



June 20, 2023

Katherine K. Vidal
Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office
United States Patent and Trademark Office
600 Dulany Street
Alexandria, Virginia 22314

RE: Advanced Notice of Proposed Rulemaking on Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board [[Docket No: PTO-P-2020-0022](#)]

Dear Under Secretary and Director Vidal:

The Alliance for Automotive Innovation (“Auto Innovators”) writes to express its concerns with the United States Patent and Trademark Office’s (“USPTO’s”) Advanced Notice of Proposed Rulemaking (“ANPRM”) regarding changes under consideration to discretionary institution practices, petition word-count limits, and settlement practices for America Invents Act (“AIA”) trial proceedings before the Patent Trial and Appeal Board (“PTAB”). Robust access to such proceedings is a top priority for the automotive industry.

Auto Innovators represents the manufacturers that produce most of the cars and light trucks sold in the U.S., original equipment suppliers, technology companies, battery makers, and other value-chain partners within the automotive ecosystem. Representing approximately 5 percent of the country’s GDP, responsible for supporting 10 million jobs, and driving \$1 trillion in annual economic activity, the automotive industry is the nation’s largest manufacturing sector.

High-quality patents protect significant research and development investments by the automotive industry and enable companies to produce new mobility technologies. Therefore, patent quality remains paramount to automotive companies. Patent quality also assists the industry with achieving important environmental and safety goals that are critical to the transformation of personal mobility and the creation of a cleaner, safer, and smarter transportation future.

Automotive companies often face frequent lawsuits alleging infringement of patents that should not have been issued. While courts may eventually find these patents invalid, the time and costs associated with such litigation is significant. The automotive industry relies extensively on PTAB trial proceedings, particularly *inter partes* review, to efficiently settle the validity of patents that may have been granted in error. As patent holders, automotive companies also have their patents

challenged in *inter partes* review petitions. Having experienced *inter partes* review from both sides, we maintain that the current system is fairer and more equitable than the system proposed by the ANPRM. If access to PTAB trial proceedings for meritorious petitions is not preserved, the number of low-quality and invalid patents could increase and hamper innovation.

Auto Innovators has significant concerns with the ANPRM, given the substantial restrictions it proposes to impose on PTAB trial proceedings. The ANPRM proposals are solely directed at establishing rules for denying otherwise meritorious petitions, and if implemented, would largely benefit those who broadly assert invalid patents. They would lead to more invalid patents remaining in place, resulting in increased litigation and spurious settlement agreements.

Proposals of concern include, but are not limited to:

- **Expansion of Discretionary Denials:** Expanding discretionary denials to cover a host of scenarios aimed at curtailing the rights of those statutorily authorized to challenge invalid patents. This includes denying petitions filed by a for-profit entity that has not been sued for infringement. Each of the ANPRM's proposed expansions of discretionary denials are based on faulty assumptions and incomplete understanding of the realities and nature of those alleged to have a "substantial relationship," economic incentives that drive meritless and costly litigation, long-standing case law authority allowing for multiple challenges to validity of patents, and the contributions to a balanced system created when for-profit entities challenge potentially invalid patents. Each overstates any potential efficiency it claims to achieve. Discretionary denials – as currently enforced and as proposed by the ANPRM – seriously curtail automotive companies' access to trial proceedings established pursuant to the America Invents Act and disallow petitions that are meritorious in accordance with current U.S. patent law from being heard.
- **Expansion of "Compelling Merits" Test:** USPTO discretionarily denying institution of a petition in many cases unless the petitioner meets the ambiguous "compelling merits" test, a higher standard than that for a PTAB review final determination. Although the proposed "compelling merits" test attempts to create an exception to discretionary denials, because of its ambiguity and the higher standard that it sets than statutorily authorized, it fails to provide proper, objective guidance that can be consistently applied. As such, it would lead to confusion and unpredictability in PTAB trial proceedings. Furthermore, even though the ANPRM suggests that the "compelling" merits test only be reached after all other factors are evaluated, the availability of the test may color the PTAB's analysis of the other factors. This works exclusively against the petitioner, because the PTAB will know that even if they decide every questionable factor against the petitioner, a petition with – "compelling merits" – will still be heard.
- **Shortening of Petition Filing Deadline:** Denying institution unless a petitioner files within six months of an infringement complaint or meets certain safe harbors. This contravenes congressional intent and current U.S. patent law, which allows a petition to be filed within a year of being served with an infringement complaint. Although the ANPRM contends that the proposed six-month time bar does not "impose any earlier deadlines" than the one-year bar under 35 U.S.C. §315(b), it would have the same effect. Petitioners would be compelled to rush

to file without having the opportunity to fully evaluate the merits of their case or meaningfully attempt to reach an amicable resolution. Such a forced procedure would lead to a rise in filings, increasing the burden on the PTAB as well as on petitioners and patent owners.

- **Injecting a “Substantial Overlap of Claims” Test:** Expanding the scope of discretionary denials to include situations where claim sets are deemed to have “substantial overlap” and considering only one supposedly overlapping claim to be sufficient to deny an entire petition – even where other challenged claims are not “substantially the same.” The proposed expansion would encompass denials of challenges to a vast majority of patents that are within the same family, where claim sets are typically similar but include different claim elements that set each apart and would include patents that issue subsequent to a first challenge. Discretionary denials in such situations ignore consideration of new prior art aimed at the differences in claim elements and would not be based on the merits of the arguments presented in a petition. This proposal is problematic for automakers and others who are targets of serial litigation by the same or related entities. It also creates a loophole for patent owners to escape subsequent challenges to potentially invalid patents by merely including a single similar claim in subsequent claim sets.
- **Imposition of “Substantial Relationship” Test:** Preventing petitioners from seeking PTAB review if a different party with which it has a “substantial relationship” was previously sued for infringement and brought an unsuccessful petition for review. The ANPRM also considers discretionarily denying any petition when (a) “those involved in a membership organization, where the organization files petitions in IPRs or PGRs, as having a substantial relation with the organization” and (b) co-defendants are determined to have a “substantial relationship” merely because both have been alleged to infringe. This proposal is problematic for the automotive industry, which relies on broad supply chains with many distinct entities – all of which USPTO could consider to be in “substantial relationship” to each other – and whose members belong to numerous organizations that may file an IPR or PGR without ever having consulted or even mentioned such filings with automotive companies and who are named as co-defendants against their will by patent owners.
- **Application of Estoppel:** Applying estoppel at the beginning of a PTAB trial proceeding and barring PTAB review due to district court developments absent a petitioner meeting the “compelling merits” test. Although the ANPRM claims that stipulations would only be applicable to discretionary denial determinations, the proposal would effectively mandate stipulations in all circumstances, rewriting the current statutory estoppel provision sanctioned by Congress. The ANPRM would make district court determinations a bar to PTAB review of meritorious petitions for automotive companies and other petitioners on potentially invalid patent claims.
- **Micro and Small Business Carveout:** Barring institution if a patentee is a micro or small business that is practicing and attempting to commercialize the patented invention. This would prevent automotive companies and other petitioners from challenging patents from patent-assertion entities and non-practicing entities that operate through shell companies and nominal plaintiffs to engage in abusive litigation. By favoring patent ownership type without regard to

the substantive merit of any claim to novelty or non-obviousness, this would also carve out an arbitrary exception for review of potentially invalid patents.

In addition to these substantive concerns, we contend that the ANPRM exceeds USPTO's statutory authority. It seeks stakeholder input on potential changes to PTAB practice that would require congressional action and modifications to AIA and U.S. patent law; such changes cannot be implemented by USPTO's rulemaking authority. During the April 27, 2023, House Judiciary Subcommittee on Courts, Intellectual Property, and the Internet hearing on USPTO oversight, multiple Members of Congress appeared to share this perspective, expressing that legislation is the appropriate method for addressing these issues. Furthermore, the question of *Chevron* deference is currently before the Supreme Court in *Loper Bright Enterprises v. Raimondo*. Several of the ANPRM's proposals are unlikely to survive current *Chevron* analysis.

Auto Innovators urges USPTO to abandon this ANPRM, identify additional means to improve patent quality, focus on strengthening PTAB trial proceedings as alternatives to district court litigation, and work to ensure that meritorious petitions can obtain PTAB review. We welcome the opportunity to provide the automotive industry's perspectives on this topic and reiterate the importance of preserving access to PTAB trial proceedings.

Sincerely,

A handwritten signature in black ink, appearing to read "David Schwietert". The signature is fluid and cursive, with a long horizontal stroke at the end.

David Schwietert
Chief Public Policy Officer