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To: Upload at <https://beta.regulations.gov/commenton/PTO-C-2020-0055-0001>
CC: Scott C. Weidenfeller, Vice Chief Administrative Patent Judge,
Via email: scott.weidenfeller@USPTO.GOV

Re: *Request for Comments on Discretion To Institute Trials Before the Patent Trial and Appeal Board.* Docket No. PTO-C-2020-0055.

IEEE-USA is pleased to submit these comments on the above-captioned Notice of Inquiry published in [85 Fed. Reg. 66502 \(October 20, 2020\)](#), (“NOI”). We commend the U.S. Patent and Trademark Office (“PTO” or the “Office”) for reconsidering and reviewing its existing Patent Trial and Appeal Board (“PTAB”) rules of practice. IEEE-USA supports this important step towards establishing the improvements of the PTAB practice by *regulations*, a framework that will reduce uncertainty and improve fairness.

IEEE-USA represents about 170,000 engineers, scientists, and allied professionals whose livelihoods depend on American technology companies and their domestic research and development operations. Our members include inventors and researchers involved in scientific discovery and cutting-edge technology development. They work for large and small companies, and as individual inventors or entrepreneurs, and depend on a strong U.S. patent system.

The America Invents Act enacted on September 16, 2011 (“AIA”) established new proceedings at the PTO for challenging the validity of issued patent claims in administrative trials. Such a trial may be an *inter partes* review (“IPR”) or post grant review (“PGR”). The Director of the PTO is vested with broad authority to institute or deny institution of such proceedings.¹ The Director delegated by regulation AIA trial institution decisions to the PTAB,² and the PTAB conducts the reviews.³

IEEE-USA is generally supportive of the proposals contemplated in the NOI, as they remove structural bias and improve fairness and balance in post-issuance patent reviews, consistent with our Position Statement on such matters.⁴ The NOI

¹ 35 U.S.C. §§ 314 and 324

² 37 C.F.R. § 42.4(a) (“The Board institutes the trial on behalf of the Director.”)

³ 35 U.S.C. §§ 316(c), 326(c).

⁴ IEEE-USA [Balance in U.S. Patent Law](#) (November 22, 2019) (at 2: “A functioning IP system must be fair, and as importantly, be perceived to be fair;” at 3: IEEE-USA supports “[e]stablishing balance in inter partes reviews, post-grant reviews and covered business method reviews...”).

focuses on the scope and appropriate implementation of the Director’s discretion to deny institution of AIA trials and seeks public comments on specific questions related to the exercise of that discretion. We address these issues below.

1. Congress vested plenary rulemaking authority with the PTO Director to deny institution of AIA trials, including under mandatory enumerated statutory factors

Congress set only a *one-sided (prohibitory)* bound on the PTO Director’s authority to decide whether to institute AIA trials—“[t]he Director *may not* authorize [a] review to be instituted unless” (for IPRs) “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition;”⁵ or (for PGRs) “it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”⁶ The AIA thus vests with the Director broad discretion to deny AIA trial institution for any reason.⁷ The AIA contains no statutory right for petitioners to have an AIA trial instituted, nor does it provide for any sufficient conditions that, if met, would have mandated institution. The Director’s decision on institution “shall be final and nonappealable.”⁸

The Director is further authorized under §§ 315(d) and 325(d) where another proceeding or matter involving the patent is before the Office “to determine the manner in which the ... review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination.” The AIA also provides that the Director may “take into account whether, *and reject the petition or request* because, the same or substantially the same prior art *or* arguments previously were presented to the Office.”⁹ Congress also instructed the Director to ensure through regulation the protection from any “improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding.”¹⁰

⁵ 35 U.S.C. § 314(a) (emphasis added).

⁶ 35 U.S.C. § 324(a) (emphasis added).

⁷ *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018) (“[§] 314(a) invests the Director with discretion on the question whether to institute review” (emphasis omitted)); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) (“[T]he agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion,” and there is “no mandate to institute review.”); *In re Power Integrations, Inc.*, 899 F.3d 1316, 1318 (Fed. Cir. 2018) (“If the Director decides not to institute, for whatever reason, there is no review. In making this decision, the Director has complete discretion to decide not to institute review.”) (Citations omitted); *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) (“[T]he PTO is permitted, but never compelled, to institute an IPR proceeding.”)

⁸ 35 U.S.C. §§ 314(d) and 324(e); *Thryv, Inc. v. Click-To-Call Techs.*, 140 S.Ct. 1367, 1373-74 (2020) (“§314(d) overcomes the presumption favoring judicial review”).

⁹ *Id.* § 325(d) (emphasis added).

¹⁰ *Id.* §§ 316(a)(6) and 326(a)(6).

It is important to recognize that Congress established a plethora of paths, options, and avenues for challenging patent validity: (1) in federal court as a defense to infringement or pursuant to a declaratory judgment or counterclaim of invalidity; (2) within 9 months of patent issuance under the PGR statute on any invalidity ground available in federal court; (3) in an IPR proceeding for lack of novelty or obviousness in view of prior art publications; and (4) in an *ex parte* reexamination proceeding on lack of novelty, or obviousness in view of prior art.

Congress recognized “the *importance of quiet title* to patent owners to ensure continued investment resources.”¹¹ Congress did not intend to have *all* these patent challenge avenues available at the same time under all circumstances. For example, Congress clearly intended AIA trials to be “quick and cost effective *alternatives* to litigation”¹² – not *in addition* to litigation.¹³ It warned against institution of AIA trials “as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent [as] such activity would divert resources from the research and development of inventions.”¹⁴

Thus, Congress vested broad discretion with the Director of the PTO to *deny* institution, or utilize any one of the three administrative avenues listed above to the exclusion of the others. Given Congress’ recognition of the importance of “quiet title,” the Director should give significant weight to the availability of other patent review procedures, and not just to the apparent merits of a challenge, when deciding whether to grant, for example, an IPR petition.

2. The PTO Director must exercise the broad discretion on institution of AIA trials only by regulation

Congress mandated that the Director “*shall* prescribe regulations ... setting forth the standards for the showing of sufficient grounds to institute a review” and “establishing and governing [a] review under this chapter and the relationship of such review to other proceedings under this title.”¹⁵ In a capacious grant of rulemaking authority, Congress also mandated that in establishing these regulations, “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.”¹⁶

¹¹ H.R. Rep. No. 112-98, pt. 1, at 48 (2011) (emphasis added).

¹² *Id.*

¹³ *Thryv, Inc.*, 140 S.Ct. at 1374-75 (“The purpose of §315(b), all agree, is to minimize burdensome *overlap* between inter partes review and patent-infringement litigation.”) (Emphasis added).

¹⁴ H.R. Rep. No. 112-98, pt. 1, at 48 (2011).

¹⁵ 35 U.S.C. §§ 316(a) and 326(a) (emphasis added).

¹⁶ 35 U.S.C. §§ 316(b) and 326(b) (emphasis added).

Congress has spoken in clarion terms: the word “shall” is an imperative denoting a definite obligation,¹⁷ and the four enumerated statutory factors that the Director *shall* consider in promulgating the regulations are *mandatory*. The U.S. Supreme Court has held that an agency's rule normally is arbitrary and capricious if the agency “entirely failed to consider an important aspect of the problem” before it.¹⁸ “A statutorily mandated factor, by definition, is an important aspect of any issue before an administrative agency, as it is for Congress in the first instance to define the appropriate scope of an agency's mission. When Congress says a factor is mandatory, that expresses its judgment that such a factor is important” and must be addressed during the regulatory process.¹⁹

The PTO promulgated *a single* regulation governing the institution of AIA trials, as shown (with underlined text for IPR and bracketed text for PGR) in 37 C.F.R. § 42.108(c) [§ 42.208(c)] as amended:

Sufficient grounds. Inter partes [Post-grant] review shall not be instituted for a ground of unpatentability unless the Board decides that the petition supporting the ground would[, if unrebutted,] demonstrate that there is a reasonable likelihood [it is more likely than not] that at least one of the claims challenged in the petition is unpatentable. The Board's decision will take into account a patent owner preliminary response where such a response is filed, including any testimonial evidence, but a genuine issue of material fact created by such testimonial evidence will be viewed in the light most favorable to the petitioner solely for purposes of deciding whether to institute an inter partes [a post-grant] review. A petitioner may

¹⁷ See *SAS Inst., Inc. v. Iancu*, 138 S.Ct. 1348, 1354 (2018) (finding that the word “shall” means “must” because it “generally imposes a nondiscretionary duty”); *Kingdomware Techs., Inc. v. United States*, 136 S.Ct. 1969, 1977 (2016) (“Unlike the word ‘may,’ which implies discretion, the word ‘shall’ usually connotes a requirement.”); *Farrel Corp. v. U.S. Int'l Trade Comm'n*, 949 F.2d 1147, 1153 (Fed. Cir. 1991) (“The use of ‘shall’ in a statute is ‘the language of command’”).

¹⁸ *Motor Vehicle Mfrs. Assn., Inc. v. State Farm Mut. Aut. Ins. Co.*, 463 U.S. 29, 43 (1983).

¹⁹ *Pub. Citizen v. Fed. Motor Carrier Safety Admin.*, 374 F.3d 1209, 1216 (D.C. Cir. 2004); See also *Owner-Operator Indep. Drivers Ass'n, Inc. v. Fed. Motor Carrier Safety Admin.*, 656 F.3d 580, 587 (7th Cir. 2011) (“When Congress requires an agency to address something before issuing a regulation, that factor is by definition an ‘important aspect of the problem’ under *State Farm*.”); *United Mine Workers v. Dole*, 870 F.2d 662, 673 (D.C.Cir.1989) (agency defies a “statutory limitation on [its] authority” when it ignores mandatory factor); *Mozilla Corp. v. FCC*, 940 F.3d 1, 60 (D.C. Cir. 2019) (“A rule is arbitrary and capricious if an agency fails to consider a factor the agency must consider under its organic statute.”) (cleaned up, quoting *Lindeen v. SEC*, 825 F.3d 646, 657 (D.C. Cir. 2016)); *Citizens Coal Council v. U.S. E.P.A.*, 385 F.3d 969, 977 (6th Cir. 2004), *on reh'g en banc*, 447 F.3d 879 (6th Cir. 2006) (“[A]n agency abuses its discretion when it fails to consider a factor the statute directs it to consider in promulgating regulations.”); *Newspaper Ass'n of Am. v. Postal Regulatory Comm'n*, 734 F.3d 1208, 1210 (D.C. Cir. 2013) (In regulating rates “for market-dominant products, the Commission must consider the statutory factors set out in [the law].”)

seek leave to file a reply to the preliminary response in accordance with §§ 42.23 and 42.24(c). Any such request must make a showing of good cause.

This sole regulation on institution contains no provisions facially linking it to any consideration, for example, of the “effect on the economy,” or the “ability of the Office to timely complete proceedings” for determining whether to institute an AIA trial.

Instead, in promulgating the final rule on institution in 2012, the PTO responded in its *Federal Register* notice to public comments on the four statutory factors pertaining to decisions to institute as follows:

“Comment 57: One comment suggested that because institution of a proceeding might impose an economic hardship on many patentees, the requested review should be instituted after consideration of the effect on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceeding timely.

Response: Under the rules, review will not be instituted unless the Board decides that the petition supporting the ground would demonstrate that there is a reasonable likelihood, for *inter partes* proceedings, or more likely than not, for post-grant proceedings, that at least one of the claims is unpatentable. §§ 42.108 and 42.208. The rules utilize the statutory threshold. 35 U.S.C. 314, as amended, and 35 U.S.C. 324. *The Office has considered the effect on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to complete the proceeding timely in prescribing the rules* as required by 35 U.S.C. 316(b), as amended, and 35 U.S.C. 326(b). That said, the Office, in determining whether to institute a proceeding, may take into account whether the review could be timely completed. For example, *the Board may decline to institute a proceeding where the Board determines that it could not complete the proceeding timely.* For example, the Board could exercise its discretion to decline to institute a petition that seeks review of several hundred claims based upon a thousand references or when the patent owner demonstrates that a determination of patentability would require dozens of depositions of non-party controlled witnesses in foreign countries for which the testimony would need to be compelled.”²⁰

Here, the PTO merely *referenced* the requirement for considering the four statutory factors, but failed to actually address such mandates by “express and considered conclusion” in the rulemaking on institution. The DC Circuit explained that “[w]hen Congress requires an agency to consider something, we ask whether the agency has reached an express and considered conclusion pursuant to the statutory mandate. *Merely referencing a requirement is not the same as complying with that requirement.* And stating that a factor was considered—or found—is not a substitute for considering or finding it.”²¹ Moreover, as the PTO acknowledged, it

²⁰ *Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method*. Final Rule. 77 Fed. Reg. 48679, 48702 (August 14, 2012) (emphasis added).

²¹ *Cigar Ass'n of Am. v. U.S. Food & Drug Admin.*, 964 F.3d 56, 61 (D.C. Cir. 2020) (cleaned

was presented with specific public comments on the application of the four statutory factors in promulgating the institution regulation in 37 C.F.R. §§ 42.108(c) and 42.208(c), but failed to discuss all but the fourth factor. Failing to respond substantively to such public comments violates the Administrative Procedures Act (“APA”).²² In any event, the PTO failed to meet the statutory requirement even with its *Federal Register* discussion of the fourth statutory factor—the ability of the Office to complete the proceeding timely. Specifically, the PTO merely indicated in the *Federal Register* that the *PTAB* may take into account *during its deliberations* whether the review could be timely completed, but promulgated no *regulations* to that effect, missing the point profoundly. In 35 U.S.C. §§ 316(b) and 326(b) Congress commanded that the four statutory factors “*shall*” be considered “*in prescribing regulations,*” but the *PTAB* deliberations are adjudicatory—Administrative Patent Judges (“APJ”)s of the *PTAB* do not “prescribe regulations.”

Only the PTO Director is delegated with rulemaking authority to create PTO rules having the effect of law—not APJs of the *PTAB*, upon whom Congress conferred only adjudicative authority.²³ In deciding whether to institute a proceeding, a panel of a few APJs has neither the expertise nor the authority to apply *sui generis* the four statutory factors unless they do so *based on standards and guidance already established in PTO regulations*. Such standards and guidance for weighing and applying the four statutory factors should be developed based on relevant expertise and resources of the PTO Office of the Chief Economist and of industry experts and stakeholders participation in the public comments. Therefore, *PTAB* adjudications and its “precedential” opinions cannot substitute for regulations that the Director *shall* promulgate pursuant to the APA, 5 U.S.C. §§ 552 and 553. The APA requires publication in the *Federal Register* under § 552(a), and notice and comment under § 553. The Federal Circuit bluntly told the PTO as much.²⁴

up; emphasis added).

²² *Carlson v. Postal Regulatory Comm’n*, 938 F.3d 337, 344 (D.C. Cir. 2019) (An agency violates the APA “if it fails to respond to significant points and consider all relevant factors raised by the public comments. Accordingly, an agency *must respond* to comments that can be thought to challenge a fundamental premise underlying the proposed agency decision. ... Even when an agency has significant discretion in deciding how much weight to accord each statutory factor, that does not mean it is free to ignore any individual factor entirely.”) (cleaned up; emphasis added).

²³ 35 U.S.C. § 6(b)(4); *Facebook, Inc. v. Windy City Innovations, LLC*, 973 F.3d 1321, 1352 (Fed. Cir. 2020) (“[I]n agencies where Congress has not expressly delegated both rulemaking and adjudicative authority to a single delegee, as in the PTO, adjudication may not operate as an appropriate mechanism for the exercise of rulemaking.”) (Citing *Martin v. Occupational Safety and Health Rev. Comm’n*, 499 U.S. 144, 154-55 (1991)).

²⁴ *Aqua Products, Inc. v. Matal*, 872 F.3d 1290, 1339 (Fed. Cir. 2017) (“The Patent Office cannot effect an end-run around [the APA] by conducting rulemaking through adjudication ...”).

The PTO's 2016 amendment of the institution regulation in 37 C.F.R. §§ 42.108(c) and 42.208(c) fared no better in complying with the statutory mandates. The regulation was amended to indicate that a genuine issue of material fact created by patent owner testimonial evidence will be viewed by the PTAB in the light most favorable to the petitioner solely for purposes of deciding whether to institute a review.²⁵ This amendment thus created an *irrebuttable presumption* against the patent owner,²⁶ but nowhere in the amended regulation, nor in the accompanying *Federal Register* discussion of the amendment, is there any evidence that the PTO considered, for example, the mandatory factor of the “effect of any such regulation ... on the economy.”

IEEE-USA submits that it is time for the PTO to break from this pattern of defying administrative law imperatives. The PTO now has an opportunity to rectify the deficiencies in its prior practice of all but ignoring the mandatory statutory factors in promulgating regulations governing institution of AIA trials. The Office's effort in this NOI to convert its non-regulatory precedential PTAB decisions to substantive regulations promulgated under the APA is a welcome development for which the PTO is commended. We urge the PTO to engage in open and transparent notice and comment rulemaking on institution, starting as soon as possible with a notice of proposed rulemaking. In so doing, the PTO must *actually* “consider the effect of any such regulation [under this section] 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,” and “reach[] an express and considered conclusion pursuant to the statutory mandate” for each factor.

IEEE-USA discusses below specific proposed regulatory expressions of these mandatory statutory factors in addition to those discussed in the NOI for inclusion in the regulations.

3. Proposed factors the PTO should include in the regulations for instituting AIA trials

3.1 The effect on the economy

Legislative history shows that this category is a broadened version of the economic factors provided in prior versions of the AIA. A condition for institution in prior versions of the AIA required petitioner to present a “substantial reason to believe” that the patent caused petitioner “significant economic harm.”²⁷

²⁵ [81 Fed. Reg. 18750](#), 18755, *Amendments to the Rules of Practice for Trials Before the Patent Trial and Appeal Board*. Final rule. (April 1, 2016).

²⁶ The PTO has since proposed a further revision to eliminate the presumption favoring the petitioner in [85 Fed. Reg. 31728 \(May 27, 2020\)](#), which IEEE-USA supported by its comments in [Docket PTO-P-2019-0024, filed June 26, 2020](#).

²⁷ See S. 1145, 110th Cong. Sec. 6(e), § 322(2)(A) (2007); H.R. 1908, 110th Cong. Sec. 6(e), § 322(2)(A) (2007) (as introduced); S. 3818, 109th Cong., Sec. 6(a)(1), § 312(2) (2006).

Then Director of the PTO, John Dudas, remarked in reference to the Patent Reform Act S. 1145: “[T]he [proposed bill] would authorize the Director to promulgate regulations that would also require a petitioner to show substantial economic harm. That authority would enable the USPTO to control or limit an influx of potential cases.”²⁸ Director Dudas also explained:

“Revised S. 1145 now includes two requirements that petitioners must meet before the agency can institute a post-grant review proceeding -- first, petitions are limited to those patents that cause significant economic harm to the petitioner; and, second, the owner of the patent must have affirmatively accused the petitioner of infringement. The ‘and’ in that sentence is very important—it was in the USPTO's proposal and is now in S. 1145. The USPTO is very strongly in support of that ‘and.’”²⁹

The ultimately-enacted AIA broadened this requirement to include not only a showing of economic hardship on petitioner, but generally “the effect on the economy.” When addressing the economic hardships on the parties, it should be recognized that the economic effects of such hardships broadly implicate the entire national innovation economy. In contrast with entities having ample resources, patent owning entities with limited financial resources would be more likely to lose their patent rights improperly at the PTAB due to their financial inability to mount an effective and robust defense of their patents. “[S]uch activity would divert resources from the research and development of inventions,”³⁰ reduce incentives to invest in patented technology, and thereby inhibit innovation. By the same token, entities with limited financial resources facing patent assertion against them may be unable to sustain the cost of court litigation, and seek instead a lower cost option for challenging the patent at the PTAB. If denied of the latter option for removing truly invalid patent claims, such entities may suffer substantial impairment to their business or otherwise become insolvent. Both outcomes would constitute adverse “effect on the economy.”

Therefore, IEEE-USA proposes that relevant factors to be expressly provided in the regulations include the following:

- (a) ***Whether there is a disparity in the parties’ economic status under the PTO entity size rules.*** Small (or Micro) entities are presumed to have economic hardships in funding patent litigation. Patent owners’ Small or Micro Entity status should weigh **against** institution if the petitioner is a Large Entity; similarly, petitioner’s Small or Micro Entity status should weigh **in favor** of institution if the patent owner is a Large Entity.

²⁸ *Patent Reform: The Future of American Innovation*, Hearing before the Committee on the Judiciary, U.S. Senate, 100th Congr., 1st Sess. (June 6, 2007) at 273.

²⁹ *Id.* at 136.

³⁰ H.R. Rep. No. 112-98, pt. 1, at 48 (2011).

(b) ***Demonstration of economic hardship.*** For instituting an AIA trial, require the **petitioner** to demonstrate that the challenged patent causes petitioner “significant economic harm.” This includes, for example, a showing that it is costly to design around the patent claims, or that ceasing the use of allegedly infringing instrumentalities will be cost-prohibitive or materially disruptive for the petitioner. In support of denial of institution, the **patent owner** in its preliminary response may demonstrate hardship in sustaining the AIA trial costs, or that mounting such a defense would impair the patent owner’s ability to develop, manufacture and/or market the invention.

3.2 The integrity of the patent system

The “integrity of the patent system” is an all-encompassing consideration, subsuming the purpose of a patent system generally, including “to ensure that the patent system in the 21st century reflects the constitutional imperative.”³¹ This includes ensuring integrity in fair and impartial proceedings, securing the patent system’s role in maintaining the incentive to *participate* in the patent system by protecting investments in, and encouraging disclosure of, new inventions. 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.”³² An important aspect of the “integrity of the patent system” is resolving patent quality questions as early as possible during the term of an issued patent.

Therefore, IEEE-USA proposes that relevant factors to be expressly provided in the regulations include the following:

(a) **The economic considerations in 3.1 (a) and (b).** Making no distinction among small entities and large entities as to the threshold of institution adversely impacts the “the integrity of the patent system,” by imposing a bias as to the substantive outcome of disputes, against smaller entities.

(b) **Deny institution of IPRs for post-AIA patents when petitioner fails to explain why it did not file a timely PGR challenge.** Those who wish to challenge post-AIA-issued patents can do so within 9 months of issuance in PGR proceedings using *all* invalidity grounds.³³ The law favors certainty, and patent public policy favors quiet title. Accordingly, the PTO regulations should require the petitioner to explain why their delay in challenging a post-AIA patent was reasonable.

³¹ H.R. Rep. No. 112-98, pt. 1, at 40 (2011).

³² *Id.*

³³ 35 U.S.C. § 321(c) (PGR petition must be filed not later than 9 months after the issuance of the challenged patent).

About 95% of patents that are currently issued are post-AIA patents³⁴ eligible for a challenge in PGRs. Yet, it appears that PGR proceedings are hardly utilized and that users of inventions patented by others prefer to *wait out* the patentee and refrain from challenging the patent until the patent is asserted in the market. Rational users, however, diligently engage in Freedom-to-Operate investigations and are presumed to have awareness of patents that may cover their technology in the market. If they believe the patent claims cover their products or methods, but take no license under such a patent, it is presumptively because they regard the patent invalid. In this scenario, users delay legal resolution of whether the patent claims are invalid. In the meantime, the users and the patent holder or its privies may have made substantial investments and developments under opposite presumptions of validity. Delay in resolving the potential dispute is costly to both parties *and the public*. By not asserting invalidity and challenging the patent under PGR early when they can do so during the 9-month window is open, petitioners operate contrary to the Congressional purpose for setting this 9-month window in the first place—to encourage *early* challenges that ensure patent quality during the full patent term by *early* clearance of the field of invalid patents.

Denying institution of IPRs for PGR-eligible patents unless the petitioner can reasonably explain why it could not have availed itself of a timely PGR challenge will have substantial salutary effects. It will shift patent challenges to PGRs and will remove invalid post-AIA patents at much earlier dates. Interested parties would proactively and diligently monitor issuance of patents in their field and, if appropriate, initiate PGR proceedings within 9 months of patent issuance. This would benefit the public by (i) enhancing the notice function of patents; (ii) clearing the field of invalid patents *early*, thereby reducing unnecessary litigation, particularly after parties have made substantial investments; and (iii) simplifying and facilitating Freedom-to-Operate for the relevant technologies in use. All of these benefits will operate as Congress intended—enhance the “integrity of the patent system.”

3.3 The efficient administration of the Office

The U.S. Supreme Court’s *SAS* decision held that 35 U.S.C. § 318(a) requires that an institution decision apply to *every* claim challenged in the petition.³⁵ The Federal Circuit extended *SAS* to also require that “if the Board institutes an IPR, it must similarly address all grounds of unpatentability raised by the petitioner.”³⁶

³⁴ Dennis Crouch, “AIA Patents Update,” *PatentlyO* Blog (March 15, 2020). At <https://patentlyo.com/patent/2020/03/aia-patents-update.html>.

³⁵ *SAS, Inst.*, 138 S. Ct. at 1358 (“[T]he petitioner in an inter partes review is entitled to a decision on all the claims it has challenged.”)

³⁶ *AC Techs. S.A. v. Amazon.com, Inc.*, 912 F.3d 1358, 1364 (Fed. Cir. 2019); *See also PGS Geophysical AS v. Iancu*, 891 F.3d 1354 (Fed. Cir. 2018).

This necessarily implies an increase in complexity and scope of AIA trials, unless the PTO establishes institution cutoff criteria based on the fraction of claims and grounds that meet the reasonable likelihood threshold for institution. Institution is an all-or-nothing affair. Resources expended by the parties and the PTAB in litigating the merits of claims and grounds for which there is no reasonable likelihood that petitioner will prevail are expected to be wasted. Yet, the PTO is reluctant to adopt any standard for determining the level of such projected waste that it would tolerate. In a 2018 guidance the PTO evaded the question as follows:

“Q: Will the Board institute a petition based on the percentage of claims and grounds that meet the reasonable likelihood standard, e.g., 50%?”

A: No. The Board does not contemplate a fixed threshold for a sufficient number of challenges for which it will institute. Instead, the panel will evaluate the challenges and determine whether, in the interests of efficient administration of the Office and integrity of the patent system (see 35 USC § 316(b)), the entire petition should be denied under 35 USC § 314(a).³⁷

In a few relevant cases in which the PTAB denied institution, it referred to large fraction of challenged claims and grounds for which petitioner failed to establish a reasonable likelihood of success.³⁸ However, in arriving at the decision not to institute, nothing in those decisions indicated that attributes of these cases *other than* the numerical disparity in the challenged claims and grounds compared to those for which a reasonable likelihood of success had been established, was a factor for denial of institution. That numerical disparity contour should therefore be a factor in a regulation for deciding institution in order to ensure “the efficient administration of the Office.”

On another front, the “all or nothing” constraint on institution increases the complexity and scope of AIA trials, including an increase in the number of cases where the patent owner would seek to amend the claims.

³⁷ [SAS Q&As, part D](#), *Effect of SAS on future challenges that could be denied for statutory reasons*, Question D3. (June 5, 2018).

³⁸ *Chevron Oronite Co. LLC v. Infineum USA L.P.*, Case [IPR2018-00923, Paper 9](#) (Nov. 7, 2018) (exercising discretion under 35 U.S.C. § 314(a) and declining to institute an IPR where "Petitioner demonstrates, at most, a reasonable likelihood of prevailing with respect to two dependent claims out of a total of twenty challenged claims"); *Deeper, UAB v. Vexilar, Inc.*, Case [IPR2018-01310, Paper 7](#) (Jan. 24, 2019) (exercising discretion under 35 U.S.C. § 314(a) and declining to institute an IPR on four grounds challenging twenty-three claims where Petitioner demonstrated a reasonable likelihood of prevailing with respect to only two claims on one asserted ground); *Chevron Oronite Co. LLC v. InfineumUSA, LP*, Case [IPR2018-00923](#) (Nov. 7, 2018) (Paper 9) (informative) (exercising discretion under 35 U.S.C. § 314(a) and declining to institute an inter partes review where "Petitioner demonstrates, at most, a reasonable likelihood of prevailing with respect to two dependent claims out of a total of twenty challenged claims")

Unfortunately, the AIA statute states that during IPRs and PGRs, “the patent owner may *file 1 motion* to amend the patent in 1 or more of the following ways: (A) Cancel any challenged patent claim. (B) For *each* challenged claim, *propose a reasonable number* of substitute claims.”³⁹ A *proposed* amendment “may not enlarge the scope of *the claims of the patent* or introduce new matter.”⁴⁰ The limitation on 1 motion (that is subject to denial) and the current PTAB rules of practice, render illusory the patent owners’ right to amend.

The historical inability of patent owners to effectively amend their patent claims in AIA trials has been a major blow to patent owners who face an “all or nothing” proposition when newly-discovered prior art is cited against the patent. The Federal Circuit recently noted that “[d]espite repeated recognition of the importance of the patent owner’s right to amend during IPR proceedings—by Congress, courts, and the PTO alike—patent owners largely have been prevented from amending claims in the context of IPRs.”⁴¹ The PTO Director Andre Iancu observed:

“Of the already small number of cases where the Board decided a motion to amend, the Board granted or granted in part only 10 percent of such motions. Some have suggested that parties have simply stopped even trying to amend the claims because they see the effort as largely futile. ... It is not in the interest of the patent system as a whole to invalidate a patent entirely if it actually describes patentable subject matter, and appropriately-scoped claims can be drafted. Therefore, the amendment process should allow the patent owner a *meaningful* opportunity to draft narrower claims.”⁴²

Fair opportunity to amend challenged claims to avoid such prior art will restore fairness to patent owners as it would allow them to avoid undue dedication of their invention to the public by retaining protection for subject matter that remains patentable. This has been a basic premise of the patent system since Section 13 of the 1836 Patent Act, when Congress authorized the reissuance of patents to permit their prospective revision when the patentee claimed more “than he had a right to claim in the patent.”⁴³

Most importantly, proceedings that afford patent owners a substantial opportunity to amend challenged claims ensure a fair and equitable resolution of patent disputes, resulting in claims covering inventions developed using significant investment of financial and other resources. IEEE-USA has previously urged a policy that restores fairness to claim amendment procedures in PTAB proceedings.⁴⁴

³⁹ 35 U.S.C. §§ 316(d)(1) and 326(d)(1) (emphasis added).

⁴⁰ *Id.* §§ 316(d)(3) and 326(d)(3) (emphasis added).

⁴¹ *Aqua Products, Inc. v. Matal*, 872 F.3d 1290, 1299 (Fed. Cir. 2017).

⁴² [Remarks by Director Iancu at the American Intellectual Property Law Association Annual Meeting](#) (October 25, 2018) (emphasis added).

⁴³ See 35 U.S.C. § 251.

⁴⁴ See IEEE-USA [Balance in U.S. Patent Law](#) (November 22, 2019), p. 3. (Urging “balance

With the right to amend claims, however, there is often a need to reevaluate (i) the extent to which the patent specification provides adequate support for the amended claims, and (ii) the scope of the prior art as it pertains to such claims. The latter step may require a fresh look at *other* prior art that may be more relevant to the amended limitations of the claims, to facilitate “the efficient administration of the Office.” This is most properly and fairly done by reexamination.

In such circumstances, the PTO Director can invoke his absolute authority to deny AIA trial institution, and on his own initiative, order *sua sponte* ex parte reexamination instead: “On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him.”⁴⁵

Therefore, IEEE-USA proposes that relevant factors to be expressly provided in the regulations include the following:

(a) Deny AIA trial institution if the fraction of challenged claims and grounds for which petitioner failed to establish a reasonable likelihood of success is large. The regulation should provide a standard for determining the tolerable limit on such large fraction based on projected resource wasted on adjudicating that large fraction of claims and grounds on which petitioner is unlikely to prevail. This will remove uncertainty and provide consistent application of this measure to ensure “efficient administration of the Office.”

(b) Deny AIA trial institution by instituting Director-initiated ex-parte reexamination at the request of the patent owner. When a petitioner challenge of a patent meets the threshold for institution in 35 U.S.C. §§ 314(a) or 324(a), and the patent has complexity and claim count that warrant material amendments to the claims, the Director should order ex-parte reexamination under 35 U.S.C. § 303(a) at the request of the patent owner. The patent owner’s request should be included in its preliminary response, identifying the claims and the proposed amendments thereto. Allowing the patent owner the iterative procedure of reexamination will increase fairness and will enhance the “efficient administration of the Office.”

3.4 The ability of the Office to timely complete proceedings

The statute requires that the PTAB issue its final determination in an AIA trial not later than 1 year after institution, except that it may, for good cause shown, extend the 1-year period by not more than 6 months.⁴⁶ As shown in Figure 1, 94% of all AIA trials have met the deadline and 98% have been completed within 15 months.

in *inter partes* reviews” by endowing patent holders “with a right to freely amend claims.”)

⁴⁵ 35 U.S.C. § 303(a).

⁴⁶ 35 U.S.C. §§ 316(a)(11) and 326(a)(11).

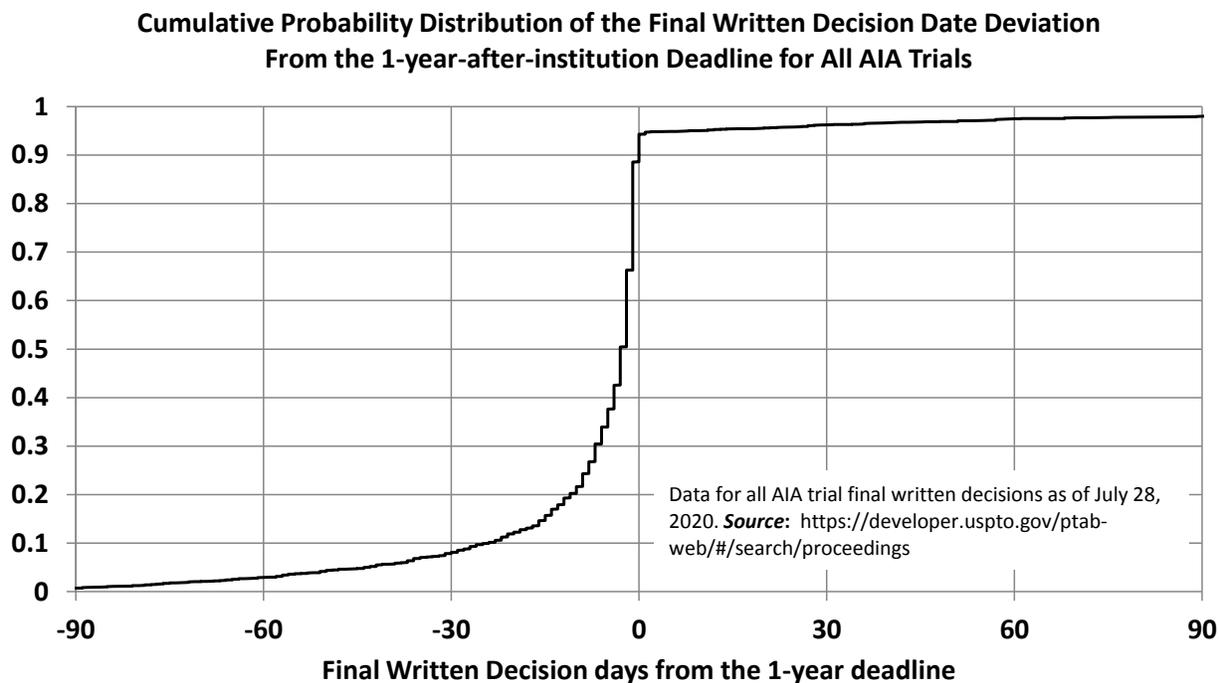


Figure 1. Distribution of the deviation from the 1-year deadline to final decision.

The importance of timely completion of AIA trials must not be underestimated. It relates to “the importance of quiet title to patent owners,”⁴⁷ as proceedings that take longer than 1 year may undermine the patent holder’s ability to develop and license the patented technology.

Therefore, IEEE-USA proposes that relevant factors to be expressly provided in the regulations include the following:

- (a) **Decline institution if the PTAB panel projects that the proceedings will extend beyond the statutory 1-year deadline based on the number of challenged claims and grounds, the complexity, and the evidentiary burdens of the case.**
- (b) **The efficient administration of the Office factor considerations in 3.3(b).** Use of Director-initiated ex parte reexamination where the increase in complexity and scope of AIA trials suggest it would take longer than the statutory 1-year deadline to complete the proceeding.

4. Analysis of the PTO’s proposed regulation of PTAB precedential opinions under the four statutory factors

As explained in section 2 above, the PTO must include an account of its considerations of the four mandatory statutory factors when promulgating the

⁴⁷ H.R. Rep. No. 112-98, pt. 1, at 48 (2011) (emphasis added).

regulations. The Attachment contains such analysis for the precedential PTAB opinions that the PTO contemplates including in the proposed regulations.

5. Responses to specific questions in the NOI

The following are IEEE-USA's brief answers to the questions the PTO propounded in the NOI:

Serial Petitions

Q1. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in *General Plastic*, *Valve I*, *Valve II* and their progeny, for deciding whether to institute a petition on claims that have previously been challenged in another petition?

A1. Yes, we believe that a regulation will beneficially formalize the guidance of precedential decisions for case-by-case analyses where serial petitions are filed. In doing so, the Office should address the four statutory factors applicable to *General Plastic* as described in Section III of the Attachment hereto.

Q2. Alternatively, in deciding whether to institute a petition, should the Office (a) altogether disregard whether the claims have previously been challenged in another petition, or (b) altogether decline to institute if the claims have previously been challenged in another petition?

A2. We oppose the Office altogether disregarding whether claims were previously challenged in another petition. On the contrary: *General Plastic* applies basic principles of fairness and stands for the proposition that a litigant must present its best case, the first time. In a district court trial, a plaintiff cannot present its case-in-chief and then, upon hearing the defendant's response, request a new trial so that it can present a better case. Such a rule would be manifestly unfair to defendants. Similarly, there is no reason that an AIA trial petitioner should be entitled to a do-over should it learn after filing that its case requires improvement. The regulation should therefore be based on a rebuttable presumption that a petition must be denied if filed by the same party that previously filed a petition directed to the same claims of the same patent (considering the real party in interest as described in **A7** below). In doing so, the Office should address the four statutory factors applicable to *General Plastic* as described in Section III of the Attachment hereto.

Parallel Petitions

Q3. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in the Consolidated Trial Practice Guide, for deciding whether to institute more than one petition filed at or about the same time on the same patent?

A3. Yes, we believe that a regulation will beneficially formalize the guidance of precedential decisions for case-by-case analyses where parallel petitions are filed. In doing so, the Office should address the four statutory factors as described in the Attachment hereto.

Q4. Alternatively, in deciding whether to institute more than one petition filed at or about the same time on the same patent, should the Office (a) altogether disregard the number of petitions filed, or (b) altogether decline to institute on more than one petition?

A4. We oppose the Office altogether disregarding the number of parallel petitions being filed. See the discussion addressing the four statutory factors as described in the Attachment hereto.

Proceedings in Other Tribunals

Q5. Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in *Fintiv* and its progeny, for deciding whether to institute a petition on a patent that is or has been subject to other proceedings in a U.S. district court or the ITC?

A5. Yes, we believe that a regulation will beneficially formalize the guidance of precedential decisions for case-by-case analyses where other proceedings are pending. In doing so, the Office should address the four statutory factors pertaining to *Fintiv* as described in Section II of the Attachment hereto.

Q6. Alternatively, in deciding whether to institute a petition on a patent that is or has been subject to other proceedings in district court or the ITC, should the Office (a) altogether disregard such other proceedings, or (b) altogether decline to institute if the patent that is or has been subject to such other proceedings, unless the district court or the ITC has indicated that it will stay the action?

A6. We oppose the Office altogether disregarding the pendency of other proceedings in district court or the ITC. See the discussion addressing the four statutory factors pertaining to *Fintiv* as described in Section II of the Attachment hereto.

Other Considerations

Q7. Whether or not the Office promulgates rules on these issues, are there any other modifications the Office should make in its approach to serial and parallel AIA petitions, proceedings in other tribunals, or other use of discretion in deciding whether to institute an AIA trial?

A7. We proposed in Sections 3 above specific considerations for adoption in the institution regulations. We also propose that the Office consider in its exercise of

discretion whether the Petitioner is an accused infringer of the challenged patent, either in parallel litigation filed by the Patent Owner or otherwise (e.g., by demand letter), and that Petitioners who are not accused infringers be required to submit in their Petitions an explanation of why they are seeking cancellation of Patent Owner's claims.

Finally, we propose that the Office amend its regulations in 37 C.F.R. § 42.8(b)(1) so that the term “real party-in-interest” properly include a description of relationships and considerations sufficient to justify applying conventional principles of estoppel and preclusion. *See, e.g.*, Fed. R. Civ. P. § 17; Fed. Cir. R. § 47.4. The Office should require that in disclosing their “real party in interest,” petitioners that are cooperatives, consortia, associations, or non-practicing entities organized to serve the interest of industry members also disclose as “real parties in interest” the identity of their dues-paying members or subscribers where such dues or subscription fees in the aggregate comprise a substantial component in funding the petitioner’s operations. This will ensure that no de facto serial or parallel attacks on patents would be permitted, thereby enhancing the “integrity of the patent system” and the “efficient administration of the Office.”

6. Conclusion

IEEE-USA thanks the PTO for considering these comments in crafting its rules. We would also welcome any further discussions with the Office on these matters.

Respectfully submitted,

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ATTACHMENT

The PTAB's Discretionary Institution Decisions Factors Analyzed under the Four Statutory Factors in 35 U.S.C. §§ 316(b) and 326(b)

I. Background

The statute requires the PTO Director to “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,” 35 USC §§ 316(b) and 326(b), when promulgating regulations “setting forth the standards for the showing of sufficient grounds to institute a review,” 35 USC §§ 316(a)(2) and 326(a)(2). Neither the PTAB nor the NOI have expressly stated how each factor identified in the PTAB discretionary decisions relates to the four statutory factors the PTO must consider in regulating institution decisions. The discussion below expressly identifies those relationships.

The NOI restates case factors from the *Fintiv* and *General Plastic* PTAB cases, and the expansion of the *General Plastic* factors in the *Valve I*, and *Valve II* cases. *See* 85 *Fed. Reg.* 66502, 66504-05. The case factors are each identified below including where they are referenced in the NOI, followed by reasons and whether the four statutory factors numbered as 1 through 4 either are or are not applicable to each case factor.

Upon review, it appears that the PTAB has failed to recognize issues of *market power* and *financial strength* in their factor analysis, and these additional factors are explained with respect to the *Fintiv* factors (3) and (6), herein below.

II. *Fintiv* factors

The factors stated in *Fintiv* and their relationship to the four statutory factors that the Director must consider when promulgating institution regulations, appear below.

***Fintiv* “(1) Whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;” 85 *Fed. Reg.* 66505.**

Statutory factor 1, effect of regulation on “the economy”: Applicable. Existence of a stay impacts the economic cost of litigation. If the district court issues a stay, then the validity dispute will be resolved in the PTAB, shifting costs of the district court litigation to those at the PTAB.

Statutory factor 2, effect of regulation on “the integrity of the patent system”: Applicable. The Trial Practice Guide, refers to “integrity” in the context of promptly raising and resolving all issues and avoiding serial petition filings, at 77 *Fed. Reg.* 48759, left column. Existence of a stay impacts prompt resolution of issues. If for example, a district court will resolve an issue before the PTAB, then the PTAB action would be redundant and not speed resolution as the PTAB would serially decide an issue adjudicated in the district court.

Statutory factor 3, effect of regulation on “the efficient administration of the Office”: Applicable. District court stay affects the efficient administration of the Office for example because the district court may decide an issue raised in a PTAB petition before the PTAB would decide the issue, that would burden the Office with work on arguably moot issues.

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter.": Not applicable. The Practice Trial Guide notes that the PTAB's ability to timely complete proceedings could be affected by large numbers of claims, witnesses, and references, see 77 *Fed. Reg.* 48765, middle column. The existence or lack of existence of a district court stay does not directly affect the Office's ability to timely complete proceedings before it.

***Fintiv* "(2) proximity of the court's trial date to the Board's projected statutory deadline for a final written decision;" 85 *Fed. Reg.* 66505.**

Statutory factor 1, effect of regulation on "the economy": Applicable. A PTAB petition decision rendered after a district court trial would in many instances change no outcome and therefore be an economic waste.

Statutory factor 2, effect of regulation on "the integrity of the patent system": Applicable. A PTAB petition decision adverse to the patentee on an issue decided in the district court action would be a serial attack, contrary to the integrity of the patent system. A PTAB decision rendered on an issue already decided in the district court undermines the integrity of the patent system by opening the door for inconsistent results.

Statutory factor 3, effect of regulation on "the efficient administration of the Office": Applicable. Proximity of the district court's trial date affects the efficient administration of the Office for example because the district court may decide an issue raised in a PTAB petition before the PTAB would decide the issue, which would burden the Office with work on arguably moot issues.

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter." Not Applicable. The proximity of the court's trial date has no bearing on the ability of the Office to timely complete proceedings.

***Fintiv* "(3) investment in the parallel proceeding by the court and the parties;" 85 *Fed. Reg.* 66505.**

Statutory factor 1, effect of regulation on "the economy": Applicable. Investment in parallel proceedings incurs costs to all parties.

Statutory factor 2, effect of regulation on "the integrity of the patent system": Applicable. The investment in the parallel proceeding has unequal impact on entities with limited, versus abundant, resources. Entities with limited resources cannot afford full representation in both proceedings, which reduces the reliability in the correctness of the outcomes in both proceedings. Consequently, there is a disincentive for entities with limited resources to use the patent system, which detrimentally impacts the economy by limiting innovation due to the restraining effects of financial and market power.

Statutory factor 3, effect of regulation on "the efficient administration of the Office": Not Applicable. The investment in parallel proceedings does not per se impact the efficient administration of the Office.

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter.": Not Applicable. The investment in parallel proceedings does not per se impact the ability of the Office to timely complete proceedings.

***Fintiv* “(4) overlap between the issues raised in the petition and in the parallel proceeding;” 85 Fed. Reg. 66505.**

Statutory factor 1, effect of regulation on "the economy": Applicable. The overlap between the issues raised in the petition and in the parallel proceeding affects the economy because it determines the extent to which resolution of an issue by the PTAB may avoid the cost of litigating that same issue in the district court.

Statutory factor 2, effect of regulation on "the integrity of the patent system": Applicable. The overlap between the issues raised in the petition and in the parallel proceeding affect the integrity of the patent system because the overlap determines whether the PTAB proceeding will have any meaningful consequence.

More specifically, if no issue raised in the PTAB proceeding is dispositive of an issue in the district court proceeding, then the PTAB proceeding serves no purpose, and therefore its existence undermines the integrity of the patent system. In other words, if the outcome of the PTAB proceeding could not result in denial of a count asserted in the “well-pleaded” complaint, then the PTAB proceeding would serve no purpose because it could not dispose of any count in the civil action. A PTAB proceeding that could serve no purpose undermines the integrity of the patent system by imposing costs to participants in the patent system without a corresponding benefit.

Statutory factor 3, effect of regulation on "the efficient administration of the Office": Not Applicable. The overlap between the issues raised in the petition and in the parallel proceeding does not per se impact the efficient administration of the Office.

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter.": Not Applicable. The investment in parallel proceedings does not per se impact the ability of the Office to timely complete proceedings.

***Fintiv* “(5) whether the petitioner and the defendant in the parallel proceeding are the same party;” 85 Fed. Reg. 66505.**

Statutory factor 1, effect of regulation on "the economy": Applicable. Whether the petitioner and the defendant in the parallel proceeding are the same party in interest affects the economy. In fact, there are patent defense companies or cooperatives whose business it is to file PTAB petitions for their customers or members. In those situations, the patent defense companies’ petitions have the following consequences. First, there is a disincentive to patent owners to assert infringed patents, in view of the possibility of being hauled into more PTAB proceedings that the infringer would be entitled to file. This impacts the economy by disincentivizing innovators from using the patent system. Second, petitions filed by patent defense companies need not focus on claims of the patent that are specific to any particular litigation, and in that sense, are less likely to conclusively resolve a count in any particular patent infringement action. This reduces the potential economic efficiency of the PTAB proceeding for removing the cost of litigating an issue in the parallel patent infringement action.

Statutory factor 2, effect of regulation on "the integrity of the patent system": Applicable. Whether the petitioner and the defendant in the parallel proceeding are the same party, affects the integrity of the patent system. As Congress recognized in promulgating the AIA by tying petitioners, real parties in interest, and privies together, parallel and serial petitions detrimentally

affect the integrity of the patent system by allowing preclusion. And the concept of preclusion is universally recognized as beneficial to the existence of legal rights.

Statutory factor 3, effect of regulation on "the efficient administration of the Office": Applicable. Whether the petitioner and the defendant in the parallel proceeding are the same real party in interest, affects the efficient administration of the Office in various ways. One way is the confusion caused by trying either parallel or serial petitions against the same patent, by different parties. A consequence of parallel PTAB proceedings is the risk of inconsistent results and de facto enlarged proceedings. A consequence of serial PTAB proceedings is the impact of findings in one proceeding on the other proceeding, and admission of evidence from the earlier proceeding into the later proceeding. Each of these consequences causes additional work for the Office in each proceeding that would not otherwise be required if there were only one proceeding, and one proceeding is the default when the petitioner and defendant are the same party.

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter.": Applicable. Whether the petitioner and the defendant in the parallel proceeding are the same real party in interest may affect the ability of the Office to timely complete PTAB proceedings because the existence of more than one proceeding may either require or make it prudent for the Office to wait until issues in all proceedings regarding the same patent have been fully briefed, before deciding each petition against that same patent. Whether the petitioner and defendant are the same party may affect the number of petitions filed, or to be filed, against a particular patent.

***Fintiv* “(6) other circumstances that impact the Board’s exercise of discretion, including the merits.” 85 Fed. Reg. 66505.**

This catchall “factor” is not really meaningful – it essentially renders *Fintiv* as providing unlimited power to the Board for exercising its discretion. It therefore potentially involves any one of the four statutory factors. However, it negates the utility of the 5 previously-enumerated factors that otherwise cabin the Board’s discretion with identifiable policy contours. Therefore, this 6th indefinite “factor” cannot meaningfully be a part of a regulation.

The “merits” means the likelihood that each claim challenged by the petition will result in the challenged claim being canceled. That is, merits related to both the likelihood any claim will be canceled, the fraction of challenged claims that are likely to be canceled.

Instead of this indefinite 6th factor, other definite circumstances the PTO should have included as factors are financial strength and market power of the parties, as discussed below:

Summary regarding Financial Strength: Financial strength impacts both petitioners and patent owners ability to effectively participate in PTAB proceedings. Entities having limited financial resources are more likely to be precluded from filing PTAB petitions due to inability to pay the legal costs for the unpatentability research, petition preparation, and petition prosecution, than entities having abundant financial resources. Entities having limited financial resources are less likely to be able to effectively defend against PTAB petitions due to inability to pay the legal costs for the patentability research, and patent owner responses and prosecution against petitions, than entities having abundant financial resources.

There are various measures of financial strength. One such measure is the entity size which statute requires the PTO to recognize for fee purposes. In the context of PTAB institution decisions, the Director should note that entities can provide evidence of their financial strength to

provide facts relevant to this factor. The financial strength relative to costs of the proceeding is a factor the PTAB should consider when deciding whether to institute.

Application of statutory factors to Financial Strength:

Statutory factor 1, effect of regulation on "the economy": Applicable. The financial strength of an entity affects the economy because it affects a party's ability to seek cancellation of patent claims or defend against an assertion of patent claim unpatentability. Consequently, entities with limited resources are more likely to be inhibited from using PTAB petitions when confronted with incorrect assertions of patent infringement or more likely to have their patent rights improperly canceled in PTAB petition proceedings, than are entities with abundant resources. These likely will result in the economic costs of inhibiting innovation of entities with limited financial resources or improper cancellation of patent rights of entities with limited financial resources, both are adverse impacts "on the economy."

Statutory factor 2, effect of regulation on "the integrity of the patent system": Applicable. The financial strength of an entity affects the integrity of the patent system because it affects a party's ability to seek cancellation of patent claims or defend against an assertion of patent claim unpatentability. Both affect the "integrity of the patent system" because both impose disadvantages in participating in the patent system that are unrelated to the merits of the patentable subject matter, to entities having limited financial strength.

Statutory factor 3, effect of regulation on "the efficient administration of the Office": Not Applicable.

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter.": Not Applicable.

III. General Plastic factors

The factors stated in *General Plastic* as modified by *Valve I* and *Valve II*, and their relationship to the statutory factors the Director must consider when promulgating institution regulations, appear below.

***General Plastic* "(1) Whether the same petitioner previously filed a petition directed to the same claims of the same patent; ... or the relationship, if any, between those petitioners... [or] a later petitioner when this petitioner previously joined an instituted IPR proceeding."** 85 *Fed. Reg.* 66504-05.

Statutory factor 1, effect of regulation on "the economy": Applicable. Whether the same or a related petitioner previously filed a petition directed to the same claims of the same patent affects the economy by increasing the cost to the parties; delaying resolution of the patentability issues for those claims likely imposes otherwise avoidable costs on corresponding district court infringement actions.

Statutory factor 2, effect of regulation on "the integrity of the patent system": Applicable. Whether the same or a related petitioner previously filed a petition directed to the same claims of the same patent affects the integrity of the patent system, by allowing serial challenges to the same claims, thereby delaying quiet title and discouraging participation in the patent system.

Statutory factor 3, effect of regulation on "the efficient administration of the Office": Applicable. Whether the same or a related petitioner previously filed a petition directed to the

same claims of the same patent affects the efficient administration of the Office by forcing the Office to consider the patentability of the same claims a total of five times (during original examination, during each petition pre-institution proceeding, and then again during each petition instituted proceeding.)

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter.": Applicable. Whether the same or a related petitioner previously filed a petition directed to the same claims of the same patent affects the efficient administration of the Office by forcing or counseling the Office to delay on deciding the original instituted proceeding to avoid inconsistency and estoppel based upon a decision in one of the proceedings.

General Plastic “(2) whether, at the time of filing of the first petition, the petitioner knew of the prior art asserted in the second petition or should have known of it;” 85 Fed. Reg. 66504.

Statutory factor 1, effect of regulation on "the economy": Not Applicable.

Statutory factor 2, effect of regulation on "the integrity of the patent system": **Applicable**. Whether, at the time of filing of the first petition, the petitioner knew of the prior art asserted in the second petition or should have known of it affects the integrity of the patent system. Allowing petitions to present known evidence allows late petitions to interfere with any parallel patent proceedings, avoids early resolution, and can be used to intimidate and harass a patent owner, contrary to clear Congressional intent in the legislative history of the AIA.

Statutory factor 3, effect of regulation on "the efficient administration of the Office": Applicable. Whether, at the time of filing of the first petition, the petitioner knew of the prior art asserted in the second petition or should have known of it affects the efficient administration of the Office by requiring the Office to serially consider patentability of the same claims, multiplying the proceedings the Office must handle.

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter.": Applicable. Whether, at the time of filing of the first petition, the petitioner knew of the prior art asserted in the second petition or should have known of it may affect the ability of the Office to timely complete instituted proceedings because the separate proceedings may counsel the Office to defer a decision on one proceeding until it is ready to decide all proceedings on the same patent, to avoid inconsistencies in findings and decisions.

General Plastic “(3) whether, at the time of filing of the second petition, the petitioner had already received a patent owner’s preliminary response to the first petition or received the Board’s decision on whether to institute review in the first petition;” 85 Fed. Reg. 66504.

Statutory factor 1, effect of regulation on "the economy": Not Applicable.

Statutory factor 2, effect of regulation on "the integrity of the patent system": Applicable. Whether, at the time of filing of the second petition, the petitioner had already received a patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the first petition affects the integrity of the patent system, because that would allow petitioners to learn from the earlier PTAB’s decisions, and allow the petitioners to avoid district court estoppel, thereby unfairly disadvantaging the patent owner.

Statutory factor 3, effect of regulation on "the efficient administration of the Office": Applicable. Whether, at the time of filing of the second petition, the petitioner had already

received a patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the first petition affects the integrity of the patent system, because that would result in the Office being required to serially decide patentability for the same claim in multiple proceedings.

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter.": Applicable. Whether, at the time of filing of the second petition, the petitioner had already received a patent owner's preliminary response to the first petition or received the Board's decision on whether to institute review in the first petition affects the integrity of the patent system, because the separate proceedings may counsel the Office to defer decision on one proceeding until it is ready to decide all proceedings on the same patent, to avoid inconsistencies in findings and decisions.

General Plastic “(4) the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;” 85 Fed. Reg. 66504.

Statutory factor 1, effect of regulation on "the economy": Applicable. The length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition affects the economy because it impacts the costs incurred in any related patent infringement action due to that length of time and the corresponding delay in the PTAB decision on any related issue that removes that issue and its associated litigation costs from the related patent infringement action.

Statutory factor 2, effect of regulation on "the integrity of the patent system": Applicable. The length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition affects the economy because it impacts the amount of time the patent holder and its licensees are uncertain of the patent right, thereby undermining the value of that right.

Statutory factor 3, effect of regulation on "the efficient administration of the Office": Applicable. The length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition affects the efficient administration of the Office by forcing the Office to decide issues potentially presumably mooted by the later filed petition.

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter.": Applicable. The length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition affects the ability of the Office to timely complete instituted proceedings, because the separate proceedings may counsel the Office to defer a decision on one proceeding until it is ready to decide all proceedings on the same patent, to avoid inconsistencies in findings and decisions.

General Plastic “(5) whether the petitioner provides an adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;” 85 Fed. Reg. 66504.

Statutory factor 1, effect of regulation on "the economy": Not Applicable.

Statutory factor 2, effect of regulation on "the integrity of the patent system": Applicable. Whether the petitioner provides an adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent affects the integrity of the patent system, because lack of any explanation would have the appearance that the delay was for an improper purpose, such as harassment.

Statutory factor 3, effect of regulation on "the efficient administration of the Office": Applicable. Whether the petitioner provides an adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent affects the efficient administration of the Office, because lack of any explanation would prevent the Office from denying the follow-on petition when it was not filed for a proper purpose. Consequently, the Office would be burdened with proceeding on an otherwise deniable petition.

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter.": Applicable. Whether the petitioner provides an adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent may affect the ability of the Office to timely complete the earlier instituted proceeding, because the separate proceedings may counsel the Office to defer a decision on one proceeding until it is ready to decide all proceedings on the same patent, to avoid inconsistencies in findings and decisions.

General Plastic “(6) the finite resources of the Board;” 85 Fed. Reg. 66504.

Statutory factor 1, effect of regulation on "the economy": Applicable. The finite resources of the Board may affect the economy by precluding the Board from instituting on more meritorious petitions, thereby affecting other proceedings whose resolution would reduce litigation costs in those other PTAB proceedings and related patent infringement litigation.

Statutory factor 2, effect of regulation on "the integrity of the patent system": Applicable. The finite resources of the Board may affect the integrity of the patent system, by precluding the Board from instituting on more meritorious petitions, thereby affecting other proceedings whose resolution would reduce litigation costs in those other PTAB proceedings and related patent infringement litigation.

Statutory factor 3, effect of regulation on "the efficient administration of the Office": Applicable. The finite resources of the Board may affect the efficient administration of the Office, by burdening the Office with managing unnecessary proceedings.

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter.": Applicable. The finite resources of the Board may affect the ability of the Office to timely complete instituted proceedings, because the finite number of APJs of the Board and finite number of administrative staff of the Board can only manage a finite number of proceedings per year.

General Plastic “(7) the requirement under 35 U.S.C. 316(a)(11) to issue a final determination not later than one year after the date on which the Director notices institution of review.” 85 FR 66504.

Statutory factor 1, effect of regulation on "the economy": Applicable. The requirement to issue a final determination not later than one year institution affects the economy because it reduces the time during which ongoing costs in parallel patent infringement action will accrue

prior to a PTAB final decision removing issues from the patent infringement action.

Statutory factor 2, effect of regulation on "the integrity of the patent system": Applicable. The requirement to issue a final determination not later than one year after institution affects the integrity of the patent system, because it may require the PTAB to render a final decision on the earlier filed petition prior to when the PTAB can render a final decision on later filed petitions for the same patent and claims, which may lead to inconsistent results and piecemeal judicial review.

Statutory factor 3, effect of regulation on "the efficient administration of the Office": Applicable. The requirement to issue a final determination not later than one year after institution affects the integrity of the patent system, because it may require the PTAB to manage proceedings on the same patent that do not run on parallel procedural deadlines, thereby increase complexity and cost to the Office to manage those proceedings.

Statutory factor 4, effect of regulation on "the ability of the Office to timely complete proceedings instituted under this chapter.": Applicable. This is trivially the identical factor.