

## **The Significant Economic Impact of Discretionary Denials: Additional Litigation Costs**

Discretionary denials of petitions challenging the validity of granted patents have a significant impact on the U.S. economy, innovation, and wellbeing of the American people. This impact can be demonstrated in numerous ways, including though the staggering, yet avoidable litigation costs these denials impose.

Estimates of these costs are provided below.

- Studies have shown that “**the expense to defend an infringement lawsuit** in the United States, regardless of the amount at risk, **hovers around three million dollars.**” Gregory Day & Steven Udick, *Patent Law and the Emigration of Innovation*, 94 Wash. L. Rev. 119, 141 (2019), <https://digitalcommons.law.uw.edu/wlr/vol94/iss1/4141>.
- By contrast, **an inter partes review proceeding “typically costs between \$300,000 and \$500,000**, including expert fees and filing expenses.” *Id.* at 143 (citing Am. Intellectual Prop. Ass’n, *2015 Report of the Economic Survey*, 38 (2015)).
- Based on those figures, **district court patent lawsuits cost approximately \$2.5 million more** to litigate than inter partes review proceedings.
- In 2020, the first year after the Patent and Trial Appeal Board’s test for denying petitions based on pending litigation went into effect, its application led to the **denial of 85 review petitions**. Unified Patents, *PTAB Uses Discretion, Fintiv to Deny Petitions 38% in 2021 to Date*, <https://www.unifiedpatents.com/insights/2021/9/22/an-early-look-at-the-ptabs-use-of-fintiv-and-discretion-discretionary-denials-through-september-2021>.
- Based on these figures, the **aggregate cost of 85 district court lawsuits is \$212.5 million dollars**.
- If discretionary denials in 2020 led to just 40 additional district court lawsuits, **they imposed additional costs of approximately \$100 million**.

While these costs are significant, they represent only a fraction of the harmful impact that discretionary denials have on the U.S. economy, innovation, and consumers. Critically, they do not capture the costs imposed on small businesses, researchers, and consumers, who shoulder the burdens of barriers to competition, restrictions on innovation, and excessive drug prices that persist when petitions challenging wrongly granted patents are denied or deterred.