

# STATEMENT FOR THE RECORD

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## COMMITTEE ON THE JUDICIARY Subcommittee on Intellectual Property

United States Senate

“The Patent Trial and Appeal Board: Examining Proposals to Address Predictability, Certainty, and Fairness”

June 22, 2022

Chairman Graham, Chairman Leahy, Ranking Member Grassley, Ranking Member Tillis and Members of the Subcommittee, kindly accept the following statement for the record:

### **Introduction**

Thank you for your efforts to reform the Patent Trial and Appeal Board (PTAB). We appreciate your efforts to address inequities in the operation of the PTAB in order to achieve the laudable objectives of the 2011 America Invents Act (AIA) which envisioned the PTAB as an inexpensive and efficient alternative to patent litigation. Unfortunately, as it is currently drafted, the Patent Trial and Appeal Board Reform Act (PTAB Reform Act) does little to address – and instead exacerbates - the PTAB’s historic unfairness to patent holders. It casts aside processes developed over years of experience by PTAB judges and the efforts of prior Directors to make the PTAB more efficient and even-handed. In its current form, the PTAB Reform Act will have the unwanted effect of further slanting the PTAB towards the interests of those who seek to undermine the rights of US patent holders, particularly a small group of large technology companies, commonly referred to as Big Tech.<sup>1</sup> The PTAB Reform Act looks very much like a Big Tech wish list.

We are independent, retired intellectual property experts with over a collective half-century of experience in all aspects of patent law including significant involvement in patent policy-

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<sup>1</sup> <https://www.hightechinventors.com/post/htia-sends-letter-in-support-of-restoring-the-america-invents-act;>  
[https://www.ipwatchdog.com/2022/05/02/google-general-counsels-clarion-call-u-s-patent-system-reform-not-heeded/id=148783/;](https://www.ipwatchdog.com/2022/05/02/google-general-counsels-clarion-call-u-s-patent-system-reform-not-heeded/id=148783/)

making, which in part entailed a formative role in the development and drafting of the 2011 Leahy-Smith America Invents Act (AIA). We have participated on behalf of the companies we served during our careers and since retirement we've worked with individuals and organizations to address some of the most pressing issues facing the US patent system.<sup>2</sup> We hope our comments along with those of other members of the patent community will serve to highlight areas where this bill will exacerbate the PTAB's well-established inequitable treatment of patent holders.

Since its creation by the AIA, the PTAB has granted review of challenged patents and invalidated patents it reviews at rates that are so far out of line with what drafters expected, and so far from the rates of comparative fora such as the courts, ITC, or the prior re-examination panels, that it has become the preferred tool for those who benefit from invalidating patents.

The Senate Committee on the Judiciary (SJC) seeks to explore "predictability, certainty and fairness" in the PTAB. It is a fact that the PTAB predictably and certainly institutes IPR's on almost 70% of the petitions it reviews, and it's also a fact that the PTAB invalidates at least one claim in almost all challenged patents.<sup>3</sup> With such predictable and certain patent review and invalidation at the PTAB we have witnessed the birth of business models in which (for example) accused infringers pay a non-practicing entity to challenge patents at the PTAB on their behalf<sup>4</sup> – a practice previously forbidden at the PTO<sup>5</sup>; and schemers have shorted stocks based on the filing of IPRs<sup>6</sup> or have sought to extort money from the holders of successfully litigated patents via the filing of IPRs.<sup>7</sup> The PTAB is so predictably and certainly harmful to patent rights that it has literally spawned entire business models, referred to in the House hearing by one Congressman as 'reverse patent trolls'<sup>8</sup> and new modes for bad actors to arbitrage its inevitable elimination of patent rights.

You are also considering whether the PTAB is fair. When the PTAB was in its infancy and was invalidating patents at rate of around 90% we were told that the patents it was killing were low quality "low hanging fruit" and the high initial rejection rate was "to be expected" and would

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<sup>2</sup> The views expressed herein are those of the authors and do not reflect the views of any current or former employer of those of any organization with which we are affiliated.

<sup>3</sup> U.S. PATENT AND TRADEMARK OFF., PTAB Trial Statistics FY22 Q2 Outcome Roundup IPR, PGR, 11 (2022) (collecting statistics for FY 2022),

<sup>4</sup> See, e.g., <https://www.unifiedpatents.com>

<sup>5</sup> At least to the extent that the party for whom the IPR is being filed is not disclosed as a real party in interest – see e.g., *In Re Guan*, Reexamination Control No. 95/001,045 (Aug. 25, 2008) (Decision Vacating Filing Date).

<sup>6</sup> See, e.g., <https://www.fiercepharma.com/legal/undeterred-by-pto-setbacks-bass-slaps-new-challenges-on-acorda-patents>

<sup>7</sup> See, e.g., <https://news.bloomberglaw.com/ip-law/intel-patent-verdict-tensions-spark-reveal-of-unusual-offer>

<sup>8</sup> See, e.g., House Judiciary Committee Hearing on PTAB video at [https://www.youtube.com/watch?v=JHVr\\_8dAgnE&t=5s](https://www.youtube.com/watch?v=JHVr_8dAgnE&t=5s) comments of Rep. Dan Bishop (NC) at time mark 1:12:33 et. Seq.

moderate.<sup>9</sup> It has not. This presents an unenviable predicament for Congress. If the PTAB is being fair when it evaluates patents, then it is correctly finding that nearly 70% of the duly-granted patents brought to its attention have at least one challenged claim that is reasonably likely to be invalid, and thus merit their review. Further, it is correctly deciding that over 80% of the patents it does review contain at least one invalid claim. If these numbers are correct, then apparently there is a systemic problem with the initial examination of patents by USPTO patent examiners. Inventors, companies and investors invest significant sums of money and time ensuring they secure patent protection, on which often rests the fate of their companies and their financial futures, but if the PTAB is acting fairly, only 2 in 10 are actually getting their money's worth. If it is determined that the PTAB is acting fairly toward patentees, then there is a much larger patent system problem to contend with.

We do not believe there is a fundamental problem with the USPTO's patent examination processes. We firmly believe that the PTAB has always and continues to treat patent holders unfairly. We will provide in these comments explanations for how this has happened to date and why the PTAB Reform Act will only serve to make things worse for patent holders.

### **The Director's Discretion Applies to Both Institutions and Denials – *Fintiv* Must Be Preserved**

One issue on which both sides of the PTAB debate agree is that the Director must be afforded broad discretion when considering the institution of IPRs. We disagree on just what that discretion entails. Our position, as well as common sense and a plain reading of the AIA dictate that broad discretion to institute also, of course, includes broad discretion to deny institution. The Big Tech companies, on the other hand, believe discretion is a one-way street. They favor *unfettered discretion to institute* IPRs in cases where the AIA may not have been followed, *but no discretion to deny the institution of an IPR* in situations where pursuing such IPR would undermine the AIA's goals of efficiency and fairness, such as when a co-pending litigation in an Article III court involving the same parties, patents and issues has advanced to a point where it will conclude prior to the statutory time set for the IPR.

### ***Big Tech Director Discretion: Heads I Win – Tails You Lose***

Setting aside the fact that discretion to institute definitionally means to decide whether or not to institute, the disingenuousness of Big Tech's "heads I win tails you lose" position is hard to overlook. In *Cuozzo Speed Technologies v Lee*,<sup>10</sup> these opponents of *Fintiv* discretion argued for and applauded the Supreme Court's decision that the Director had the discretion to institute an IPR that included claims not pled by the petitioner but instead injected into the proceeding by the PTAB judges. That is, they believe the Director should have discretion to insert the Office's own challenges into a petitioner's IPR petition despite the statutory mandate that the claims in an IPR petition be pled with particularity. Imagine the same thing happening in a court, where

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<sup>9</sup> See, e.g., <https://www.jdsupra.com/post/contentViewerEmbed.aspx?fid=62cd7aef-ad88-4f74-9e98-57410c28eb53>

<sup>10</sup> 136 S.Ct. 2131 (2016)

a judge adds to and corrects a party's defective pleading. Later in *Thyrv, Inc. v. Click to Call Technologies, Inc.* these same Big Tech *Fintiv* opponents argued for and cheered the Supreme Court's finding that the Director had the discretion to completely ignore AIA Sec. 315(b)'s one year time bar on IPR petitions and grant review of a patent that had been fully litigated 12 years prior to the IPR petition!<sup>11</sup> A litigation that concluded over a decade before the petition was brought - over a decade before the AIA even existed. But the vast unfettered discretion of the Director to ignore even an explicit provision in the AIA forbidding such institutions was argued for and upheld with support from these *Fintiv* opposers. In fact, that staggering breadth of discretion does not seem to be enough, as the PTAB Reform Act now seeks to codify as an exception to the one year bar, cases like *Thryv*.<sup>12</sup> Why should Big Tech rely on mere Director discretion when it seems they can simply codify exceptions to the laws that restrict institution? Why indeed?

But now, Big Tech has a problem. They have argued strenuously for the Director's discretion to institute. What happens when that same discretion is applied to denying the institution of an IPR? In *Apple v. Fintiv*,<sup>13</sup> the PTAB explained that in cases where a parallel district court proceeding concerning the same patent, parties and issues was likely to conclude prior to the IPR, the Director had the discretion to deny institution of the IPR. Clearly, this an exercise of discretion to deny institution that is far more modest than the prior exercises of discretion to institute. It is narrower and far more consistent with the provisions and policy of the AIA than the injection of the PTAB's own contentions into a petition or the wholesale disregard for the statutory one-year bar on institutions. Nevertheless, Big Tech could not abide IPR denial discretion. They took to the courts in an attempt to overturn the Director's discretion<sup>14</sup> to deny institution and upon losing soundly in the courts<sup>15</sup> they've now turned to Congress to codify an illogical and absurdly one-sided view of "discretion." To the *Fintiv* opposers Director discretion is a 'heads I win tails you lose' proposition. This will be the state of the law should the PTAB Reform Act go forward, but the loser will not just be patent holders, but US innovation itself.

### ***Justice May Be Blind, But That Does Not Mean Judges Should Wear Blinders***

There is no principled reason to eliminate the discretion of the Director to deny institution based on a parallel district court litigation. Inventors are granted the rights to their inventions

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<sup>11</sup> 140 S.C. 1367 (2020). The weak argument for this exception proposed by the PTAB and accepted by the Supreme Court was that this litigation was dismissed without prejudice. Query what the status of an eventual litigation dismissal with or without prejudice has to do with AIA Sec. 315(b) prohibitions on institution for petitions filed more than one year after the date that the patentee is served with a complaint. The statute makes no mention of the eventual resolution of the complaint but hinges solely on the filing of a complaint, thus the Director's decision to ignore 315(b) was based on nothing having to do with the statute.

<sup>12</sup> See, PTAB Reform Act S 4417 at Sec. 2 (Patents) (a)(2)(B) amending 35 CFR 315(b) indicating that the time limitation shall not apply if the complaint is dismissed without prejudice.

<sup>13</sup> IPR 2020-00019 (PTAB Mar. 2020,) (Precedential).

<sup>14</sup> See, e.g., <https://www.eastgateip.com/apple-cisco-google-intel-sue-the-director-of-the-uspto-alleging-purported-new-rule-applying-fintiv-factors-violates-administrative-procedures-act/>

<sup>15</sup> See, e.g., <https://www.sterneckessler.com/news-insights/news/high-court-turns-down-intels-challenge-ptabs-fintiv-rule>

via Art. I Sec. 8 of the US Constitution. As Sen. Cruz explained during the recent hearing on the PTAB Reform Act, this is one of only two sections in the Constitution that speaks of rights being granted by the government.<sup>16</sup> Given the constitutional foundation of the patent rights grant, the courts and the Congress must be on guard against actions that deprive rights holders of their patents without ensuring their day in court.<sup>17</sup>

There are important differences between the PTAB, an Article I tribunal staffed by bureaucratic administrative judges, and duly appointed Article III judges operating in an Article III Federal court. Consider the following partial list of important differences between the proceedings: PTAB trials do not permit live testimony where judges can assess the credibility of witnesses, they do not provide the fulsome discovery necessary to support and defend arguments, there is almost no use of dissents by empaneled judges so there is no ability to learn from conflicting opinions between judges, and panels frequently are inconsistent in applying even precedential PTAB rules and case law.<sup>18</sup> All of these and other differences make the PTAB a less robust if potentially quicker and less expensive forum to determine the constitutionally grounded rights of patent holders. This doesn't mean we should do away with the PTAB, but it does mean that when a Director exercises her considerable discretion to promulgate rules addressing when to decline agency review and defer to a parallel proceeding in an Article III court, Congress should not lightly wipe away such discretion as the PTAB Reform Act would do.

The language in the PTAB Reform Act in relevant part reads "In deciding whether to institute ...the Director shall not in any respect consider an ongoing civil action..."<sup>19</sup> Does that sound like a law intended to ensure due process for patent holders? More generally, how is it that the existence of parallel district court proceedings could be irrelevant to policy goals of efficiency and fairness, let alone achieving the AIA's goal of the PTAB proceedings providing an alternative to litigation? Is an instruction for a judge to ignore the parallel proceedings regarding the same parties, patents, and issues ever sound legislation? Does it square with the basic principles of fairness, of judicial economy, of due process? The answer to each of these is no. While justice may be blind, it is never good policy to intentionally blindfold judges to the parallel actions of their adjudicatory counterparts. There is no sound reason to eliminate *Fintiv* and many compelling reasons not to eliminate *Fintiv* discretion

### ***Leave Fintiv Intact, Let It Evolve***

*Fintiv* was the by-product of years of experience of PTAB judges with parallel proceedings. It was developed to eliminate redundant efforts between the courts and the PTAB in a manner

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<sup>16</sup> See video at [https://www.youtube.com/watch?v=\\_GaipIuofdo](https://www.youtube.com/watch?v=_GaipIuofdo) at 57:09 et seq.

<sup>17</sup> The fact that in a substantial percentage of cases when patent holders appeal adverse PTAB proceedings to the CAFC they are dismissed under rule 36 means that many patent owners are losing their patent rights without ever having them considered by any agency other than the very agency that granted and later invalidated them and never have the benefit of even a single substantive ruling by an Article III court.

<sup>18</sup> See, e.g., House Judiciary Committee Hearing on PTAB video at [https://www.youtube.com/watch?v=JHVr\\_8dAgnE&t=5s](https://www.youtube.com/watch?v=JHVr_8dAgnE&t=5s) at time mark 45:07 et. Seq.

<sup>19</sup> See, PTAB Reform Act S.4417 at Sec. 2 (Patents) (a)(2)(B) amending 35 USC 315 by adding sub-section(f) INSTITUTION NOT TO BE DENIED BASED ON PARALLEL PROCEEDINGS

very similar to how courts might stay early-stage proceedings in favor of a contemporaneously instituted IPR. It is generally unwise to wipe away the learning of the judges themselves, especially where that learning continues to evolve. For example, and despite the young age of the *Fintiv* doctrine, the PTAB has already refined it several times to ensure that it is administered fairly both for patentees and petitioners.

The factors considered by PTAB judges have been expanded several times, most recently via Director Vidal's June 21, 2022 memorandum.<sup>20</sup> These changes address petitioner concerns with fairness. For example, one common complaint is that the PTAB's use of a court's posted trial date in determining whether a trial will conclude prior to an IPR is wrong because the posted trial date is incorrect more often than not. Director Vidal's guidance permits parties to offer and instructs her PTAB judges to consider statistical data for the relevant court's median time to trial, thus addressing the problem of inaccurately posted trial dates.<sup>21</sup> The PTAB has also established precedent allowing an IPR petition filed with a prior pending District Court trial to proceed if the petitioner stipulates that it will not raise the same or substantially similar grounds in the IPR as have been raised in the court.<sup>22</sup> Thus, even in *Fintiv*'s short existence the PTAB has readily proven it can adapt its rules to address the concerns of both patentees and petitioners. And in fact, statistics bear out their success. Whereas *Fintiv* denials were handed out in approximately 38% percent of IPR petitions in which *Fintiv* was raised in the early days following the rule's adoption, in 2022, less than 7% of IPR petitions raising *Fintiv* have been denied and that percentage continues to rapidly fall as the Office adapts its processes and as parties become familiar with the rules.<sup>23</sup>

While we generally applaud the PTAB's process of evolving rules to address issues of efficiency and fairness, we do not believe they get everything right. For example, just like the PTAB Reform Act, Director Vidal's guidance instructs her judges to ignore parallel ITC proceedings. This is a mistake. The oft-raised objection to considering parallel ITC proceedings is that the ITC has no power to invalidate patent claims. But this is irrelevant. The ITC, PTAB and District Courts all evaluate the same provisions of the patent law, 35 USC 102 and 103. Each tribunal has different remedies at its disposal. While the ITC cannot invalidate claims like the PTAB, it can issue an Exclusion Order banning import into the US of infringing items, a remedy that the PTAB cannot provide. Furthermore, the ITC and District courts can evaluate infringement unlike the PTAB. The point is that the remedies available at each tribunal have no bearing on the fact that each considers the same statutory patent law sections for novelty and obviousness. However, our disagreement with eliminating ITC consideration further underscores the merits

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<sup>20</sup> See, Memorandum: Interim Procedure for Discretionary Denials In AIA Post-Grant Proceedings With Parallel District Court Litigation at [https://www.uspto.gov/sites/default/files/documents/interim\\_proc\\_discretionary\\_denials\\_aia\\_parallel\\_district\\_court\\_litigation\\_memo\\_20220621\\_.pdf](https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf)

<sup>21</sup> *Id.*

<sup>22</sup> *Sotera Wireless, Inc. v Masimo Corp.*, IPR2020-01019, Paper 12 (PTAB Dec. 1, 2020) (Precedential as to Sec. II.A)

<sup>23</sup> See, e.g., <https://news.bloomberglaw.com/ip-law/fintiv-patent-review-denials-fall-as-calls-to-end-rule-persist>; and PTAB Parallel Litigation – Executive Summary at [https://www.uspto.gov/sites/default/files/documents/ptab\\_parallel\\_litigation\\_study\\_exec\\_summ\\_20220621\\_.pdf](https://www.uspto.gov/sites/default/files/documents/ptab_parallel_litigation_study_exec_summ_20220621_.pdf)

of allowing the PTAB to retain and evolve its *Fintiv* precedent. Over time it is much more likely that Director Vidal or one of her successors, informed by the learnings of their judges, will come to appreciate the wisdom of considering all parallel patent adjudications involving the same patents, parties and issues and amend the PTAB rules accordingly, rather than trying to fix such a mistake in the patent statute.

### **The PTAB Reform Act will Restore Abusive Parallel Petition Filing Practices**

An often-overlooked abusive practice of petitioners is the filing of multiple petitions at the same time, challenging the merits of a single patent (so-called parallel petitions). The PTAB imposes word limits for petitioners limiting the size of a petition seeking IPR for a patent.<sup>24</sup> Petitioners have discovered that it is possible to get around these limits by filing multiple petitions at the same time challenging the same patent. Doing so, they can include more arguments and more prior art than they would be capable of fitting into the word limits for a single petition.

This practice quickly got out of hand. One very well documented example of this abuse arose in the protracted patent litigation between Rovi Corp. and Comcast<sup>25</sup>. In the course of the litigation that spanned the district court, ITC, and the PTAB, Comcast filed over 124 petitions for IPR challenging 37 patents, an average of 3.35 petitions per patent.<sup>26</sup>

The PTAB responded to this “parallel petition” abuse by adopting guidelines teaching panels to instruct petitioners to prioritize their parallel filings and to provide arguments for why the PTAB should hear any petition other than the highest priority petition.<sup>27</sup> This has at least partially addressed this abusive parallel petitions practice.

The PTAB Reform Act purports to address the filing of multiple petitions on the same patent, but in doing so it allows multiple petitions on the same patent to be filed as long as they are filed on the same day<sup>28</sup>, the precise tactic used by those resorting to abusive parallel petition practice. In other words, the PTAB Reform Act seems to attempt to address abuses with serial petitions filed on different days but leaves open and endorses the abusive practice of parallel petitions. The PTAB Reform Act does not even codify the partial measures adopted via the PTAB guidelines for curbing this practice.

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<sup>24</sup> 37 C.F.R. Sec. 42.24(a)(1)(i) (14,000 words)

<sup>25</sup> Note that Rovi Corp. is a former employer of one of the authors, but see Supra footnote 2

<sup>26</sup> See e.g., Comments In Response to 85 FR 66502, “Request For Comments On Discretion To Institute Trials Before the Patent Trial and Appeal Board,” 85 Fed. Reg. 66502 (Oct. 20, 2020), Docket No. PTO-C-2020-0055, available at <https://www.uspto.gov/sites/default/files/documents/1232020TivoInc..pdf>

<sup>27</sup> Patent Trial and Appeal Board Consolidated Trial Practice Guide, November 2019 at pages 59-60.

<sup>28</sup> See PTAB Reform Act S.4417 at Sec. 2 (Patents) (a)(2)(B) amending 35 USC 315(d) by adding provision entitled: Limit on Repeated Petitions, which is limited to restricting only petitions filed on different days.

The PTAB Reform Act should have eliminated parallel petitions altogether. It makes no sense to set a word limit for petitions if you are going to allow the petitioner to file 10 petitions at the same time. Clearly it was not the intent of the PTAB in setting petition word limits to allow them to be trivially avoided through the filing of multiple parallel petitions.

Moreover, there is a strong argument that permitting multiple petition practice ignores the Supreme Court's ruling in *SAS Institute, Inc. v. Iancu*.<sup>29</sup> In that case the Supreme Court held that the PTAB was not permitted to partially institute an IPR petition, thereby picking the portions of the petition that it felt met the institution standard but opting not to review those contentions in the petition that failed to meet that standard. The Court held that if one claim in the petition met the institution standard the PTAB was required to review all of the claims in the petition.

With parallel petitions, petitioners are simply creating a longer single petition across multiple petitions. If you examine these parallel petitions, you will find they are largely word for word identical for many pages and differ only on a few pages where new arguments or prior art are added. When the patent office instructs applicants to pick their best from among multiple parallel petitions, they are in effect engaging in partial institution practice once again, since the multiple parallel petitions are nothing more than a scheme to avoid the single petition word limit. Congress can and should bring an end to this abusive practice of filing parallel petitions on the same patent.

### **The PTAB's Presumption of Validity Should Be the Same as the Courts**

Another lost opportunity for the PTAB Reform Act is its failure to address the burden of proof applied by the PTAB. The PTAB is an alternative adjudicatory forum to the courts, and yet it does not apply the same presumption of validity to issued patents as the courts. Courts require 'clear and convincing' evidence to find a patent claim invalid, but the PTAB requires a mere 'preponderance of the evidence' (basically more than 50%) to invalidate the same claim. It is little wonder the rate of invalidation at the PTAB far exceeds that of district courts – it is also little wonder why the PTAB is overturned on appeal far less than district courts, as they are evaluating the same patents using different rules and the bar to invalidate for the PTAB is much lower than it is for the court.

When the AIA was written it was not foreseen by the drafters that the PTAB would become the primary venue for determining patent validity.<sup>30</sup> They also assumed there would be a ready path to amend patent claims invalidated in IPR proceedings. They were wrong on both counts. The PTAB is now used in parallel with the vast majority of court cases and thus in most instances it has become the only court deciding patent validity. But instead of using the same presumption of validity used by the courts, it uses the presumption of validity used by patent

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<sup>29</sup> 138 S.Ct. 1348 (2018)

<sup>30</sup> See, e.g., House Judiciary Committee Hearing on PTAB video at [https://www.youtube.com/watch?v=JHVr\\_8dAgnE&t=5s](https://www.youtube.com/watch?v=JHVr_8dAgnE&t=5s) at time mark 27:31 et. Seq, Former Director Kappos explains that the PTAB has become the predominant forum for adjudicating patent validity and as such Congress should codify the standard of proving invalidity as clear and convincing evidence just as is in the Federal Courts.



examiners – a lower burden designed to allow the examiner to readily reject claims in a pending patent application to encourage a back and forth series of amendments and rejections between examiners and applicants to arrive at the appropriate scope of a patent by the time it is granted. Applying that standard after a patent is granted makes no sense. And it, likely more than any other factor, accounts for the wild discordance in invalidity rates between courts and the PTAB. It needs to change.

At the recent SJC hearing Senators Tillis and Leahy pointed out that the PTAB Reform Act would codify the Phillips claim interpretation standard that has been used by the PTAB since it was adopted as the standard by Director Iancu. They asked, isn't this a benefit for patent owners?

Certainly, codifying Phillips is good. It's logical to have the PTAB apply the same claim construction as the courts, codifying that is good for the patent system not just for patent holders. But unless you also adopt the presumption of validity standard used by the courts it is not going to have a tangible impact on addressing the disparate invalidation rates between courts and PTAB, and undoubtedly that is why the Big Tech supporters of this bill do not object to the codification of the Phillips claim construction standard. It is a half measure that has not and will not change the highly certain invalidation of patents we have all come to expect at the PTAB.

### **Estoppel to file additional PTAB actions on the same patent is not grounds for Article III Standing**

The AIA permits parties lacking Article III standing to challenge the validity of patents at the PTAB. This is appropriate in that the public has an interest in ensuring patents are properly granted, however the PTAB Reform Act seeks to extend to these parties the right to appeal a loss at the PTAB to an Article III court. This is unconstitutional. It serves absolutely no beneficial policy interest, and it sets an alarming precedent that will flood the courts with appeals by parties who lack constitutional standing and are seeking redress from myriad administrative decisions throughout the government.

The PTAB Reform Act in prior drafts at least acknowledged this constitutional infirmity. That language has been removed from this most recent draft, but the feeble and ill-advised attempt to bootstrap standing for these parties remains. The Act gives a losing party at the PTAB who is capable of being estopped under AIA Sec. 315(e) from bringing a related action at the PTAB, standing to appeal to Federal Court.<sup>31</sup> That is a poor attempt to skirt Article III, which requires actual harm in the form of a case or controversy that can be redressed by the court. But imagine if it were successful. The precedent it creates is that any agency that prohibits any party from having its adverse administrative decision reviewed by the agency, would then have an injury conferring standing to appeal to an Article III court. We simply don't believe this

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<sup>31</sup> See PTAB Reform Act S.4417 at Sec. 2 (Patents) (a)(2)(E) amending 35 USC 319 by adding provision entitled: Standing to Appeal.

provision is a serious part of the bill and it should be removed wholesale without further discussion.

If there is any notion that it should be retained, it would be helpful to hear at least some articulation of what policy is served by this provision. We have heard none offered for it and are at a loss to understand why non-practicing entities like Unified Patents need the right to appeal.

It's interesting to try to juxtapose the sections where the PTAB Reform Act restricts and where it invites the involvement of the court. The Act clearly does not want the court to carry on with a parallel litigation when an IPR is being requested, but when a petitioner loses at the PTAB it wants to afford that petitioner, regardless of standing, an opportunity to appeal to a court. So it seems, the Act seeks the courts' involvement when their involvement benefits petitioners and wants the courts excluded when their involvement would benefit patent holders. As you can see, with logic like this baked into the Act it is hard to see the bill as other than a Big Tech wish list.

## **Conclusion**

The PTAB is in need of reform, but certainly not the type of reforms proposed by the PTAB Reform Act.

The bill casts aside thoughtful safeguards implemented by PTAB judges and Patent Office Directors based on a decade of experience with many thousands of IPR petitions, in favor of rigid rules that serve the interests of Big Tech to the detriment of patent holders. It blindfolds PTAB judges preventing them from considering parallel proceedings in the courts and ITC regarding the same patents, parties and issues. It codifies Director discretion to institute IPRs filed well after the AIA statutory time limits. It endorses the abusive practice of filing multiple parallel IPR petitions on the same day to avoid the PTAB's petition word limit without even picking up the PTAB's trial practice guidelines that have partly curtailed this abuse. It grants unconstitutional Article III standing to 'reverse patent trolls' like Unified Patents who do not practice the patents they challenge. And it retains the PTAB's use of a presumption of validity that is designed for patent examination notwithstanding they are an adjudicatory body rather than using the same standard applied by the courts.

There are meaningful opportunities to reform the PTAB to make it a more even-handed body that would be a meaningful alternative to Federal Court litigation. The PTAB Reform Act is a lost opportunity. Rather than addressing the statistically irrefutable anti-patent problems with PTAB review, the bill instead caters to Big Tech's wish list to further their goals of more easily infringing the rights of US patent holders.