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December 3, 2020

ANDREI IANCU
DIRECTOR
UNITED STATES PATENT & TRADEMARK OFFICE
P.O. Box 1450, Alexandria, VA 22314

Re: **Post-Grant Review Institution Proposed Rule**

Dear Director Iancu:

The United States Patent and Trademark Office (“USPTO”) published a request for comments regarding a proposed rule for codifying a test to determine whether a petition for post-grant review is instituted by the Patent Trial and Appeal Board (“PTAB” or the “Board”). Post-grant reviews are conducted by the Board wherein a petitioning party challenges the patentability of one or more claims of a granted patent.¹ Post-grant reviews arose from the America Invents Act (“AIA”) and are intended to improve efficiency of adjudicating the validity of challenged patents.² There are two primary stages of AIA trials, 1) determining whether to institute the trial and 2) adjudication on the substantive issues. The Supreme Court held that the PTAB has broad discretion over whether a post-issuance proceeding is instituted.³ The USPTO proposed a rule that assesses the usefulness of institution when there is parallel or co-pending litigation.⁴ The proposed rule came

¹ See Rules of Practice for Trials Before the Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, 77 Fed. Reg. 48,612 (Aug. 14, 2012).

² H.R. Rep. No. 112-98, pt. 1, at 40 (2011), 2011 U.S.C.C.A.N. 67, 69; see also S. Rep. No. 110-259, at 20 (2008).

³ *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131, 2140 (2016) (“And the agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.”); Eric Blatt, *USPTO Rulemaking on PTAB Precedential Opinions Deserves Public Support*, IPWATCHDOG (Sep. 23, 2020), <https://www.ipwatchdog.com/2020/09/23/uspto-rulemaking-ptab-precedential-opinions-deserves-public-support/id=125483/>.

⁴ Discretion to institute Trials Before the Patent Trial & Appeal Board, 85 Fed. Reg. 66,502 (proposed Oct. 20, 2020) (to be codified at 37 C.F.R. pt. 42), <https://www.federalregister.gov/documents/2020/10/20/2020-22946/request-for-comments-on-discretion-to-institute-trials-before-the-patent-trial-and-appeal-board>.

as the result of a lawsuit filed by Apple, Google, Cisco, Intel, and others against the USPTO, asserting the discretionary privilege is a violation of the AIA.⁵

The proposed rule sets out six factors used in the PTAB's precedential opinion *Apple Inc. v. Fintiv, Inc.*⁶ The factors developed by the PTAB, and proposed by the USPTO include:

1. Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted (existence of a stay weighs against discretionary denial).
2. Proximity of the court's trial date to the Board's projected statutory deadline for a final written decision (a trial date preceding the date of the final written decision weighs in favor of a discretionary denial).
3. Investment in the parallel proceeding by the court and the parties (district court issuance of substantive orders related to patent at issue or claim construction orders both weigh in favor of discretionary denial).
4. Overlap between issues raised in the petition and in the parallel proceeding (a greater degree of overlap weighs in favor of discretionary denial).
5. Whether the petitioner and the defendant in the parallel proceeding are the same party (lack of relation tends to weigh against discretionary denial but is to be considered in conjunction with the 4th factor).
6. Other circumstances that impact the Board's exercise of discretion, including the merits (without necessarily going into a full merits analysis, a stronger petition would tend to

⁵ *Apple v. Iancu*, No. 5:20-cv-6128-NC (N.D.C.A. filed Aug. 31, 2020) (arguing that the *NHK* PTAB decision is erroneous on various grounds).

⁶ *Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019 (P.T.A.B. Mar. 20, 2020); *see also Becton, Dickinson & Co. v. B. Braun Melsungen AG*, No. IPR2017-01586, Paper 8 (P.T.A.B. Dec. 15, 2017); *General Plastic Industries Co. Ltd. v. Canon Kabushiki Kaisha*, No. IPR2016-01357, Paper 19 (P.T.A.B. Sept. 6, 2017); & Blatt, *supra* note 1.

weigh against discretionary denial, while a weaker petition would tend to weigh in favor of discretionary denial).⁷

Codifying the above factors is beneficial to all patent stakeholders. However, this rule is only the beginning of necessary fairness reforms in AIA trials. Although the proposed rule provides increased clarity and predictability regarding PTAB institution decisions, issues remain. The PTAB's recent decision in *Sand Revolution II, LLC v. Continental Intermodal Group—Trucking LLC* is evidence that a stricter, bright-line rule is necessary to reach legal certainty and increase fairness in post-grant reviews.⁸

Stakeholders have urged for a bright-line rule and for the Board to “use its discretion to preclude claims from being subject to more than one AIA proceeding, regardless of the circumstance.”⁹ Others assert the USPTO should “only permit more than one AIA proceeding if the follow-on petitioner is unrelated to the prior petitioner.”¹⁰ Conversely, large corporate stakeholders suggest limitless petitions and/or institutions against a patent, so long as one claim is allegedly invalid.¹¹ Further, the same large corporations assert that the PTAB does not have discretion to deny institution so long as a petition is timely filed under the AIA.¹²

Contrarily, inventors are concerned that the proposed rule does little to curtail the onslaught of patent invalidations. For example, Josh Malone¹³ alleged that Administrative Patent Judge Scott

⁷ *Fintiv, Inc.*, No. IPR2020-00019 at 7-8. *But, see Sand Revolution II, LLC v. Continental Intermodal Group—Trucking LLC*, No. IPR2019-01393, Paper 24 (P.T.A.B. June 16, 2020) (providing an informative decision wherein the *Fintiv* factors were found in petitioner's interest and granting institution).

⁸ *Sand Revolution II, LLC*, No. IPR2019-01393.

⁹ Discretion to institute Trials Before the Patent Trial & Appeal Board, 85 Fed. Reg. 66,502.

¹⁰ *Id.*

¹¹ *Id.*; *see also Apple*, No. 5:20-cv-6128-NC.

¹² *Apple*, No. 5:20-cv-6128-NC at 2.

¹³ Mr. Josh Malone is an inventor and advocate of inventor's IP rights as a fellow at US Inventor.

Weidenfeller stacked the panel in *Sand Revolution II* to ensure the *Fintiv* factors were applied to a decision of institution.¹⁴ The facts of *Sand Revolution II* strongly resembled the *Fintiv* facts, yet the outcomes were opposites. In his article, Mr. Malone suggests the panel and outcome were selected purposefully.¹⁵ Inventors fear that even under the *Fintiv* framework there is limited improvement to the issues of clarity, predictability, and mass institution of reviews. Mr. Malone acknowledged the importance of the proposed rule. “This is a big deal for inventors. We desperately need help. We simply cannot participate in the patent system until the PTAB is regulated to provide predictability with respect to the validity of our issued patents.”¹⁶ However, Mr. Malone also acknowledges the road ahead writing, “[r]egulations must provide clear, consistent, and reliable guidance on how to keep [valid patents] OUT of a PTAB trial. This requires bright-line rules.”¹⁷

Although not a cure-all, the proposed rule is receiving a positive response. The codification of the *Fintiv* factors advances a core objective of the AIA - increasing the efficiency of adjudicating patent validity claims. Congress is not interested in mere volume of patents, rather the volume of *quality* patents, which it attempts to achieve with the AIA.¹⁸ Lastly, the proposed rule decreases the wasteful duplicity of parallel litigation of the same patent claims at both the district court and PTAB, which results in inconsistent rulings.¹⁹

¹⁴ Josh Malone, *Give Inventors a Chance: The PTAB Must be Regulated*, IPWatchdog (Nov. 10, 2020, <https://www.ipwatchdog.com/2020/11/10/give-inventors-chance-ptab-must-regulated/id=127182/>) (arguing there is little certainty with the *Fintiv* factors because panels may be “stacked” with “the exact same circumstances as *Fintiv*,” but a contradictory outcome).

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ H.R. Rep. No. 112-98, pt. 1, at 40 (2011), 2011 U.S.C.C.A.N. 67, 69; *see also* S. Rep. No. 110-259, at 20 (2008).

¹⁹ Blatt, *supra* note 1.

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SpencePC is encouraged by the proposed rule and considers it a positive step in PTAB reform. However, as post-grant proceedings continue, further reform is needed. The USPTO should continue the current trend of increasing clarity, legal certainty, and fairness to inventors. A recommended next step is the creation of a bright-line rule, which limits the number of petitions that can be simultaneously filed against a particular patent. Further, the USPTO should propagate rules that increase joinder between common petitioner and patent owner to decrease the hold-up tactics of many large corporations at the detriment of inventors.

Sincerely yours,

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