

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Request for Comments on
Discretion To Institute Trials Before the Patent Trial and Appeal Board

Docket No. PTO-C-2020-0055

COMMENTS OF INTERNET ASSOCIATION

William G. Jenks
Jenks IP Law
1629 K ST NW, Suite 300
Washington, DC 20006

Dec. 3, 2020

Contents

I.	Interest of Internet Association and Summary of Comments.....	1
II.	The Agency Does Not Have Unfettered Discretion When Considering a Petition	2
A.	The Director’s Discretion Cannot Create Factors That Obviate Statutory Instructions	3
B.	The Director Should Use His Discretion Sparingly and Mostly to Limit AIA Backlog	5
III.	The PTAB Is Slowly Closing Its Doors to the Public	7
A.	Discretionary Denials Have Exploded	7
B.	Nonstatutory Factors Are Driving the Growth in Discretionary Denials	9
C.	The PTAB’s Expansion of Discretion Is Part of a Pattern of Insulating Patent Claims from PTO Review That Borders on Administrative Activism	10
IV.	If the Proposed Rulemaking Codifies Current Precedential Opinions, It Would Only Compound the PTO’s Error	11
V.	Conclusion	13

I. Interest of Internet Association and Summary of Comments

Internet Association thanks the PTO for allowing stakeholders the opportunity to comment on PTAB discretion.¹

Internet Association is the unified voice of the internet economy, representing the interests of America's leading internet companies and their global community of users.² Internet Association is dedicated to advancing public policy solutions to strengthen and protect internet freedom, foster innovation and economic growth, and empower users.

Internet Association members participate in all aspects of the United States patent system. Association members collectively have prosecuted and hold many thousands of patents. In 2019 alone, Internet Association members received nearly 10,000 U.S. utility patents.³ The PTO listed a dozen members in its 2019 "Ranked List of Organizations with 40 or More Patents Granted."⁴ Three Internet Association members routinely appear in the PTO's top 15 patent grantees.

Internet Association members also have extensive trial experience before the PTAB, including inter partes review proceedings. Association members also have wide-ranging experience in patent litigation. Members have sued, been sued, or both in nearly every district court in the United States.

Based on this combined experience, Internet Association is well suited to comment on potential regulations governing the PTAB's discretion to decline to institute proceedings that satisfy all statutory requirements. In particular, Internet Association understands the interplay between the PTAB's recent expansion of its discretion and its effect on the economy and the integrity of the patent system.

Internet Association opposes the codification of PTAB precedential decisions that have expanded discretionary denial. The PTAB precedential decisions have raised nonstatutory factors over statutory requirements. Collectively they have reduced the main congressional

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

² Internet Association's members include Airbnb, Amazon, Ancestry, DoorDash, Dropbox, eBay, Etsy, Eventbrite, Expedia, Facebook, Google, Groupon, Grubhub, Handy, IAC, Indeed, Intuit, LinkedIn, Lyft, Match Group, Microsoft, PayPal, Pinterest, Postmates, Quicken Loans, Rackspace, Rakuten, Reddit, Snap Inc., Spotify, Stripe, SurveyMonkey, Thumbtack, TripAdvisor, Turo, Twitter, Uber, Upwork, Vrbo, Zillow, and ZipRecruiter.

³ See USPTO, Patenting by Organizations (Utility Patents) 2019, Part B, *available at* https://www.uspto.gov/web/offices/ac/ido/oeip/taf/topo_19.htm#PartA1_1b.

⁴ *Id.*

concern—removing invalid patents from the economy—to an afterthought among the newly minted factors. Codification in regulation would only compound these errors.

II. The Agency Does Not Have Unfettered Discretion When Considering a Petition

The Request suggests that Congress has provided the Director “broad discretion” to deny a petition even where “petitioner has satisfied the relevant statutory institution standard.”⁵ The PTO draws this “broad discretion” from a passage in *Cuozzo*.⁶ Internet Association recognizes the Supreme Court’s statement that “the agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.”⁷ Likewise, IA accepts that Section 314(a) contains “no mandate for review.”⁸

But context matters. In *Cuozzo*, the Supreme Court did not consider or define the scope of the Director’s discretion. It certainly never characterized the discretion as “broad.” The Court was considering that discretion only for its impact on whether courts may review institution decisions on the merits.⁹ The Court distinguished the “mine-run” of cases like *Cuozzo*’s from constitutional challenges for which review may not be barred by Section 314(d). Importantly, it also noted that the Administrative Procedure Act was available to protect against PTO “shenanigans.”¹⁰

“Discretion is not whim,” as the Supreme Court frequently reminds us.¹¹ In American law, discretion is “‘rarely without limits,’ even when the statute ‘does not specify any limits.’”¹² When granting an agency discretion, Congress generally provides guidance that instructs the agency and cabins the discretion granted.¹³ Indeed, Congress cannot convey “decisionmaking authority” on an agency without laying down an “intelligible principle” in the statute to guide that authority.¹⁴ Otherwise, the agency’s authority would rest on unconstitutional grounds.

Here, Congress has limited the Director’s discretion in multiple ways, though the PTO Request does not appear to recognize those limits. The PTAB precedential opinions extend that discretion to rebalance the statute as written—favoring patentees over the public—despite

⁵ Request at 66503, col. 2.

⁶ *Id.*

⁷ *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016).

⁸ *Id.*

⁹ *See id.* at 2137.

¹⁰ *See id.* at 2142.

¹¹ *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1931–32 (2016) (quoting *Martin v. Franklin Capital Corp.*, 546 U.S. 132, 139 (2005)).

¹² *Id.* (quoting *Flight Attendants v. Zipes*, 491 U.S. 754, 758 (1989)).

¹³ *Whitman v. Am. Trucking Associations*, 531 U.S. 457, 472 (2001) (citing *J.W. Hampton, Jr., & Co. v. U.S.*, 276 U.S. 394, 409 (1928)).

¹⁴ *Id.*

Congress’s clear instructions. The agency should ground its discretion in the statute and use it sparingly, lest the PTO stray into administrative activism.

A. The Director’s Discretion Cannot Create Factors That Obviate Statutory Instructions

Congress has provided a process for challenging patents in the PTO through the IPR and PGR statutes.¹⁵ The PTO should read those statutes in light of their first sentence:

Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent.¹⁶

This permissive language invites any member of the public except the patent owner to file an IPR. Congress provided limits, of course, in “the provisions of this chapter.” For example, the statute defines the relationship between inter partes review and civil actions in Section 315.

Section 315 instructs the PTO—with specificity—how to relate an IPR to proceedings outside the agency based on the two proceedings’ relative timing. The PTAB may not institute an IPR if the petitioner has previously “filed a civil action challenging the validity of a claim of the patent.”¹⁷ The PTAB also may not institute an IPR if the petition “is filed more than 1 year after the date on which the petitioner . . . is served with a complaint alleging infringement of the patent.”¹⁸

The latter gives petitioners a one-year grace period after service of suit to file their IPRs. One year was deemed the appropriate time by Congress without regard to the speed of the civil action. Nothing in the statute indicates that the PTAB has the discretion to routinely cut short that grace period if the civil suit progresses.

The PTAB precedential decisions promulgate countervailing factors regarding the relative timing of related civil actions.¹⁹ This serves only to undermine congressional intent. Under *NHK*, *Fintiv*, and the Consolidated Trial Practice Guide, the PTAB must consider the state of district court proceedings before institution.²⁰ An advanced proceeding weighs against

¹⁵ Internet Association directs its comments to inter partes review, which is the much more frequently requested and instituted proceeding. But it is understood that the same comments generally apply to post-grant review.

¹⁶ 35 U.S.C. § 311.

¹⁷ 35 U.S.C. § 315(a)(1).

¹⁸ 35 U.S.C. § 315(b).

¹⁹ See Request at 66505, col. 2.

²⁰ *Id.*

institution.²¹ There is no indication in Section 315 or elsewhere in the statute that the PTAB should deny institution based on this *Fintiv* “factor.”

Likewise, Congress defined the persons who could be barred from bringing additional petitions in Section 315(e). Section 315(e)(1) estops petitioners, real parties in interest, and privies of a petitioner—and only those specific parties—from bringing additional petitions against a claim that petitioner previously challenged.²² That bar only applies if the patent claim was affirmed in a final written decision.²³ Further, that estoppel applies only to grounds that “the petitioner raised or reasonably could have raised” during the prior inter partes review.²⁴ Again, Congress made its choice. But the PTO disagrees. Instead of applying the statutory estoppel-test “when the same petitioner previously filed a petition directed to the same claims of the same patent,” the PTAB considers a myriad of nonstatutory factors.²⁵ Congress has provided limits on follow-on petitions in this specific way. The Director’s expansive use of discretion undermines the congressional command without apparently considering its import.

The Director’s discretion in the area of multiple petitions is further circumscribed by Section 315(c), which grants the Director discretion to join—not deny—meritorious petitions. Instead of applying the statutory estoppel and joinder, “when different petitioners challenge the same patent, we [the PTAB] consider[s] any relationship between those petitioners when weighing the *General Plastic* factors.”²⁶ When the PTAB weighs “any relationship,” it undermines the statutory command to consider the real parties in interest (or privies). Congress specified no other relationships because they are immaterial. The relationship relied on in *Valve I* was merely that of “co-defendant.”²⁷ The PTAB now routinely holds that the *General Plastic* factors apply to similarly situated petitioners. But a patent owner should not be heard to cry foul when it sues multiple parties, and each files its own IPR petition. For example, Uniloc asserted its ’216 patent in more than 40 suits before the PTAB found all claims unpatentable.²⁸ The patent owner sued each petitioner under a statute that clearly defines who may bring a petition and when. Congress has provided each petitioner an alternative, expert venue for consideration of patent eligibility. The PTAB’s use of new factors to shield patent owners undermines that promise.

²¹ *Id.*

²² 35 U.S.C. § 315(e)(1).

²³ *Id.*

²⁴ *Id.*

²⁵ See *General Plastic v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper No. 19 at 15-16.

²⁶ *Valve I* at 9 (emphasis added).

²⁷ *Id.* at 10.

²⁸ See *Sega of America, Inc. v. Uniloc USA, Inc.*, IPR2014-01453, Paper No. 27, at 3 (Mar. 10, 2016); *id.* Exh. 1031 (Sep. 8, 2014)).

Congress did not put these factors in the statute. For IPRs, the statute focuses first on the merits. It requires only “a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged.”²⁹ Thus, Congress expected the PTAB to institute when a petition calls a single claim into question. And Congress gave the Director the discretion to join—not deny—two such meritorious petitions.³⁰

Thus, the PTO should institute IPR proceedings when petitioners show that at least one challenged claim is likely unpatentable and there is no statutory bar. The Director’s discretion should be used only in extreme cases or to protect the PTAB from being overwhelmed by its caseload.

B. The Director Should Use His Discretion Sparingly and Mostly to Limit AIA Backlog

Historically, the PTO had no discretion over post-issuance proceedings. For example, if a request for inter partes reexamination (“IPX”) raised a substantial new question of patentability, the PTO had to “include an order for inter partes reexamination” in the Director’s determination.^{31,32} But Congress implemented inter partes reexamination only for patent applications filed on or after the effective date of the IPX statute, so IPX proceedings grew slowly by design.³³

In contrast, Congress made every enforceable patent eligible for inter partes review, and the legislators were worried that the PTO would be overwhelmed.³⁴ Thus, Section 316(b) allows the Director to consider “the ability of the Office to timely complete proceedings” when prescribing regulations governing their conduct.³⁵ Thus, the grant of discretion is not a call to review the circumstances of individual petitions. Instead, it is a mechanism for managing the PTAB’s caseload to avoid a backlog that would threaten the statutory deadlines.

Senator Kyl, an AIA sponsor, put Congress’s concerns on the record during the March 2011 Senate debates. The inter partes threshold of Section 314 would be a “safety valve” governed by regulations that “take into account, among other things, the Office’s ability ‘to

²⁹ 35 U.S.C. § 314(a).

³⁰ See 35 U.S.C. § 315(c).

³¹ 35 U.S.C. § 312(a) (2010).

³² 35 U.S.C. § 313 (2010).

³³ See, e.g., USPTO, *Inter Partes Reexamination Filing Data—September 30, 2017*, available at https://www.uspto.gov/sites/default/files/documents/inter_parte_historical_stats_roll_up.pdf.

³⁴ See generally, Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 Fed. Cir. B. J. 539, 610 (2012).

³⁵ See also Leahy-Smith America Invents Act sec. 6(c)(2)(B), Pub. L. No. 112-29, 125 Stat. 284, 304 (2011) (allowing the Director to hard cap the number of inter partes review proceedings during the proceedings’ first 4 years of existence).

timely complete proceedings” under the AIA.³⁶ The safety valve “allows the Office to decline to institute further proceedings if a high volume of pending proceedings threatens the Office’s ability to timely complete all proceedings.”³⁷ It is “better that the Office turn away some petitions that satisfy the threshold for instituting an [AIA proceeding] than it is to allow the Office to develop a backlog of instituted reviews.”³⁸

Similarly, the Director has explicit discretion with respect to joinder.³⁹ Under Section 315(c), “the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition.” This discretionary grant is another “safety valve” that “allow[s] the Office to avoid being overwhelmed if there happens to be a deluge of joinder petitions in a particular case.”⁴⁰

Thus, the Director’s discretion grew out of concerns that petitioners would file too many petitions for the PTAB to consider. Those same concerns—preventing a backlog or stopping a panel from being overwhelmed—should primarily guide that discretion. Should a glut of petitions force the Director to turn away meritorious petitions, the Office could promulgate rules that preserve the PTAB’s ability to meet its statutory deadlines. But ensuring the timely completion of proceedings does not appear to be a problem for the current PTAB.

Happily, the PTO—and particularly the Patent Trial and Appeal Board—has shown that it readily can handle its IPR docket with no backlog. Rarely does the Board require more than one year to complete an IPR proceeding. Typically, any timewise extensions are caused by joinder or other unusual circumstances.

Further, petitions have declined in the past four fiscal years.⁴¹ During fiscal year 2020, petitioners filed over 200 fewer petitions than in 2019 and about 1000 fewer petitions than in 2016.⁴² This decline alone shows that a backlog is unlikely to develop. Thus, the PTO appears quite able to institute every IPR petition that meets the statutory requirements.

Finally, when Congress wanted to grant the Director the discretion to apply a “factor” in analyzing individual petitions, it did so explicitly. In Section 325(d), Congress gave the Director the discretion to consider whether a petition relies on prior art previously presented to the Office:

³⁶ 157 Cong. Rec. S1377 (daily ed. Mar. 8, 2011) (quoting 35 U.S.C. § 316(b)).

³⁷ *Id.*

³⁸ *Id.*

³⁹ *See* 35 U.S.C. § 315(c).

⁴⁰ 157 Cong. Rec. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

⁴¹ *See* Trial Statistics at 6, September 2020 (petitions and institution rates both dropping) *available at* https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf.

⁴² *See id.*

In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the Office.⁴³

This statute gives the PTAB the discretion to consider a single factor—whether the same or substantially the same prior art or arguments were previously presented—when reviewing an individual application. The lack of any other statutory factors of this type counsel against the PTAB devising its own nonstatutory factors that address the circumstances of individual petitions.

III. The PTAB Is Slowly Closing Its Doors to the Public

The PTAB far too frequently uses its discretion to deny meritorious petitions. Section 314(a) denials have grown from a rare exercise of discretion to a routine means of denying 100+ meritorious petitions each year. The agency needs to reconsider its use of discretion before it slips too far into administrative activism.

A. Discretionary Denials Have Exploded

The recent precedential decisions reflect a stark change in agency policy that has dramatically expanded the use of discretionary denial across the PTAB. An October 2020 study shows that discretionary denials have exploded.⁴⁴ Until recently, the Director used his discretion under Section 314(a) sparingly.

In 2016, the PTAB denied just six petitions using that discretion.⁴⁵ This restrained and measured use of the Director’s discretion reflected congressional understanding when the AIA was enacted that Section 314(a) was to be invoked sparingly. By 2019, there were 84 such denials.⁴⁶ This year, Section 314 discretionary denials broke 2019’s record in just three quarters.⁴⁷

⁴³ 35 U.S.C. § 325(d).

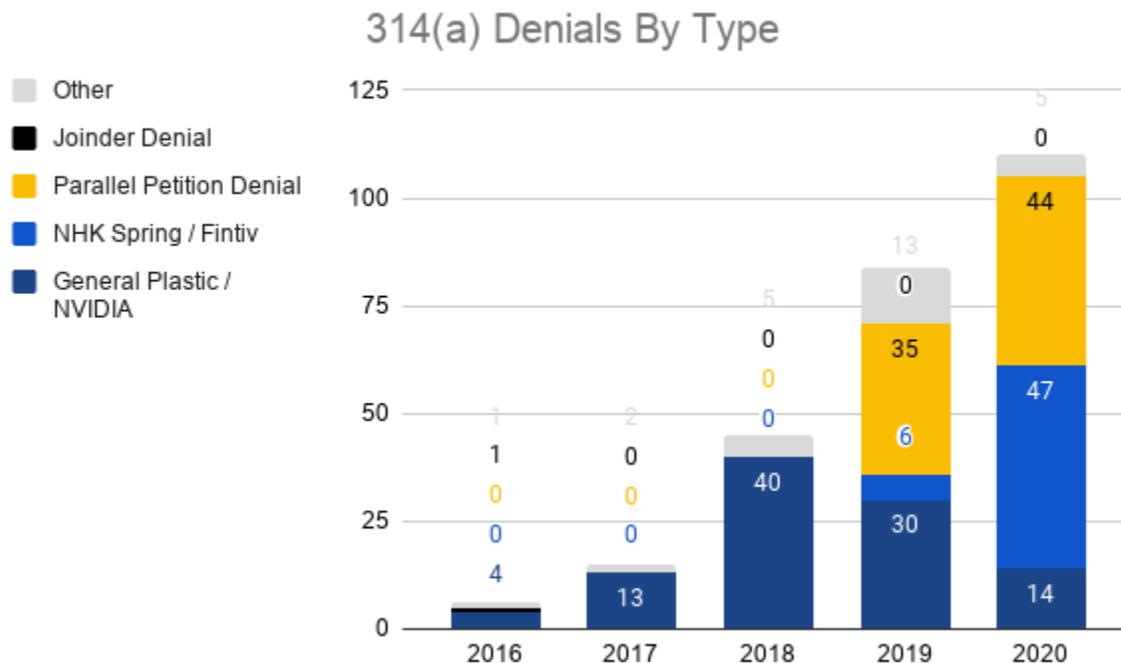
⁴⁴ See Unified Patents, PTAB/District Court Trial Date Denials Spiraling Upward: PTAB Discretionary Denials Third-Quarter Report, *available at* <https://www.unifiedpatents.com/insights/2020/10/21/ptabdistrict-court-trial-date-denials-spiraling-upward-ptab-discretionary-denials-third-quarter-report> (“Unified Third Quarter Report”).

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ See *id.*

Internet Association is aware of no compilation of earlier data concerning discretionary denials. This lack of data is likely because such denials were so rare that no one thought to study them. The PTAB failed to report any discretionary denials when it began compiling trial statistics in April 2015.⁴⁸ At that time, the PTAB resolved virtually every institution decision on the statutory merits standard, so there was no need. Unfortunately, even the latest PTAB statistics report only the bulk institution rates.⁴⁹ But the chart below shows this massive year-over-year increase in discretionary denials requires the PTO’s attention.⁵⁰



For the full 2020, the PTAB is on pace to deny roughly 150 petitions on discretion, despite the year-over-year decline in IPR petitions since 2016.⁵¹ Discretionary denials are now approximately 30% of all denials.⁵² Congress could not have imagined—and has not sanctioned—this pervasive use of discretion to insulate patent claims from expert review in the face of meritorious petitions.

⁴⁸ See PTAB, Trial Statistics Apr. 30, 2015 available at <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/statistics/aia-trial-statistics-archive>.

⁴⁹ See PTAB, Trial Statistics Sep. 30, 2020 at 6-7.

⁵⁰ See Unified Third Quarter Report, Fig. 5.

⁵¹ See PTAB, Trail Statistics Sep. 30, 2020 at 6.

⁵² *Id.*

B. Nonstatutory Factors Are Driving the Growth in Discretionary Denials

The PTAB’s decisions have introduced new factors that weigh against petitions that satisfy all statutory requirements, and, most importantly, satisfy the substantive standard for grant. Per the Request, the merits of the second petition are relegated to being considered alongside the seven *General Plastic* factors.⁵³ Similarly, the PTAB treats “the merits” as but one part of the sixth factor in considering discretionary denial in view of parallel district court proceedings under *NHK*.⁵⁴

This approach reduces the main congressional concern—removing invalid patents from the economy—to an afterthought among a laundry list of nonstatutory factors. These nonstatutory factors effectively close the PTAB door to petitioners with meritorious petitions. Petitions of a type that, for many years before this explosive growth, had been successfully serving to protect the public from invalid patents.

For example, one factor under *NHK*—proximity to the trial date to the PTAB’s deadline—effectively insulates plaintiffs that file in certain district courts from IPRs. These courts set aggressive trial dates but may revisit those dates after the Board uses its discretion to deny a petition. This is a particularly troubling aspect of the PTAB’s discretionary practice, given the ephemeral nature of the promised trial dates and uncertainty over trial venue.⁵⁵ As the Federal Circuit recently clarified, “scheduled trial dates are often subject to change.”⁵⁶ Especially when “the district court’s anticipated time to trial is significantly shorter than the district’s historical time to trial.”⁵⁷

The PTO Director may be an excellent judge of how long an IPR will take and whether the Board can complete its work in the statutory time frame. Hence, the power to extend the statutory time limit and the discretion to deny petitions that threaten to overwhelm the PTAB. Internet Association suggests, however, that the Director does not have particular expertise in predicting district court schedules.

Similarly, one factor under *General Plastic*—the time between the second petition and the first—insulates plaintiffs that sue numerous parties on the same patent, with the first-filed IPR making a later-filed petition by a completely different party unlikely to be instituted. It is completely at odds with the very purpose of IPR to apply *General Plastic* to unrelated parties because of the purported importance of “quiet title to patent owners.”⁵⁸ The vast majority of

⁵³ Request at 66504, col. 2 (citing the Consolidated Trial Practice Guide at 58).

⁵⁴ Request at 66505, col. 2-3.

⁵⁵ See, e.g., *In re: Apple Inc.*, Mandamus No. 20-135, Slip Op. at 16 n.5, 21 (Fed. Cir. Nov. 11, 2020).

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ Request at 66504, col. 1.

patent owners brought before the PTO have asserted the patent in question. They have put the patent in issue. Similarly, most patent owners facing multiple petitions have either asserted numerous claims, sued multiple parties, or both.⁵⁹

C. The PTAB's Expansion of Discretion Is Part of a Pattern of Insulating Patent Claims from PTO Review That Borders on Administrative Activism

The PTO has consistently changed PTAB proceedings to make it progressively harder to have a petition instituted, while at the same time making it easier to amend claims if a proceeding does move forward. These changes hinder the public's ability to challenge invalid patents and increase the likelihood that the PTO may issue new, invalid claims. The other changes include:

- *Phillips*-style claim construction applies to all claims in IPR proceedings;⁶⁰
- all patentees allowed two claim-amendment motions, while the petitioner must show amended claims unpatentable;⁶¹
- proposed rules that would remove the pre-institution presumption regarding material facts and exacerbating that change by failing to provide petitioners discovery to challenge patentee's evidence;⁶²
- all patentees allowed a sur-reply on the merits;⁶³
- Trial Practice Guide requirement to rank petitions because two petitions should be "rare" despite word limits on petitions that make it difficult to challenge numerous asserted claims.⁶⁴

These extra-statutory changes effectively add administrative bars that Congress never considered. Congress has provided a process for challenging patents in the PTO. Any member of the public can file an IPR challenging a patent. The statute includes reasonable exceptions

⁵⁹ See Multiple Petition Study at 37 (Oct. 24, 2017), available at <https://www.uspto.gov/patents-application-process/patent-trial-and-appeal-board/multiple-petition-study>.

⁶⁰ USPTO, Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51340 (Oct. 11, 2018).

⁶¹ See *Lectrosomics, Inc. v. Zaxcom, Inc.*, IPR2018-01129, -01130 Paper No. 15 (Feb. 25, 2019) (designated precedential Mar. 7, 2019).

⁶² USPTO, PTAB Rules of Practice for Instituting on All Challenged Patent Claims and All Grounds and Eliminating the Presumption at Institution Favoring Petitioner as to Testimonial Evidence, 85 Fed. Reg. 31728 (May 27, 2020).

⁶³ USPTO, Patent Trial and Appeal Board Consolidated Trial Practice Guide at 73-74 (Nov. 2019).

⁶⁴ *Id.* at 59-60.

barring some petitioners. But the agency has gone much further, limiting the public’s ability to challenge issued claims and the reliability of amended claims in myriad ways.

The PTO’s precedential decisions and other changes twist and bend the statutory text to the point of breaking. The PTAB now decides who can and cannot file a petition without reference to the statute, its purpose, or its permissive nature.

IV. If the Proposed Rulemaking Codifies Current Precedential Opinions, It Would Only Compound the PTO’s Error

Rulemaking is an exercise in gap-filling.⁶⁵ The agency has identified no statutory holes that need filling by the various “factors” promulgated in the precedential decisions. For example, the statute’s one-year time-bar speaks directly to the relationship between PTAB and district court proceedings. But the precedential opinions allow PTAB panels to cut short that grace period.

“The Director may (today) think his approach makes for better policy, but policy considerations cannot create an ambiguity when the words on the page are clear.”⁶⁶ Here, as in *SAS*, the statute is clear, and the PTO’s current practice merely gives PTAB panels additional power—based on factors that conflict with or undermine the statute.⁶⁷ No rulemaking exercise can cure that defect.

Rulemaking also requires careful analysis—particularly when the agency changes course as the PTO has done. The agency has not done the work needed for rulemaking. For example, the agency conducted a study of multiple petitions in 2017 that demonstrated the system before most of the agency’s precedential decisions worked well.⁶⁸ There was little evidence of harassment of patent holders, and the system worked to weed out unpatentable claims.

“Almost 90% of patents face 1 or 2 petitions,” according to the PTO.⁶⁹ And the extreme outliers—the one-third of one percent that faced the most petitions—were “[d]riven by extreme conditions” that could be attributable to patentees: “Large number of claims, large number of defendants, and/or large number of joinders.”⁷⁰

The Request presents no evidence contrary to the PTO’s 2017 study. Before establishing rules invoking the Director’s discretion to impinge on statutory limits, the logical first step is to renew and expand that study. Any PTO study of the multiple petitions should certainly study the

⁶⁵ *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 843 (1984).

⁶⁶ *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1358 (2018).

⁶⁷ *See id.*

⁶⁸ *See, e.g.*, Multiple Petition Study at 27.

⁶⁹ Multiple Petition Study at 37.

⁷⁰ *Id.*

effects of the recent surge in discretionary denials. As discussed above, private studies show a troubling explosive use of the Director’s discretion, but no known study shows the downstream effect of denying so many petitions without addressing the merits.

In addition, should the PTO continue with its rulemaking, it should study many related issues that have apparently not been considered. These include:

1. The role patent owners/plaintiffs play in generating multiple petitions. Limits on serial petitions, for example, make little sense when a plaintiff uses its patents to sue dozens, or even hundreds, of companies. Similarly, limits on parallel petitions should not apply when a plaintiff asserts a multitude of claims in litigation.
2. The role patent owners/plaintiffs play in strategically filing suit in jurisdictions that almost always schedule a trial date that predates a final written decision. The PTO should particularly consider how often trial takes place on the scheduled date in such jurisdictions.
3. The benefits of having expert PTO panels decide patentability regardless of whether district court proceedings are in progress.
4. Whether other PTO rules—such as the word limit on petitions—and the need to now preemptively address discretionary denial in nearly every petition—encourage multiple petitions.
5. Whether those same rules are discouraging the public from challenging the patents at the PTO.

Understanding each of these issues would allow the PTO to better account for any proposed rule’s effect on [1] the economy, [2] the integrity of the patent system, [3] the efficient administration of the Office, and [4] the ability of the Office to timely complete proceedings instituted under this chapter, as Congress requires it to do.⁷¹

Internet Association would be surprised, however, if any resulting rules would expand the use of discretion in the way the PTAB precedential decisions have done. The economy and the integrity of the patent system should favor allowing meritorious challenges to proceed. Patents with patentable claims boost the economy by protecting innovation; conversely, patents with unpatentable claims drag on the economy and undermine the integrity of the patent system. The latter two factors would favor limiting AIA proceedings from overwhelming the Office or creating a PTAB backlog. Given the recent decline in IPR petitions and the PTAB’s great

⁷¹ 35 U.S.C. § 316(b); *see also* Request at 66503, col.3.

success in meeting its deadlines, it seems likely that the agency could adjudicate the meritorious AIA petitions that it currently turns away based on its discretion.

V. Conclusion

Internet Association again thanks the PTO for its consideration of stakeholder comments.

Unfortunately, the PTO appears poised to ensconce its PTAB decisions into regulation. Internet Association suggests that the PTO should reconsider the propriety of those decisions. The expansion of discretionary denials from rare to routine favors patentees over the public and infringement plaintiffs over defendants. In pushing this expansion, the PTAB undermines Congress's goal to remove invalid patents from the economy without studying the harmful impacts of so doing.