

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 BY THE U.S. MANUFACTURERS ASSOCIATION FOR DEVELOPMENT
AND ENTERPRISE**

December 2, 2020

I. Introduction and Commenter's Interest

The U.S. Manufacturers Association for Development and Enterprise (US*MADE) is a nonprofit association representing companies manufacturing diverse goods in the United States. US*MADE members range from some of the largest U.S. manufacturers to the smallest father and son business. While US*MADE members have collectively received hundreds of thousands of patents to undergird their innovative enterprises, they have also been the targets of abusive patent litigation. Thus, US*MADE was specifically created to preserve and strengthen efficient and cost-effective mechanisms – including the administrative procedures created by the America Invents Act (“AIA”) – to cancel improvidently granted patents that can be used to threaten U.S. manufacturing.¹

US*MADE appreciates the opportunity to provide comments on the PTO’s use of discretion. America’s manufacturers are one of the most common targets of abusive patent litigation. Marketplace competitors seeking an unfair advantage and shell companies which produce no products or services frequently bring lawsuits against American manufacturers, large and small. The types of patents supposedly being infringed by the manufacturers in these lawsuits are nearly always of questionable merit. Often, they are vague, low quality patents that the PTO should have never issued.

One of the best ways to improve the quality of our nation’s patent system is by weeding out these bad patents. The AIA provides the best tool for weeding out bad patents, patents which should never have issued, by providing post grant proceedings. The procedures provided in the

¹ US MADE’s members are listed at:
<https://us-made.org/members/>

AIA provide the best available tool for manufacturers to defend themselves against abusive patent litigation.

Prior to the enactment of the AIA, frequent patent defendants had limited—and largely undesirable—options to challenge bad patents. The AIA helped solve that problem by rejuvenating an administrative process allowing for another look at patents by technically and legally trained administrative patent judges to consider whether an issued claim meets statutory requirements. Unlike the pre-AIA legal regime—where defendants in patent litigation remained in limbo for years pending rulings in the trial courts or ex parte review proceedings—post-grant proceedings are streamlined, require relatively low output of resources as compared with district court litigation, and guarantee a decision within a year to a year-and-a-half following institution.

In recent years, however, the PTO's rules on whether to institute proceedings on a petition for review have strayed from Congress's goals in enacting the AIA, created uncertainty about the proper standard for institution, and presented the specter that manufacturers and other frequent patent defendants will be forced to return to the undesirable pre-AIA world. In particular, the PTO has taken the problematic view—in cases like *General Plastic* and *Finity*—that the mere presence of other petitions or cases raising the same issue as a particular petition for post-grant proceedings weighs heavily against institution.

These new PTO policies on use of discretion have not resulted from any evidence-based conclusion that patent holders are abused through IPR petitions. Indeed, the PTO has not found much, if any, occasion to use its existing rules to address such abuse should it occur. Absent such evidence of a problem, however, the PTO has nevertheless developed discretionary policies that

affirmatively avoid addressing the merits of patent challenges provided by the AIA and, as a result, thwart the purpose of the AIA in reducing bad patents.

The PTO's approach cannot be squared with the text or congressional purpose of the AIA. It also creates bad outcomes, both by making it more difficult for parties with strong merits arguments to employ the AIA's streamlined process for getting rid of weak patents and by forcing patent defendants into a race to the PTO's doors in order to get their petition on file first—no matter the cost in quality to the underlying legal and factual arguments. The PTO's rules, which put a thumb on the scale against instituting review on bad patents, should be rejected.

II. The AIA Already Balances the Interests of Patent Owners and Petitioners

The AIA was drafted to maintain a careful balance between the interests of the patent owner and patent challengers, including avoiding the harassment of the former and ensuring the efficient review of challenges brought by the latter. As the relevant House Report explains, the law sought to quash the “growing sense that questionable patents are too easily obtained and are too difficult to challenge” while also ensuring that patent owners would not be subject to improper repeated challenges to the validity of their intellectual property based on slightly different legal theories or brought by different parties. *See* H.R. 112-98 at 39-45; *see also id.* at 47 (discussing the AIA's new estoppel provisions).

This balance is reflected in the guardrails laid out in the broader statutory scheme. For example, the AIA places strict deadlines on when a petitioner can challenge an existing patent, 35 U.S.C. §§ 311, 321, and requires petitioners to make a threshold showing regarding likelihood of success (or at least establish that the petition raises a novel or unsettled issue before proceedings can even be instituted). *Id.* §§ 314(a), 324(a)-(b).

The AIA also limits the classes of parties that are even permitted to file petitions. For example, the AIA bars petitions from a party (or the associates of a party) that has already filed an action in district court challenging the validity of the patent—or even simply waits more than a year after being sued for infringement. 35 U.S.C. §§ 315(a)(1), (b), 325(a)(1). Relatedly, a party (and its associates) are barred from filing a petition if it includes arguments that could have been raised in a prior PTO proceeding that resulted in a final written decision. *See* 35 U.S.C. §§ 315(e)(1), 325(e)(1). Indeed, once a ground has been raised—or reasonably could have been raised—in a proceeding that went to a final written decision, a patent defendant is barred from raising those arguments in a civil action or ITC proceeding. *Id.* §§ 315(e)(1), 325(e)(1).

Finally, the AIA gives the Director substantial authority to deal with a situation where petitions raise similar issues beyond simply denying institution. For example, the Director may join newly filed petitions with ongoing proceedings that implicate the same patent. 35 U.S.C. §§ 315(c), 325(c). And, more broadly, the Director has the power to “determine the manner in which” proceedings involving a patent already under review advance. *Id.* §§ 315(d), 325(d).

Even beyond these statutory guardrails, moreover, the PTO already has a structure in place for dealing with harassment or other bad behavior by petitioners. A party that submits papers to the PTO “certif[ies]” that “[t]he paper is not being presented for any improper purpose, such as to harass someone or to cause unnecessary delay or needless increase in the cost of any proceeding before the Office.” 37 C.F.R. § 11.18(b)(2). The sanctions available for such bad behavior include “[t]erminating the proceedings in the Office.” *Id.* § 11.18(c). Similarly, a party may be sanctioned for any “misconduct, including ... abuse of process[] or [a]ny other improper

use of the proceedings, including actions that harass or cause unnecessary delay or an unnecessary increase in the cost of the proceeding.” *Id.* § 42.12(a)(6)-(7).

Notably, none of the provisions that the Request For Comments relies upon show that the AIA grants the PTO the authority to establish new substantive standards for institution. Rather, the cited provisions provide targeted grants of discretion that are necessarily cabined by the AIA and congressional purpose. As an example, 35 U.S.C. §§ 316(a) and 326(a) provide the Director with discretion only in evaluating whether a petitioner has established that the merits of its petition are sufficiently strong (or that the petition presents a sufficiently novel question) to permit institution. The Federal Circuit has already held that 35 U.S.C. § 2(b)(2)(A) authorizes the PTO only to make “procedural” rules—not establish substantive standards like the grounds for denying institution. And the PTO’s powers under 35 U.S.C. §§ 315(d) and 325(d) to determine the manner in which “multiple proceedings” involving the same patent “may proceed” cannot logically be so broad as to render nugatory other provisions of the AIA (e.g., the rules that permit joinder of similar petitions and that permit patent defendants to file a petition up to one year after the infringement suit is filed).

III. Responses To Specific Questions

A. Serial Petitions (Questions 1 and 2)

There is no need for the PTO to promulgate regulations that would encourage discretionary denial of institution on this basis.

First, serial petitions are rare. According to data presented by the PTO earlier this year, the vast majority of challenged patents—both this year and prior to the *General Plastic* decision—have only been the subject of one or two petitions for review.

Second, serial petitions generally do not raise true harassment concerns because they are almost invariably filed where the *patent owner* has repeatedly asserted the patent against a number of different parties or where the patent involves an unusually large number of claims. Challenging a patent in the PTO that is the subject of litigation in another forum, like a trial court, cannot reasonably be understood as harassment. Not only is the patent owner the aggressor in that scenario, but the AIA expressly contemplates that patent defendants will use PTO proceedings as a forum to simplify ongoing litigation (so long as they do so within a year of when the lawsuit is filed). *See* 35 U.S.C. § 315(b).

In any event, as discussed above, the PTO already has rules governing sanctions that protect against harassment or other abuse of the legal process. The PTO has not shown much, if any, need to rely on them in the context of the AIA. There is therefore no need to promulgate new, expansive rules that risk sacrificing the AIA's goals of efficiency and eliminating bad patents in order to address an issue the PTO's own practice has demonstrated does not materially exist.

B. Parallel Petitions (Questions 3 and 4)

As a general matter, it is not appropriate to decline to institute a petition simply because another, similar petition is filed at roughly the same time. Rather, petitions that satisfy the merits threshold required for institution should be denied only if there is a showing of harassment or some other abuse of process.

Almost all parallel petitions stem from one of two circumstances. *First*, multiple petitions are often filed simply because the PTO sets stringent limits regarding the contents and length of petitions. The PTO's own rules require a petition to include a "full statement of the reasons for

the relief requested, including a detailed explanation of the significance of the evidence including material facts, and the governing law, rules, and precedent.” 37 C.F.R. § 42.22(a)(2). At the same time, petitions are limited to anywhere ranging from 14,000 to nearly 19,000 words, depending on the type of proceeding. 37 C.F.R. § 42.24(a)(1). Because of some patents’ complexity, it is often impossible to adequately present all legitimate grounds for cancellation in a single petition—filing parallel petitions is the only solution.

Second, multiple petitions are often filed because—once again—of the actions of the *patent owner* who decided to accuse multiple parties of infringing the patent. When more than one party is accused of infringement, each of the accused may understandably want to separately ask the PTO to cancel the patent in order to articulate their distinct interests and distinct views on the patent’s validity. This is, at root, no different than co-defendants in a civil lawsuit filing their own individual briefs seeking to dismiss the case for different reasons and with different explanations.

Notably, allowing parallel petitions to proceed poses no burden to the Patent Office. The Patent Office can offset any burden by the fees it charges, which are computed to reflect the expected cost to the Office of conducting a full trial, and—to the extent the petitions’ arguments overlap—can deal with both petitions in a single ruling.

Any burden on the patent owner, moreover, is a byproduct of the patent owner’s own decisions—typically either the result of a large number of claims or accusing multiple parties of infringing the same claim. In neither case is it equitable or consistent with the AIA for those patent owner decisions to insulate the patent from meritorious petitions filed by members of the public, and particularly not from parties against whom the patent holder has chosen to file suit.

C. Proceedings In Other Tribunals (Questions 5 and 6)

The Court's *Fintiv* framework should also be rejected as grounds for denial of institution. The Director has no authority under the AIA to deny IPR petitions based purely on the existence of parallel litigation. As noted above, Section 315(b) makes clear that Congress intended IPR to be an available remedy for patent defendants for up to one year after a lawsuit is filed. And, in any event, treating overlap as a reason to deny institution contravenes a central purpose of the AIA, which is to provide a more efficient pathway for resolving the kinds of issues that the challenger could otherwise raise only in litigation.

Nothing in the AIA expressly gives the Director the authority to circumvent Congress' intent by dismissing petitions solely on a pending district court or ITC case. To the contrary, the AIA's statutory guardrails—such as the estoppel provisions discussed above—make clear that Congress carefully considered how to deal with such parallel proceedings. Had Congress intended to grant the Director the discretion he asserted in the *Fintiv* framework, Congress would have said so.

IV. CONCLUSION

US*MADE's members are sensitive to the rights of patent holders, as our membership consists of manufacturers who generally have patent portfolios ourselves. However, the AIA already represents the result of a careful balancing of rights between patent holders and the public, including productive US manufacturers such as our members. As discussed above, the PTO's recent policies upset this careful balance. Despite the absence of material abuse of patent holders, the PTO's policymaking materially restricts access to IPR, substantially harming the public as a whole. The PTO's policies should therefore be rescinded.