

Inventor Ramzi Khalil Maalouf

PTAB personal experience and comments on improving the PTAB system and making it fair.

My name is Ramzi Khalil Maalouf. I am over 60 years of age. I live in Chevy Chase, Maryland. I am an engineer who has spent most of my 40 year career working in engineering, design, and construction. I have been issued 14 US patents and have a similar number of pending patent applications.

I am the managing member of Dareltech LLC, a Maryland-based, inventor-owned company that designs, manufactures and commercializes impactful products and applications in reliance on patent protection. Products based on our patented inventions have achieved global commercial success.

The comments provided herein relate to one patent family we own, but the experience is typical for our other patents and to those of the thousands of US independent inventors.

In late 2011, we began working on devising an apparatus that would solve the problem of taking pictures with smart phones, which was hitherto an uncomfortable, inconvenient, and unstable endeavor that always came with the risk of dropping and breaking the expensive phone. In early 2012, we built a prototype of what would eventually embody the invention claimed by some of our issued patents; essentially, we customized a phone case that could easily be installed and removed, coupled to an extendable, grip-able stick that could similarly be decoupled when not in use. This selfie stick is equipped with a wireless interface, a printed circuit board, and buttons to control the camera function of the smartphone. We later named our product 'HandlePa'. The HandlePa is the "modern selfie stick" with control buttons to communicate wirelessly with the smartphone and to control and operate at least its camera function using just one finger. The apparatus yields clearer and steadier pictures than the prior art, while allowing the user to take more difficult angle shots using only one hand to securely grasp the stick and operate the systems safely and comfortably.

From 2012 to 2017, we prosecuted a family of four patents, following all relevant laws and procedures. After thorough examinations, the USPTO issued four patents for the HandlePa invention each titled HANDLE FOR HANDHELD TERMINAL (US 9,055,144; US 9,037,128; US 9,571,716; and US 9,503,627). We budgeted and paid tens of thousands of dollars in fees to the USPTO and several hundred thousand dollars in attorney fees (excluding outstanding payables), as well as the customary issue and renewal fees to obtain and maintain these patents. We also invested - from personal funds - approximately \$650,000 in the design, development and commercialization of the claimed invention (including manufacturing 11,500 packaged pieces), without any significant revenue to date, because, unfortunately, cheaper copied products from China flooded the US shores before we could get a foothold in the market. In fact, Time Magazine named the selfie stick among the top inventions in 2014 and by then, it had become the most popular smartphone accessory gadget in the world, having sold to date over 500

million units. It quickly became impossible for us to compete against established brands selling the infringing products made and imported from China.

In pursuing licensing/enforcement of our patent rights against infringers - which included the Chinese companies Shenzhen DJI and Xiaomi - we have been dragged into ruinous proceedings with an uncertain outcome.

Shenzhen DJI – a multi-billion dollar company and the world’s leader in commercial and civilian drone industry - filed six separate IPR petitions challenging all claims of all 4 patents in the family, including two petitions each challenging all thirty-eight claims of the ‘627 patent. In filing six IPRs against a small US company like ours and spending exorbitant amounts in legal expenses and IPR petition request fees, DJI certainly did not appear to be making rational business decisions. In those proceedings, we were forced to disclaim approximately half of the claims in hopes of avoiding a trial we could not afford. When trial was instituted, we were forced to settle with DJI and allow them to infringe the remaining claims because we could not pay the cost or countenance the risk of a full trial.

In a later but related proceeding, Microsoft, Inc. - a trillion dollar company - filed an IPR seeking to invalidate some claims of our ‘627 patent even though, incredibly, there is no legal dispute between us; Microsoft does not infringe any of the claims of the attacked patent and stands to gain no benefit from its cancellation, in addition to the USPTO having considered the same or substantially the same prior art in the earlier DJI case. We cannot file a complaint against Microsoft since we lack standing to sue them. In their IPR petition, Microsoft listed Xiaomi Inc. - a Chinese multi-billion dollar company and the world’s 3rd largest smart phone manufacturer - as the real-party-in-interest. Microsoft’s said its action (filing the IPR on behalf of Xiaomi) was in line with a “strategic cooperation” they and Xiaomi had signed in Beijing.

We have now stretched our credit to the limit including borrowing against our personal homes. As a result, we have no funding to defend the ‘627 patent with the trial at the PTAB which costs between \$450,000 and \$750,000. We have made significant effort to finance a defense of the ‘627 patent in this IPR without success. No litigation funders, investors or attorneys are willing to invest in defending the patent under the current circumstances. At this stage, having exhausted all avenues, Dareltech has discharged both Lead Counsel and Back-up Counsel from representation and I intend to proceed *pro se* in this matter to defend my patents.

It is also worthwhile to note the dramatic relative cost to the parties. For perspective, the cost of a trial (based on an average of \$450,000) far exceeds our total available cash, whereas for Microsoft that cost is about 0.000032% of their \$1.4 trillion value and 0.00034% of the \$133 billion cash and short term deposits. Not to mention the multi-billion dollar Xiaomi - the ONLY-real-party-of-interest here - who spent \$735,000 in attorney fees just to argue jurisdiction on the same patent infringement action we brought against them (The judge denied Xiaomi’s petition for reimbursement of their attorney fees). I shudder to think how many more millions

of dollars Xiaomi was prepared to spend on the actual patent infringement case, in the District Court and at the PTAB.

We have, unsuccessfully, presented arguments to the PTAB for discretionary denial on the Microsoft IPR which we had to make without the benefit of guidance through rulemaking. The petition would have been more clearly deniable had the USPTO issued lawful regulations governing discretionary denial prior to the bringing of that petition. We also requested a POP which was similarly denied. A decision for a rehearing is still pending but those odds are probably better than the Mariners winning the World Series.

It's clear DJI, Xiaomi and 'DH' Microsoft are simply not making rational business decisions. There is no logic behind these tech giants spending millions of dollars on invalidating a small US inventor's patents when infringement has been clearly established and especially when a fair and equitable licensing agreement had been offered to them in good faith, at a mere fraction of the litigation costs they knew they would incur. It is almost unpatriotic for 'DH' Microsoft to do a foreign company's bidding against a small US company, particularly when the foreign entity is a well-known Chinese infringer (Xiaomi or DJI) who have been accused by some US government officials of passing data to their sponsoring Chinese government. While each company's motives vary (political, strategic, or other), the venue they unanimously select to summarily destroy US patents like ours is via the PTAB.

And why - other than business ethics and fair operating practice - would these tech behemoths act otherwise? AIA trials at the PTAB, once instituted, impose an 80% likelihood of invalidation. Accounting for multiple petitions, 85% of patents reviewed result in invalidation of one or more claims. This is at least 2-3 times higher than in district court proceedings, which afford more procedural protections, a presumption of validity (including deference due a qualified government agency official presumed to have performed his or her job), and a clear and convincing burden of proof of invalidity.

These are staggering statistics which no normal person can believe could exist within the US's fair and transparent legal system. I certainly can't; had I known that the odds at the PTAB are so stacked in favor of the tech companies, I would have thought long and hard before spending a dime or a minute of my time on inventing. I did not know that my duly issued US patent - which I relied on to build my business and obtained after years of rigorous PTAB reviews and personal labor and capital investment - came with a *"Patent Issued Subject to Further Inter-Partes or Other Review and Will Almost Surely Be Summarily Invalidated by The Same Government Authority Which Issued It"* disclaimer.

My personal experience with examiners have been very good. I have found them all to be technically very competent, fair and reasonable. I simply cannot believe that - based on the APJs' invalidation rates - these qualified examiners err 85% of the time. It's also difficult to reconcile how a third or so of the APJs used to be examiners and could potentially find themselves in the unenviable position of invalidating a patent that they had reviewed and

approved for issuance prior to their promotion to judgeship. The system is rigged, stacked in favor of the large tech companies. It needs to change NOW!! The PTAB loophole is great for the large tech companies but bad for the independent inventor, bad for small businesses, bad for the economy, bad for the integrity of the patent system, and bad for the future of US innovation.

Before commenting on what I believe needs to change, it is important to debunk some of the myths that special interest groups are representing as facts. 1. Small companies seldom use the PTAB to defend against patent trolls and when they do, it is with no or limited success; the PTAB is used almost exclusively by the largest tech companies to attack and destroy the patents of the small inventors. 2. PTAB is not cheaper than the District Court; it actually adds around \$400,000 - \$500,000 to the cost of litigation; with multiple patents typically asserted and multiple IPRs filed sometimes against each patent, the additional costs can be well over \$1,500,000. 3. PTAB is not faster than the District Court; it actually adds several years to the litigation process as Judges in the District Courts will usually stay the proceedings until the PTAB ruling. 4. PTAB does not have the same invalidation rates as the District Court; the PTAB invalidates 84% of the patents they review, almost 3 times the rate of invalidation in the District Court, even more when considering that the District Court allows 5 types of challenges. 5. PTAB does not invalidate patents based on overlooked prior art (missed by the PTAB examiners); they invalidate patents based on subjective hindsight or definitions and combining the same or similar prior art (as in our case described above) to declare it obvious. 6. The PTAB does not just review bad patents; The PTAB allows anyone to argue that a patent is obvious in hindsight and so, patent enforcement = automatic PTAB challenge.

Comments regarding a remedy to the PTAB problems. Empower the Examiners!

- The rate of invalidation at the PTAB is unfair to a patent owner but it is also a rebuke to the examiners who reviewed and issued the patent. Strengthening the power and authority of examiners is the best way to remedy the PTAB problems and help restore faith in the system.
- This empowerment will be at the expense of the APJs of course, but that should not be our concern as most APJs (except for the former examiners) are technically unqualified, and many have professional conflicts and/or may not have been constitutionally appointed.
- Examiners should be provided with additional financial and technological resources so they are able to allocate more time on prosecution and use the latest and most advanced prior art research tools. That will result in robust patents that are much more likely to withstand challenges and which the patent owner can more confidently rely on to build their business. If needed, quintuple the USPTO patent prosecution fees and the IPR applicant fees to help finance this endeavor. I prefer to pay an extra \$10,000 now and know that I either have an obvious idea or that I have a solid patent that I can rely, rather than spending hundreds of thousands of dollars down the road in a futile attempt to defend my duly issued patent.

- Legal assistance should be also provided to small businesses and inventors who need it so they can better defend their patents. Further, patent owners should be reimbursed for fees and expenses incurred as well as for business losses if their patents are invalidated.
- A more drastic option would involve removing the APJs in favor of adding more qualified examiners; whenever a PTAB action is filed, an independent panel of 3 senior examiners is appointed to rule on the merits of the case. As an alternative minimum, APJs would be required to have worked as examiners for 10 years before they are appointed.
- Institute a penalty/reward system for examiners based on their cumulative performance at the PTAB.

Comments to make the PTAB fair. Adopt regulations to govern the discretion to institute PTAB trials consistent with the following principles.

- **PREDICTABILITY**
Regulations must provide predictability. Stakeholders must be able to know in advance whether a petition is to be permitted or denied for policy reasons. To this end regulations should favor objective analysis and eschew subjectivity, balancing, weighing, holistic viewing, and individual discretion. The decision-making should be procedural based on clear rules. Presence or absence of discrete factors should be determinative, at least in ordinary circumstances. If compounded or weighted factors are absolutely necessary, the number of possible combinations must be minimized and the rubric must be published in the Code of Federal Regulations.
- **MULTIPLE PETITIONS**
 - a) a petitioner, real party in interest, and privy of the petitioner should be jointly limited to one petition per patent.
 - b) Each patent should be subject to no more than one instituted AIA trial.
 - c) A petitioner seeking to challenge a patent under the AIA should be required to file their petition within 90 days of an earlier petition against that patent (i.e., prior to a preliminary response). Petitions filed more than 90 days after an earlier petition should be denied.
 - d) Petitioners filing within 90 days of a first petition against the same patent should be permitted to join an instituted trial.
 - e) These provisions should govern all petitions absent a showing of extraordinary circumstances approved by the Director, Commissioner, and Chief Judge.
- **PROCEEDINGS IN OTHER TRIBUNALS**
 - a) The PTAB should not institute duplicative proceedings.
 - b) A petition should be denied when the challenged patent is concurrently asserted in a district court against the petitioner, real party in interest, or privy of the petitioner and the court has neither stayed the case nor issued any order that is contingent on institution of review.
 - c) A petition should be denied when the challenged patent is concurrently asserted in a district court against the petitioner, real party in interest, or privy of the petitioner with a

trial is scheduled to occur within 18 months of the filing date of the petition.

d) A petition should be denied when the challenged patent has been held not invalid in a final determination of the ITC involving the petitioner, real party in interest, or privy of the petitioner.

- **PRIVY**

a) An entity who benefits from invalidation of a patent and pays money to a petitioner challenging that patent should be considered a privy subject to the estoppel provisions of the AIA.

b) Privy should be interpreted to include a party to an agreement with the petitioner or real party of interest related to the validity or infringement of the patent where at least one of the parties to the agreement would benefit from a finding of unpatentability.

- **ECONOMIC IMPACT**

Regulations should account for the proportionally greater harm to independent inventors and small businesses posed by institution of an AIA trial, to the extent it harms the economy and integrity of the patent system, including their financial resources and access to effective legal representation.