Council for Innovation Promotion
C4IP

Andrei Iancu, Co-Chair
David Kappos, Co-Chair
Judge Paul Michel (Ret.), Board Member
Judge Kathleen O'Malley (Ret.), Board Member
Frank Cullen, Executive Director

June 18, 2024

**Via Electronic Submission**
The Honorable Katherine K. Vidal
Under Secretary of Commerce for Intellectual Property and Director
of the United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

## Re: Docket No. PTO-P-2023-0048, Patent Trial and Appeal Board Rules of Practice for Briefing Discretionary Denial Issues, and Rules for 325(d) Considerations, Instituting Parallel and Serial Petitions, and Termination Due to Settlement Agreement

Dear Director Vidal,

The Council for Innovation Promotion (C4IP) welcomes the opportunity to submit comments in response to the notice of proposed rulemaking issued on April 19, 2024, on codifying or modifying certain aspects of practice before the Patent Trial and Appeal Board (PTAB or Board) (Docket No. PTO-P-2023-0048).

C4IP is a bipartisan coalition dedicated to promoting strong and effective intellectual property rights that drive innovation, boost economic competitiveness, and improve lives everywhere. Founded and chaired by former directors of the U.S. Patent and Trademark Office from previous Democratic and Republican administrations whose board also includes two retired judges from the Court of Appeals for the Federal Circuit, our nonprofit organization hopes to be a valued partner to those considering policies impacting America's intellectual property system.

***Uncertainty About the Full Scope of the Office's Desired Changes to PTAB Precludes a Meaningful Review of this NPRM.*** The Office's wide-ranging Advanced Notice of Proposed Rulemaking (ANPRM) on PTAB practice addressed many topics that this NPRM mentions not at all.[1] It is important for the public to

[1] USPTO, *Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board*, 88 Fed. Reg. 24503, 24513-24516 (Apr. 20, 2023) [hereinafter, "ANPRM"], https://www.federalregister.gov/documents/2023/04/21/2023-08239/changes-under-consideration-to-di



Google Exhibit 1091
Google v. Mullen
IPR2025-00365

know whether the Office has finally decided -- at least for the foreseeable future -- *not* to pursue rulemaking on these varied topics. As C4IP wrote in its earlier comments, the range of proposals set forth by the Office's ANPRM makes it difficult for patent owners and petitioners alike to plan, not knowing if significant changes to PTAB practice are on the horizon.[2] The Office's lack of commentary on how it will (or will not) address the full range of these topics perpetuates this uncertainty, notwithstanding the benefit of having received extensive input from the public on the ANPRM. To the extent additional proposals are forthcoming, their piecemeal presentation makes it difficult to meaningfully comment on any given one. It is critical to know if basic assumptions about how PTAB operates are settled or are still up for change. As a result of not knowing the Office's overall agenda for PTAB, C4IP is unable to fully support any of the proposed rules at this time.

***Silence on Codifying Discretionary Denial Based on Parallel District Court Litigation.*** The Office's silence extends, problematically, to a topic discussed at particular length in the ANPRM -- how the Director should use her discretion to deny petitions in light of parallel district court litigation.[3] Not only did the ANPRM promise rulemaking on this topic,[4] but the Director's June 20, 2022, guidance on discretion in light of parallel district court litigation, which remains in force, states that "The Office expects to replace this interim guidance with rules after it has completed formal rulemaking."[5] Yet there is no proposed rule here and no explanation of whether one is forthcoming.

The absence of a proposal leaves in place the Director's June 2022 Interim

---

scretionary-institution-practices-petition-word-count-limits-and; USPTO, *Patent Trial and Appeal Board Rules of Practice for Briefing Discretionary Denial Issues, and Rules for 325(d) Considerations, Instituting Parallel and Serial Petitions, and Termination Due to Settlement Agreement*, 89 Fed. Reg. 28693 (Apr. 19, 2024) [hereinafter "NPRM"], https://www.federalregister.gov/documents/2024/04/19/2024-08362/patent-trial-and-appeal-board-rules-of-practice-for-briefing-discretionary-denial-issues-and-rules.

[2] Council for Innovation Promotion, *RE: PTO–P–2020–0022* (June 20, 2023), https://c4ip.org/wp-content/uploads/2023/06/C4IP-Response-to-PTO-P-2020-0022.pdf and attached hereto [hereinafter, "C4IP ANPRM Comments"].

[3] ANPRM, *supra* note 1, at 24513-24516.

[4] *Id.* at 24513 ("In the case of a parallel district court action in which a trial adjudicating the patentability of the challenged claims has not already concluded at the time of an IPR institution decision, the USPTO is proposing rules to install *Apple* v. *Fintiv* and related guidance, with additional proposed reforms.").

[5] Katherine K. Vidal, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, *Interim Procedure for Discretionary Denials in AIA Post-grant Proceedings with Parallel District Court Litigation* (June 21, 2022) [hereinafter "Interim June 2022 Guidance"], https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf; *see also* Apple Inc. v. Vidal, 63 F.4th 1, 10 (Fed. Cir. 2023), *cert. denied*, 144 S. Ct. 548 (2024).

Guidance.[6] As that guidance itself demonstrated, instructions to the Board can change at any time without prior notice. The Office has recently even publicized how easy it is for members of the public to suggest that a precedential decision be de-designated, which could presumably affect the precedential decisions on which the Director's June 2022 Interim Guidance is based.[7]

The silence here is especially concerning given that there is ongoing litigation against the Office in which plaintiffs argue that the Director lacks authority to promulgate guidance on discretionary denials for parallel litigation without going through notice-and-comment rulemaking.[8] Merits of the litigation aside, the Office could have readily codified some version of this practice through this NPRM, thereby obviating any process defects a court might still identify. The Office's failure to do so suggests a reluctance to formalize this practice, but without having said so directly, it leaves the stakeholder community in a state of limbo. It would be preferable to have the Director clearly chart a course instead of allowing this uncertainty to continue.

On the merits, C4IP continues to believe that the Office should discretionarily deny petitions where there is parallel district court or ITC litigation unless the petitioner files a *Sotera* stipulation, for both PGR and IPR proceedings.[9] As the Office noted in the ANPRM, "A significant advantage of a *Sotera* stipulation is that it effectively minimizes concerns related to the overlapping issues and duplicative efforts that may result from parallel district court litigation."[10] C4IP agrees and has discussed at length additional reasons for supporting the use of *Sotera* stipulations in C4IP's ANPRM comments, which are attached to this submission and incorporated by reference here.

***Codification of* General Plastic *for Discretionary Denials of Serial Petitions.*** Regarding the proposed codification of *General Plastic*'s multifactor test for denying serial petitions, C4IP notes that the Office has posited that the analysis under *Valve* of whether a second petitioner has a "significant relationship" with the initial petitioner, such that *General Plastic* would govern whether the second

---

[6] Interim June 2022 Guidance, *supra* note 5, at 9.
[7] USPTO, *USPTO Allows Parties to Request De-designation of Precedential or Informative Decisions and Updates PTAB Web Resources to Provide Better User Experience* (June 10, 2024), https://content.govdelivery.com/accounts/USPTO/bulletins/3a15a06; USPTO, *Nomination for Designation or De-Designation of PTAB Decisions*, https://www.uspto.gov/patents/ptab/ptab-decision-nomination (last visited June 17, 2024).
[8] *Apple*, 63 F.4th at 14. The lawsuit was filed before the Director's June 2022 Interim Guidance issued, but the Federal Circuit explained that the propriety of the guidance was also implicated by the lawsuit's allegations and should be passed upon by the courts.
[9] C4IP ANPRM Comments, *supra* note 2, at 3-5.
[10] ANPRM, *supra* note 1, at 24515.

petition should be discretionarily denied, is effectively equivalent to the analysis of whether the second entity is in privity with the petitioner.[11] C4IP accordingly understands that the overall impact of these proposed rules will be to codify *General Plastic* and *Valve*. Absent codification of *Valve*, it would be too easy for a second, follow-on petitioner (who has a relationship with the first petitioner) to game the system with a deliberately timed follow-on petition that seeks to benefit from how the first petition was handled by PTAB, modifying or changing arguments as needed to prevail on a do-over. This gamesmanship would unfairly give the first and second petitioners, where they are related, two bites at the apple.

***Discretionary Denial for District Court Validity Rulings.*** The ANPRM also proposed that the Director consider discretionary denial where a district court has already ruled on the validity of a patent. C4IP supported this proposal, arguing that denials are always appropriate in this scenario, and would continue to urge its codification, although it does not appear in this NPRM.[12]

***Concerns Regarding the Proposed Codification of Section 325(d) Discretionary Denials.*** C4IP believes that the Office should codify the current 2-part test established under the precedential *Advanced Bionics* and *Becton, Dickinson* decisions.[13] The Office, instead, proposes a rule under which, if prior art was cited in an IDS but not "meaningfully" discussed by the Office, § 325(d) is not

---

[11] NPRM, *supra* note 1, at 28696 ("The Office notes that though *Valve* used the term 'significant relationship' to examine the relationship between the petitioners, the analysis was consistent with privity concepts."); Valve Corp. v. Electronic Scripting Products, Inc., IPR2019-00062, Paper 11 at 8 (PTAB Apr. 2, 2019) (designated precedential, May 7, 2019) ("Valve and HTC were co-defendants in the District Court litigation and were accused of infringing the '934 patent based on HTC's VIVE devices that incorporate technology licensed from Valve. Thus, there is a significant relationship between Valve and HTC with respect to Patent Owner's assertion of the '934 patent."); *see also* ANPRM, *supra* note 1, at 28699-28700 ("Serial Petitions"); General Plastic Co. v. Canon Kabushiki Kaisha, IPR2016-01357, Paper 19 (PTAB Sept. 6, 2017) (precedential as to Section II.B.4.i).

[12] C4IP ANPRM Comments, *supra* note 2, at 8.

[13] Advanced Bionics, LLC v. Med-El Elektromedizinische Geräte GmbH, IPR2019-01469, Paper 6 (PTAB Feb. 13, 2020) (designated precedential, Feb. 24, 2020); Becton, Dickinson & Co. v. B. Braun Melsungen AG, IPR2017-01586, Paper 8 (Dec. 15, 2017) (precedential as to § III.C.5, first paragraph, Dec. 15, 2017); *see also Advanced Bionics*, IPR2019-01469, Paper 6 at 9, n.10 (citing *Becton, Dickinson*, IPR2017-01586, Paper 8, at 17-18) "*Becton, Dickinson* identifies the following non-exclusive factors: (a) the similarities and material differences between the asserted art and the prior art involved during examination; (b) the cumulative nature of the asserted art and the prior art evaluated during examination; (c) the extent to which the asserted art was evaluated during examination, including whether the prior art was the basis for rejection; (d) the extent of the overlap between the arguments made during examination and the manner in which petitioner relies on the prior art; (e) whether petitioner has pointed out sufficiently how the examiner erred in its evaluation of the asserted prior art; and (f) the extent to which additional evidence and facts presented in the petition warrant reconsideration of the prior art or arguments.").

triggered.[14]

C4IP contends that the original *Becton/Advanced Bionics* test strikes a better, more nuanced, balance with a sliding-scale analysis under which § 325(d) would be implicated any time a reference had been before the Office. Discretionary denial would only be appropriate, however, depending on the degree of Office error the petitioner establishes balanced against how thoroughly the Office considered the reference originally.[15] Error would be hardest to prove where a prior art reference was, for example, the focus of an examiner's rejection, but the petitioner would still need to show some error if a reference were simply cited in an IDS.[16]

The original *Becton/Advanced Bionics* test is also more consistent with the language of the statute and better balances the equities between the patent owner and petitioner. The statute makes clear that § 325(d) may apply any time prior art or arguments "previously *were presented* to the Office" (emphasis added).[17] This language is reflective of the examination process in which a patent applicant is required to submit information material to patentability -- i.e., a requirement that the materials be "presented" to the Office. But it is the Office, often the examiner, who decides the best reference to rely upon in issuing a rejection (including prior art the examiner might identify in his own search), even if the applicant might direct an examiner towards a particular reference. As examiners are expected to be specialists in the fields of technology in which they work, it seems reasonable that they would be familiar with many or most of the references cited and well-positioned to pick the right ones to focus on.

The Office's proposed approach to § 325(d), however, gives short shrift to this aspect of examination, which will end up devaluing the grant of a patent. A patent owner will not be able to rely on a significant portion of the examination process to carry any weight if the patent comes before the Office again in a post-grant proceeding. The sliding-scale approach of *Becton/Advanced Bionics* better acknowledges the efforts that went into the initial examination of the patent (or other proceeding before the Office) while still appropriately allowing for challenges based on prior art

---

[14] NPRM, *supra* note 1, at 28700.

[15] *Advanced Bionics*, IPR2019-01469, Paper 6 at 10-11 ("[I]f the record of the Office's previous consideration of the art is not well developed or silent, then a petitioner may show the Office erred by overlooking something persuasive under factors (e) and (f). On the other hand, if the alleged error is a disagreement with a specific finding of record by the Office, then ordinarily the petitioner's required showing of material error must overcome persuasively that specific finding of record.").

[16] *See Becton, Dickinson*, IPR2017-01586, Paper 8 at 17 (factor (b)).

[17] In full, this sentence reads, "In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, 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." 35 U.S.C. § 325(d).

that was previously presented to the Office if the petitioner can show the requisite amount of error.

C4IP respectfully urges the Office to codify *Becton/Advanced Bionics* without the additional gloss of the current NPRM that overly devalues patent prosecution.

***ANPRM Proposals Not Addressed in this NPRM that the Office Should Not Pursue Further.*** C4IP raised concerns about several proposals in the ANPRM and is appreciative that the Office is not moving forward with them at this time, including:

- Codifying use of the "compelling merits" test to override other bases for discretionary denial of institution;
- Requiring extensive disclosures from a patent owner as a precondition to raising certain arguments notwithstanding their lack of relevance to the PTAB proceeding (such as sources of research funding, sources of funding in parallel litigation, and the identity of any entity with a stake in parallel litigation); and
- Codifying a standing requirement: while C4IP supports a standing requirement, such a change is more appropriately accomplished through legislation.

***Proposals to Codify Established or Uncontroversial Practices.*** C4IP supports, in theory, formal rulemaking to codify established practices where they have proved to work, or would provide clear guidance and certainty on uncontroversial matters. C4IP expressed these views in response to the Office's Advanced Notice of Proposed Rulemaking (ANPRM) where many of these NPRM proposals first appeared.[18] However, as explained earlier, C4IP cannot support any of the Office's proposals in the NPRM in light of the lack of clarity on how the Office plans to address the many topics raised in the ANPRM but not here.

* * *

In sum, C4IP regrets that it cannot support, without qualification, any of the proposals in this NPRM given that the full scope of the Office's anticipated changes to PTAB has not been clarified. The Office's silence is especially acute in relation to discretionary denials based on parallel district court proceedings, a key source of duplication, inefficiency, and unnecessary expense in the patent enforcement landscape, and one that the Office can and should address through formal rulemaking. The lack of certainty on this topic as well as many others keeps the

[18] C4IP ANPRM Comments, *supra* note 2; ANPRM, *supra* note 1.

patent community in the dark about how the PTAB will function six months or a year from now. The patent system fares better with a more clearly articulated agenda and ample notice of the full scope of potential changes.

C4IP again thanks the USPTO for the opportunity to comment on this NPRM and would be pleased to provide any further input that may be requested.

Sincerely,

Frank Cullen
Executive Director
Council for Innovation Promotion (C4IP)

# Appendix

Council for Innovation Promotion
C4IP

**Frank Cullen**, Executive Director
**Andrei Iancu**, Co-Chair
**David Kappos**, Co-Chair
**Judge Paul Michel** (Ret.), Board Member
**Judge Kathleen O'Malley** (Ret.), Board Member

June 20, 2023

**Via Electronic Submission**
The Honorable Kathi Vidal
U.S. Patent and Trademark Office

600 Dulany Street
Alexandria, VA 22314

## RE: PTO-P-2020-0022

Dear Director Vidal,

C4IP is a bipartisan coalition dedicated to promoting strong and effective intellectual property rights that drive innovation, boost economic competitiveness, and improve lives everywhere. C4IP welcomes this opportunity to provide feedback on the USPTO's advance notice of proposed rulemaking (ANPRM).[1]

The last decade has seen a dramatic change in the patent enforcement landscape with the arrival of the Patent Trial and Appeal Board (PTAB) after the passage of the Leahy-Smith America Invents Act of 2011 (AIA).[2] The Office has worked diligently to realize that law, acting on Congress's instruction that "the changes made by [the AIA] are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation."[3]

To achieve these goals, the AIA gives considerable discretion to the Director. Directors have used this authority to achieve uniformity at the PTAB in response to new court decisions or emerging divisions among PTAB panels through interim guidance and precedential decisions, allowing the Agency to react immediately and transparently in real-time.[4] This guidance

1 USPTO, *Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board*, 88 Fed. Reg. 24503 (April 21, 2023) [hereafter "ANPRM"].
2 Pub. L. 112–29 (2011), https://www.congress.gov/112/plaws/publ29/PLAW-112publ29.pdf.
3 H.R. Rep. No. 112-98, at 48 (2011), https://www.congress.gov/112/crpt/hrpt98/CRPT-112hrpt98.pdf.
4 Cuozzo Speed Technologies, LLC v. Lee, 136 S. Ct. 2131, 2142 (2016); *see also* Ryan David, *PTAB Unveils AIA Review Plans After High Court Shakeup*, Law360 (April 26, 2018) (discussing how the Office issued initial guidance to the PTAB on the Supreme Court's *SAS Institute* ruling within two days), https://www.law360.com/articles/1037720/ptab-unveils-aia-review-plans-after-high-court-shakeup.

benefits the patent system by publicly establishing the operative rules-of-the-road, promoting predictability and certainty.

Notice-and-comment rulemaking, such as the present process, is a logical and appropriate outgrowth of this effort. In key areas of policy, it builds on these initial measures by soliciting additional public input. If the process works properly, practices that have worked well and garnered a sufficient consensus should become part of the Code of Federal Regulations as a permanent part of PTAB practice.

Ideally, this would mean that these issues would be settled, given that a rehashing of the rules again and again will undermine the certainty that is needed for patents to support investment and further innovation. This is what makes the ANPRM and proposed rulemaking to follow so critical.

As the Office itself has acknowledged through its use of the ANPRM rather than an NPRM, the scope of proposals is vast. The many alternative and interrelated changes make it difficult to fully appreciate how implementation of any one proposal would work, opening the door to unintended consequences. Indeed, C4IP is concerned that the broad scope of the ANPRM introduces confusion and instability, as the public is left to wonder what direction the USPTO intends to pursue. The public generally benefits from prompt, clear, and steady direction from the Office.

Overall, C4IP is most supportive of proposed changes that codify existing Office practices, which have a record of how they operate. This appears in line with the AIA's intention of authorizing the Director, where Congress has not acted, to set policies and make improvements without Congressional involvement.[5]

In contrast, other changes are a departure from existing practice and the statutory scheme. While C4IP supports several of these, their nature suggests they would be better pursued through the legislative process.

C4IP applauds the Office for a thorough examination of the many issues that, after over a decade of experience with the AIA, are clearly causing friction. C4IP believes that a subset of the proposals is ready and appropriate for codification.

5 H. Rep. 112-98, at 48 (2011) ("[T]he Committee intends for the USPTO to address potential abuses and current inefficiencies under its expanded procedural authority."); 35 U.S.C. §§ 316; 326.

## The Director Should Adopt a Systematic Approach to Discretionary Denials Where There Are Ongoing Parallel Proceedings

### Requiring *Sotera* stipulations is a simple, bright-line rule that avoids duplication and promotes efficiency and fairness

The ANPRM proposes many variations of how parallel proceedings between the PTAB, district court, and the ITC could be handled, reflecting that this is an issue where concerns about efficiency, unnecessary duplication, and fairness have been numerous and prominent.[6] C4IP submits that the right balance is to require a *Sotera* stipulation from any petitioner if an IPR or PGR is to be instituted while there is an ongoing parallel proceeding in district court or the ITC involving that petitioner, real-party-in-interest, or privy of the petitioner.[7]

First and foremost, this proposal would promote efficiency and fairness by ensuring that the same issues are not being litigated in two separate tribunals, under different standards. This rule would give petitioners the ability, as the AIA intended, to choose to bring a challenge at the PTAB if they are charged with infringing a patent in district court or the ITC, while it would also ensure the AIA's intent that such an IPR is indeed an *alternative* to district court litigation.[8]

In other words, a mandatory stipulation would give the petitioner the choice of forum for where to bring its validity challenge, but ensure a single forum. This is in keeping with longstanding judicial principle of avoiding duplicative and potentially inconsistent outcomes and the AIA's intention to promote efficiency and reduce costs.[9] It would also prevent petitioners from having

6 *See, e.g.*, *The Patent Trial and Appeal Board After 10 Years: Impact on Innovation and Small Businesses*, hearing before the H. Comm. on the Judiciary, Subcomm. on Courts, Intellectual Property, and the Internet, 117th Cong. (2022) (Earl "Eb" Bright, written testimony), https://www.congress.gov/117/meeting/house/114937/witnesses/HHRG-117-JU03-Wstate-BrightE-20220623.pdf; (Jonathan Rogers, written testimony), https://www.congress.gov/117/meeting/house/114937/witnesses/HHRG-117-JU03-Wstate-RogersJ-20220623.pdf; Steven Carlson & Ryan Schultz, *Tallying Repetitive Inter Partes Review Challenges*, Law360 (2018), https://www.law360.com/articles/1083158; Anne Layne-Farrar, *The Other Thirty Percent: An Economic Assessment of Duplication in PTAB Proceedings and Patent Infringement Litigation*, SSRN (2017), http://dx.doi.org/10.2139/ssrn.2994858; Peter Harter & Gene Quinn, *How IPR Gang Tackling Distorts PTAB Statistics*, IPWatchdog (2017), https://ipwatchdog.com/2017/04/05/ipr-gang-tackling-distorts-ptab-statistics/id=81816/.

7 Sotera Wireless, Inc. v. Masimo Corp., IPR2020–01019, 2020 WL 7049373, at *7 (PTAB Dec. 1, 2020). C4IP agrees with the ANPRM's characterization of *Sotera* that such a stipulation bar challenges in district court that a petitioner raised or reasonably could have raised in its petition, if the petition is instituted. ANPRM, 24515-24516.

8 H. Rep. 112-98, at 48 (2011) (explaining "the purpose of the section as providing quick and cost effective alternatives to litigation").

9 *See, e.g.*, Clements v. Airport Authority of Washoe County, 69 F. 3d 321, 330 (9th Cir. 1995) ("[T]he 'most purely public purpose' served by preclusion rules is that of 'preserving the acceptability of judicial dispute resolution against the corrosive disrespect that would follow if the same matter were twice litigated to inconsistent results.'") (citing 18 Wright, Miller & Cooper, Federal Practice and Procedure: Jurisdiction § 4403 at 12); H. Rep. 112-98 (2011) at 40 (noting efficiency as one of the goals of passing the AIA), https://www.congress.gov/112/crpt/hrpt98/CRPT-112hrpt98.pdf; Anne Layne-Farrar, *The Other Thirty Percent: An Economic Assessment of Duplication in PTAB Proceedings and patent Infringement Litigation* (June 28, 2017) (estimating the number of duplicative parallel proceedings and discussing their costs), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2994858.

multiple opportunities to challenge validity, which is more fair to patent owners in addition to promoting judicial economy.

This approach also has the benefit of providing a clear, bright-line rule for when the Director's discretion will be exercised. The Office has noted the benefits of such bright-line rules in its ANPRM.[10] C4IP agrees that the predictability that such a rule provides is advantageous and in keeping with the mandate of the AIA to promote efficiency. It is also in keeping with recognizing that Administrative Patent Judges are experts in patent law, science, and engineering, and that unnecessarily spending time deciding other issues is a poor use of their time.[11]

In the past, opponents of this approach have suggested that duplication is best avoided by district courts granting stays until the conclusion of a PTAB proceeding.[12] But the AIA granted district courts discretion to stay—or not to stay—cases for IPRs or PGRs, recognizing that there are reasons that such stays are inequitable, for example, the delay and resulting economic harm to the patent owner from continued infringement.[13] This is in notable contrast to the AIA provisions heavily favoring a stay in the now-expired covered business method proceedings.[14]

Moreover, the AIA gave the USPTO Director an explicit directive 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."[15] While the Director cannot control what a district court does, the Director *can* control whether the PTAB hears a duplicative proceeding. The stipulation will further help to ensure that, even where district court cases have been stayed, the issues within the scope of the IPR or PGR will not be revisited once the post-grant proceeding is over.

### The *Sotera* rule should apply equally to IPRs and PGRs and also to district court and ITC proceedings

The Office has proposed that there should not be discretionary denials for PGRs (as opposed to IPRs), or where there is a parallel ITC (instead of district court) case. C4IP respectfully

10 ANPRM, 24516.
11 35 U.S.C. § 6(a) (describing the qualifications of APJs).
12 *See, e.g.*, USPTO, *Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board*, 85 Fed. Reg. 66502 (Oct. 2022) (Comments of R Street Institute), https://www.uspto.gov/sites/default/files/documents/11302020RStreetInstitute.pdf.
13 *See, e.g.*, Zomm, LLC v. Apple Inc., 391 F. Supp. 3d 946, 955-956 (N.D. Cal. 2019) (describing the three-factor test that district court typically assess in deciding whether to grant a stay pending an IPR), https://casetext.com/case/zomm-llc-v-apple-inc; Umber Aggarwal and Kevin Rodkey, *Trending at the PTAB: When to Ask Court for Litigation Stay*, Law360 (Mar. 30, 2023) (discussing recent decisions denying stays and why), https://www.law360.com/articles/1591765.
14 AIA, Pub. L. 112–29 (2011), § 18(b) (providing criteria for a district court to grant a stay and then for an immediate *de novo* interlocutory appeal of a that decision), https://www.congress.gov/112/plaws/publ29/PLAW-112publ29.pdf.
15 35 U.S.C. §§ 316(b); 326(b).

disagrees on both points and believes that PGRs and ITC proceedings should be treated the same as IPRs and district court proceedings, respectively.

The interest in avoiding duplication and promoting fairness to patentees applies equally in both cases, as does avoiding duplication in multiple forums assessing the same issues under different standards. The petitioner will still have its choice of where to bring the invalidity challenge, but it will be limited to a single forum.

In announcing an earlier change in policy that prohibits denials based on parallel ITC proceedings, the Office relied heavily on the argument that ITC proceedings do not "invalidate" a patent, in contrast to district court cases.[16] But this highly formalistic distinction misses the mark. A negative opinion from any forum, the ITC, district courts, or PTAB, creates a cloud over a patent, making any future challenge (if necessary) relatively straightforward and most likely *not* in the patent owner's favor. The *Fintiv* decision made this very point, stating that "it is difficult to maintain a district court proceeding on patent claims determined to be invalid at the ITC."[17] In contrast, the waste and expense of parallel proceedings is clear and predictable, and not in the best interest of the patent system.

Plus, the ITC is part of the Administration, creating the possibility of inconsistent results from two administrative agencies. There is no clear public benefit from having the Administration duplicating efforts in this manner. On balance, there is virtually no upside while there is significant downside to duplicative proceedings between the PTAB and the ITC. And this is the same for IPRs or PGRs.

## A Standing Requirement Is Sound Policy but Likely Conflicts with the Statute

The Office has proposed discretionarily denying petitions filed by "non-market competitors." C4IP welcomes the Office's attention to this issue, which has presented vexing problems to the Office from early attempts of hedge-fund managers to sway stock markets to more recent attempts of third parties to gain fast payoffs by challenging patents that underlie district court damages awards.[18] The AIA was intended to make the patent system stronger and more efficient, not to create get-rich-quick schemes that do not advance innovation in any meaningful way. A standing requirement would, and should, prevent these sorts of abuses at the PTAB.

16 USPTO, Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation 6-7 (June 22, 2021), https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf.

17 Apple Inc. v. Fintiv, Inc., IPR2020-00019, Paper 11 at 9 (PTAB Mar. 20, 2020) (designated precedential May 5, 2020).

18 *See* Dani Kass, *Will the Real Patent Challengers Please Stand Up?* Law360 (April 25, 2023) (discussing these different types of petitions), https://www.law360.com/articles/1599812.

As with standing requirements for virtually all adversarial disputes, such a requirement at the PTAB would also promote fairness and efficiency. For example, the emergence of member organizations that challenge patents at the PTAB while purporting not to act on behalf of their members raises fairness concerns about effectively giving dues-paying members an additional chance to challenge a patent after the member organization has. It would be more appropriate for these members to be estopped from filing separate challenges on their own if the organization files one. For all of these reasons, C4IP strongly supports the rationale behind seeking a standing limitation.

However, C4IP believes that this change should come from Congress rather than the Executive Branch. The Director clearly has considerable discretion when it comes to denying petitions for institution under Sections 314(a) and 324(a).[19] But this discretion is limited where the statute already explicitly speaks to an issue. As the Supreme Court stated in *SAS Institute*, "Where a statute's language carries a plain meaning, the duty of an administrative agency is to follow its commands as written, not to supplant those commands with others it may prefer."[20]

Congress has directly spoken to the issue of standing by specifying only that "a person who is not the owner of a patent" may file a petition to review that patent.[21] In contrast, the statute is silent about how the Director may use his or her discretion to promote efficiency and minimize duplication of proceedings. This provides for the Director's ability to require *Sotera* stipulations, discussed above, or to take other discretionary actions towards that same goal, such as the currently-used *Fintiv* and *General Plastic* tests to prevent multiple, duplicative challenges to a patent.

On the other hand, the Office's proposed standing requirement runs headlong into the clear statutory language allowing anyone besides the patent owner to bring a challenge. It therefore seems that the Director cannot categorically prohibit certain classes of persons from bringing PTAB challenges, even if he or she can deny petitions on many other grounds.

At the very least, the implementation of this kind of rule would likely lead to litigation. Such litigation would prolong uncertainty, cost the public and the Office, and not be guaranteed to have a positive outcome. C4IP submits that a better course would be for the Office to support a statutory change, and to that end, could substantially help by collecting data to show how the PTAB system would be improved by having a standing requirement for petitioners.

19 *See* Cuozzo Speed Technologies, 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").
20 SAS Institute Inc. v. Iancu, 138 S. Ct. 1348, 1355 (2018) (overturning the Director's partial institution practice as being in conflict with the plain language of 35 U.S.C. § 318(a)).
21 35 U.S.C. §§ 311(a), 321(a).

If the Office does proceed with a standing requirement, C4IP suggests that the Office consider removing the carve-out for non-profit groups. Many of the abuses described in the ANPRM could easily come from an organization that has formed itself as a non-profit.

## The Proposed "Compelling Merits" Test Is in Tension with the AIA and Should Not Be Adopted

The Office has proposed that, if a petition presents a challenge having "compelling merits," that would override any discretionary denial. C4IP has several concerns with this approach.

A key concern is that this proposal seems at odds with the statutory standards for institution, thereby exceeding the scope of the Director's rulemaking authority. The Office acknowledges that this standard is intended to be higher than the statutory institution standards for IPRs and PGRs and even higher than the statutory standard for final written decisions for both. While the Office characterizes this proposal as an exception to discretionary denials, the sheer number of cases where there is likely to be some basis for a discretionary denial means, in practice, the "compelling merits" test will be the *de facto* standard for institution.

This is not only contrary to the AIA, it also appears to effectively give patents the presumption of validity that they have in district court.[22] Overcoming that presumption requires clear and convincing evidence,[23] in direct contrast to the preponderance-of-evidence standard the statute requires for IPRs and PGRs.

As a policy matter, C4IP believes this "clear and convincing evidence" standard should be the standard to invalidate patents under IPRs and PGRs. This standard better reflects the deference that should be given to the agency's initial decision to issue the patent, aligns the Office's standard to that of the district courts, helps account for hindsight bias when assessing obviousness, and has the effect of making patents a more reliable basis for investment.[24] But this is a policy choice for Congress, not the Office.

There are also practical concerns with the "compelling merits" test. It asks APJs to decide, at institution, if the merits case appears even stronger than what is needed at the final written decision. While the Office's proposal suggests that this will not pre-judge the final written decision because more evidence might come to light during the trial phase, this is likely cold comfort to patent holders when the same 3-judge panel presides over the whole proceeding. It

22 35 U.S.C. § 282(a) (presumption of validity for issued patents).
23 Microsoft Corp. v. i4i Ltd. Partnership, 564 U.S. 91, 95-98 (2011) (discussing the presumption of validity and clear and convincing evidence standard).
24 *See* In re Cyclobenzaprine Hydrochloride, 676 F. 3d 1063, 1070-71 (Fed. Cir. 2012) (discussing hindsight bias).

seems designed to deprive patent holders of a meaningful opportunity to contest patentability after institution.

In addition, it is odd for the Office to be acting as a *de facto* appellate body for district court decisions when the Office believes the court made a "compelling" error—any such error is properly addressed by an appeal to the Federal Circuit.

Finally, this proposal leaves an undue amount of discretion in the hands of APJs to rely on the "compelling merits" basis anytime there are no other valid reasons for discretionary denial. Discretionary denial is designed in part to promote finality, such as where the Office has already considered art or arguments. Allowing this finality to become constantly undone is counterproductive and harmful to the innovation that stable patent rights are intended to promote.

## The Director Should Always Deny Petitions Where Another Forum Has Affirmed the Validity of a Patent

The Office has proposed denying a petition challenging a patent where the petition, real-party-in-interest, or privy has lost an invalidity challenge in district court unless "compelling merits" dictate otherwise. C4IP submits that it would be more appropriate and efficient to simply deny such petitions. It is in the best interest of the patent system to avoid duplication of reviews and promote finality of adjudicated issues.

As discussed above, the usage of the "compelling merits" test at institution raises questions about the limits of the Director's rulemaking authority. Moreover, the exception seems to ignore the ability of the party who lost invalidity arguments in district court or the ITC to appeal the decision to the Federal Circuit.

## The Proposed Patent Owner Disclosure Requirements Are Ill-Conceived and Legally Questionable

The Office is considering requiring a patent owner to disclose patent ownership information, any applicable government funding of the research leading to the patent, sources of funding in parallel litigation, and anyone who might have a stake in that litigation as either (a) a new mandatory disclosure, or (b) as a precondition to the patent owner requesting a discretionary denial. C4IP has serious concerns with these proposals.

First, the Office has not provided a clear explanation for why this information is needed or relevant, as would be required to comply with the requirement that agency action not be

"arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law."[25] In two places where the Office suggests collecting this broad scope of information, no explanation at all is given for why it is needed.[26]

Worse, however, is earlier in the ANPRM, where the Office implies that this information would be used to ascertain whether certain patent owners have business models that the Office—somehow—determines do not promote innovation. [27] The implication is that these disfavored business models would be punished. But if the Office has duly examined and issued a patent to named inventors, it is difficult to see how the identity of the patent's owner should affect the "second look" of these post-grant proceedings. The Office has not explained which business models might be disfavored and why, opening the door to arbitrary decision-making. The Office has offered no substantial explanation of why this information is appropriate or necessary for PTAB proceedings.

In addition, the Office provides no analysis of the burden and expense of compliance. For example, the ANPRM refers to ownership interests "similar" to the beneficial ownership interest reporting requirement of the Securities and Exchange Commission.[28] But the complex rules circumscribing determination of beneficial ownership require specialized expertise, which would necessarily create new cost burdens for patent owners already having to face the average $500,000 expense of defending a post-grant proceeding.[29]

Moreover, this proposal does not acknowledge the ongoing work of other federal agencies to collect this information, pursuant to Congressional command.[30] For the patent system to require a different version of ownership data from all patent holders would be a considerable change in policy that—as work from other agencies shows—should come from Congress and not the Office. There should also be far more coordination with the other information being collecting to eliminate redundancy and reduce costs, especially for small businesses.

25 5 U.S.C. 706(2)(A).
26 *See* ANPRM, 24507 (proposing, *inter alia*, collecting disclosure of "beneficial ownership interests similar to what the Securities and Exchange Commission requires."); 24517 (proposing disclosure as a precondition to getting a discretionary denial).
27 *See* ANPRM, 24505 ("The Office is seeking input on how it can protect those working to bring their ideas to market either directly or indirectly, while not emboldening or supporting economic business models that do not advance innovation. For example, the Office seeks input on to whether to require identification of anyone having an ownership interest in the patent owner or petitioner.").
28 ANPRM, 24507.
29 *Navigating the PTAB: A Primer on The Patent Trial and Appeal Board*, The Michelson Institute for Intellectual Property (Dec. 8, 2021), https://michelsonip.com/navigating-the-ptab-patent-trial-and-appeal-board/.
30 Department of the Treasury, Financial Crimes Enforcement Network, *Beneficial Ownership Information Reporting Requirements*, 87 Fed. Reg. 59498 (Sept. 30, 2022), https://www.govinfo.gov/content/pkg/FR-2022-09-30/pdf/2022-21020.pdf; William Quick, *It's Time To Prep For Corporate Transparency Act Compliance*, Law360 (May 23, 2023), https://www.law360.com/articles/1680487 (calling this law "furthest and widest-reaching federal business entity law ever enacted" that is estimated to affect 32 million businesses).

The proposals to require disclosure of third-party litigation funding and who has stakes in parallel district court proceedings are particularly troubling considering the lack of nexus to the merits of a post-grant proceeding. It seems clear that some district courts believe they have the ability to require this information if they deem it relevant.[31] In contrast, it is unclear how this information would or should impact the Office's reassessment of a patent and what jurisdiction the Office has to collect this information about proceedings in another forum.

The proposed requirements are also in tension with the AIA, which provides no indication that it intended a patent owner requirement to disclose anything about its identity (beyond possessing title to the patent) or sources of funds. The statute repeatedly refers to the "patent owner," in contrast to the statute's clear directive that other relationships to the petitioner are relevant, namely the "real-party-in-interest" (RPI) and any "privy."[32] Further arguing against the use of the Director's rulemaking authority to require these disclosures, there are express statutory provisions covering the recording of patent ownership and identification of sources of government funding.[33]

## The Director's Current Approach to Section 325(d) Already Appropriately Balances the Equities

The ANPRM proposes new ways for the PTAB to consider whether, under the language of 35 U.S.C. § 325(d), denial of an IPR or PGR is appropriate because the Office has already considered a particular prior art reference or argument. C4IP believes that the current 2-part test under the precedential *Advanced Bionics* and *Becton, Dickinson* decisions should be what the Office codifies (if anything). The Office has had several years of experience with this approach. It works well. The *Becton/Advanced Bionics* test is balanced, aligned with the statute, and familiar to parties appearing before the Board. [34]

The principal difference from current practice in the Office's proposal seems to be that "mere citation" of references in an IDS is automatically insufficient and that only art that was the basis of a rejection in an application (or related applications under certain circumstances) will bar future challenges. But the Office subsequently acknowledges—in line with the text of § 325(d)—that if "substantially" the same prior art was in an IDS, it would still count.

31 *See, e.g.*, Lamplight Licensing LLC v. ABB, Inc., Civ. No. 22-418-CFC (D. Del. May 22, 2023), https://scholar.google.com/scholar_case?case=8256711126382299076&hl=en&as_sdt=20006.
32 35 U.S.C. §§ 312(a)(2), 322(a)(2) (requiring petitions to identify all real-parties-in-interest); §§ 315(b), 315(e), 325(e) (providing for certain estoppels applying to the privy of a petitioner).
33 35 U.S.C. § 202(c)(6) (requiring identification of U.S. government support in the specification); § 251 (providing for recordation of ownership to void fraudulent transfers).
34 Advanced Bionics, LLC v. Med-El Elektromedizinische Geräte GmbH, IPR2019–01469, Paper 6 at 8 (PTAB Feb. 13, 2020) (precedential); Becton, Dickinson & Co. v. B. Braun Melsungen AG, IPR2017–01586, Paper 8 at 17-18 (PTAB Dec. 15, 2017) (precedential as to section III.C.5, first paragraph).

This concession suggests that the Office's proposed bright line rule is not that clear-cut, since frequently, other prior art cited in an IDS will provide the same teachings as art the examiner relied upon. It seems doubtful that this rule would therefore provide for the efficiency the Office claims to seek.

The proposed rule also seems to unfairly heighten the burdens on patent owners to maintain quiet title to their patents. For example, if an IDS-cited reference has the same teachings as art discussed in a rejection, it would seem that patent owners would have to overcome a presumption *against* denial based on that reference under this rule. If the references are truly cumulative, it is unclear why it should be even harder for a patent owner to prove it, and contrary to the purpose of § 325(d) to guard against repetitive attacks on a patent.[35]

In contrast, the existing framework under *Becton, Dickinson* directs the PTAB to consider the following factors relevant to whether a petitioner's art or arguments are substantially the same: "(a) the similarities and material differences between the asserted art and the prior art involved during examination; (b) the cumulative nature of the asserted art and the prior art evaluated during examination; . . . (d) the extent of the overlap between the arguments made during examination and the manner in which Petitioner relies on the prior art or Patent Owner distinguishes the prior art."[36] These factors more carefully account for the cumulative nature of prior art references and arguments, and thereby better protect a patent holder from redundant and repetitive challenges in line with § 325(d).

Importantly, parties and litigants have experience with the *Becton/Advanced Bionics* framework.[37] Changing the test will introduce a period of uncertainty, which is not warranted when there are no obvious shortcomings of the current test and the benefits of the change are unclear.

## The Office Properly Seeks to Codify Certain Existing PTAB Practices

C4IP believes the proposals to address serial and parallel petitions are good candidates for codification of existing practice. Some of the Office's proposals for both appear generally in line with these established practices.

C4IP also supports proposals to require separate briefings when issues ancillary to the merits of a case are presented. It makes sense to ensure that the merits are addressed

35 *See* H. Rept. 112z-98, at 48 (2011).
36 Becton, Dickinson, IPR2017–01586, Paper 8 at 17-18.
37 See, e.g., Eugene Goryunov & Clint Wilkins, *Discretionary Denial Under Section 325(d): Nuances of Advanced Bionics Framework for Prior Art Cited in an IDS During Prosecution*, IPWatchdog (Oct. 31, 2022), https://ipwatchdog.com/2022/10/31/discretionary-denial-section-325d-nuances-advanced-bionics-framework-prior-art-cited-ids-prosecution/id=152394/.

thoroughly while allowing for appropriate briefing of other issues. This is an existing practice for parallel petitions.[38] The proposal to also have this practice for other discretionary denials is a logical extension.

* * *

In sum, C4IP believes the Office should proceed with (1) *Sotera* stipulations being required in IPRs and PGRs when parallel district court or ITC proceedings are pending; (2) denial of IPR or PGR institution where a petitioner, RPI, or privy has lost an invalidity challenge in court; (3) the current practice for serial and parallel petitions; (4) separate briefing for discretionary issues; and (5) current § 325(d) practice.

C4IP also believes there should be no "compelling merits" exception to any basis for discretionary denials and is strongly opposed to the proposals to require additional ownership and funding disclosures for patent holders as irrelevant to the merits of PTAB review and harmful to small businesses.

C4IP hopes the Office will pursue and support legislative change for a standing requirement and a clear-and-convincing evidence standard for IPRs and PGRs. This approach, instead of rulemaking, would seem to be a more sustainable basis on which to seek these types of changes, given their tension with existing statutory provisions.

C4IP again thanks the Office for providing this opportunity to comment and looks forward to further engagement with the Office on these important issues.

Sincerely,

Frank Cullen
Executive Director
Council for Innovation Promotion (C4IP)

38 USPTO, *Patent Trial and Appeal Board Consolidated Trial Practice Guide* 59-60 (Nov. 2019), https://www.uspto.gov/sites/default/files/documents/tpgnov.pdf?MURL=.