yet the PTAB is supplanting this with its own judgement about timing and effectively overruling the carefully negotiated one-year time bar Congress set.⁶² "[T]here can be no doubt that Congress anticipated [IPR petitions] in parallel with district court actions," and that it "approved of this practice so long as the petitions are filed within one year."⁶³ Now, though, the PTAB requires parties to individually litigate the timeliness of each petition. And in recent months has denied petitions because they were within a few months—in at least one case, within one month—after the commencement of a parallel proceeding.⁶⁴

C. USPTO's discretionary denial policies and practices create unwarranted risks and facilitate gamesmanship

The USPTO's discretionary denial policies and practices introduce extra-statutory (and contradictory) factors into institution decisions. This has created unwarranted risk for petitioners raising meritorious arguments, and the Office has opened doors to those seeking to game or exploit the U.S. patent system.

Merely filing an IPR petition requires "considerable effort and expense" on the front end—including prior art searching, preparation of detailed validity challenges, and often submission of an expert report.⁶⁵ By introducing new factors outside of the merits and beyond the statute, the USPTO has created a credible threat that any petition could be denied for discretionary reasons—regardless of how apparent invalidity

⁵⁹ See, e.g., Scott McKeown, *Texas Plaintiffs More Likely to Side-Step PTAB?*, Patents Post-Grant (Apr. 7, 2020), <https://www.patentspostgrant.com/texas-plaintiffs-more-likely-to-side-step-ptab/> (noting "[t]he PTAB was created, in significant part, to combat NPE litigation—especially as it relates to Texas courts. Citing such [a litigation] as the sole justification to deny PTAB access turns the entirety of the AIA on its head.").

⁶⁰ See generally Sayres, *supra* note 52, at 543-47 (analyzing statute, legislative history, and practical consequences of current discretionary denial practices, and concluding that they do not appear to be supported by statute).

⁶¹ Harper Batts & Chris Ponder, *Vexing PTAB Apple Decision May Overtax West Texas Court*, Law360 (June 25, 2020), https://www.sheppardmullin.com/media/publication/1874_Vexing%20PTAB%20Apple%20Decision%20May%20Overtax%20West%20Texas%20Court.pdf.

⁶² 35 USC § 315(b); see also, e.g., 157 Cong. Rec. S5429 (Sept. 8, 2011) (statement of Sen. Kyl, preferring one-year deadline as it is important to "afford defendants a reasonable opportunity to identify and understand the patent claims that are relevant to the litigation"); David Jones, Opinion, *USPTO Abuse Of Discretionary IPR Denials Must Be Cabined*, Law360 (Sept. 10, 2020), <https://www.law360.com/ip/articles/1307415/uspto-abuse-of-discretionary-ipr-denials-must-be-cabined> (discussing congressional consideration of one-year time bar).

⁶³ Batts & Ponder, *supra* note 61.

⁶⁴ E.g., Marc Blackman, *Despite Uncertain Trial Date, PTAB Denies Institution*, JD Supra (May 28, 2020), <https://www.jdsupra.com/legalnews/despite-uncertain-trial-date-ptab-25453/> (describing *Intel v. VLSI Tech.*, IPR2020-00112, IPR2020-00114, and IPR2020-00113); Philip Morris Prods., *supra* note 48; Landau, *PTAB Denies IPR Petitions Filed Less Than One Month After Lawsuit*, *supra* note 48; Christopher Ricciuti, *PTAB Continues to Expand its Discretion to Deny IPR Review: Do Petitioners Really Have One Year From Service of a Complaint to Get Their IPR on File?*, Oblon (May 17, 2019), <https://www.oblon.com/ptab-continues-to-expand-its-discretion-to-deny-ipr-review-do-petitioners-really-have-one-year-from-service-of-a-complaint-to-get-their-ipr-on-file> (noting that petitioners may now only have six months to get IPRs on file).

⁶⁵ See, e.g., Sayres, *supra* note 52, at 546 (2020).

is—thereby hamstringing IPR. This “may increasingly counsel petitioners against availing themselves of” IPR.⁶⁶ Startups, in particular, are ill-suited to incur the substantial sunk costs of drafting and filing (even the strongest) petitions, if they no longer have confidence the merits of the petition will carry the day.⁶⁷

Furthermore, the recent rise in discretionary denials is being exploited to abuse the patent system. Parties have learned how and where to file district court cases to IPR-proof their low-quality patents. For example, in the Western District of Texas, one judge has reportedly “set[] a goal to ‘beat the PTAB’ to a decision.”⁶⁸ This is done with a quick initial case schedule (which does not have to hold up in reality—it merely has to be written down before institution), that the owner of a low-quality patent can then present to the PTAB to defeat an IPR petition. PAEs have since flocked to the Western District. There has been a 215 percent increase in PAE filings in the Western District of Texas since *NHK Spring* was designated precedential.⁶⁹

When it passed the AIA, Congress was concerned about similar patent forum shopping in the Eastern District.⁷⁰ The overwhelming evidence of its rise now further confirms that the USPTO’s policies and practices are flawed.⁷¹

D. USPTO’s discretionary denial policies and practices lack practical foundation

Many of the PTAB’s recent discretionary denials are based on the Board’s analysis of parallel district court or International Trade Commission (“ITC”) proceedings.⁷² But many of the USPTO policies and practices at issue in this Request effectively require the PTAB to make assumptions about parallel proceedings that are often unsupported or turn out to be incorrect.

For example, under the first *Fintiv* factor, when exercising its discretion, the PTAB considers “whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted.”⁷³ But

⁶⁶ *Id.*

⁶⁷ Colletti et al., *supra* note 48 (“it is no longer sufficient to have an objectively meritorious claim of unpatentability”).

⁶⁸ Scott McKeown, *Texas Plaintiffs*, *supra* note 59.

⁶⁹ *Forum Shopping: A Familiar Tactic in Abusive Patent Litigation, Back on the Rise*, Engine (Nov. 9, 2020), <https://www.engine.is/s/WD-TEX-DIAGRAM-UPDATED-WITH-TEXT.PDF>.

⁷⁰ McKeown, *Texas Plaintiffs*, *supra* note 59 (“WDTX docket guarantees an NHK analysis in any related PTAB filing as its docket approaches the same timeline as that of the agency . . . at a time when roughly 70% of the new WDTX docket constitutes NPE filings”).

⁷¹ See also, e.g., *Analysis of Patent Litigation in the Western District of Texas*, Docket Navigator 4, 8 (July 8, 2020) (showing increase in litigation activity and identifying *Fintiv* factors as relevant); *The Rise of the Super NPE and the Western District of Texas*, Unified Patents (July 13, 2020), <https://www.unifiedpatents.com/insights/2020/7/13/the-rise-of-the-super-npe>; Josh Landau, *Meet the Western District of Texas—NPEs Certainly Have*, Patent Progress (May 27, 2020), <https://www.patentprogress.org/2020/05/27/meet-the-western-district-of-texas-npes-certainly-have/>.

⁷² It is also worth noting that the ITC cannot cancel invalid patent claims. E.g., *3Shape A/S v. Align Tech.*, IPR2020-00223, Paper 12, at 33-34 (May 26, 2020). So when the PTAB defers to an ITC proceeding, the patent quality benefits suffer even more substantially. As detailed here, there are many reasons why a parallel district court case does not address the merits of an invalidity defense, leaving an invalid patent in force. But that is even more true in ITC proceedings.

⁷³ *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 15, at 7 (May 13, 2020) (designated informative Sept. 13, 2020).

“[m]ost courts will not stay a case before an IPR is instituted.”⁷⁴ The inquiry becomes circular and this factor operates more like an automatic lever in favor of denying every petition on discretionary grounds.

Under the second *Fintiv* factor, the PTAB looks at the “proximity of the court’s trial date to the Board’s projected statutory deadline for final written decision,” and denies institution when an initial, proposed trial date falls before a final written decision would.⁷⁵ This approach ignores the fact that district courts routinely amend case schedules—often by a lot. In one study, the initial trial dates at the foundation of a discretionary denial were moved (4-6 months) in 100 percent of parallel cases pending in Delaware, and in 70 percent of cases pending in the Western District of Texas.⁷⁶ This factor also facilitates gamesmanship, because patent owners looking to IPR-proof their low-quality patents know to file suit in a court where they can request a quick schedule.⁷⁷

The fourth *Fintiv* factor purportedly considers overlap between a potential IPR and any parallel proceedings.⁷⁸ But in reality, the PTAB adopts an inappropriately narrow definition of “overlap”—ignoring the role of the Board and obvious differences to district courts—and in so doing it generates economic inefficiencies, shifts burdens in unproductive ways, and leaves invalid patents in force.

At the outset, IPR was designed to be an alternative to litigation.⁷⁹ It only makes sense that there will be overlapping issues—otherwise, Congress would have designed something wholly separate and unrelated.

The PTAB further misperceives overlap by myopically focusing on issues raised in IPR, and comparing those to what is raised in parallel litigation. Instead, it should look at things in the opposite direction, because IPRs “necessarily hav[e] a narrower scope than [] infringement trial[s].”⁸⁰ District court cases confront questions of infringement and damages, and affirmative defenses which include (but are not limited to) patent invalidity.⁸¹ By contrast, only a subset of questions about patent invalidity are on the table in IPR.⁸² Indeed, IPR can be so much less expensive and more efficient because of this vast difference in scope. Infringement and damages are fact-intensive and expensive parts of a district court

⁷⁴ Damon et al., *supra* note 12.

⁷⁵ *Fintiv*, *supra* note 73, at 12.

⁷⁶ Scott McKeown, *District Court Trial Dates Tend to Slip After PTAB Discretionary Denials*, Patents Post-Grant (July 24, 2020), <https://www.patentspostgrant.com/district-court-trial-dates-tend-to-slip-after-ptab-discretionary-denials/>.

⁷⁷ Colletti et al., *supra* note 48(explaining how this factor is “not venue neutral” and could further incentivize forum shopping) (emphasis original).

⁷⁸ *Fintiv*, *supra* note 73, at 14.

⁷⁹ See e.g., *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1291–92 (Fed. Cir. 2015) (quoting H.R. Rep. No. 112-98) (summarizing legislative history explaining how Congress viewed IPR as an amendment to improve prior reexamination proceedings, “serve as an effective and efficient alternative to often costly and protracted district court litigation”).

⁸⁰ *Cisco Sys. Inc. v. Ramot at Tel Aviv Univ. Ltd.*, IPR2020-00123, Paper 13, at 13 (May 15, 2020) (Crumbley, API, dissenting); see also, e.g., Tom Ritchie, A Dissenting Opinion Weighing the *Fintiv* Factors, Jones Day (June 11, 2020), <https://www.ptablitigationblog.com/a-dissenting-opinion-on-weighing-the-fintiv-factors/>.

⁸¹ The obvious exception is declaratory judgment actions, where a DJ-plaintiff can merely seek a declaration of invalidity, and infringement and damages could be off the table. However, the statute deals separately with DJ actions. 35 U.S.C. § 315(a).

⁸² 35 U.S.C. § 311(b).

case, and require parties to spend substantial sums on fact and expert discovery—discovery costs that fall asymmetrically on accused infringers.⁸³ IPR avoids all of that by focusing on a narrow sliver of issues.

When the PTAB decides there is “overlap” and punts its subset of obviousness and anticipation issues to a much larger and more complex district court proceeding, the accused infringer and judicial system incur substantial cost to, e.g., resolve non-infringement and damages. If the IPR petition is meritorious, and the challenged patent likely-invalid under either §§ 102 or 103, the additional cost and complexity of court is not warranted.

Moreover:

it seems unlikely that Congress intended for the PTAB to decline meritorious petitions in order to preserve its allegedly limited resources. Unlike a district court, Congress granted the PTAB the power to set its own fees in order to fully recover the cost of IPRs from the challenger. Foisting [the same] work off [] onto district courts and only nominally compensated jurors does not make sense.⁸⁴

In addition, *Fintiv*'s conception of overlap runs counter to patent quality goals. IPR is a more efficient mechanism to challenge patent validity—and only validity. Parties in district court often settle,⁸⁵ or cases are resolved on non-infringement or minimal damages.⁸⁶ In those circumstances, a single accused infringer can resolve its dispute with the owner of a low-quality patent, but the public misses out. “If anything, a strong invalidity defense is likely to produce a settlement, and the patent lives on to be asserted against the next set of defendants.”⁸⁷ Taking the broader public benefit into account, the better result is for the PTAB to cancel invalid patent claims when it has the chance, so they cannot continue to be a drain on innovation and the economy.

Finally, and relatedly, considering distribution of resources more broadly: as noted, if a patent dispute can be resolved on limited invalidity grounds in IPR, that is more efficient and less expensive than adjudicating a full dispute based on the incorrect assumption that patent is valid. Practically speaking, for example, it is difficult to understand how one judge in the Western District of Texas will be able to preside over 300 patent trials in a year, and it made sense for Congress to set up IPR so that the more than 200 APJs of the PTAB could carry some of that burden.⁸⁸

⁸³ E.g., Joseph Joy & David Draper, *The Burden of E-Discovery in Patent Litigation: A Few Tips*, Law360 (Nov. 8, 2016), available at <https://www.kirkland.com/publications/article/2016/11/the-burden-of-ediscovery-in-patent-litigation-a-fe> (explaining how defendants in patent cases are expected to “produce the lion’s share of the ESI, including countless documents and correspondence ranging every aspect of their business from product development, to technical know-how, to marketing and sales,” in contrast to plaintiffs who tend to have far fewer documents).

⁸⁴ Batts & Ponder, *supra* note 61.

⁸⁵ *Id.*

⁸⁶ See, e.g., Roger Allan Ford, *Patent Invalidity Versus Noninfringement*, 99 Cornell L. Rev. 71, 71 (2013) (analyzing “net effect of [] trade-offs and asymmetries [in patent lawsuits] is that patent defendants often have an incentive to argue noninfringement instead of invalidity, leading courts to invalidate fewer patents than they should”).

⁸⁷ Batts & Ponder, *supra* note 61.

⁸⁸ See, e.g., *id.* (explaining the volume of new cases filed in Waco, showing “[a]s a practical matter, Judge Albright’s docket will slow under the weight of new cases” and given ongoing delays due to COVID, there is further

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Overall, USPTO policies and practices are inconsistent with the spirit and letter of the statute. Since the discretionary denial policies and practices addressed in the Request went into effect, there has been a dip in patent quality, and increased gamesmanship, forum shopping, abusive litigation, and costs imposed by low-quality patents. These are the problems Congress set out to solve with IPR, and the fact that they are re-emerging should send a very strong signal that the USPTO is off-course.

V. USPTO should not codify its discretionary denial policies and practices, and should instead restore focus on patent quality and instituting meritorious petitions that comply with statutory requirements

The USPTO's recent discretionary denial policies and practices are misguided. Instead of proceeding further down its current path, the Office and PTAB should reverse course and restore focus on instituting the meritorious petitions it encounters.

A. Response to Questions 1, 3, and 5

No, consistent with the previous sections, the Office should not promulgate such rules.

B. Response to Questions 2, 4, and 6

These questions are phrased in an unhelpful manner, jumping to unsupported conclusions and oversimplifying the operation of IPR and the overall patent system.⁸⁹ For one, the USPTO is asking if it should simply decline to institute under certain circumstances, which, were it to adopt such regulations, would be an effort to re-write patent law in a way that exceeds the agency's authority. As one practitioner put it, the "agency has no power to legislate in this regard," noting that the discretion found in § 314(d) "is not a license to rewrite patent policy that Congress has already written into the AIA statutes."⁹⁰

C. Response to Question 7

The USPTO should modify its current approach. Instead of continuing on the current path of exercising discretion at the IPR institution stage based on extra-statutory factors, it should prioritize patent quality. It should institute meritorious IPR petitions that meet the statutory requirements.

doubt that one judge in Waco "can adjudicate all of its patent infringement cases at a faster pace than the PTAB's full complement of administrative patent judges"); Jeffri A. Kaminski, *The PTAB Is Here to Stay, But Individual Administrative Patent Judges May Not Be*, WLF Legal Pulse (Nov. 12, 2019), <https://www.wlf.org/2019/11/12/wlf-legal-pulse/the-ptab-is-here-to-stay-but-individual-administrative-patent-judges-may-not-be/> (referring to over 200 APJs).

⁸⁹ *Supra* part IV.

⁹⁰ Scott McKeown, *White House Pushes Back on PTAB Rule Making Effort*, Patents Post-Grant (Oct. 19, 2020), <https://www.patentspostgrant.com/white-house-pushes-back-on-ptab-rule-making-effort/>.

VI. Timing of this Request is problematic and will hinder USPTO's ability to solicit comprehensive input

The policies and practices implicated in this Request are economically significant and controversial, and the USPTO must adequately explore the concerns they raise and engage the public in a meaningful fashion. This Request initially offered an uncharacteristically short comment window of 30 days.⁹¹ This is half the time typically afforded for public comment,⁹² and unusually short in comparison to numerous other USPTO proposed rules and requests for comment, including those on less substantive or controversial topics.⁹³ Engine pointed out this discrepancy, and asked the USPTO to extend the comment window to the customary 60 days.⁹⁴

The USPTO eventually extended the comment window by two weeks.⁹⁵ However, this is still short of the usual 60 days, and the timing of this extension rendered it of limited practical value. The USPTO announced the two-week extension on November 18, 2020, one day before the initial comment window was set to close. In effect, this created two comment windows: a first 30-day window and then a second two-week window (over the Thanksgiving holiday).⁹⁶ For stakeholders who felt unable to sufficiently respond in the first 30 days, the last-minute addition of two more weeks did not add much. This truncated and staggered approach to public comment will make it difficult for the Office to collect meaningful input from all interested stakeholders.

Moreover, under the current circumstances and in light of the ongoing pandemic, this is a particularly difficult time for many companies and stakeholders to respond. The USPTO is aware its discretionary denial policies and practices are controversial.⁹⁷ The quality of public engagement on these issues would be much better explored over a longer time period. If the USPTO does decide to continue to explore any

⁹¹ See, e.g., McKeown, *White House Pushes Back*, *supra* note 90 (“[t]he one-month deadline for comments demonstrates an odd urgency given [] ongoing litigation” over the policies and practices raised in the Request).

⁹² See, e.g., Executive Order 12866, Sec. 6 (a meaningful opportunity for public comment “in most cases should include a comment period of not less than 60 days”); *Regulatory Process*, Regulations.gov, <https://www.regulations.gov/?tab=learn> (last visited Oct. 30, 2020) (similar); *The Reg Map*, ICF 10 (2020), available at https://www.reginfo.gov/public/reginfo/Regmap/REG_MAP_2020.pdf (similar).

⁹³ See, e.g., Request for Comments on Proposed Continuing Legal Education Guidelines, 85 Fed. Reg. 64128 (Oct. 7, 2020) (90 day comment period); 85 Fed. Reg. 45812 (July 30, 2020) (60 day comment window); 84 Fed. Reg. 56401 (Oct. 22, 2019) (62 days); 83 Fed. Reg. 54319 (Oct. 29, 2018) (46 days); 83 Fed. Reg. 21221 (May 9, 2018) (61 days).

⁹⁴ Email from A. Rives to Hon. S. Weidenfeller, *Request to Extend Comment Period on Docket No. PTO-C-2020-0055 (85 FR 66502)* (Nov. 2, 2020) (on file).

⁹⁵ Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 73437 (Oct. Nov. 18, 2020).

⁹⁶ Compare *id.* with *supra* note 1.

⁹⁷ See, e.g., *Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board*, Office of Info. and Reg. Affairs, <https://www.reginfo.gov/public/do/eAgendaViewRule?pubId=202004&RIN=0651-AD47> (last visited Dec. 3, 2020) (pre-regulation record for proposed rule where 25 stakeholder meetings were conducted); McKeown, *White House Pushes Back*, *supra* note 90; *Apple Inc. v. Iancu*, No. 20-cv-6128-EJD (N.D. Cal.) (litigation challenging *NHK-Fintiv* rule); Letter from Engine and 14 other associations to Congressional Leadership (June 18, 2020), available at <https://www.engine.is/news/category/engine-leads-letter-to-judiciary-committees-over-patent-quality-concerns> (raising concerns about discretionary IPR denials); Letter from over 50 companies to Congressional Leadership (Oct. 8, 2020), available at <https://www.engine.is/news/companies-urge-congress-to-investigate-policies-shielding-invalid-patents> (similar).

proposed rulemaking (even though, in our view, it should not), the comment periods in any future notices of proposed rulemaking should be longer, to provide ample opportunity for public engagement.

Finally, not only is timing concerning from a process perspective, but the policies and practices addressed in this Request will hurt the U.S. economy and expose startups to more cost and risk at an already-difficult time. Since the USPTO started implementing its discretionary denial policies and practices, there has been a jump in PAE litigation across the country.⁹⁸ And startups and small businesses continue to get swept up in that.⁹⁹ While those same startups and small businesses struggle to stay afloat during the pandemic, they are being forced to waste time and money on frivolous lawsuits asserting low-quality patents. It should go without saying, but the middle of a pandemic is not a good time for more abusive litigation. It is likewise not the time for the USPTO to adopt rules that make it easier to assert low-quality patents. As the country charts a path to economic recovery, it needs a functioning IPR system and the USPTO focused on patent quality.

* * *

Thank you again for the opportunity to provide these comments. Engine remains committed to engaging with the agency on proposed changes to the patent system and how they would affect the startup community. We hope the USPTO will continue to prioritize patent quality and ensure access to the IPR system is not overly-restricted. As part of this, we urge the USPTO to not codify its current policies and practices for exercising discretion in denying IPR. Instead of adopting any new rules, the USPTO should restore the focus of institution decisions on the statutory factors and merits of each IPR petition.

⁹⁸ Engine, *supra* note 49.

⁹⁹ See, e.g., Abby Rives, Opinion, *While the Economy Slows, Abusive Patent Litigation Is On the Rise*, Morning Consult (May 19, 2020), <https://morningconsult.com/opinions/while-the-economy-slows-abusive-patent-litigation-is-on-the-rise/> (citing startups sued by PAEs during the pandemic, and reflecting an overall increase of PAE litigation in early 2020).