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Mr. Andrei Iancu

Under Secretary of Commerce for Intellectual Property
U.S. Department of Commerce
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Director, United States Patent and Trademark Office
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by email: IP.Policy@uspto.gov, usptoinfo@uspto.gov, PTABNPR2018@uspto.gov

RE: PTAB Reform

Dear Director Iancu:

VirnetX Holding Corporation is an Internet security software and technology company with patented technology for secure communications including Standards Essential 4G LTE security. The Company's software and technology solutions, including its secure domain name registry and Gabriel Connection Technology™, are designed to facilitate secure communications and to create a secure environment for real-time communication applications such as instant messaging, VoIP, smart phones, eReaders and video conferencing. The VirnetX patent portfolio includes over 115 U.S. and international patents and over 50 pending applications. Some of the VirnetX patents are licensed to the likes of Microsoft Corporation, Aastra, and NEC, and products VirnetX has developed using these patents are in use. Persons currently on the **VirnetX staff are the inventors of our patents**, much of which was created on a DOD project for the CIA for secure communication, including that used by soldiers in the field who need to be in stealth mode.

The central provisions of the American Invents Act became effective in 2012 and 2013. Apple Inc., and other non-parties of interest, have attacked VirnetX patents through reexams and Inter Partes Review ("IPR") requests to the PTAB *seventy-nine times*. Since 2010 a federal district court and the US Court of Appeals have heard our litigation arguments in *seven cases* against Apple Inc., Microsoft and Cisco and have awarded VirnetX, to date, \$220 million (Microsoft), \$942.3 million (Apple inc), along the way finding, *seven times*, that the VirnetX patents are not invalid. Apple has been found to be **egregiously, maliciously** willful yet still trying to claim that they should not be guilty because they 'believed' that the patents were invalid? Why, because the administrative courts patent review and IPR process keeps loopholes open even after the Article III courts have found them to have infringed and that our patents were valid.

The cost of defending each IPR request is about \$500,000. The cost of **not defending** an IPR request is the automatic declaration of patent invalidity by the PTAB.

A recent report shows that of 1,582 patents reaching a final written decision by PTAB, 1,343, or **85%**, resulted in one or more claims being held invalid. This stands in stark contrast to the Office of Patent Quality Assurance which indicates a defect rate of 6-8%.

The current, flawed IPR review process has cost inventors, patent owners, including many small businesses, literally millions upon millions of dollars, as well as significant resources and time. There are other materially negative consequences of the abuse of the IPR review process. While large corporations drown the PTAB and patent owners under a sea of IPR requests, they are in part seeking to "run out the clock" on granted patents, and avoid paying reasonable royalties for technology they have pirated. The lengthy, arduous process of defense of IPRs, combined with the PTAB track-record for declaring patents invalid, reduces the ability of the patent owner to seek royalties with others, who may view the proceedings as having cast a shadow on the patent. This shadow creates a breeding ground for other 'efficient infringers' to steal the value of the patent. Further, when a patent is finally successfully defended, absent

reinstatement of the original “**productivity life**”, the patent owner can have significantly less time to pursue value from its patents.

I believe you should consider reinstatement of productivity life after a successful defense of patents. This would thwart the abusive gamesmanship pirates who seek to use IPR requests to run out the clock.

Please consider the following reforms:

1. **Require that the decision to institute a PTAB proceeding be made by an objective independent panel whose members are not associated with PTAB.** In the absence of such a reform, PTAB decisions are biased toward patent invalidation -- it is not likely for a person who has determined to institute a PTAB review by declaring that a patent is more likely than not to be invalid, to later find the patent valid. This is a well-known psychological bias called “anchoring.”
2. **Require identification by (reformed) PTAB panel of a substantial new question (SNQ) of patentability.** If the prior art of IPR request is cumulative to or the same as the art considered in original patent examination, then it should be required that the IPR request demonstrate a clear error in that examination. Notwithstanding the fact that the PTAB acknowledges Congressional intent in the AIA to elevate the standard for review above SNQ, the PTAB regularly institutes review where there is not even a hint of SNQ.
3. **Require that the “Phillips standard” of claim construction used in Article III courts be applied.** I applaud and support your proposed amendment of rules for PTAB trials to require that they apply the Phillips standard.
4. **Require that the PTAB defer to prior constructions, absent clear error.** Often an accused infringer will seek a broad construction for purposes of attempting to invalidate a patent, and a narrow construction for purposes of arguing non-infringement. This is not fair. If a court or the PTAB has previously adopted a construction of the same term in the context of the same or essentially the same specification, the PTAB should be required to adopt this construction.
5. **Seek to confirm the invention.** “*A patent shall be presumed valid.*” PTAB should be required to draw all inferences in favor of preserving the patent. Claims should be construed to uphold the patent, not to invalidate it. If the patent owner proposes a reasonable construction in light of the specification, the PTAB should adopt this construction. A construction that reads on the prior art should not be favored when a more reasonable construction is available. This serves the purpose of preserving the exclusive right to the invention granted the patent owner, while giving notice to the public that the patent owner disclaims alternate constructions.
6. **Eliminate serial patent filings and require petitioners to narrow their arguments to a single petition.** The filing of multiple petitions not only drains the resources of the defender, it also circumvents word limits imposed on petitioners when filing against the same patent. Petitioners should be required to narrow their arguments to their best grounds in a single petition.
7. **Limit petitions to a single ground per claim.** Petitioners often throw hundreds of prior art combinations into their petitions as grounds for invalidation. Patent owners must currently comply with word limits and make decisions about how to allocate legal resources by guessing which grounds may be of concern to the PTAB. Petitioners should be required to limit their prior art and statutory grounds for in their claims. PTAB was intended to address poor quality patents, but it has come to be abused – as a weapon to destroy properly examined patents with procedural gamesmanship.
8. **Require detailed declaration of real party of interest and consolidation of organized petitions by multiple parties.** Declarations of interest should include disclosure of all business relationships, memberships, and discussions with third parties that may benefit from the filing of the petition. The PTAB should be required to facilitate the consolidation of all interests in challenging the validity of a single patent into a single petition.
9. **Deny petitions duplicative of court proceedings.** Post grant reviews (“PGR”) were intended to be an alternative to district court proceedings, not a second bite of the apple. If a district court action involving the same real parties of interest and the same claims, is pending and not stayed, the petition should be denied. If a district court stays

such an action, that is a signal to the PTO that the agency expertise is desired, and consideration of the petition may proceed.

10. **Allow live testimony and broad discovery similar to Federal Rules of Civil Procedure.** This will aid in confirming the identification of the real parties of interest and allow patent owners to present comprehensive evidence of objective indicia of non-obviousness. The current absence of testimony and discovery merely increases the ability of petitioners to abuse PTAB processes for their gamesmanship, increases the risk of hindsight bias and raises serious questions about due process.

11. **Reinstate loss of patent life to the beginning of the date of patent challenges.** This would thwart the objective of public appearance of invalid patents, running out the clock and frivolous challenges to the validity of patents. Patent owners should have the right to their full patent productivity life.

The implementation of the PTAB under the America Invents Act has severely destabilized our patent rights and that is now paralyzing our innovation culture and businesses. We hope that your increasing attention to this situation will go a long way toward restoring confidence in patent rights – the promised exclusivity in exchange for publicly disclosing inventions so others can build upon them. Reliable, stable and predictable patent rights lead to investment to commercialize inventions. An unreliable patent system cannot promote progress in the useful arts and science as required by the U.S. Constitution. It cannot create new jobs or propel economic growth.

Current PTAB processes are laying waste to investment in patents and early-stage startups and undermining confidence in the patent system overall. We submit the proposed reforms herein would help the agency to do its part to increase the reliability of the patent grant.

Thank you for your patent reform efforts and initiatives to date -- I strongly support your reform-minded comments and actions.

Sincerely,

Kathleen Larsen
CAO and Founder
VirnetX Holding Corporation

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