



Conservatives  
for  
Property Rights

June 19, 2023

U.S. Patent and Trademark Office  
600 Dulany Street  
P.O. Box 1450  
Alexandria, VA 22313

**RE: Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board (Docket No. PTO-P-2020-0022)**

To whom it may concern:

Conservatives for Property Rights (CPR) is pleased to respond to the Advanced Notice of Proposed Rulemaking (ANPRM) requesting comments regarding Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board (Docket No. PTO-P-2020-0022).

CPR is a coalition of center-right public policy organizations dedicated to preserving and protecting private property rights for every form of property. CPR educates and advocates on issues related to property rights, including intellectual property.

We appreciate the Patent and Trademark Office's initiating this ANPRM, picking up the thread begun in 2020 by then-Director Andrei Iancu when the agency solicited public comment and published a summary of those comments.<sup>1</sup> The goal of reliable, enforceable patents in keeping with the America Invents Act's stated aim of a faster, cheaper alternative to judicial litigation has been wholly unreachd from Day One of PTAB. CPR hopes this current project finally achieves the AIA's stated aim. To be successful, the forthcoming rule must ensure that patent owners have quiet title to their intellectual property, the exclusivity the U.S. Constitution promises to secure, and the ability to enforce their legal rights against patent infringers. Reforms should promote predictable results that yield fairer and more efficient proceedings. The potential for achieving salutary results toward that end is recognizable in the ANPRM.

Regarding items in the proposal, in order to realize the ANPRM's potential short of legislative course correction, PTO should craft a rule that eliminates abuse of the PTAB process along with its present misuse that adds burden and harassment on patent owners. We discuss several items here.

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<sup>1</sup> [https://www.property-rts.org/files/ugd/651e0c\\_330aaca647a145db80a8c56ece44ff79.pdf](https://www.property-rts.org/files/ugd/651e0c_330aaca647a145db80a8c56ece44ff79.pdf)

***Petitions challenging patent claims previously subject to a final adjudication upholding the patent claims against patentability challenges in district court or in post-grant proceedings before the USPTO***

A patent that a federal district court, the U.S. International Trade Commission (USITC), or PTAB has determined to be valid should be considered just that: valid. It should be subjected to no further challenges on the same grounds by any party. Denial of any subsequent PTAB petitions based on those grounds should be the rule.

Absent a court, USITC, or PTAB determining validity, petitioners should get just one bite at the apple for inter partes review (IPR) or postgrant review (PGR). This constraint should equally apply to privies and real parties in interest. Such a clear-cut standard would provide “a single-bite-at-the-apple, bright-line rule. We strongly urge PTO to ‘preclude claims from being subject to more than one AIA proceeding, regardless of the circumstances.’ Such a rule would meet the very important ‘quick’ and ‘cost effective’ criteria for PTAB, while bringing greater certainty and reliability of the patent grant for the patent owner. This approach leaves subsequent patent challengers access to federal court, should they have legitimate grounds for pursuing a subsequent patent validity challenge. This remedy closes down gaming the system” by multiple parties in league and by deep-pocketed petitioners.<sup>2</sup> This approach would advance fairness and due process, leveling the imbalance between devaluing examination and overly second-guessing examination of commercially valuable patents (as opposed to actually invalid patents).

***Serial petitions***

We urge PTO to adopt a presumption of denial of any serial IPR petition, which is to say deny serial IPRs for which the grounds overlap with the basis of a district court’s, USITC’s, or a PTAB proceeding’s having found patent validity. However, the exceptions under consideration could provide challengers ample opportunity to file serial petitions resulting in repeated challenges against the same patent claims. This is unfair and undermines the presumption of denial. A more reasonable exception would be “at the time of filing of the first petition, the petitioner reasonably could not have known of or found the prior art asserted in the serial petition.” This exception, if proven by clear and convincing evidence, would be an acceptable exception and basis for overcoming the presumption of denial. This approach would serve the one-bite-at-the-apple principle and reduce the opportunity to impose burden or otherwise harass the patent owner.

***Parallel petitions***

We agree with PTO’s statement that “two or more petitions filed against the same patent at or about the same time may place a substantial and unnecessary burden on the patent owner and could raise fairness, timing, and efficiency concerns.” Our understanding from every patent owner we know who has been subject to parallel petitioning is that parallel petitions do, rather than “may,” impose burdens and are in fact unfair. These tactics amount to the litigation equivalent of piling on and should be avoided.

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<sup>2</sup> [https://www.property-rts.org/files/ugd/651e0c\\_330aaca647a145db80a8c56ece44ff79.pdf](https://www.property-rts.org/files/ugd/651e0c_330aaca647a145db80a8c56ece44ff79.pdf)

### ***Petitions challenging patents subject to ongoing parallel litigation in district court***

We commend PTO for considering precluding petitions against patents already subject to parallel district court or USITC litigation. Such a move games the system, heightening the risk of conflicting outcomes. Parallel proceedings in different fora disquiet title. CPR reiterates that “institution of a PTAB proceeding once a patent is being litigated in another forum should be disallowed. If it is the same petitioner, then that party has already chosen its alternative for seeking to invalidate the patent. If the petitioner requests PTAB patent validity review once judicial proceedings are underway regardless of who initiated them, PTAB should presume in favor of the patent owner’s opposition to having a new front opened against its patent, adopting and applying a high standard for rebutting that presumption and proceeding with PTAB institution. At all times, PTAB should give deference to any judicial developments involving the same patent and deny, end, or suspend administrative proceedings, in order to avoid arriving at different outcomes on the same patent and the same issues. If in court or before the USITC due to another party bringing the challenge, then the subsequent petition should be considered superfluous.”<sup>3</sup> Indeed, CPR supports “a clear, predictable rule” resulting in denial of parallel proceedings at PTAB, whether district court litigation is pending or underway.

We support making a *Sotera* stipulation mandatory for all PTAB petitions where there is pending litigation between the parties. This, along with vigorously exercising *Fintiv* precedent, should safeguard against duplicative patent challenges in multiple fora. The *Sotera* stipulation should be bolstered and made enforceable by PTO, with real teeth, in case a party, its privy, or real parties in interest do not honor the promise given in a strengthened *Sotera* stipulation. This combination would render “a clear, predictable rule.”

### ***Petitions challenging under-resourced patent owner patents where the patentee has or is attempting to bring products to market***

We applaud the proposal to protect independent inventor, startup, and early-stage innovator companies from large incumbent patent infringers who use IPRs and PGRs as tactics to drain such patent owners of precious resources through multifaceted litigation strategies. We note that the cap of \$1.6 million in annual revenue is too low in defining an “under-resourced patent owner.” A better definition of an under-resourced entity is an individual or firm that is actively pursuing commercialization or has commercialized the patented invention directly or through a licensee, has annual revenues under \$20 million, and employs fewer than 500 people.

### ***Petitions filed by certain for-profit entities***

We support denying the institution of PTAB proceedings sought by parties that do not themselves face patent infringement litigation. Extending denial to petitions from allies, associates, privies, real parties in interest, and other third parties would improve IPRs and PGRs by focusing disputes on competitors in the market. This would reduce the opportunity for gamesmanship.

However, by limiting the exclusion to for-profit entities, the proposal leaves PTAB wide open to continued abuse and harassment by nonprofit entities, such as Unified Patents and

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<sup>3</sup> [https://www.property-rts.org/files/ugd/651e0c\\_330aaca647a145db80a8c56ece44ff79.pdf](https://www.property-rts.org/files/ugd/651e0c_330aaca647a145db80a8c56ece44ff79.pdf)

RPX. The tax status of an organization does not reflect its budget, revenues, membership or clientele, or how aggressive or predatory its practices against patent owners. As IPWatchdog's Gene Quinn put it, "The subterfuge that underscores the patent challenges filed by the likes of Unified Patents and RPX wouldn't pass muster in a third grade classroom . . . ."<sup>4</sup> Thus, we urge PTO to remove the "for-profit" specification and thereby restrict PTAB proceedings to direct competitors engaged in infringement litigation over the patent at issue.

### ***Compelling merits***

We believe the "compelling merits" standard should not be adopted as an overarching exception to discretionary denial. "Compelling merits" could become the exception that swallows the rule, becoming a large loophole. An alternative exception could be new prior art or new arguments that could not have been asserted in a previous district court litigation, an IPR, or a PGR, and this should be proven by clear and convincing evidence.

### ***Third-party litigation funding***

Pursuing patent infringement litigation, particularly against deep-pocketed infringers, is a very expensive endeavor. However, that is the only means available to enforce one's patent rights. Litigation costs are great for established patent-centric companies; they are all the more of a financial challenge for independent inventors, startups, and early-stage innovators. Litigation costs frequently skyrocket once patent infringement litigation is initiated. So-called "efficient infringers," who not coincidentally are frequent filers seeking PTAB proceedings, drive up patent asserters' legal costs by opening up new fronts serially and simultaneously, while dragging out the initial lawsuit through numerous motions and other stalling tactics.

For "under-resourced patent owners," third-party litigation funding may be the only viable option. There is nothing untoward about financing litigation through a third party, and the ANPRM wrongly casts aspersions, especially when the proffered definition of "under-resourced" is so low it excludes many of the most innovative firms in America that face rapacious patent infringers in multifaceted, expensive litigation. Therefore, we urge PTO to drop consideration of differentiating among small, dynamic innovators in discretionary denial decisions on PTAB petitions, based upon how an under-resourced entity finances its litigation. Predatory infringement, too-easily-instituted PTAB proceedings, and too-easy patent invalidations once instituted are the problem.

### ***Addressing an omission***

In regard to an omission from the ANPRM, PTAB's credibility has been sorely beleaguered by a significant number of instances of administrative patent judges' (APJ) questionable ethical conduct and conflicts of interest. Any PTAB reform rule must include a standard of ethical conduct to which APJs must adhere. That ethical code should require recusal if an APJ has previously represented a party involved at the institution stage or the proceeding stage. Recusal should be required if an APJ has or has had within five years a financial interest in one of the parties, to include being an employee. The ethics code must preclude both APJs' actual conflicts of interest and the appearance of conflict of interest. The parties and third parties should be able to provide evidence of a conflict involving an APJ's interest in a matter. Settled PTAB decisions must undergo review for the presence of conflicted

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<sup>4</sup> <https://ipwatchdog.com/2023/05/30/salesforce-reexams-vacated-real-party-interest-rpx-ipr/id=161614/>

APJ involvement. Any and all PTAB decisions found to have involved a conflicted APJ should be vacated. Violations of the new ethics code should carry severe sanctions, such as leave of absence without pay, fines, dismissal, civil liability to an aggrieved party, and disbarment.

A revolving door exists, with attorneys moving to PTAB, where they are APJs, and back to private practice, where they advocate for the same parties, including the most aggressive PTAB users in patent infringement litigation. The same APJ who formerly represented a PTAB frequent filer such as Google or Samsung<sup>5</sup> ought not sit on a PTAB panel considering the same party's petition to institute a PTAB challenge or an IPR or PGR panel adjudicating a former client's proceeding. Yet, this happens routinely. Similarly, APJs have been implicated in holding financial interest in a party before him or her at PTAB or institution panels. APJs have no ethical standards to which they must adhere, other than one for average federal employees. If PTAB is to be regarded as legitimate, its integrity with respect to APJ impartiality should be assured.

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In closing, quiet title to one's patents is vital for promoting innovation, commercializing new and improved inventions, growing the U.S. economy, and safeguarding national security through assured U.S. leadership in innovation. We urge PTO to propose a rule that provides for quiet title while foreclosing the PTAB as a source of gamesmanship.

Respectfully,

James Edwards, Ph.D.  
Executive Director  
Conservatives for Property Rights

Kevin L. Kearns  
President  
U.S. Business and Industry Council

Curt Levey  
President  
The Committee for Justice

Jeffrey Mazzella  
President  
Center for Individual Freedom

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<sup>5</sup> <https://savetheinventor.com/get-the-facts/>