

June 20, 2023

***Via Electronic Delivery***

Director Katherine K. Vidal  
Under Secretary of Commerce for Intellectual Property  
Director of United States Patent and Trademark Office

**Re: Response to Request for Comments 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 (88 FR 24503 (Apr. 21, 2023))**

Dear Director Vidal:

The Quality Patents Coalition respectfully submits these comments in response to the United States Patent and Trademark Office's (the "USPTO" or "Office") Request for Comments on the Advanced Notice of Proposed Rulemaking published on April 21, 2023 and titled 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, 88 Fed. Reg. 24,503 (the "ANPR").

**QUALITY PATENTS COALITION**

The Quality Patents Coalition (QPC) is comprised of companies and trade associations representing the financial services, fintech, retail and restaurant industries. QPC is dedicated to ensuring the patent system fosters innovation through issuance of quality patents, provides fair and efficient post-grant and *inter partes* review procedures as set forth in the America Invents Act, and adheres to the letter of the law and judicial precedent.

We have a strong interest in the proper implementation of America Invents Act ("AIA") post-grant proceedings, such as *inter partes* review. Today, our members and many other companies are heavily investing in developing technologies that touch all aspects of society, including healthcare, climate change, data security and privacy, and access to education, to name a few. We have increasingly sought to protect such innovation through the patent system. Thus, we have a strong interest in ensuring that AIA post-grant proceedings are fair to patent owners.

At the same time, our industries and many others have been plagued for years by patent litigation based on patents that claim longstanding and well-known concepts or are otherwise of low quality and that should not have issued. The issuance of such patents leads directly to costly and wasteful litigation that is detrimental to economic progress and actual innovation. We therefore have an equally strong interest in ensuring that AIA post-grant proceedings, which were designed to provide a lower-cost alternative to district court litigation for determining patent validity, are effective at accomplishing that goal.

## DISCUSSION OF THE PROPOSALS

Sections 316(a) and 326(a) of the AIA grant the Director the authority to promulgate regulations governing certain aspects of AIA proceedings.<sup>1</sup> We appreciate the Director using rulemaking procedures to exercise this limited authority because it fosters transparency and public involvement in the rulemaking process. However, we are greatly concerned that most of the proposals in the ANPR exceed the Director's authority and depart from the text of the AIA and the congressional intent behind it by imposing new limits on post-grant proceedings that would reduce the efficiency and effectiveness of those proceedings.

Congress intended that an IPR or PGR proceeding should generally be instituted if a petitioner establishes "that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition."<sup>2</sup> Congress recognized that there should be limited exceptions to this institution standard, and provided these specific exceptions in the text of the AIA.<sup>3</sup> These exceptions make clear that the denial of a petition that otherwise meets the institution standard is limited to specific and unique circumstances.

The ANPR sharply departs from this intent. The proposals add numerous requirements for petitioners that were plainly not adopted by Congress and create a framework that would make discretionary denial routine and ubiquitous. As detailed below, while the AIA grants the Director authority to promulgate regulations governing AIA proceedings, it does not grant the Director authority to depart from the text of the AIA and implement rules that make discretionary denials the norm.

The ANPR also sharply departs from the AIA's purpose of providing a lower-cost and efficient way of challenging weak patents. The relevant provisions of the AIA were passed to provide a lower-cost alternative to district court litigation for addressing the merits of patent validity based on patents and printed publications.<sup>4</sup> Post-grant proceedings provide businesses, including small businesses, a more affordable and efficient way of defending against weak patents that should have never issued. Yet many of the proposals undermine Congress's intent

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<sup>1</sup> 35 U.S.C. §§ 316(a), 326(a).

<sup>2</sup> 35 U.S.C. § 314(a); *see also id.* § 324(a).

<sup>3</sup> Congress's limited exceptions include that: (a) an IPR petition cannot be filed until 9-months after a patent is issued or the conclusion of a PGR proceeding (35 U.S.C. § 311(c)); (b) an IPR proceeding cannot be instituted if the petitioner or real party in interest filed a civil action challenging the validity of the patent prior to filing the IPR petition (*id.* §315(a)(1)); (c) an IPR proceeding cannot be instituted if the petition was filed more than one year after the petitioner, real party in interest, or privy of the petitioner is served with a complaint for patent infringement (*id.* § 315(b); and (d) an IPR petition can be denied if it presents "the same or substantially the same prior art or arguments [that were] previously ... presented to the Office" (*id.* § 325(d)).

<sup>4</sup> H.R. Rep. No. 112-98, at 40 (2011) ("The [AIA] is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.").

to provide a more efficient way to address patent quality and instead create new hurdles for business that are sued by entities on weak patents.

At a minimum, the proposals will divert resources that are better spent considering the validity of patent claims to endless disputes over threshold questions regarding discretionary denial. Even worse, they will insulate numerous invalid claims from scrutiny by the USPTO. A post-grant proceeding can be instituted only when there is a “reasonable likelihood” that at least one claim in a patent will be found unpatentable. The principal effect of discretionary denial is therefore to shield claims that are likely to be unpatentable from review. Because that runs so contrary to the purpose of the patent system and the public interest, discretionary denial should be reserved for rare and extreme instances and should not be used to undercut the decisions Congress made to promote access to post-grant proceedings.

Moreover, the proposals in the ANPR would create ample opportunities for gamesmanship. For example, parties could leverage many of the proposals to elicit a discretionary denial and shield patents from post-grant review. Companies would therefore be deprived of the lower-cost and efficient way of defending themselves against weak patents. This could particularly impact the financial stability of small businesses and result in higher prices for consumers.<sup>5</sup>

Because the overwhelming majority of the proposals are plainly inconsistent with the AIA, there is no doubt that the adoption of them would generate extensive litigation. The Office’s current discretionary denial practices have already been challenged in federal court, and if the Office further restricts access to post-grant proceedings, it will fuel more suits. The resulting diversion of resources and uncertainty surrounding post-grant review would detract from important initiatives being pursued by the Office. The Office should not waste resources promulgating rules that will eventually be struck down by the courts. The Office should instead use its limited funds to implement rules and procedures that promote patent quality and access to post-grant proceedings, consistent with the AIA.

For all these reasons, and as discussed in more detail below, we write today to urge you not to promulgate any regulations that are contrary to the AIA and the congressional intent behind it, or that would limit access to post-grant proceedings.

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<sup>5</sup> See, e.g., *As Small Businesses Raise Prices, Some Customers Push Back*, U.S. News (Sept. 11, 2022), <https://www.usnews.com/news/business/articles/2022-09-11/as-small-businesses-raise-prices-some-customers-push-back> (2022 survey finding that 65% of small business raised prices due to increase costs, which resulted in 38% of small businesses reporting a decline in customer demand).

## I. The Director Cannot Adopt Entity-Based Restrictions On Post-Grant Proceedings

### A. The Director Does Not Have The Authority To Override Congress's Judgment By Imposing Entity-Based Restrictions on Access to Post-Grant Proceedings

The ANPR includes various proposals that would result in discretionary denial based on the status or identity of petitioners or patent owners.<sup>6</sup> The specific flaws of these proposals are discussed below, but they all suffer from a fundamental common problem: The Director does not have the authority to impose entity-based restrictions on access to post-grant proceedings because imposing such restrictions is inconsistent with the AIA.

Congress provided that “a person who is not the owner of a patent may file” a petition to institute an IPR or PGR.<sup>7</sup> Under the Dictionary Act, the word “person” is broadly defined to “include corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals.”<sup>8</sup>

Congress provided only limited exceptions to its clearly expressed intent that any “person” should have access to post-grant review. The AIA states that a party cannot file an IPR petition if it or a real party in interest “filed a civil action challenging the validity of” a challenged patent<sup>9</sup> or if the party files the IPR petition more than one year after the party, a real party in interest, or a privy of the party was sued for infringement of the challenged patent.<sup>10</sup> These provisions only prohibit IPR petitions filed by parties, their real parties in interest, and any privies in limited circumstances and only based on *actions* taken by these parties or the patent owner.

Outside of these provisions, nothing in the AIA limits access to IPRs based on a petitioners' identity or relationship with other parties. Indeed, Congress expressly declined to impose further limits on access to IPRs and PGR. For example, Congress declined to adopt a provision comparable to the restriction on covered business method review, which provides that “[a] person may not file a petition for a transitional proceeding with respect to a covered business

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<sup>6</sup> *E.g.*, 88 Fed. Reg. at 24,507, 24,509-10.

<sup>7</sup> 35 U.S.C. §§ 311(a), 321(a).

<sup>8</sup> 1 U.S.C. § 1; *see also Return Mail, Inc. v. United States Postal Service*, 139 S. Ct. 1853, 1862 (2019).

<sup>9</sup> 35 U.S.C. § 315(a)(1) (“An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.”).

<sup>10</sup> 35 U.S.C. § 315(b) (“An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.”); *see also id.* § 315(e)(1) (“The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.”).

method patent unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent."<sup>11</sup>

These carefully delineated exceptions and Congress's rejection of further restrictions indicate that Congress did not intend to constrain access to IPRs based on any other entity-based considerations. Congress's command is thus clear: The Director may not limit IPRs to any entity other than a party, its real parties in interest, and its privies in limited circumstances.

Relatedly, the text of the AIA does not contain any provisions that permit the Director to discretionarily deny an IPR petition based on the status of the patent owner. The only relevant institution provision that references the patent owner specifies the time period a petitioner must file an IPR after the petitioner, its real parties in interest, or privies are sued for patent infringement.<sup>12</sup> This provision does not indicate that the status of the patent owner should be considered. Nor does any other provision in the AIA remotely indicate that the status of the patent owner should be considered. Thus, the text of the AIA indicates that the Director cannot limit access to IPRs based on the status of the patent owner.

Congress "knew how to draft the kind of statutory language that [the Director] seeks to read into" the AIA, and "had Congress intended to" grant the Director the discretion to promulgate discretionary denial rules based on the status of the parties, Congress "would have said so."<sup>13</sup> The Director and Office cannot supplant Congress's judgment by promulgating entity-based regulations that limit access to post-grant proceedings.

**B. The Proposed Substantial Relationship Test Is Inconsistent With The AIA And Due Process**

Turning to the specific entity-based proposals, a new test denying institution if the petitioner has a "substantial relationship" to another party that previously filed a petition is inconsistent with the AIA.<sup>14</sup> The ANPR indicates the term "substantial relationship" is intended to be broader than the language selected by Congress—"real party in interest" and "privy"—and would include entities that are "significantly related to" the petitioner.<sup>15</sup> The ANPR also indicates that co-defendants would fall within the scope of this term. But in addition to exceeding the limits on the Director's authority discussed above, adopting an amorphous "substantial relationship" test would increase unpredictability and undermine the purposes of the AIA.

When Congress wanted to expand the focus beyond the petitioner itself in the AIA, it used well-known terms with established meanings at common law—"real party in interest" and "privy."

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<sup>11</sup> Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, § 18(a)(1)(B), 125 Stat. 284, 330 (2011).

<sup>12</sup> 35 U.S.C. § 315(b).

<sup>13</sup> *State Farm Fire & Cas. Co. v. United States ex rel. Rigsby*, 137 S. Ct. 436, 443-444 (2016).

<sup>14</sup> 88 Fed. Reg. at 24,507, 24,511-12. As detailed above, the Director does not have the statutory authority to pass this proposal.

<sup>15</sup> *Id.*

The ANPR admits that the USPTO has already drifted from those established meanings, and the last thing it should do is adopt a test that abandons the statutory language. Terms such as “substantial relationship” and “significantly related” are inherently vague, and that ambiguity will invite endless disputes that waste resources and distract from post-grant proceedings’ core purpose of providing an efficient forum for challenging the validity of patents.

The “substantial relationship” proposal is also divorced from the realities of business and litigation relationships. In today’s business environment, companies are increasingly connected through various partnerships and business deals. For example, the financial services industry, which includes numerous small businesses, is highly interconnected. Banks and entities of all sizes frequently perform transactions with one another, and in some circumstances, will create new entities that are co-owned by parties for the purposes of a transaction. As a result, the proposed scope of a “substantial relationship” test could capture a significant portion of the financial services industry if one financial services entity is involved. For similar reasons, the “substantial relationship” test could be applied to capture substantial portions of the retail and restaurant industries.

This proposed framework therefore incentivizes gamesmanship by patent owners. For highly interconnected industries, patent owners with weak patents would be incentivized to first sue only one party within the industry. To the extent any patents survive initial post-grant proceedings, the patent owner could then sue the remaining companies in the industry. The later-sued companies may disagree with the approach taken in the initial post-grant review proceeding, and may be in better positions to file IPRs that better address the merits of patentability. Yet under the proposed “substantial relationship” framework, the merits of the later-filed petitions would never be addressed. Instead, the later-filed petitions would be discretionarily denied solely based on the companies being in the same interconnected industries. As a result, the “substantial relationship” framework could result in weak patents being insulated from post-grant review, which directly contradicts the AIA’s mission to address patent quality.<sup>16</sup>

Extending discretionary denial to parties solely based on their status as co-defendants could also chill efforts to address patent quality in post-grant review proceedings. Patent owners, particularly non-practicing entities, commonly sue multiple defendants at the same time.<sup>17</sup> Although co-defendants may jointly file an IPR petition in some circumstances, co-defendants may not necessarily agree on what unpatentability grounds to pursue. Under the proposed rules, the only petition that could be addressed on the merits would be the first-filed petition, as the others will be discretionarily denied. This framework encourages a race to file petitions, and could result in only the weakest petition being evaluated on the merits. Including co-defendants in the scope of “substantial relationship” thus detracts from the AIA’s goal of

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<sup>16</sup> See H.R. Rep. No. 112-98, at 40 (2011).

<sup>17</sup> *E.g., Arigna Tech. Ltd. V. Samsung Electronic Co. Ltd.*, No. 6-22-cv-00151 (W.D.T.X.) (two patents asserted against nine entities).

improving patent quality and providing a less-resource intensive way of defending against a weak patent.<sup>18</sup>

The expanded “substantial relationship” test also raises due process concerns. The Supreme Court has rejected theories of “virtual representation,” explaining that barring a subsequent proceeding based on the earlier actions of a nonparty can violate due process when it occurs outside of a narrow set of well-recognized exceptions.<sup>19</sup> The Supreme Court has also cautioned that applying an “amorphous balancing test is at odds with the constrained approach to nonparty preclusion our decisions advance.”<sup>20</sup> A company should not lose its access to post-grant proceedings merely because another company that does not meet the definition of a real party in interest is considered substantially related.

**C. Conflating Membership Organizations And Their Members Is Inconsistent With The AIA And Burdens Free Association**

The ANPR indicates that membership organizations and their respective member companies might be considered to have a “substantial relationship” that would preclude them from filing independent petitions.<sup>21</sup> This proposal also exceeds the Director’s authority and is misguided.

The ANPR seems to assume that membership organizations or similar entities exist to evade estoppel and create opportunities for abusive filings.<sup>22</sup> But that does not accurately reflect the relationship between most membership organizations and post-grant review.

As one example, Askeladden is a wholly owned subsidiary of The Clearing House, and is an education, information, and advocacy organization. Through its Patent Quality Initiative, Askeladden strives to improve patent quality, to address questionable patent holder behaviors, and to enhance the understanding, use, and reliability of patents in financial services and elsewhere. Askeladden files amicus briefs that highlight issues critical to patent quality and petitions the Office to take a second look at patents in IPR proceedings that it believes are invalid. But when filing IPRs, Askeladden does not coordinate with The Clearing House or any other party behind the scenes for the purposes of evading estoppel or harassing patent owners. Instead, it works independently to improve patent quality by utilizing post-grant review proceedings, just like the AIA intended.<sup>23</sup>

The proposal to include membership organizations and their respective member companies in the scope of the “substantial relationship” test interferes with the right to petition the government to improve patent quality. If membership organizations are considered “substantially related” to their members, companies could be discouraged from joining such

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<sup>18</sup> See H.R. Rep. No. 112-98, at 40 (2011).

<sup>19</sup> See *Taylor v. Sturgell*, 553 U.S. 880, 893-898 (2008).

<sup>20</sup> *Id.* at 898.

<sup>21</sup> 88 Fed. Reg. at 24,507.

<sup>22</sup> *E.g.*, 88 Fed. Reg. at 24,508.

<sup>23</sup> See H.R. Rep. No. 112-98, at 40 (2011).

organizations to avoid the risk of discretionary denial in future cases. Burdening association in this manner implicates the First Amendment right to free association.<sup>24</sup>

The lack of certainty over the definition of “membership organizations” would also have a chilling effect. As discussed, the financial services industry is highly interrelated. For example, large credit card networks rely on a network of registered service providers, sometimes referred to as “members.”<sup>25</sup> If those networks were considered a “membership organization” and its service providers were considered “members,” the proposed framework could capture a significant portion of the financial services industry and other companies involved in financial transactions. And even if the Office attempts to clarify the definition of “membership organization” and “member,” a substantial amount of uncertainty regarding the scope of the terms is likely to remain.

To the extent any organizations exist for an improper purpose such as harassing patent owners, the AIA expressly grants the Director authority to promulgate regulations that “prescribe sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause ... an unnecessary increase in the cost of the proceeding.”<sup>26</sup> Thus, the Director has the ability to curb abuse behavior when it occurs. But the Director does not have the authority to prohibit organizations from filing non-abusive IPRs when they are plainly entitled to do so under the AIA.<sup>27</sup>

#### **D. Exempting Select Patent Owners From Post-Grant Review Is Inconsistent With The AIA**

The ANPR asks whether a petition should be denied based on the size or status of the patent owner.<sup>28</sup> In addition to being beyond the Director’s authority, categorically exempting some patent owners from post-grant proceedings would undermine the AIA’s goal of providing an

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<sup>24</sup> See *Americans for Prosperity Found. v. Bonta*, 141 S. Ct. 2373, 2386 (2021) (subjecting burden on free association to exacting scrutiny).

<sup>25</sup> E.g., The Visa Global Registry of Service Providers (last visited May 31, 2023), <https://usa.visa.com/splisting/splistingindex.html> (“As specified in the Visa Rules (ID 0025895), before registering an agent, a *Member* must complete and validate compliance with the applicable regional due diligence standards. A *Member* with a registered Third Party Agent must perform an annual review of the Third Party Agent to confirm ongoing compliance with applicable regional due diligence standards.”).

<sup>26</sup> 35 U.S.C. § 316(a)(6).

<sup>27</sup> As detailed above, the text and structure of the AIA only limit parties from filing petitions to real parties in interest and privies in limited circumstances. Therefore, the AIA does not prohibit membership organizations from filing IPRs.

<sup>28</sup> In particular, the ANPR considers discretionarily denying a petition filed against patents owned by startups, small businesses, and independent inventors where (1) the patent owner claimed micro or small entity status at issuance, (2) the patent owner did not exceed eight times the micro entity gross income level in the year before the petition, and (3) the patent owner (or a licensee who started practicing the patent after becoming a licensee) was commercializing the subject matter of a challenged claim at the time the petition was filed. 88 Fed. Reg. at 24,509-10. The ANPR also considers whether the Office should give weight to the fact that the micro or small entity has government funding, or whether it should consider third-party litigation funding and the resources of entities with an ownership interest in the patent owner or a stake in the proceedings. *Id.*



efficient path for challenging weak patents.<sup>29</sup> Weak patents are owned by entities of varying sizes, including high and low net worth companies and individuals. Preventing post-grant proceedings solely based on the status of the patent owner could insulate weak patents from being evaluated on the merits by the Office.

The proposal to exempt certain patent owners from post-grant proceedings is highly likely to be abused. Non-practicing entities already manipulate their ownership by utilizing shell companies that conceal the true beneficiaries of infringement litigation.<sup>30</sup> The proposal to shield them from post-grant challenges would exacerbate that trend, and no amount of clarifying language or mandated transparency could prevent abuse. One need only recall the example of assigning patents to Native American tribes to invoke sovereign immunity to recognize that if there is a perceived loophole, it will be exploited.<sup>31</sup>

Similarly, the proposal would encourage non-practicing entities to engage in manipulation to create the impression that they are commercializing a product. This is already a problem in litigation, and it would grow even worse if small businesses were exempted from IPR based on purported efforts to commercialize a product. Indeed, utilizing artificial intelligence tools, it has become easier than ever to write dummy software code and otherwise give the impression that a company is not simply focused on monetizing its patents.

The real beneficiaries of the proposal thus will not be small businesses, but non-practicing entities looking to exploit the new loopholes in unintended and abusive ways. In fact, the proposal is likely to undermine its stated purpose of helping small businesses. Small businesses are more likely to be the target of patent infringement actions than to have their own patents challenged. Patent litigation is expensive, and small business that have to defend themselves may need to reduce their employee headcount by 10-15% (and potentially even more) or forgo “hiring new employees, building out the business, or researching and developing new products” to simply cover the cost of litigation.<sup>32</sup> Post-grant proceedings are therefore a critical tool for small business, yet the proposals in the ANPR would create a framework that would limit the ability for small businesses to access this tool. The best way to help small businesses is to keep post-grant proceedings readily available and efficient, so small businesses have a cost-effective way to challenge patents asserted against them.<sup>33</sup>

Even if the Director had the authority to exempt small business patent owners from post-grant review proceedings, a more surgical approach would be to limit post-grant review to patents

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<sup>29</sup> See H.R. Rep. No. 112-98, at 40 (2011).

<sup>30</sup> See, e.g., *Nimitz Techs. LLC v. CNET Media, Inc.*, Case No. 21-1247-CFC, D.I. 27 (D. Del. Nov. 10, 2022); *id.*, 2022 WL 17338396, at \*1 (D. Del. Nov. 30, 2022).

<sup>31</sup> *Saint Regis Mohawk Tribe v. Mylan Pharms. Inc.*, 896 F.3d 1322, 1329 (Fed. Cir. 2018) (holding pharmaceutical patent owned by a Native American tribe was not shielded from an IPR under sovereign immunity).

<sup>32</sup> Dani Kass, *PPP Data Shows 'Stark' Cost Of NPE Litigation On Small Cos.*, Law360 (Aug. 29, 2020), available at <https://www.law360.com/articles/1305060>.

<sup>33</sup> Furthermore, lowering post-grant review fees for small business petitioners would increase accessibility for small businesses contrary to proposals in the ANPR.

*asserted* by small businesses. That way, small business patent owners would only be subject to post-grant review proceedings where they made an affirmative decision to assert their patents. At the same time, this would prevent a poor quality patent from being weaponized in litigation and simultaneously insulated from post-grant review simply by virtue of being owned by a small business.

## **II. The Director Cannot Discretionarily Deny Petitions For Post-Grant Review Based on Parallel District Court Proceedings**

The ANPR also includes various proposals that would result in discretionary denial based on the status and content of parallel or prior proceedings in district courts. As detailed below, the Director does not have the authority to implement these proposals, which conflict with the AIA and would undermine the integrity of the U.S. patent system.

### **A. The Director Does Not Have The Authority To Discretionarily Deny A Petition Based On Parallel District Court Litigation**

The ANPR discusses several options to replace the *Fintiv* factors and 2022 Guidance Memorandum that currently govern the Office's practice towards parallel district court litigation.<sup>34</sup> But the Director does not have authority to adopt the proposed restrictions on post-grant proceedings.

*First*, discretionary denial based on parallel district court proceedings has no basis in the text of the AIA and the congressional intent behind it. The AIA includes detailed rules defining the mandatory conditions that must be satisfied for an IPR to be instituted and the permissive factors that the Director may consider to decline an IPR that otherwise meets the institution standards.<sup>35</sup> Congress specifically recognized that an IPR might overlap with an infringement action and concluded that IPR can and should be available so long as the petition is filed within a one-year period. Thus, Congress's command on parallel litigation is clear: The Director cannot deny a petition solely based on litigation if the petition was timely filed (i.e., filed within one-year of being sued for patent infringement).

The structure of the AIA confirms this conclusion. The AIA includes various provisions addressing how the Director may or must handle circumstances in which there are parallel

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<sup>34</sup> 88 Fed. Reg. at 24,514-17.

<sup>35</sup> *See, e.g.*, 35 U.S.C. §§ 311(c) (explaining when a petitioner may file an IPR), 312(a)(1)-(5) (requirements for contents of petitions), 314(a) (defining institution standard—"reasonably likelihood that the petition would prevail"), 325(d) (allowing Director to decline an IPR that otherwise meets the institution standards if the petition presents "the same or substantially the same prior art or arguments [that were] previously ... presented to the Office").

proceedings.<sup>36</sup> These provisions show that Congress carefully considered how to promote the efficiency and purpose of IPRs in view of parallel proceedings, and intended IPRs to remain available even when there is parallel litigation. Notably, the AIA only provides the Director discretion to limit IPR proceedings when there is a prior proceeding *before the Office*.<sup>37</sup> There are no comparable provisions that grant the Director discretion when there is parallel litigation. To the contrary, the AIA establishes only mandatory—but limited—rules regarding the treatment of parallel litigation.<sup>38</sup> Where those provisions do not apply, the Director should not upset the careful balance struck by Congress by creating new grounds for denying review.

*Second*, discretionary denial based on parallel litigation is contrary to Congress's decision to afford defendants one year to file an IPR petition after they have been sued for patent infringement. The one-year bar provided in Section 315(b) was the subject of extended negotiations between the House of Representatives and Senate. The original Senate bill would have limited defendant's time to file an IPR after being sued to six months.<sup>39</sup> The House, however, extended this period to one year, and the Senate agreed to and adopted this change in the final law.

Senator Jon Kyl, one of the co-sponsors of the America Invents Act, explained that Senators accepted a one-year time limit for § 315(b) because they agreed and recognized that petitioners need this time to prepare their cases:

The House bill also extends the deadline for allowing an accused infringer to seek inter partes review after he has been sued for infringement. The Senate bill imposed a 6-month deadline on seeking IPR after the patent owner has filed an action for infringement. The final bill extends this deadline, at proposed section 315(b), to 1 year. High-technology companies, in particular, have noted that they are often sued by defendants asserting multiple patents with large numbers of vague claims, making it difficult to determine in the first few months of the litigation which claims will be relevant and how those claims are alleged to read on the defendant's products. Current law imposes no deadline on seeking inter partes reexamination. And in light of the present bill's enhanced estoppels, it is important that the section 315(b) deadline afford defendants a reasonable

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<sup>36</sup> See, e.g., 35 U.S.C. §§ 315(d) (“[I]f another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.”), 325(d) (allowing Director to decline an IPR that otherwise meets the institution standards if the petition presents “the same or substantially the same prior art or arguments [that were] previously ... presented to the Office”).

<sup>37</sup> *Id.*

<sup>38</sup> See 35 U.S.C. §§315(a)(1)-(3), 315(b).

<sup>39</sup> See S.23, American Invents Act, 112th Congress (2011), § 5 (proposed 35 U.S.C. § 315(b)) (“(b) Patent Owner’s Action.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 6 months after the date on which the petitioner, real party in interest, or his privy is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).”).

opportunity to identify and understand the patent claims that are relevant to the litigation. It is thus appropriate to extend the section 315(b) deadline to one year.<sup>40</sup>

The Director and Office do not have the discretion or authority to unravel this clear legislative compromise and contravene Section 315(b).<sup>41</sup>

Congress's intent is further exemplified by its policy judgement to not carry forward rules regarding parallel proceedings that existed for IPR's predecessor. The former *inter partes* reexamination statute took a strict approach to overlapping proceedings, prohibiting the Office from maintaining an *inter partes* reexamination after "a final decision" in litigation that the petitioner "ha[d] not sustained its burden of proving the invalidity" of the patent.<sup>42</sup> Thus, the predecessor statute expressly provided that the Office must consider parallel proceedings when determining whether to initiate or maintain an *inter partes* reexamination.

Significantly, Congress eliminated this provision when it replaced *inter partes* reexamination with IPRs. Instead of precluding or cutting off parallel proceedings, it decided to address the potential for "burdensome overlap between [IPR] and patent infringement litigation" in a different way—by setting a one-year deadline for the accused infringer to petition for IPR.<sup>43</sup> Thus, the one-year bar was a carefully crafted balance created by Congress to balance parallel proceedings with the goal of maintaining IPRs as a "quick and cost effective alternative[] to litigation."<sup>44</sup> Any rules promulgated or adopted by the Office that are directed to denying a petition based on parallel litigation is a clear rejection of Congress's carefully crafted balance, which is a judgment that the Office is not entitled to make.<sup>45</sup>

*Third*, Sections 314(a) and 316(b) do not authorize the Director to deny institution based on parallel district court proceedings.<sup>46</sup> Section 314(a) states that the Director "may not" institute an IPR "unless" the Director finds that "there is a reasonable likelihood that the petitioner would prevail" on at least one claim.<sup>47</sup> The Supreme Court has observed that the "decision to deny a petition is a matter committed to the Patent Office's discretion."<sup>48</sup> But that observation simply reflects the fact that the Director has limited discretion whether to institute an IPR, such

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<sup>40</sup> 157 Cong. Rec. S5429 (daily ed. Sep. 8, 2011).

<sup>41</sup> *Uniloc 2017 LLC v. Hulu, LLC*, 966 F.3d 1295, 1301 (Fed. Cir. 2020) (explaining that the Office must following the law when "Congress has directly spoken to the precise question at issue") (citations omitted).

<sup>42</sup> 35 U.S.C. § 317(b) (2006).

<sup>43</sup> *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374–75 (2020); 35 U.S.C. § 315(b).

<sup>44</sup> H.R. Rep. No. 112-98, at 48 (2011).

<sup>45</sup> *Cent. United Life Ins. Co. v. Burwell*, 827 F.3d 70, 73 (D.C. Cir. 2016) ("Disagreeing with Congress's expressly codified policy choices isn't a luxury administrative agencies enjoy.").

<sup>46</sup> The Director contends that she has authority to promulgate regulations regarding parallel district court litigation pursuant to these statutory provisions. *E.g.*, 88 Fed. Reg. at 24,504.

<sup>47</sup> 35 U.S.C. § 314(a).

<sup>48</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016); *SAS Inst., Inc. v. Iancu*, 200 L. Ed. 2d 695, 138 S. Ct. 1348, 1356 (2018).

as the considering whether the same prior art or arguments were previously considered by the office under Section 325(d).

Section 316(b) also fails to provide the Director the necessary authority. Section 316(b) provides that “[i]n prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.”<sup>49</sup> This does not provide the Director free-floating authority to adopt standards for discretionarily denying petitions in view of parallel litigation, but simply instructs the Director to consider the prescribed values when adopting regulations that it has the authority to promulgate.

Any discretion that the Director may have under Sections 314(a) and 316(b) cannot contravene the text and purposes of the AIA. As explained above, the text and intent of the AIA was to allow patent review by experts at the USPTO when there are parallel infringement actions so long as the Petition is filed within one year of the commencement of litigation. While the Office may disagree with the balance Congress struck, it “may not rewrite clear statutory terms to suit its own sense of how the statute should operate.”<sup>50</sup> Accordingly, the Director does not have the authority to promulgate any regulations limiting access to post-grant proceedings based on parallel litigation.

**B. Limiting Access To Post-Grant Review When There Are Parallel District Court Proceedings Is Inconsistent With The AIA**

In addition to the Director’s general lack of authority, each of the four primary options the ANPR discusses to replace the current *Fintiv* factors and 2022 Guidance Memorandum inappropriately expands the scope of discretionary denial or perpetuates uncertainty.<sup>51</sup>

1. Option 1: Bright-line rule denying institution whenever a trial is likely to occur before the projected statutory deadline for a final written decision.

The ANPR’s first option proposes a bright-line rule that would compare when a trial in parallel district court litigation is likely to occur with the projected deadline for the final written decision.<sup>52</sup> In addition to being plainly inconsistent with Congress’s decision to set a one-year deadline to file a petition, this proposal undermines the purpose of the AIA.

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<sup>49</sup> 35 U.S.C. § 316(b)

<sup>50</sup> *Util. Air Regulatory Grp. v. EPA*, 573 U.S. 302, 328 (2014); *see also, e.g., SAS Inst.*, 138 S. Ct. at 1355 (“[T]he duty of an administrative agency is to follow its commands as written, not to supplant those commands with others it may prefer.”).

<sup>51</sup> The Office is also considering promulgating rules that discretionary denial is not permissible in two circumstances: (1) in PGR proceedings and (2) when the parallel proceeding is an ITC investigation. Because we do not believe that any discretionary denial rules based on parallel proceedings are proper, we support the Director declining to exercise discretion to deny an IPR petition in these circumstances.

<sup>52</sup> 88 Fed. Reg. at 24,515.

It is well-known that trial dates for district court cases frequently move for a variety of reasons. Indeed, there are numerous instances where the Board discretionarily denied an IPR petition based on a trial date, only for the trial date to ultimately be moved to *after* the statutory deadline for the final written decision. In particular, one study found that in the two busiest patent venues, 70% of trials in the Western District of Texas and all trials studied in Delaware were postponed after the Board denied IPR in reliance on earlier trial dates.<sup>53</sup> The proposal requires the Board to speculate about the likely course of litigation, a task on which it does not have a strong track record and which will produce irrational outcomes and unpredictable disparities between similar IPR petitions.<sup>54</sup>

Moreover, the deadline for a final written decision is not necessarily based on the filing date of a petition. Once a petition is filed, the Office issues a notice of accord of filing date, which sets the statutory deadline for the Board to issue its institution decision.<sup>55</sup> By statute, the institution decision is due within six months of the filing notice, and to the extent the IPR is instituted, the final written decision is due within one year of the institution decision.<sup>56</sup> Thus, generally speaking, the final written decision is issued 18 months after the notice.

In some circumstances, the Office issues the filing notice a few days after the IPR petition is filed. But in other circumstances and without reason, the Office may not issue the filing notice for several months. As a result, the amount of time it takes the Office to issue the filing notice could be dispositive on when the final written decision is issued. This means that a petitioner who quickly files an IPR petition after being sued could still have its petition denied if, due to the Office's unexplained delay in issue the filing notice, the deadline for the final written decision is pushed beyond the anticipated trial date. Whether an IPR is instituted should not be based on how quickly the Office issues the filing notice, and if the proposal is adopted, disparate outcomes could erode trust in the fairness of IPRs.

The proposal also undermines the AIA's intent of addressing patent quality in an efficient manner.<sup>57</sup> If this bright-line rule is adopted, accused infringers will be pressured to quickly file IPR petitions after being sued for infringement. Depending on the venue of the parallel litigation and the litigation's status, the number of asserted claims may remain large and claim construction issues may remain undecided. As a result, accused infringers must file overinclusive petitions to account for the varying circumstances. This causes the Board to waste resources on adjudicating claims and arguments that may not ultimately be relevant to the parties' dispute.

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<sup>53</sup> McKeown, District Court Trial Dates Tend To Slip After PTAB Discretionary Denials, Patents Post-Grant (July 24, 2020), <https://www.patentspostgrant.com/district-court-trial-dates-tend-to-slip-after-ptab-discretionary-denials/>.

<sup>54</sup> See *Horsehead Res. Dev. Co. v. Browner*, 16 F.3d 1246, 1269 (D.C. Cir. 1994) (“[A]gency actions based upon speculation are arbitrary and capricious”).

<sup>55</sup> See 37 C.F.R. §§ 42.106, 42.107.

<sup>56</sup> See 35 U.S.C. §§ 314(b), 316(a)(11).

<sup>57</sup> See H.R. Rep. No. 112-98, at 40 (2011).

The proposal also incentivizes forum shopping to judicial districts that, by default, schedule early trial dates.<sup>58</sup> Plaintiffs are not ignorant that some districts schedule earlier trial dates than others, and may shop for forums that have faster trial dates to yield weaker IPR petitions (by virtue of petitioners having less time to file any petitions) and, depending on the timing, fully insulate patents from review (by virtue of discretionary denial). Thus, at best, this proposal allows infringement plaintiffs to increase pressure on defendants to file premature IPR petitions. At worst, it allows infringement plaintiffs to block IPRs entirely, defeating Congress's intent and disserving the patent system.

2. Option 2: Bright-line rule if the IPR petition is filed within six months.

The ANPR's second option proposes a bright-line rule that would modify the statutory deadline to file an IPR petition to six months after a petitioner, real party in interest, or privy of the petition is served with a complaint for patent infringement, if the petitioner wishes to avoid the possibility of a discretionary denial.<sup>59</sup> This option, like the rest, is plainly inconsistent with the text of the AIA. As discussed above, the original Senate bill proposed a six-month deadline for accused infringers to file an IPR.<sup>60</sup> But as explained by Senator Kyl, Congress was concerned that this six-month deadline did not provide accused infringers sufficient time to draft and file an IPR.<sup>61</sup> Congress therefore modified the statutory deadline to one year to provide accused infringers sufficient time to draft and file an IPR. Thus, Congress carefully considered the length of time an accused infringer should have to file an IPR, and ultimately decided that one year was the appropriate length of time. This proposal seeks to overturn the balance struck by Congress and rewrite the statute to be consistent with the Senate bill that was expressly rejected. The Office has no authority to "rewrite clear statutory terms to suit [its] own sense of how the statute should operate."<sup>62</sup>

This option also undermines the AIA's intent of addressing patent quality in an efficient manner for the reasons discussed with regard to Option 1 above. Petitioners need sufficient time to refine their arguments in order to file high-quality petitions. In addition, it is often not clear at the outset of litigation what claims a patent owner actually intends to pursue. Six months is not sufficient time for the most relevant claims to be identified in litigation, and such a short deadline will encourage rushed and overinclusive petitions that challenge more claims, burdening the Office and the parties alike.

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<sup>58</sup> For example, it is well-known that the Western District of Texas typically schedules earlier trial dates when compared to the District of Delaware.

<sup>59</sup> 88 Fed. Reg. at 24,515.

<sup>60</sup> See S.23, American Invents Act, 112th Congress (2011), § 5 (proposed 35 U.S.C. § 315(b)).

<sup>61</sup> 157 Cong. Rec. S5429 (daily ed. Sep. 8, 2011).

<sup>62</sup> *Util. Air*, 573 U.S. at 328; see also, e.g., *SAS Inst.*, 138 S. Ct. at 1355.

3. Option 3: Bright-line rule denying institution unless the petitioner enters a *Sotero* stipulation

The ANPR's third option proposes discretionarily denying a petition unless the petition includes a *Sotera* stipulation promising not to pursue any grounds that were or could have reasonably been raised in the petition.<sup>63</sup> This proposal also has no basis in the text of the AIA. Indeed, the AIA does not include a single provision that indicates a petitioner must file a stipulation of any type for its petition to be instituted.

The AIA's structure confirms this conclusion. The AIA provides clear guidance on what must be included in a petition for institution.<sup>64</sup> But none of these provisions provide that the petitioner must also file a stipulation of any type as a condition for institution. Moreover, Congress already carefully considered how overlapping issues between IPRs and parallel district court proceedings can be minimized. For example, Section 315(e)(2) provides that *after a final written decision is issued* in an IPR, the petitioner cannot argue in the parallel proceeding that a challenged "claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review."<sup>65</sup> This shows that Congress carefully considered how to minimize overlapping issues between district court proceedings and IPRs, and spoke on the issue. The Office may not substitute its judgment for Congress particularly when the text of the AIA clearly addresses the issue.

The proposal also undermines the AIA's intent of addressing patent quality. Some parties may be unwilling to file *Sotera* stipulations for a variety of reasons. For example, litigation is sometimes a moving target in which the patent owner manipulates the number of claims being asserted and its construction of those claims in order to increase its chances of proving infringement. Requiring a broad *Sotera* stipulation impedes the ability of defendants to respond to such changes. But under the ANPR's proposal, any party that does not include a *Sotera* stipulation may have its petition discretionarily denied. This will result in either weak patents going unchallenged in post-grant proceedings or allowing patent owners to take advantage of defendants who have been forced to give up defenses in litigation. Such a fundamental change to the balance between litigation and post-grant proceedings should come only from Congress, not an administrative change.

4. Option 4: New multi-factor test.

The ANPR's fourth option proposes a multifactor test that would examine (1) past and future expected investment in the parallel proceeding by the district court and the parties; (2) the

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<sup>63</sup> 88 Fed. Reg. at 24,515-16. A *Sotera* stipulation is when a petitioner stipulates that it will not pursue any ground that it raised or reasonably could have raised in its IPR petition in the parallel district court proceeding. *Id.* at 24,515; *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, 2020 WL 7049373, at \*7 (PTAB Dec. 1, 2020).

<sup>64</sup> For example, the petitioner must pay a fee, identify all real parties in interest, identify with particularity how the prior art invalidates the claims, and provide copies of the patents and any declarations relied on in the petition. *See, e.g.*, 35 U.S.C. § 312(a)(1)-(5).

<sup>65</sup> 35 U.S.C. § 315(e)(2).



degree of overlap between the issues in the petition and the parallel district court proceeding; and (3) any other circumstances that the parties contend are relevant to the Board's exercise of discretion.<sup>66</sup> The proposed test would not ask whether the district court is likely to grant a stay, and it would take into account parallel litigation involving a real party in interest, privy, or substantially related party.<sup>67</sup> As explained by the Office, the first two factors are similar to *Fintiv* factors 1 and 2, and the third factor is similar to *Fintiv* factor 6.<sup>68</sup> Thus, this rule is simply a modified version of *Fintiv*, just with fewer factors.

As detailed above, the text of the AIA and intent behind it provides no support for a multi-factor test comparing an IPR petition with a district court proceeding for the purposes of institution.

Moreover, the *Fintiv* factors were so vague and malleable that they yielded inconsistent outcomes on nearly identical facts. For example, under the current *Fintiv* factors, some panels have found that the lack of a trial date weighs in favor of discretionary denial,<sup>69</sup> whereas other panels found that the lack of a trial date weighs against discretionary denial.<sup>70</sup> Because the factors in this proposal are simply another variation of *Fintiv*, the same inconsistent outcomes will inevitably occur, which could erode trust in the fairness of IPRs.

The vagueness of a multi-factor test will also consume disproportionate resources litigating the threshold question of whether to institute review. That effort is better spent considering claims on the merits and improving patent quality.

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In conclusion, the Director has no authority to promulgate any regulations that premise institution of an IPR on parallel litigation. To the extent the Director has any discretion, the current Proposal does not offer any rules that are permissible or advisable in view of the text of the AIA and congressional intent behind it.

**C. The Director Does Not Have The Authority To Discretionarily Deny a Petition Based on Prior Adjudication**

The ANPR proposes discretionarily denying a petition when a prior final adjudication by a district court or the Office has upheld the validity of the challenged claims or claims that substantially overlap with the challenged claims.<sup>71</sup> The ANPR indicates that this rule would not apply where the petitioner (1) would have standing to challenge the claims in district court or

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<sup>66</sup> 88 Fed. Reg. at 24,516.

<sup>67</sup> *Id.*

<sup>68</sup> *Id.*

<sup>69</sup> *E.g., Ethicon, Inc. v. Board of Regents, University of Texas System*, IPR2019-00406, 2020 WL 3088846, at \*4 (P.T.A.B. June 10, 2020).

<sup>70</sup> *E.g., Google LLC v. Uniloc 2017 LLC*, IPR2020-00441, 2020 WL 4037963, at \*14 (P.T.A.B. July 17, 2020).

<sup>71</sup> 88 Fed. Reg. at 24,510.

intends to pursue commercialization of a product or service in the field of invention; (2) was not a real party in interest or privy in a prior challenge; and (3) meets the heightened burden of showing compelling merits.<sup>72</sup> The Director lacks the authority to implement this proposal.

As discussed above, the text and structure of the AIA provide clear rules defining the mandatory conditions that must be satisfied for an IPR to be instituted and the permissive factors that the Director may consider to decline an IPR that otherwise meets the institution standards.<sup>73</sup> None of these provisions indicates that the Director may decline a petition based on the outcome of other proceedings, including proceedings that may not have involved the petitioner. Congress specified that the outcome of an IPR could have estoppel effect in other proceedings, but it pointedly declined to adopt a provision running in the opposite direction.

The proposal also provides opportunities for gamesmanship by patent owners. For example, patent owners may initially sue a single company for patent infringement, and then after obtaining a favorable judgment, sue the remaining companies in the related industry. Under the current proposal, a company that is sued second would not be able to file IPRs unless its petition meets the compelling merits standard. But as discussed below, the compelling merits standard is not the standard Congress chose for institution, and could result in IPRs being discretionarily denied that should otherwise be implemented. A party that is accused of patent infringement should not be punished under this framework simply for being sued second. Each party accused of patent infringement should instead be afforded the opportunity to file an IPR and have its petition evaluated under the clear framework established by Congress.

### **III. The Director Has Limited Authority to Regulate Post-Grant Proceedings Based on Separate Office Proceedings and Restricting Access to Post-Grant Proceedings Is Inconsistent With the AIA**

The ANPR also includes various rules that would result in discretionary denial based on the status and content of parallel or prior proceedings before the Office. As detailed below, outside of the proposals regarding Section 325(d), these proposals are inappropriate and inconsistent with the AIA.

#### **A. Section 325(d) Grants the Director Limited Authority to Regulate IPRs**

In sharp contrast to the lack of statutory authority to impose new limits on post-grant review based on parallel district court proceedings, the AIA provides statutory authority to deny a post-grant review if the petition includes “the same or substantially the same prior art or arguments [that were] previously ... presented to the Office.”<sup>74</sup> The ANPR wisely proposes to exercise this authority sparingly and with an eye to the core purpose of the AIA.

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<sup>72</sup> *Id.*

<sup>73</sup> *See, e.g.*, 35 U.S.C. §§ 311(c), 314(a), 325(d).

<sup>74</sup> 35 U.S.C. § 325(d).

Specifically, we support the proposal not to deny review merely because a reference has been cited in an information disclosure statement or otherwise noted in passing.<sup>75</sup> Instead, discretionary denial should be reserved for situations in which the Examiner has devoted as much attention to a reference as the Board does in an IPR.

Moreover, the Examiner's discussion of a reference should never be treated as dispositive, and review should not be denied when the reference is presented as part of a new combination or it appears that the Examiner's understanding or analysis of the reference was incomplete or otherwise flawed. Thus, we also support rules that require the Director to decline exercising discretionary denial if the petitioner establishes material error by the Office.

**B. The Director Cannot Require Petitioners to File Stipulations Regarding Future Challenges as a Predicate for Institution**

The ANPR proposes, as a condition for institution, requiring a petitioner to submit a stipulation that (1) the petitioner, real party in interest, and privy did not file a prior IPR, PGR, or *ex parte* reexamination; and (2) that if the petition is instituted, the petitioner, real party in interest, and privy will not challenge any of the challenged claims in a subsequent post-grant proceeding, including PGRs, IPRs, and *ex parte* reexamination.<sup>76</sup> The proposal includes a limited exception to this rule, which would permit subsequent petitions only if the patent owner seeks to broaden the scope of the claims through claim construction.<sup>77</sup>

As detailed above, the AIA does not include a single provision that indicates a Petitioner must file a stipulation of any type for its petition to be instituted. The AIA also shows that Congress carefully crafted a balance between the various post-grant proceedings. The AIA includes specific timing requirements that do not allow IPRs or PGRs to overlap;<sup>78</sup> does not allow IPRs, PGRs, or *ex parte* to be based on the same or substantially the same prior art or arguments that were previously considered by the Office;<sup>79</sup> and does not allow a petitioner, real party in interest, or privy to request or maintain an IPR following a final written decision.<sup>80</sup> Thus,

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<sup>75</sup> 88 Fed. Reg. at 24,511 (“Art or arguments would be deemed to have been previously addressed where the Office evaluated the art or arguments and articulated its consideration of the art or arguments in the record. For example, for the art to be deemed ‘previously addressed,’ the claims must have been distinguished over the art in the record where the art was the basis of a rejection where the rejection was withdrawn or overcome by an amendment, was distinguished in a notice of allowance, or was discussed during an examiner interview. The mere citation of a reference on an Information Disclosure Statement (whether or not checked off by an examiner), in a Notice of References Cited (PTO–892) during prosecution of the challenged patent, or in search results would not be considered sufficient to be deemed ‘previously addressed’ for purposes of 35 U.S.C. 325(d).”).

<sup>76</sup> 88 Fed. Reg. at 24,517.

<sup>77</sup> *Id.*

<sup>78</sup> *See, e.g.*, 35 U.S.C. § 311(c).

<sup>79</sup> *See* 35 U.S.C. § 325(d).

<sup>80</sup> *See* 35 U.S.C. § 315(e)(1) (“The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.”).

Congress carefully considered how the various proceedings before the Office are related, and created a series of rules to minimize any overlap between proceedings. The proposal upsets that balance.

This proposal also deprives parties of the right to seek reexamination following an IPR. Unlike IPRs and PGRs, reexaminations do not have any temporal requirements. But this new proposal unlawfully adds a new timing requirement in the reexamination statute. The Director does not have the authority to deny parties a right that was specifically granted by Congress.

The proposal also ignores the differences in scope among the different proceedings. For example, *ex parte* reexaminations are not limited to challenges based on patents and printed publications like IPRs. But the proposal would require an IPR petitioner to preemptively give up the right to pursue additional arguments in an *ex parte* reexamination even though those challenges could not have been raised in an IPR.

Moreover, Congress specifically contemplated how to address any harassment of patent owners by unsuccessful IPR petitioners in subsequent reexaminations through Section 325(d), which applies to reexaminations. The Director's ability to regulate harassment of patent owners is exemplified by the Federal Circuit's decision in *In re Vivint, Inc.*, 14 F.4th 1342 (Fed. Cir. 2021), where the Federal Circuit used Section 325(d) to deny reexamination based on harassment by the requestor/prior petitioner.

The proposal also runs afoul of the AIA's intent to address the merits of weak patents.<sup>81</sup> For example, there are circumstances where a party may not identify certain prior art until after it files an IPR petition. Under the proposed framework, this party would not be able to initiate another proceeding at the Office, such as a reexamination, which could mean that the Office might not evaluate the patent in view of the best prior art.

**C. The Director Has No Authority to Adopt A Sweeping Rule Presumptively Denying "Serial" Petitions, and Such a Rule Would Be Bad Policy**

The ANPR defines a "serial petition" as a petition filed after the filing of a preliminary response (or after the time to file a preliminary response has lapsed).<sup>82</sup> The ANPR proposes replacing the current *General Plastics* factors with a rule that would discretionarily deny any "serial" IPR or PGR petition with at least one overlapping claim filed by the same petitioner, a real party in interest or privy, a party with a significant relationship to the original petitioner, or a party who previously joined an instituted IPR or PGR. The ANPR explains there would be only two exceptions to this rule: (1) the earlier petition was resolved for reasons not materially related to the merits; or (2) there are exceptional circumstances, such as a change in the scope of the claims through amendment.

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<sup>81</sup> See H.R. Rep. No. 112-98, at 40 (2011).

<sup>82</sup> 88 Fed. Reg. at 24,510.

These proposals are improper in view of the text and structure of the AIA. As discussed above, the AIA provides specific rules that address later filed petitions.<sup>83</sup> These provisions show that Congress contemplated additional IPR petitions being filed against a single patent, and provided the Director multiple tools on how to handle multiple petitions. Notably, none of the provisions expressly prohibit serial petitions by any party, and the Director does not have the authority to supplant Congress's judgment.

Further, the ANPR seems to suggest that serial petitions are inherently bad. That premise is incorrect. In fact, there are certain circumstances where serial petitions are necessary. As one example, a patent owner may sue a first company that files an IPR petition. The patent owner may then sue a second company that is "substantially related" to the first, who many want to defend itself by filing an IPR that, unlike the first petition, challenges the priority date of the patent. Yet under the current framework, if the first IPR is instituted, because the parties are "substantially related," the second party would not have its substantively different IPR evaluated on the merits. Each party is entitled to file an IPR under the AIA, and a second company that is sued should not be deprived of the opportunity to file an IPR solely because it was second.

Indeed, patent owners could take advantage of the current proposal on serial petitions to shield patents from post-grant review. For example, patent owners could strategically sue parties that are "substantially related," but not real parties in interest or privies. If patent owners stagger their lawsuits, they could deprive later sued parties the opportunity to file IPRs.

Any notion that filing serial petitions is inherently harassment is also incorrect. Serial petitions may be filed for a variety of reasons, including by substantially related parties that are sued at different times who want to pursue divergent strategies in an IPR. Also, to the extent there is any actual harassment, the Director has tools to address such scenarios. The Director can deny a serial petition under Section 325(d) if it presents the same art or arguments, and the Director can promulgate regulations under Section 316(a)(6) to allow the Office to issue "sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause ... an unnecessary increase in the cost of the proceeding."<sup>84</sup>

#### **D. Imposing Strict Restrictions on "Parallel" Petitions Is Inconsistent With The AIA**

The ANPR defines "parallel petitions" as two or more petitions filed before a preliminary response by the same petitioner or someone with a substantial relationship to the petitioner.<sup>85</sup> The ANPR proposes that a petitioner must show good cause to file multiple petitions, and in assessing whether there is good cause to institute multiple petitions, the Office would consider a variety of factors.<sup>86</sup>

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<sup>83</sup> *E.g.*, 35 U.S.C. §§ 315(d), 325(d).

<sup>84</sup> 35 U.S.C. § 316(a)(6).

<sup>85</sup> 88 Fed. Reg. at 24,512.

<sup>86</sup> *Id.* at 24,512-13.

Similar to serial petitions, the proposal suggests that parallel petitions are inherently bad. That premise is also incorrect. In a district court case, a party with the burden of proof can develop facts and arguments *after* the case is initiated to prove its case. That is not true for IPRs. In IPRs, the petition is the *entire* case. Depending on the status of any parallel litigation, a petition may need to account for multiple constructions, priority issues, and the status of prior art. To make IPRs meaningful, multiple petitions may therefore be required. Otherwise, petitioners could not account for the various circumstances that may result in weak patents surviving review.

Moreover, the current Federal Circuit law on IPR estoppel is very restrictive for petitioners. Under the current case law, “estoppel applie[s] not just to claims and grounds asserted in the petition and instituted for consideration by the Board, but to all grounds not stated in the petition but which reasonably could have been asserted against the claims included in the petition.”<sup>87</sup> As a result, the petition is functionally a petitioner’s only shot at arguing invalidity based on patents and printed publications. But if there are multiple issues that must be addressed, a single petition may be insufficient. Thus, to ensure IPRs are meaningful and account for the broad range of issues that may arise, petitioners should not be restricted to only one petition.

**E. Discretionarily Denying A Petition Based On “Overlapping Claims” Is Inconsistent With The AIA**

The ANPR proposes discretionarily denying an IPR petition if there is “substantial overlap” between the challenged claims and claim sets from other patents (e.g., a claim set from a separate IPR).<sup>88</sup> The ANPR suggests that there is “substantial overlap” when at least one challenged claim is “substantially the same,” meaning that any differences are not material to patentability.<sup>89</sup> The ANPR also indicates that the Office is considering a more subjective test to determine whether claim sets “substantially overlap.”<sup>90</sup>

We do not believe that the Office should propose any rules addressing the similarity of claims across different patents because such rules could have chilling effects on accused infringers. For example, some patent families are expansive. Although the claims in some patent families are similar and facially overlap, the claims could have subtle differences that are material for patentability or infringement. As a result, a patent owner could take advantage of any rules directed to “overlapping claims” by first suing another entity with the narrowest claim set. Then, to the extent the claims survive, the patent owner could sue the same entity or different entities with the broader claims and, under the current proposal, could avoid any IPRs on the merits of the broader claims by arguing the claims “substantially overlap” with the narrower

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<sup>87</sup> *California Inst. of Tech. v. Broadcom Ltd.*, 25 F.4th 976, 991 (Fed. Cir. 2022).

<sup>88</sup> 88 Fed. Reg. at 24,507.

<sup>89</sup> *Id.*

<sup>90</sup> *Id.*

claims that were previously reviewed. This gamesmanship could insulate broad weak patents from post-grant review, which is contrary to the intent of the AIA.

Moreover, like serial petitions, any rules prohibiting IPRs to “overlapping claims” could deprive a party from filing an IPR simply because it was sued second. Each party accused of infringement should have the right to defend itself on the merits and not be bound by the strategic decisions of a first party.

#### **IV. The “Compelling Merits” Standard Improperly Heightens the Institution Standard**

The ANPR proposes a “compelling merits” standard that would allow a petition to be instituted even if other discretionary denial rules were satisfied.<sup>91</sup> The ANPR indicates that an IPR petition would present “compelling merits” if “the evidence of record before the Board at the institution stage is highly likely to lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence.”<sup>92</sup>

This proposal should not be implemented because the Director does not have the authority to modify the clear institution standard established by Congress. Section 314(a) provides the institution standard for IPRs—the petition “shows there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.”<sup>93</sup> “Where a statute’s language carries a plain meaning,” an agency’s duty “is to follow its commands as written, not to supplant those commands with others it may prefer.”<sup>94</sup> Here, Congress’s command is clear: The standard for instating an IPR is whether the petition shows it is more likely than not that the petitioner will prevail with respect to at least 1 challenged claim. Thus, the Director does not have the authority to create a heightened standard for institution and supplant Congress’s judgment on the institution standard.

That said, to the extent that the Director and Office promulgate regulations that make discretionary denial routine and ubiquitous, the Office should always institute a petition despite the discretionary denial rules if the petition presents “compelling merits.” The intent of the AIA was to address patent quality.<sup>95</sup> Therefore, to the extent discretionary denial is common, a backstop should exist to ensure that petitions which present strong challenges against weak patents are always evaluated on the merits. But it would be better to avoid this need for a safety valve in the first instance by making discretionary denial rare.

#### **V. Briefing and Settlement Agreements**

The ANPR also includes proposed rules regarding the briefs filed in post-grant proceedings and settlement agreements. As detailed below, while we welcome regulations in these areas, we

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<sup>91</sup> 88 Fed. Reg. at 24,507.

<sup>92</sup> *Id.* (citing *OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021–01064, Paper 102 at 49 (PTAB Oct. 4, 2022)).

<sup>93</sup> 35 U.S.C. § 314(a).

<sup>94</sup> *SAS Inst.*, 138 S. Ct. at 1355.

<sup>95</sup> See H.R. Rep. No. 112-98, at 40 (2011).

believe that the regulations must be consistent with the text and intent of the AIA, which provides that discretionary denial should be rare, patent quality should be addressed on the merits, and settlement agreements must only be filed for instituted proceedings.

**A. Separate Briefs for Discretionary Denial Are Not Necessary**

The ANPR proposes a separate briefing process for parties to address discretionary denial issues.<sup>96</sup> The fact that additional briefs are being considered shows that the discretionary denial jurisprudence and related proposals are completely divorced from the AIA's goal of addressing patent quality on the merits. The Office should focus on reducing the grounds for discretionary denial, and thus reducing fights over non-merits issues, rather than adding additional procedures to what is supposed to be a streamlined proceeding.

That said, to the extent the barriers to institution are not reduced, the Director should permit separate briefing on discretionary denial, at least until any discretionary denial regulations are challenged in court or other venues, so petitions and the primary pre-institution papers can remain focused on the merit issues surrounding patent quality.

**B. Word Counts Should Be Increased**

The ANPR proposes allowing petitioners to increase the current 14,000 word-limit for petitions by allowing petitioners to pay additional fees for a higher word-count limit or creating a good cause exception to the word-count limit.<sup>97</sup> We believe that petitioners should be allowed to increase word limits, and welcome rules that make it easier for petitioners to do so.

The word count for a petition is not like the word count for a brief. A post-grant review petition must not only make an argument, but it must also lay out the petitioner's *entire* case and supporting evidence.<sup>98</sup> We recognize that the Office does not want to routinely receive voluminous petitions. However, where patent owners refuse to limit the number of claims asserted in district court or there are competing claim constructions or priority disputes that remain unresolved when the post-grant petition is filed, the current word-limit is insufficient to adequately address the quality of a patent in view of the prior art.

Currently, petitioners can file a motion to waive the word counts of a petition. However, the "petitioner must show in the motion how a waiver of the word counts is in the interests of justice and must append a copy of proposed petition exceeding the word count to the motion."<sup>99</sup> This is a high standard, and if the request is denied (which is likely), the petition is

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<sup>96</sup> 88 Fed. Reg. at 24,517.

<sup>97</sup> 88 Fed. Reg. at 24,513.

<sup>98</sup> *Apple Inc. v. Andrea Elecs. Corp.*, 949 F.3d 697, 705 (Fed. Cir. 2020) ("It is of the utmost importance that petitioners in the IPR proceedings adhere to the requirement that the initial petition identify with particularity the evidence that supports the grounds for the challenge to each claim.") (citations and internal quotes omitted); 37 C.F.R. § 42.23(b) ("A reply may only respond to arguments raised in the corresponding opposition, patent owner preliminary response, patent owner response, or decision on institution.").

<sup>99</sup> 37 C.F.R. § 42.24(a)(2).



returned or expunged without any apparent provision for preserving the petitioner's filing date<sup>100</sup>.

The proposals in the ANPR would lower this standard and make it easier for petitioners to increase the word limits. In particular, we believe that the Office should allow Petitioners to pay additional fees for a high word count.<sup>101</sup> We are concerned that a “good cause” standard for increased word limits, while better than the current rules, could be difficult to define and may result in disparate outcomes based on similar facts. Allowing petitioners to simply pay a modestly higher fee for increased word limits creates a predictable rule, and will force petitioners to carefully consider whether a higher word count is necessary in view of the increased costs.

Moreover, we agree that if a petitioner receives an increased word limit, the word limits for other filings should be increased proportionally.

### C. Settlement Agreements Should Only Be Required to Be Filed in Instituted Proceedings

As acknowledged in the ANPR, there are no current rules that foster the consistent treatment of settlement agreements in post-grant proceedings.<sup>102</sup> This results in disparate outcomes and does not provide predictability for stakeholders. It is important to bring clarity to settlement agreements, and we welcome regulations directed to settlement agreements so long as the regulations are consistent with the text of the AIA.

The ANPR proposes rules that require parties to file settlement agreements when seeking to terminate an IPR proceeding regardless of the status of the proceeding.<sup>103</sup> But as recognized by the Office, the plain language of the AIA only requires settlement agreements to be filed *after* institution.<sup>104</sup> Section 317(a) states that settlement agreements must be filed in connection with “the *termination* of an inter partes review” proceeding.<sup>105</sup> Because an IPR cannot be

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<sup>100</sup> *Id.*

<sup>101</sup> The Proposal also suggests that if a petitioner pays for a higher word count, it should not be allowed to file a second petition. 88 Fed. Reg. at 24,513. As detailed above, we do not believe that the Office should take a restrictive approach to parallel or serial petitions. Circumstances may arise where petitioners have valid reasons for submitting multiple petitions with higher word counts—e.g., the patent owner has not dropped any claims, the claims are long, the underlying technology is complicated, and there are fundamental unresolved claim construction disputes between the parties.

<sup>102</sup> 88 Fed. Reg. at 24,517-18.

<sup>103</sup> *Id.*, at 24,518 (“For consistency and predictability, the considered changes would ensure that pre-institution settlement agreements, like post-institution settlement agreements, are filed with the Board.”).

<sup>104</sup> *Id.*, at 24,517 (“Although 35 U.S.C. 135(e), 317(b), and 327(b) require filing of settlement agreements made in connection with, or in contemplation of, the termination of a proceeding that has been instituted, *these statutory provisions do not expressly govern AIA pre-institution settlement.*”) (emphasis added).

<sup>105</sup> 35 U.S.C. § 317(a).

terminated until it begins, the statute only requires settlement agreements for instituted proceedings.

The text of the AIA reflects that an *inter partes* review proceeding *begins* when the petition is instituted. The statute specifically distinguishes the submission of an IPR petition from the IPR proceeding, which makes clear that any person may submit an IPR petition, but there is no guarantee that an IPR will be conducted. The Supreme Court has recognized the distinction between pre-institution and the IPR proceeding: “Once *inter partes* review is instituted, the Patent Trial and Appeal Board ... examines the patent’s validity .... During the *inter partes* review, the petitioner and the patent owner are entitled to certain discovery, to file affidavits, declarations, and written memoranda, and to receive an oral hearing before the Board.”<sup>106</sup> The Federal Circuit has also indicated that although a petition provides the means by which a party can request an IPR, “[t]he IPR does not begin until it is instituted.”<sup>107</sup> Thus, as acknowledged by the Supreme Court and Federal Circuit, the text of the AIA reflects that the start of an IPR is when the petition is instituted.

As a result, the text of the AIA is clear—settlement agreements must be filed for instituted proceedings, but are not required for proceedings that have yet to be instituted. While the Office may disagree with this policy decision, it may not substitute its judgment for Congress when the text of the AIA clearly addresses the issue. The Director should therefore adhere to the text of the AIA and promulgate regulations that only require parties to file settlement agreements in proceedings that have been instituted.

## VI. Conclusion

Many of the proposals in the ANPR plainly conflict with the AIA. The text and congressional intent of the AIA is clear—discretionary denial should be the rare exception. Yet the overwhelming majority of the proposed rules, if implemented, would make discretionary denial routine and ubiquitous. We therefore urge the Director and Office to not move forward with the proposals that contradict the text of the AIA and congressional intent behind it. The entire point of the AIA is to address the merits of patent quality, and the Director and Office should remove, not increase, the barriers to accomplishing that goal.

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The Quality Patents Coalition is grateful for this opportunity to comment on the Proposal, and we remain committed to working towards an improved patent system together with the USPTO.

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<sup>106</sup> *Oil States Energy Services, LLC v. Green’s Energy Group, LLC*, 138 S. Ct. 1365, 1371 (2018) (emphasis added and citations omitted).

<sup>107</sup> *Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016) (reversed on other grounds).

Sincerely,

American Bankers Association

Bank Policy Institute

The Clearing House Association

Electronic Transactions Association

Independent Community Bankers of America

National Restaurant Association

Payments Leadership Council