**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**

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Request for Comments on Director Review, Precedential Opinion Panel Review, and Internal Circulation and Review of Patent Trial and Appeal Board Decisions

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Docket No. PTO-C-2022-0033

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# COMMENTS BY THE U.S. MANUFACTURERS ASSOCIATION FOR DEVELOPMENT AND ENTERPRISE

September 19, 2022

## 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]

## II. General Comments

In addition to answering several of the questions posed in the USPTO's Federal Register notice, US*MADE would also like to address the elephant in the room with regard to Director review of PTAB decisions. Director control of PTAB was grossly abused by the previous Director to damage the patent system. Political interference in pending cases—with no notice to the parties—undermined the integrity of the proceedings.[2] In addition, the previous Director imposed restrictions on PTAB review that violated the congressional intent behind PTAB proceedings and facilitated abusive litigation by non-practicing entities—litigation that directly harmed the manufacturer members of US*MADE. That these policies were enacted without the notice and comment procedures required by the APA makes it all the more egregious.

[1] US MADE's members are listed at: https://us-made.org/members/
[2] *See* Government Accountability Office, Patent Trial and Appeal Board: Preliminary Observations on Oversight of Judicial Decision-Making, July 21, 2022.

It is essential that these past abuses be corrected and that the new Director review process be structured and organized in a way that ensures that this does not happen again. If Director review is to be truly adjudicatory, and thus exempt from the ordinary oversight by the Commerce Department and the Administration that governs regulatory rulemaking, it must be limited to the kinds of decisions that a PTAB panel makes. This means deciding cases—not creating new policies that are untethered to (and conflict with) existing statutes and regulations.

The worst of these abuses was the *Fintiv* precedential decision, which imposed a new deadline for filing an IPR petition that conflicts with the statutory deadline. *Fintiv* also allows plaintiffs to cut off access to IPR altogether by obtaining a short litigation schedule, which is often available in the district courts in which plaintiffs file much of their litigation.

The damage *Fintiv* wrought on our patent system was discussed during a recent congressional hearing. Former Acting Director Joe Matal was asked about *Fintiv* by members of the House IP Subcommittee. Mr. Matal noted that the IPR filing deadline had been set by Congress at one year to "ensure that the district court litigation will have progressed far enough that a defendant could know which claims will be asserted against it and how the patent owner is construing those claims."[3] This "carefully balanced system," however, "was effectively negated by *Fintiv*," which forces IPR petitioners to file "long before the patent owner had identified its claims," and forces them to "cut short their prior art search and fil[e] hastily prepared petitions."

[3] The Patent Trial and Appeal Board After 10 Years: Impact on Innovation and Small Businesses Hearing Before the House Committee on the Judiciary, Courts, IP, and the Internet Subcommittee, June 23, 2022, Questions for the Record—Responses of Joseph Matal, at p. 8 (citing 157 Cong. Rec. S5429 (daily ed. Sep. 8, 2011).

*Fintiv* in effect "produce[s] the very evils that Congress sought to avoid by imposing a one-year deadline."[4]

Although the USPTO recently has taken some interim steps to mitigate the damage caused by *Fintiv*, over the long term this suggests that *Fintiv* will simply ebb and flow with different Administrations. Thus while the policy currently is in remission, another Director (or a rogue panel) could decide again that the system needs to be more "pro-patent" and return to the policies of 2020-21, when it was often impossible for defendants to obtain review if they were sued in particular districts.

Businesses need legal certainty to plan for the future. Investing in plants and equipment in the United States requires businesses to be able to defend themselves against assertions of invalid patents. The USPTO now issues over 1,000 patents every single day—a substantial portion of which turn out to be invalid—and we increasingly see jury awards in the hundreds of millions or billions of dollars.

US*MADE's manufacturing members need to know whether they will be able to protect themselves against assertions of invalid patents. Whether they can do so should not depend on who the Director is or which way the current political winds are blowing.

*Fintiv* needs to go. Congress decided that one year is a reasonable period in which to prepare and file an IPR petition. Not only should Congress's choice be respected, but this statutory time limit is reliable and predictable. Access to review should not shift back and forth at the stroke of an agency official's pen. The uncertainty that these policies create is itself affecting investment decisions and causing harm to the U.S. economy.

[4] *Id.* at 9; *see also id.* at 14-15 ("[*Fintiv*] overrides a policy decision about the timing between PTAB review and civil litigation that was already made by Congress and enacted into law as 35 U.S.C. § 315(b). [It] gives defendants less time to learn how the district court litigation is evolving and less time to conduct a prior art search than the amount of time that Congress decided that they should have.").

## III. Answers to Questions

1. Should any changes be made to the interim Director review process, and if so, what changes and why?

As discussed above, the new review process should be structured in a way that ensures that it is not used to evade APA rulemaking and impose new policies by fiat. In addition, the rules must clearly prohibit all political or management interference in pending cases.

2. Should only the parties to a proceeding be permitted to request Director review, or should third-party requests for Director review be allowed, and if so, which ones and why?

Only the parties should be allowed to request Director review. Third parties already have the opportunity to join an instituted IPR (which Congress understood would be automatic if the party files an identical petition). *See* 35 U.S.C. 315(c). If a third party does not use this congressionally prescribed means of participating, it should not expect to be allowed to join the case.

3. Should requests for Director review be limited to final written decisions in IPR and PGR? If not, how should they be expanded and why?

Institution decisions should also be reviewed, especially if any "discretionary denial" policies remain in effect.

4. Should a party to a proceeding be able to request both Director review and rehearing by the merits panel? If so, why and how should the two procedures interplay?

No, parties should be forced to choose one or the other. Allowing parties to use both types of rehearing would be duplicative and wasteful.

5. What criteria should be used in determining whether to initiate Director review?

Director review should be used to correct serious errors be a panel, especially misinterpretations of statutes and regulations. It should not be used for ad hoc policymaking.

6. What standard of review should the Director apply in Director review? Should the standard of review change depending on what type of decision is being reviewed?

All review should be de novo.

7. What standard should the Director apply in determining whether or not to grant sua sponte Director review of decisions on institution? Should the standard change if the decision on institution addresses discretionary issues instead of, or in addition to, merits issues?

The standard should be the same as for party requests and should not depend on the type of issue being addressed. Having different standards for different subjects will unnecessarily complicate the proceedings—litigants will inevitably end up arguing over what type of issue is being raised, for example.

8. Should there be a time limit on the Director's ability to reconsider a petition denial? And if so, what should that time limit be?

No time limit is necessary, although the Director should consider the degree of delay in deciding whether to grant review.

9. Are there considerations the USPTO should take with regard to the fact that decisions made on Director review are not precedential by default, and instead are made and marked precedential only upon designation by the Director?

As noted above in response to question 5, Director review should be used to correct serious errors be a panel, especially misinterpretations of statutes and regulations.

Changes in USPTO rules or procedures historically have been made and communicated within the Office through internal guidance—and only after notice-and-comment rulemaking if appropriate for the scope and nature of the change. Maintaining that historical approach is superior to adopting the previous Director's precedential-opinion practice.

The use of precedential opinions also creates an unnecessary body of "shadow law" that APJs and the parties must parse, and that tends to evolve over time to supplant statutory requirements and congressional intent, as observed in the evolution from the *General Plastic* decision to *Fintiv*.

11. Should the POP review process remain in effect, be modified, or be eliminated in view of Director review? Please explain.

The POP process should be abolished. There is no reason to have both POP and Director review. Nor is it clear how the proceedings actually differ given that POP decisions also appear to be controlled by the Director.

13. Should any changes be made to the interim PTAB decision circulation and internal review processes, and if so, what changes and why?

Any process for reviewing draft decisions should not involve consulting with management about panel decisions that are not yet public.