

HOUSE COMMITTEE ON THE JUDICIARY, COURTS, IP, AND THE  
INTERNET SUBCOMMITTEE  
THE PATENT TRIAL AND APPEAL BOARD AFTER 10 YEARS: IMPACT  
ON INNOVATION AND SMALL BUSINESSES  
JUNE 23, 2022

**Questions for the Record from Chairman Hank Johnson**

**1. How much does it cost to defend a patent before the PTAB pre-institution? Post-institution?**

While the cost can depend on the subject matter, in general it costs about \$300,000 to \$500,000 to defend a single patent pre-institution. If the patent is instituted, the cost can be between \$700,000 to \$1.1 million dollars. According to the American Intellectual Property Law Association's 2021 Report of the Economic Survey, the expected total cost of a PTAB hearing for practitioners located in the Washington D.C. area is \$1.06 million.

Centripetal's patents are very complex and thus, the costs of defending IPR petitions and institution are higher than average cases. The PTAB is not a more efficient or cost effective alternative to litigation before the district court, particularly where the same and cumulative prior art is yet again asserted before the district court.

The IPR procedure is a very expensive additional step that offers no remedy. The best result we can get for this huge expenditure is to simply walk out of PTAB with the same IP we walked in with. Often district courts do not even let us tell the jury that the patent has successfully survived the PTAB process let alone provide estoppel from repeated attacks. This would seem to be particularly relevant information for a jury also tasked with determining validity.

**2. In your view, is it more cost effective for a large company to file multiple petitions than it is to pay a licensing fee even if the patent at issue is valid?**

Yes, in my view the current system, empowered explicitly by the PTAB step, makes it almost always more cost effective for a large company (particularly large technology companies) to refuse to pay licensing fees or negotiate with patent owners and instead file multiple IPRs challenging the validity of patents held by a smaller competitor. This is the basis of a predatory process known as "efficient infringement" that has become standard operating procedure for most large tech companies, so much so that Boris Teksler, Apple's former chief patent counsel called efficient infringement a "fiduciary responsibility" for cash-rich tech firms that can afford to litigate endlessly.<sup>1</sup>

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<sup>1</sup> <https://www.economist.com/business/2019/12/14/the-trouble-with-patent-troll-hunting>

In my view there are **four primary factors** that make this practice of efficient infringement routine and allow big tech companies to protect their monopoly positions and exercise their “fiduciary responsibility” to efficiently infringe the patents of disruptive competitors:

- First, the lack of any meaningful injunctive relief means that an infringer can freely implement the IP of a disruptive competitor with absolute impunity to strengthen their market power while monetizing innovations made by far more creative and innovative competitors. In our case, the inability to get injunctive relief has allowed Cisco to infringe our IP for years. We have had to compete with our own technologies in the marketplace while they have secured their market dominance for the next generation of internet technology and made billions of dollars on our inventions.
- Second, the ability to file serial and duplicative IPRs on the strongest, most commercially relevant patents allows infringers to force smaller competitors to spend millions of dollars and endure years of legal maneuvering just to prove that the patents they have been granted are valid. It is this delay which is perhaps most damaging to patent owners. Companies that are competing in U.S. domestic industry should not be subjected to the PTAB step. Even for those that survive PTAB and prevail in district court litigation the damages awards often amount to no more than what the infringer should have been paying all along. In our case we have faced nearly 20 IPRs on the core patents that Cisco has been found to have infringed before the United States District Court for the District of Eastern Virginia. This has cost millions of dollars and allowed Cisco to market our technologies for years without any cost. It has also emboldened other competitors to do the same.
- A serious abuse of the process comes by allowing multiple and serial petitions *without any requirement for standing*, to extend the time the patent spends at the PTAB. Even if a petitioner finishes a matter at the PTAB, other parties who have not even been sued on the patent, can bring more petitions to gang tackle and extort the patent owner. This extends the time the patent spends at the PTAB, increases the likelihood that the patent owner will be bankrupted, increases the odds that the patent will be unfairly invalidated, and dramatically reduces the willingness of accused infringers to negotiate a reasonable license or settlement of a dispute.
- Finally, actually litigating a patent infringement case against a big tech company with limitless resources is rarely even an option for a startup or smaller competitor. I can only think of a few examples other than Centripetal where a small company has taken on a big tech monopolist in court. There are thousands who have simply given up or gone broke. To make matters worse, I am aware of few, if any cases in which a big tech has been found guilty of infringement where they have actually paid a large damage award. These cases can last for years, cost tens/hundreds of millions of dollars and can be appealed for over a decade.

Why would a large, market dominant company take a license when they know they cannot be stopped if they simply use the technology, they and their proxies can throw dozens of IPRs at the

patents in question and it is improbable that any smaller company can ever assemble the resources and courage to fight them all the way to the end in court?

**3. Knowing what you know now, would you have attempted to partner with a dominant market company? Would you have attempted to obtain patents, or would you have tried to protect your technology as a trade secret?**

As I testified at the hearing, we tried to partner with at least two dominant market companies – Cisco and Palo Alto Networks. In both cases we had lengthy, technical discussions under non-disclosure agreements. In both cases these dominant companies simply took our technology and integrated it into their products forcing us to sue them for patent infringement.

If the American innovation system is going to survive and remain competitive there must be a place for companies like ours. We must nurture, invest in and promote disruptive young companies that will take risks on new ideas and push the envelope further than the current legacy incumbents. We did that and we knew that we couldn't immediately scale a global sales and marketing force to be globally competitive so we did what nearly every startup has to do – we sought partnerships with larger companies. This pathway should be encouraged and protected by U.S. patent law. Instead we have found the legal system, PTAB in particular, used to make it impossible for many small, disruptive startups to partner with the companies that control markets. These dominant companies typically do not want or need partners if they can simply take the technologies they need and integrate them at the time and pace of their choosing. Innovators suffer from this, but so do consumers who fail to get the cost disruption that comes from free innovation.

In hindsight, whether we had patents or trade secrets, it does not seem that it would make a difference in deterring IP theft. With their extensive resources, these companies can find ways to utilize the court system and the IPR process to make any case an extremely costly, time-consuming process that many small companies cannot hope to withstand and the copying would occur in either route. We have and will continue to obtain patents in the U.S. under the hope that the system will be reformed and the enforcement of rights will become financially practical. But we currently have much less confidence in the U.S. patent system, and reduced expectations for the pace of national innovation and global competitiveness.

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**Questions for the Record from Representative Zoe Lofgren**

- 1. If a second challenger of a patent before the PTAB, having been sued by the patent owner, finds invalidating prior art, should the PTO leave an invalid patent in force just because there was a previous unsuccessful petition?**

There is an important premise in this question which as a policy matter must be addressed to achieve the national interest for which the patent system was created. The national interest of the patent system is to enable innovators to build new commerce on the foundation of intellectual property rights. Innovators and entrepreneurs require a pathway to achieve quiet title and certainty of their ownership to capitalize these ventures.

What a repeated challenger presents is not by definition invalidating prior art, but merely another *allegation* of invalidating prior art. In contrast to that allegation there is a patent which should be presumed valid and which has often at that point been validated by at-least four adjudicating bodies which include first the USPTO examiner, second the PTAB in the first instance, third the district court, and fourth the federal circuit court of appeals.

A PTAB challenger at this point who has not been sued on the challenged patent is clearly abusive and allowing their IPR to proceed removes the possibility of quiet title in any IP backed endeavor. This is a clear destruction of the point of the patent system. However, even if the hypothetical petitioner has been sued and has standing on the challenged patent there are an abundance of equitable avenues remaining which address their interests.

If there is already a pending case in district court where the same allegedly invalidating prior art is being litigated, there is no reason for the PTAB to undertake the same analysis yet again. The public interest of deciding whether the patent is invalid under the allegedly invalidating prior art can be competently discharged by the district court where the challenger has a complete opportunity to challenge validity again. If the district court makes a mistake, the court of appeals will also be available to them to correct it. Even beyond these alternatives the hypothetical petitioner has the opportunity to come back to the USPTO under the ex parte re-examination system and make their case to the examiners.

The biggest problem clearly arises when the second challenger has not been sued on this particular patent and has no standing at all. What I strongly disagree with is allowing any challenger(s) with no standing in relation to the patent in question to bring costly and adversarial IPRs against a patent that has already survived all of the serial, extensive reviews. Likewise, I do not believe that the PTAB should, under any circumstances, institute an IPR on a patent that has been found valid in a U.S. district court.

Further, a challenger who has lost its IPR challenge should not be able to pursue invalidity before the United States District Court because it has already availed itself of a forum that adjudicates on invalidity. Currently, patentees face additional invalidity challenges before the United States District Court in addition to the PTAB, which means there are no efficiencies achieved on the issue of invalidity. Centripetal has so far faced serial, harassing validity challenges of up to five proceedings on a single patent and it still remains valid.

The public interest is not served by having the valid intellectual property of an innovative American company subjected to endless review or gang tackling. American inventors and innovators deserve to know that they have attained quiet title over their intellectual property so they can invest in new innovations, build their businesses, create jobs and fairly compete with incumbents in the marketplace. Certainly after these extensive challenges have occurred the public interest strongly rests in the quiet title of the patent.