June 20, 2023

Comments of Innovation Alliance in Response to the USPTO's Advance Notice of Proposed Rulemaking 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)

The Innovation Alliance appreciates the opportunity to submit these comments in response to the Advance Notice of Proposed Rulemaking ("ANPRM") issued by the U.S. Patent and Trademark Office ("USPTO" or "Office") regarding the proposed changes to discretionary institution practices, petition word count limits, and settlement practices for Patent Trial and Appeal Board ("PTAB") proceedings.

The Innovation Alliance is a coalition of research and development-based technology companies representing innovators, patent owners, and stakeholders from a diverse range of industries that believes in the critical importance of maintaining a strong patent system that supports innovative enterprises of all sizes. The Innovation Alliance is committed to strengthening the U.S. patent system to promote innovation, economic growth, and job creation, and we support legislation and policies that help to achieve those goals.

The Innovation Alliance appreciates the USPTO's consideration of different approaches to improve the PTAB discretionary institution practices in ways that will better protect patent owners from abusive and duplicative attacks on the validity of their patents. As the ANPRM notes, the America Invents Act ("AIA") was clear that PTAB proceedings should be "quick and cost effective alternatives to litigation" and not "tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent." H.R. Rep. No. 112–98 (2011), at 48. The ANPRM also acknowledges that despite Congress's intent in establishing the PTAB, at times parties have brought PTAB proceedings that frustrated these goals, such as challenging patents that were already subject to federal court litigation—including some that had already been upheld—increasing the time and cost necessary to resolve a patent's validity. Clarifying the Director's discretion to deny these kinds of petitions is imperative for the PTAB to function as it was intended and for the USPTO to continue achieving its mission to advance American innovation. The Innovation Alliance therefore applauds the USPTO's desire to weed out these petitions through the discretionary denial mechanisms discussed in the ANPRM.

Below we provide our comments on several of the proposed changes regarding discretionary denial outlined in the April 20, 2023 ANPRM.

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Google Exhibit 1092
Google v. Mullen
IPR2025-00366

I. Discretionary Denial of Petitions by Filed by Certain For-Profit Entities

The first proposed change to discretionary denial practice would permit discretionary denial of a petition filed by a for-profit company that has not been sued or threatened with suit on the challenged patent, if that company does not practice in the field of the patent or have a substantial relationship with a company that does practice in that field.

The ANPRM recognizes that some companies have abused the IPR and PGR processes by filing petitions when they have not been sued or threatened with suit. In one notable recent example, the Director denied institution of a petition filed by a company that had not been threatened with suit and was filed for the sole purpose of extracting a settlement payment by challenging a patent that had recently been the subject of a large district court award. *See OpenSky Industries, LLC v. VLSI Technology LLC*, IPR2021-01064, Paper 102, 3 (PTAB Oct. 4, 2022) (Director Decision). As the Director further noted, these kinds of filings "do[] not comport with the purpose and legitimate goals of the AIA and [are] an abuse of process . . . [that] harm[s] the IPR process, patent owners, the Office, and the public." *Id.* at 44.

The Office's proposed limitation on petitions by for-profit entities outside the field covered by the patent would stop abusive petitions like the one in *OpenSky*, and the Innovation Alliance applauds the Office for suggesting this necessary change. However, we are concerned that two aspects of this proposal would undermine the new practice and the Office's ability to prevent abusive petitions.

First, the proposal states that discretionary denial would only be applied if the for-profit entity does not have a "substantial relationship" with an entity that has been threatened with suit or that practices in the field of the challenged patent. The ANPRM elsewhere notes that the Office is considering whether "those involved in a membership organization, where the organization files IPRs or PGRs," have a "substantial relationship" with the organization. For purposes of the for-profit discretionary denial proposal, adopting such a definition would have the potential to allow these membership organizations to launch wide-scale IPR campaigns against non-member companies for, among other improper reasons, the purpose of incentivizing the non-member company to join the organization to end the IPR campaign, so long as one of their members practiced in the field of the patent. Such petitions clearly fall far outside the intended purpose of IPR proceedings as cost-effective alternatives to litigation. We therefore believe a narrower definition than the one proposed for "substantial relationship"—one that would not allow membership organizations to avoid discretionary denial under this proposal—or eliminating the exception altogether, would more fully address the issue of abusive PTAB filings.

Second, the ANPRM states that the Office is considering whether to include an exception for petitions that fall under the scope of this proposed framework but otherwise meet a "compelling merits" standard. We strongly oppose this proposed exception.

As an initial matter, the "compelling merits" standard described in the ANPRM is too vague and grants too much discretion to the PTAB to institute cases that the proposed rule has

already determined are abusive. The ANPRM, following previous guidance by the Director, states that "compelling merits" is satisfied "when the evidence of record before the Board at the institution stage is highly likely to lead to a conclusion that one or more claims are unpatentable by a preponderance of the evidence" that "leaves the Board with a firm belief or conviction that it is highly likely that the petitioner would prevail with respect to at least one challenged claim."

A "compelling merits" exception would inexplicably allow petitions *that the Office already recognizes as abusive* to nevertheless go forward. Such a practice would directly contravene the intent of Congress that IPRs not be used as "tools for harassment." The Office should therefore reject applying a compelling merits exception to this critically important proposed ground for discretionary denial.

Further, while the ANPRM states that the compelling merits standard is higher than the reasonable likelihood standard for institution and the preponderance of the evidence standard used for final determinations, experience has shown that this standard does not meaningfully prevent cases that otherwise meet the "reasonably likely" standard from being instituted.[1] Allowing cases with "compelling merits" under this definition to be instituted could thus nearly totally undermine the purpose of clarifying the discretionary denial standards in the first place.

II. Discretionary Denial for Petitions Challenging Claims with Prior Adjudications Upholding Validity

The ANPRM proposes applying discretionary denial to petitions whose challenged claims substantially overlap with claims previously upheld in final adjudications by a district court or by the Office in an AIA proceeding. We applaud the USPTO for further respecting district court decisions and recognizing that AIA proceedings were not intended to supplant these decisions, but to be an alternative to them.

The proposal notes that petitions challenging claims subject to a prior adjudication will not be discretionarily denied if the challenger would have standing to challenge the validity of the claims in district court, was not a party to the prior proceeding, and meets a compelling merits burden. This exception makes sense, with the caveat, as noted above, that we believe the "compelling merits" standard as currently expressed is not sufficiently high to limit its application to only truly meritorious cases. A standard more like the "clear and convincing" standard used in district court would be more appropriate, as that standard is well-understood and the use of it would help better align PTAB and district court proceedings.

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[1] *See* Ward, et al. "Trending at the PTAB: Fintiv is Alive, But with Way Less Zip," Mar. 3, 2023, Law360 (available at: https://www.law360.com/articles/1582265/trending-at-the-ptab-fintiv-is-alive-but-with-way-less-zip) (noting that as of March 2, 2023, only two families of IPR petitions had been discretionarily denied under *Fintiv* since the "compelling merits" standard was announced in June, 2022). *See also* Gerber, et al. "PTAB Issues Back-to-Back Fintiv Denials After Dry Spell," May 26, 2023, JDSupra (available at: https://www.jdsupra.com/legalnews/ptab-issues-back-to-back-fintiv-denials-7145200/) (noting two additional patent families subject to discretionary denial under *Fintiv* in the March, 2023 through May, 2023 timeframe).

We further note, however, that the ANPRM would not apply discretionary denial where a challenger would not have standing to sue, but only "intends to pursue commercialization of a product or service in the field of the invention of a challenged claim." It is unclear why such a carve-out would be considered and how it would be adjudicated. The Innovation Alliance therefore supports removing this carve-out and requiring parties to show that they would have standing to challenge validity in district court.

We also believe it would be appropriate to include an additional requirement that, following any district court validity determination or any final written decision in an IPR or PGR, the Board will deny institution of IPR on the same patent unless the petitioner relies on new art that could not have been raised in the prior district court litigation, IPR, or PGR. Requiring such a showing would ensure that patent owners who have already gone through a substantial validity challenge are not subject to duplicative challenges on similar grounds.

III. Discretionary Denial of Serial Petitions

The Innovation Alliance agrees that serial petitions "raise the potential for abuse of the review process by repeated attacks on patents," *General Plastic Co. v. Canon Kabushiki Kaisha*, IPR2016–01357, 2017 WL 3917706, at *7 (PTAB Sept. 6, 2017), and appreciates the Office considering ways to limit serial petitions.

Specifically, the Innovation Alliance supports the more expansive version of the rule limiting serial petitions contemplated by the ANPRM, which would deny subsequent petitions against the same patent filed by parties with a substantial relationship to the first filer. For the purposes of this proposal, members of a membership organization that files petitions on behalf of their members should be considered to have a "substantial relationship" to the organization. While we agree with and applaud recent decisions finding that membership organizations that file IPR petitions are real parties in interest with their members (*see, e.g.*, *Unified Patents, LLC v. MemoryWeb, LLC*, IPR2021-01413, Paper 56 (PTAB Apr. 5, 2023) (vacated))[2], we believe any proposed rule regarding serial petitions should make clear that such organizations and their members will be considered to have a "substantial relationship" under this test.

We also support requiring serial petitions, to the extent they are not denied under the substantial relationship test, to meet a "compelling merits" standard in order to be instituted. As noted above, however, the Innovation Alliance believes the compelling merits standard should be replaced by a clear and convincing evidence standard. Requiring serial petitions filed by third parties to meet a heightened standard of review will reduce abuse of the PTAB through repeated attacks on a patent and will give patent owners more certainty that their patent will not be subject to an endless barrage of attacks at the patent office.

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[2] *See also* Quinn et al., "Salesforce Reexams Vacated Because It Was Real-Party-in-Interest in RPX IPR," May 30, 2023, IPWatchdog (available at: https://ipwatchdog.com/2023/05/30/salesforce-reexams-vacated-real-party-interest-rpx-ipr/id=161614/.)

IV. Discretionary Denial under 35 U.S.C. § 325(d)

We fully support the ANPRM's proposed clarification that § 325(d) applies to any prior proceedings "involving the challenged patent or a related patent or application," particularly references or arguments previously presented in any parent, child, or other related patent or application. However, we are concerned about the ANPRM proposal of "limiting the application of [§ 325(d)] to situations in which the Office previously addressed the prior art or arguments."

Section 325(d) unambiguously permits discretionary denial where the art or arguments "were presented to the Office." In other words, if the applicant, examiner, patent owner, or a challenger presented the same or substantially the same art or arguments to the Office during any prior proceeding, the PTAB should be empowered to deny institution, regardless of whether the Office issued an express articulation of reasons to reject the art or arguments. That approach comports with not only the plain language of the statute, but also congressional intent. It encourages patent applicants to present the best-known art to the examiner with the expectation that it will be considered prior to the Office allowing patent claims.

As a result, we urge the Office to treat references or arguments specifically discussed or raised in an applicant's response to an office action as "previously … presented" to the Office for the purpose of § 325(d), even if such references or arguments are not requested or explicitly discussed by the examiner. Indeed, the public should be able to safely assume that each reference or argument discussed or raised in an applicant's response has been carefully reviewed by the examiner.

Assuming that the same or substantially the same art or arguments were previously presented to the Office, petitioners should bear a higher burden to overcome the Office' previous determination for the purpose of § 325(d). We support the use of the current "material error" standard to address factual issues such as anticipation, written description, or other factual inquiries. For obviousness, enablement, or other issues for which the ultimate determination is a question of law, we urge the Office to require the petitioner to show that the previous determination by the examiner or Office conflicts with clearly established Federal Circuit precedent or an unambiguous controlling statute. This approach would promote further clarity and predictability and avoid reweighing previously presented evidence as a basis for initiating post-grant proceedings.

V. Discretionary Denial in Parallel Litigation

While the ANPRM proposes several sets of "clear, predictable rules" for determining whether to deny a petition when the patent is subject to a parallel district court proceeding, one of these proposals most clearly protects patent owners from the costs and potential disparate outcomes of litigating the same patent in both federal court and the PTAB: the requirement to file a *Sotera* stipulation or face discretionary denial.

Sotera stipulations, which require the petitioner to agree not to raise any grounds that were or could have been raised in its IPR in any parallel district court litigation (*see Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020–01019, 2020 WL 7049373, at *7 (PTAB Dec. 1,

2020)), best effectuate the AIA's intent that IPRs would be "quick and cost effective alternatives to litigation" and not "tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent." H.R. Rept. 112-98 (June 1, 2011), at 48. Indeed, the *Sotera* stipulation solution is the only one that makes the PTAB an alternative to district court litigation, rather than an additional tool for invaliding a patent.

Dealing with parallel district court and PTAB proceedings in any other way allows petitioners multiple bites at the apple, making them "tools for harassment" by "repeated litigation and administrative attacks on the validity of a patent." For instance, in the case of the ANPRM's proposal that a parallel petition should not be denied if the district court litigation is not likely to go to trial before the projected statutory deadline for a final written decision, patent owners would often be forced to litigate the exact same issues and arguments in two different forums at the same time, with the two tribunals reaching final (and potentially conflicting) decisions within months of each other. So too with the ANRPM's proposal that discretionary denial would be unavailable if a petitioner filed its IPR within the first 6 months after service of the district court complaint. Thus, these options not only duplicate proceedings—against the intent of the AIA—but they also have the potential to reduce certainty and confidence in the patent system through conflicting results.

Nor does the *Sand Revolution* stipulation safe harbor, which would only require a petitioner to stipulate not to pursue the exact grounds raised in its IPR petition in its parallel district court litigation (*see Sand Revolution, II, LLC v. Cont'l Intermodal Grp.—Trucking LLC*, IPR2019–01393, 2020 WL 3273334, at *5 (PTAB June 16, 2020)), adequately prevent unnecessarily duplicative proceedings. The ANPRM acknowledges this by noting:

> 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. A *Sand Revolution* stipulation, in contrast, does not necessarily prevent a petitioner from using a reference that was not raised, but reasonably could have been raised in an IPR, as part of an invalidity argument in district court. The estoppel provision of 35 U.S.C. 315(e)(2) will bar the petitioner from pursuing in district court any ground it raised, or reasonably could have raised, in the IPR, but only upon the issuance of a final written decision. Because this estoppel provision does not apply until the end of an AIA trial, it does not eliminate the concerns about overlapping issues and duplicative efforts that could arise from allowing petitioners to avoid discretionary denial of institution by agreeing merely to a narrower *Sand Revolution* stipulation.

Indeed, a *Sand Revolution* stipulation still requires a patent owner to defend simultaneously against section 102 and 103 validity arguments in two different proceedings, hiring attorneys and experts for both, and giving the petitioner two opportunities to invalidate the challenged patent. Under *Sotera*, however, section 102 and 103 arguments on printed publications could only be pursued in one tribunal or the other, eliminating these duplicative expenses.

The ANPRM suggests that a *Sand Revolution* stipulation may be preferable to a *Sotera* stipulation because "after an IPR petition has been filed, a patent owner may amend its district

court infringement contentions to accuse a petitioner of infringing additional claims." The ANPRM states that, "[i]n this situation, a *Sotera* stipulation might unfairly limit the defenses a petitioner could raise in district court against the newly asserted claims," and might "incentivize petitioners to challenge more claims than necessary in an IPR in order to protect themselves in parallel litigation, thereby increasing the Office's workload and the parties' corresponding burden and expense." These concerns are unfounded for two reasons.

First, under a *Sotera*-regime, petitioners would not need to worry about district court trial dates and could file petitions any time within one year of service, limiting the likelihood that infringement contentions could be amended after the filing of an IPR petition. Indeed, in many courts, infringement contentions are due early in litigation and cannot be amended absent a showing of good cause. *See*, *e.g.*, N.D. Cal. Patent Local Rules 3-1, 3-6 (available at: https://cand.uscourts.gov/rules/patent-local-rules/) (requiring infringement contentions 14 days after the Initial Case Management Conference and allowing amendment of contentions only if good cause is shown); E.D. Tex. Patent Rule 3-1, 3-6 (available at: https://www.txed.uscourts.gov/?q=patent-rules) (requiring infringement contentions 10 days after the Initial Case Management Conference and allowing amendment of contentions only if good cause is shown or if the claim construction ruling so requires).

Second, to the extent that the USPTO is concerned the Office's workload will be increased by the possibility that petitioners may challenge additional claims in their IPRs under a *Sotera*-regime, that increased workload will pale in comparison to the increased overall workload of having two different tribunals litigate nearly identical issues. In fact, the Office's own workload will likely be lower under the *Sotera* proposal than the *Sand Revolution* proposal, as, under the *Sotera* proposal, some potential petitioners will surely decide their arguments are better suited for district court and will forego filing an IPR.

Requiring a *Sotera* stipulation offers the clearest, most predictable rule the Office could promulgate in regards to parallel district court and PTAB litigation, and has the benefit of being the only proposal that accomplishes Congress's clear intent that the PTAB be a "quick and cost effective alternative" to district court litigation. The Innovation Alliance urges the USPTO to adopt this rule.

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We appreciate the opportunity to comment on these issues and would welcome the opportunity to discuss them further.

Respectfully submitted,

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Innovation Alliance