



By Email

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November 18, 2015

Scott R. Boalick
Vice Chief Administrative Patent Judge
United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22313
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Re: Response to Request for Comments on a Proposed Pilot Program Exploring an Alternative Approach to Institution Decisions in Post Grant Administrative Reviews (80 Fed. Reg. 51540 (Aug. 25, 2015))

Dear Judge Boalick:

I submit these comments on behalf of Askeladden L.L.C., in response to the Office's Request for Comments on a Proposed Pilot Program Exploring an Alternative Approach to Institution Decisions in Post Grant Administrative Reviews ("Pilot Program"). Askeladden opposes the proposed Pilot Program for the reasons set forth below.

Askeladden is an education, information and advocacy organization dedicated to improving the understanding, use, and reliability of patents in financial services and other industries. Through its Patent Quality Initiative ("PQI"), Askeladden strives to improve patent quality and to address questionable patent holder behaviors. To this end, Askeladden is working to strengthen and support the patent examination process by making pertinent prior art more easily accessible and by providing educational briefings on the evolution of technology in financial services. Askeladden also files amicus briefs that highlight issues critical to patent quality and petitions the United States Patent and Trademark Office to take a second look at patents under *inter partes* review (IPR) that it believes are invalid.

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Askeladden and the financial services industry have a strong interest in the proper implementation of America Invents Act (“AIA”) post-grant proceedings, such as *inter partes* review and the transitional program for covered business method patents. Every year, America’s financial services companies make significant investments to develop innovative technologies that are critical to the future growth of the U.S. economy. They rely on a strong patent system to protect those investments. Thus, financial services companies have a strong interest in ensuring that AIA post-grant proceedings are fair to patent owners.

On the other hand, the financial services industry has been plagued for many years by patent litigation based on patents that are of low quality and that should not have issued. Such patents, frequently asserted by entities seeking to extract payments based on the high cost of district court patent litigation, rather than the merits of their patent infringement case, are a major burden and a detriment to economic progress and actual innovation. The financial services industry therefore has an equally strong interest in ensuring that AIA post-grant proceedings, which were designed to provide a lower-cost alternative to district court litigation for determining patent validity, are effective at accomplishing that goal.

With this background, Askeladden offers the following grounds in opposition to the proposed Pilot Program, and urges the Office not to implement it. These comments therefore principally address Questions 1 and 2 from the Office’s Request for Comments. *See* 80 FR 51541.

First, the proposed Pilot Program increases the risk of errant and inconsistent institution decisions and accordingly may erode confidence in the AIA post-grant proceedings. The Director’s delegation of the decision whether to institute an AIA post-grant proceeding to three Administrative Patent Judges helps to create consistency and quality with respect to institution decisions, because even if one APJ were to hold an idiosyncratic view of the facts or relevant law, it would be balanced out by the other two APJs on the panel. With the three APJs evaluating and potentially discussing the petition, the prior art, and any preliminary response, they are collectively less likely to miss an important issue or to overlook critical disclosures than a single APJ acting alone. Moreover, the inherent safeguard of a three-judge arbiter gives the public confidence in institution decisions, which are not subject to further review under 35 U.S.C. § 314(d). If institution decisions are entrusted to single individuals, not subject to review or oversight, the public may lose confidence in the process.

Second, the proposed Pilot Program would be unfair in application, because it would subject certain petitions to a new and untested process, without any recourse in the event that the quality of institution determinations is lower than under the current regime. Under the proposal, petitioners could not opt in or opt out of the proposed Pilot Program, and they therefore would be arbitrarily subjected to potentially erroneous decisions denying institution made by a single APJ. This could result in the petitioner losing any opportunity to challenge the patent through IPR if,

for example, the one-year statutory estoppel provision has been implicated. *See, e.g.*, 35 U.S.C. § 315(b).

Third, conferring upon a single APJ the authority to determine whether to institute an IPR trial exacerbates due process concerns that have previously been raised with respect to the administration of post-grant proceedings under the AIA. As indicated above, the Director's determination whether to institute an IPR trial is not appealable to an Article III court under 35 U.S.C. § 314(d); *St. Jude Med. Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375-1376 (Fed. Cir. 2014). Some patent owners have questioned whether the Director's decision to delegate her responsibility to the same Patent Trial and Appeal Board judges that will preside over the trial is inconsistent with the AIA and likely violates due process. *See, e.g., Ethicon Endo-Surgery, Inc. v. Covidien LP*, No. 14-1771 (Fed. Cir., appeal docketed Aug. 28, 2014) at Dkt. 18 (arguing that the AIA requires different decision-makers to determine institution and preside over the trial and that a contrary interpretation of the statute creates "serious" due process concerns). These concerns would be amplified if, rather than a panel of three APJs determined whether to institute, a single member of the group of APJs that will ultimately preside over the trial is given the uncontested authority to determine whether to institute. The due process concerns would be particularly acute given that the currently proposed Pilot Program indicates that, if the IPR trial is instituted, the APJ that instituted the proceeding would presumptively also be the lead APJ during the trial.

Finally, while the Office has cited concerns regarding the Board's time as the chief justification for the proposed Pilot Program, proponents of this proposal are more likely motivated by their belief that the current system is 'stacked' against patent owners because – according to some – APJs who determine to institute an IPR trial become biased in favor of invalidating the instituted claims. *See, e.g.*, Director's Forum: A Blog from USPTO's Leadership, March 27, 2015 available at <http://www.uspto.gov/blog/director/?page=1> ("Lastly, to the extent that there has been concern that the judges participating in a decision to institute a trial may not be completely objective in the trial phase, we are considering developing a single-judge pilot program for institution."). Askeladden disagrees with the premise of this position. There is no evidence suggesting that APJs fail to remain impartial adjudicators following the decision on institution. But if this argument is given any weight at all, the proposed Pilot Program does not address the concern. Under the proposal, the same APJ that determines to institute an IPR trial will presumptively manage the proceeding during trial, 80 F.R. 51541. To the extent that person was already subject to bias in favor of an institution decision, he or she may be doubly so where the decision was his or hers alone. Further, the two APJs that join the panel post-institution may be prone to deferring to the APJ that instituted the trial; they will come to the proceeding without the background knowledge that the APJ that instituted the trial has, and may be hesitant to challenge that person's analysis or conclusions from the decision on institution.

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For the foregoing reasons, Askeladden respectfully submits that the proposed Pilot Program would not be an improvement to the current system in place to render decisions on institution, and should not be implemented.

Respectfully,

Sean Reilly
General Counsel
Askeladden L.L.C.