

***The Patent Trial and Appeal Board After 10 Years:
Impact on Innovation and Small Businesses***
**Hearing Before the House Committee on the Judiciary,
Courts, IP, and the Internet Subcommittee**
117th Congress, June 23, 2022
Questions for the Record—Responses of Joseph Matal

Questions for the Record from Chairman Hank Johnson

- 1. We understand that some petitioners file multiple or serial petitions on a single patent to present different theories of invalidity. How does presenting multiple, overlapping theories of invalidity in several petitions promote a quick, efficient, and cost-effective alternative to district court litigation?**

Answer: In some situations, it is reasonable and appropriate to present more than one ground of invalidity against a challenged claim. In other circumstances, such multiple challenges are an undue burden on the patent owner and the Board, and the USPTO has adopted rules that restrict such multiple challenges.

The situations in which it is most clearly appropriate to present more than one ground of invalidity are when there is a dispute over the patent's priority date or when there are competing interpretations of a claim limitation.

If a patent owner claims the benefit of an earlier filing date and its entitlement to that date is reasonably contested, it will usually be appropriate to file alternative grounds—one set that assumes that the patent will be entitled to the earlier date and another set of presumably stronger grounds that would constitute prior art only if the patent owner is not entitled to the earlier priority date.

Similarly, when it is unclear how a claim limitation will be construed, it may be necessary to present prior art grounds in the alternative—one set that discloses the limitation under one construction and another set that reads on the other possible construction.

Finally, when the prior art presents distinct and different grounds that appear to render a claim invalid, each of which has its strengths and weaknesses, it often

makes sense for the Board to consider more than one of those grounds at the same time.

Patentability challenges can be unpredictable. Even the best lawyers cannot always foresee how the Board will construe the claims, how it will understand the prior art, or whether an asserted motivation to combine will be deemed sufficient. In other words, it may not be clear at the outset of a case which prior art grounds will be persuasive and which will prove deficient.

If the Board were required to consider only one ground that is presented against a claim and ignore all others, in some cases it would find itself considering grounds that fall short when other grounds that were presented would have rendered the claim anticipated or obvious if they had been considered.

Those other, persuasive grounds would remain of public record and could be presented by another party in a subsequent petition or by the original petitioner in district court litigation. (Under the statutory estoppels, grounds that are presented in a petition that is not instituted can later be raised by the petitioner in district court. *See* 35 U.S.C. § 315(e)(2); [*Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*](#), 817 F.3d 1293, 1300 (Fed. Cir. 2016), *overruled on other grounds by California Institute of Technology v. Broadcom Ltd.*, 25 F.4th 976 (Fed. Cir. 2022).)

Needless to say, if a patent is invalid in view of one of the alternative grounds that are presented to the Board, it is more cost-effective and efficient for the Board to consider those grounds in the pending proceeding and cancel the claims rather than to require the same or different parties to pursue an additional round PTAB proceedings or district court litigation to resolve the issue.

On the other hand, in some cases a petitioner will present multiple grounds that, for the sake of efficiency and fairness, should not be considered by the Board.

In some cases, a petitioner will present multiple grounds that are cumulative or redundant. For example, early in the history of AIA proceedings a petitioner filed a series of CBM petitions that presented an average of 21 grounds against each of the claims that were challenged. *See* [*Liberty Mutual Ins. Co. v. Progressive Cas. Ins. Co.*](#), CBM2012-00003 (Oct. 25, 2012).

The Board, noting that the petitioner did not articulate any strengths or weakness of these grounds relative to each other, ordered the petitioner to limit the grounds that it presented. It explained:

If either the base ground or the ground with additional reference is better from all perspectives, Petitioner should assert the stronger ground and not burden the Patent Owner and the Board with the other. If there is no difference, Petitioner should assert just one ground. Only if the Petitioner reasonably articulates why each ground has strength and weakness relative to the other should both grounds be asserted for consideration.

See id. at p. 12.

In my view, the *Liberty Mutual* rule is an appropriate exercise of the Board's authority to manage AIA proceedings.

In addition, in some cases petitioners develop different grounds against a patent, but rather than present those challenges at the same time they present them in a series of filings that are staggered over time. The Board has adopted a policy that in such situations, the later petitions—those filed after the patent owner has replied to the earlier petitions—will be refused consideration unless the petitioner gives a persuasive reason why it needed to file staggered petitions. *See [General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha](#)*, IPR2016-01357 (Sep. 6, 2017). Such reasons can include the fact that the patent owner identified additional claims in litigation after the first petition was filed or the discovery of prior art that the petitioner could not have found earlier.

In my view, the *General Plastic* rule also appropriately limits the presentation of multiple grounds against a patent.

2. In your view, why are so many patent claims allowed by examiners later found invalid the PTAB? Is there a difference between the technical expertise of APJs and that of examiners?

Answer: No. In my experience, examiners are just as proficient in technology as PTAB judges.

The fact that patents reviewed by examiners are sometimes later found to be invalid in PTAB proceedings (and in district court litigation) is simply a function of the fact that an infringement defendant will devote a vastly greater amount of time and resources to analyzing a patent and searching for prior art than an examiner possibly could.

According to the latest data, the USPTO receives about [650,000](#) patent applications a year and employs just over [8,000](#) examiners. These realities mean that the USPTO must limit the amount of time than an examiner can devote to an application if the agency expects to meet reasonable pendency goals. On average, examiners are given about 20 hours to search for prior art and review an application.

On the other hand, over [85%](#) of PTAB petitioners are parties that are being sued for infringement of the patent, and most of the rest likely see the patent as a threat to their business. These parties are highly motivated to find relevant prior art and often have ample resources to do so. They begin the search process with all the examiner's work before them, and will typically spend several orders of magnitude additional time analyzing the patent and searching for prior art.

In these circumstances, no matter how well the examiner knows the technology in his or her art unit, it is inevitable that on some occasions a PTAB petitioner will find relevant prior art that eluded the examiner.

3. Do you agree or disagree with the USPTO's rule change to using the Federal Court's *Phillips* standard for claim construction?

Answer: I agree with the rule change, for two principal reasons.

First, AIA proceedings overwhelming involve patents that are being asserted in copending enforcement litigation. As noted in the agency's [final rule](#) adopting the change, using BRI in AIA proceedings could render a patent invalid at the PTAB on account of claim scope that does not exist under *Phillips* and thus could not be enforced by the patent owner in district court. The unfairness of such a result counsels in favor of aligning the claim construction standards in the two proceedings.

Second, the version of BRI that the Federal Circuit applies on review of AIA proceedings does not meaningfully differ from the *Phillips* standard.

BRI in its original form—as applied by examiners—requires the applicant to expressly claim those features that he or she relies on to overcome prior art. After

the examiner rejects claims as anticipated or obvious, the applicant usually asserts that some feature of the invention is not disclosed in the cited prior art.

The use of BRI in examination requires the applicant to amend its claims to expressly include the distinguishing limitation. Arguments about what should be inferred from the specification or from the back-and-forth exchange with the examiner will not be sufficient to read that limitation into the claims.

When BRI is applied in AIA post-issuance proceedings, however, the Court of Appeals has relied on patent prosecution history to construe the claims and has engaged in extensive analysis of the specification to infer limitations that are not readily apparent on the face of the claims. See, e.g., [*Microsoft Corp. v. Proxyconn, Inc.*](#), 789 F.3d 1292, 1298-1300 (Fed. Cir. 2015); [*PPC Broadband, Inc. v. Corning Optical Commc'ns RF, LLC*](#), 815 F.3d 747, 753 (2016).

The only substantial difference between the *Phillips* approach and BRI as applied in AIA proceedings is that only *Phillips* uses the doctrine of construing claims to preserve their validity—a doctrine of “last resort” that is almost never used in actual cases. [*MBO Labs., Inc. v. Becton, Dickinson & Co.*](#), 474 F.3d 1323, 1332 (Fed. Cir. 2007).

Given that the *Phillips* approach and BRI as applied in post-issuance proceedings virtually always produce the same claim constructions, it is more efficient to use *Phillips* in both proceedings. Doing so avoids arguments about the theoretical differences between the standards. It also more readily allows a PTAB claim construction to have preclusive effect or at least be informative in district court litigation.

- 4. Because the PTAB now uses the *Phillips* claim-construction standard for interpreting claims to align with district-court practice, should Congress also change the evidentiary standard for unpatentability to clear and convincing evidence to also align with district-court practice? Why or why not?**

Answer: No. The use of one feature of district court litigation (*Phillips*) in PTAB proceedings does not compel the use of other district court practices. Congress (and the USPTO, to the extent that it has the authority to do so) should evaluate each of these practices on its own merits and choose what is best for AIA proceedings.

For the same reason, I do not think that the USPTO’s adoption of the *Phillips* standard compels the conclusion that the ability to amend claims should be repealed for AIA proceedings.

As to the merits, for the reasons given in my answer to Representative Lofgren’s third question, I recommend against using the clear and convincing standard in USPTO post-issuance proceedings. Most importantly, imposing an across-the-board clear and convincing standard would undercut the quality-enhancing effect of 35 U.S.C. § 325(d), which currently provides a strong incentive for applicants to help the examiner identify relevant prior art during prosecution.

5. We heard other witnesses testify to the need for better procedure for amending claims. When the AIA was enacted, did you think that successfully amending patent claims would be as difficult and rare as the last decade has shown us?

Answer: At the time when the AIA was enacted, I did not have a firm expectation as to how frequently amendments would be approved in post-grant proceedings.

This is in part because at the time, the USPTO was unsure how it would implement its authority to consider amendments in AIA proceedings.

Unlike reexaminations, AIA post-grant proceedings are adjudicative in nature and are time limited. Rather than prescribing a specific amendment process in the statute, the USPTO asked that Congress give it broad authority to create an amendment process that it could refine over time. The agency ultimately received such authority. *See* 35 U.S.C. § 316(a)(9) (authorizing the USPTO to issue regulations “setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims”).

More fundamentally, I do not think that the fairness or effectiveness of the AIA amendment process should be judged based on how frequently amended claims are granted. Instead, policymakers should ask whether the amendment process allows patent owners to protect their patentable inventions while preventing the issuance of invalid substitute claims.

During my time at the USPTO, I was involved in internal evaluations of the post-grant amendment process and in defending that process in court. Based on that experience, I believe that amended claims are rare in AIA proceedings for the following reasons:

(1) First and foremost, patent owners rarely seek to amend claims in AIA post-grant proceedings. During the period from fiscal year 2013 to 2019, only 527 motions to amend were filed in these proceedings (about 75 a year). See [PTAB Motion to Amend Study](#), p.10 (Mar. 31, 2020). During this same period, 5,550 AIA proceedings were instituted. See [PTAB Trial Statistics FY 21 End of Year Outcome Roundup](#), p.6; [PTAB Trial Statistics](#), p.7 (Sep. 2018). Patent owners thus filed motions to amend only in about 10.5% of AIA proceedings.

The principal reason for the low filing rate is that patents that are challenged in AIA proceedings overwhelmingly are the subject of parallel enforcement proceedings. An amended claim, however, is a substitute claim—it replaces the original claim, which can no longer be enforced. Indeed, patent owners who seek to amend claims in AIA proceedings almost always file contingent motions to amend: they ask that the amendment be considered only if the original claim is found invalid.

Amending claims thus means foregoing the right to collect past damages for the original claims and potentially being subject to intervening rights with respect to the new claims. See 35 U.S.C. § 318(c).

Understandably, most patent owners in AIA proceedings prefer an all-or-nothing approach: they want to preserve their original claims and continue with their enforcement proceedings, and thus are uninterested in obtaining amended claims.

(2) A second, mutually reinforcing reason why amendments are rare in AIA proceedings is that if an original claim is invalid, it often will not be possible to draft a substitute claim that is valid. An amended claim must have written description support in the patent's existing specification and satisfy the other conditions of patentability. See 35 U.S.C. § 316(d)(3); [Uniloc v. Hulu](#), 966 F.3d 1295 (Fed. Cir. 2020).

If an original claim is invalid in view of prior art, an amended claim will be possible only if the specification describes additional, heretofore unclaimed features or embodiments of the invention that overcome the prior art.

Typically, however, patent owners have already claimed what they understand to be the novel and nonobvious aspects of their invention. If that claimed invention later is found to be disclosed in the prior art, often the specification will not yield another invention that would overcome those prior art grounds.

These dynamics reinforce why patent owners in AIA proceedings rarely seek claim amendments. In the mine run of cases, if the original claims do not overcome the prior art, it will not be possible to provide written description support for a substitute claim that does overcome the prior art.

6. You testified that, in your view, *Fintiv* is an illegal practice. Is discretion under *General Plastic* also an illegal practice since they both arise under 35 U.S.C. § 314?

Answer: No. I believe that *General Plastic*'s limits on serial petitions are within the agency's authority. Unlike the former inter partes reexamination statute, the AIA gives the USPTO the basic power to manage the proceedings and prohibit abusive behavior. See 35 U.S.C. § 316(a)(4), (6). The piecemeal, serial filings that *General Plastic* proscribes are something that a district court would not tolerate, and disallowing them does not deny petitioners reasonable access to the proceedings.

Fintiv is not illegal because it has been rationalized as an exercise of the agency's discretionary authority. Rather, *Fintiv* is illegal because it flatly contradicts the text of the statute.

35 U.S.C. § 315(b) expressly regulates the timing of an IPR petition in relation to district court litigation. It provides that a defendant has one year to file a petition after it has been served with a complaint alleging infringement of the patent.

Congress carefully considered this time limit—it even extended it from six months in an earlier version of the bill to one year in the final Act. The legislative history indicates that Congress extended the deadline because it wanted to ensure that the district court litigation will have progressed far enough that a defendant could know which claims will be asserted against it and how the patent owner is construing those claims. See [157 Cong. Rec. S5429](#) (daily ed. Sep. 8, 2011). Congress also wanted to ensure that petitioners would have adequate time to conduct a thorough prior art search, given that they would be estopped from raising any prior art in later proceedings that they could have raised in the inter partes review. See *id.*

This carefully balanced system was effectively negated by *Fintiv*. At the height of *Fintiv*'s enforcement in 2020 and 2021, litigation defendants who were sued in fast-moving districts found that they needed to file their petitions almost immediately—within just a few months of being sued—to preserve their right to review.

This meant filing a petition long before the patent owner had identified its claims or explained how it was construing them. It also meant cutting short the prior art search and filing hastily prepared petitions. And even then, there was no guarantee that the petition would be considered on its merits—petitioners who filed as early as one month after being sued still had their petitions denied as “untimely” under *Fintiv*. See, e.g., [*Philip Morris USA Inc. v. RAI Strategic Holdings Inc.*](#), IPR2020-00921 (Nov. 16, 2020).

Fintiv radically shortened the time period for filing an AIA petition. In doing so, it produced the very evils that Congress sought to avoid by imposing a one-year time limit.

One might disagree with Congress's decision to apply a one-year deadline rather than some shorter time period. But there is no disputing that Congress weighed the competing equities and chose a one-year deadline.

When Congress enacts a statute, administrative agencies are obligated to follow it. No agency official has the authority to second guess whether § 315(b) strikes the right balance or to rewrite the statute to suit their own preferences.

- 7. You testified that decisions from the PTAB are more accurate than those from district courts because the Federal Circuit does not overturn decisions from the PTAB as frequently as it does for decisions from the district courts. In your view, to what extent, if any, does the Federal Circuit's more lenient standard of review for APA actions play a role in that difference?**

Answer: I believe that the review standard makes little to no difference.

As you note, a district court's factfinding is reviewed under a different standard than an administrative agency's: the district court's findings are reviewed for clear error, while agency findings are reviewed for substantial evidence—that is, whether a reasonable person could agree with the agency's assessment of the evidence.

Questions for the Record—Responses of Joseph Matal

As the Supreme Court noted in [Dickinson v. Zurko](#), 527 U.S. 150 (1999), although the agency standard is “somewhat less strict” than the district court standard, “the difference is a subtle one—so fine that (apart from the present case) we have failed to uncover a single instance in which a reviewing court conceded that use of one standard rather than the other would in fact have produced a different outcome.”

It is hard to think of even a hypothetical scenario in which a reviewing court that concluded that the trier of fact’s findings were “clearly erroneous” would nevertheless be compelled to find them “reasonable.” If an error is “clear,” one would expect a reasonable person to avoid it.

As *Zurko* went on to note, the lack of examples where the review standard makes a difference “may in part reflect the basic similarity of the reviewing task, which requires judges to apply logic and experience to an evidentiary record, whether that record was made in a court or by an agency.”

The fact that the PTAB’s patentability findings are sustained on appeal notably more often than those of district courts simply reflects the benefits of having patent validity decided by a person with a technical education and training in patent law. As the [academic study](#) cited in my written testimony noted, “the most straightforward conclusion” is that PTAB judges’ technical expertise has “aided decision-making on the thorny scientific questions endemic to patent law.”

Questions for the Record from Representative Scott Fitzgerald

- 1. Is there any reason to keep a dubious patent that the Patent Office itself believes has questionable claims from being reviewed by the Patent Office to see if it should have been granted in the first place?**

Answer: No. Particularly once the USPTO has made a finding that an issued patent is reasonably likely invalid (the threshold showing for instituting an inter partes review), the USPTO should be allowed to complete that review. Such a finding casts a substantial cloud on the patent—one that ought to be resolved before the patent is asserted in enforcement proceedings.

- 2. Do you believe that allowing the enforcement or the monetization of an invalid patent—one that claims something obvious—incentivizes true innovation or otherwise benefits the public?**

Answer: No. Almost by definition, if a patent claims something that was already in the public domain, giving an award for that patent does not reward innovation.

Allowing people to make money from invalid patents also has negative consequences. It encourages people to obtain more such patents, which ultimately burdens the economy and legal system and dilutes the credibility of all patents. It also shrinks the economic pie available to reward creators and diverts royalties from true innovators.

Questions for the Record from Representative Zoe Lofgren

- 1. During the hearing, committee members and witnesses asked what it would take to create a gold-plated patent—one that properly claims a patentable invention that will be upheld against later challenges. One proposal was to immediately subject an issued patent to PTAB review. Is this feasible? Do you think that this would create a “gold plated patent?” Or is there anything else that Congress can do to improve the quality of issued patents?**

Answer: An immediate appeal to the PTAB is not a feasible strategy for creating gold-plated patents because in a large majority of cases, there will be no petitioner to bring such an appeal.

The effectiveness of the PTAB system depends on the petitioners. They are the ones who analyze the patent and conduct a prior art search—the PTAB does not do its own search or craft unpatentability grounds. The PTAB system’s ability to identify invalid patent claims thus depends on the quality of the petitions that are filed.

In almost all cases, the petitioners who file PTAB petitions are industry participants who have been sued for infringement of a patent or have had their business threatened by a patent. They are highly motivated to defend their products and they of course know their own technology.

No government process can reasonably be expected to replicate a private PTAB petitioner, nor is it feasible to expend the resources employed by petitioners in PTAB proceedings for the review of every issued patent.

Nevertheless, there are many things that could be done to improve the quality of issued patents. Discussion of these issues sometimes focuses on questions of examination quality and the need for more training. In my experience, however, examiners are quite knowledgeable about their art areas and have a solid grounding in patent law.

I would instead recommend focusing on how various policies affect applicants’ and examiners’ decisions and the culture of prosecution.

Questions for the Record—Responses of Joseph Matal

On many occasions, when you review the prosecution history of a patent that has had claims cancelled in an AIA proceeding, you will find that the claims were already obvious in view of the prior art that was presented in the examiner's initial rejection. After an extended series of renewed arguments and claim amendments, however, the examiner allowed the patent to issue.

The impression created by such a record is not so much of an examiner who was persuaded on the merits as one who was worn down by years of repetitive arguments. Conversations that I've had with individual examiners have confirmed that this is in fact what occurs in some cases—the examiner grows tired of arguing with the same individual over the same application for years on end and lets the patent go.

Under current law, an examiner cannot force an end to prosecution and require the applicant to appeal. Ironically, there is nothing less “final” in administrative law than a patent examiner's “final rejection.”

I am not sure what the best solution to this problem is. Patent applicants sometimes have legitimate reasons for continuing to refine claims or for claiming new embodiments in continuation applications. Nevertheless, patent quality would improve if patents could only be obtained by persuading the USPTO of their merits rather by waging a war of attrition against the examiner.

One change that has clearly improved patent quality over the last decade is the broad availability of PTAB review. The post-grant system has encouraged applicants to help the examiner identify relevant prior art, in two ways.

First, applicants know that they can no longer evade the USPTO's scrutiny by withholding prior art. If the examiner missed something that is highly relevant, it is reasonably likely that it will be cited in a PTAB petition when the patent is later asserted. This helps persuade applicants to disclose prior art to the examiner in the first instance.

The quality-enhancing effect of PTAB review is further reinforced by the Board's application of 35 U.S.C. § 325(d). This provision gives the USPTO the discretion to decline review if the same prior art previously was presented to the agency. In practice, the policy requires a petitioner to make a heightened showing of invalidity if it relies on prior art that was previously considered by the examiner. As a result, if an applicant finds relevant prior art and presents it to the examiner during prosecution, the patent acquires a level of immunity against that prior art in any

subsequent PTAB proceeding. This further encourages applicants to help identify relevant prior art during prosecution.

To permanently improve patent quality, the culture of patent prosecution needs to change. Examiners cannot do it all—there are simply too many applications being filed and, even with a corps of over 8,000 examiners, there is not enough time to search for prior art. We need a system in which conducting a prior-art search and providing a patentability analysis are a standard part of patent prosecution.

PTAB review and the § 325(d) rule are a step in this direction—they create strong incentives for applicants to identify prior art and present it to the examiner. The USPTO should maintain and strengthen these policies and seek other ways to encourage the development of a culture of cooperative patent prosecution.

- 2. Shortly before the Subcommittee’s hearing, PTO Director Kathi Vidal announced new guidance that reforms the so-called *Fintiv* test. Do you believe this new guidance is a step in the right direction to restoring the original intent of congress under the AIA? What still needs to be addressed in the guidance? Please elaborate on your view of the guidance.**
 - a. During the hearing you stated that *Fintiv* should nevertheless be repealed entirely. Please elaborate on your view.**

Answer: The Director’s June 21 guidance is a step in the right direction—it helps restore reasonable access to PTAB review. By requiring reliance on average trial dates rather than a scheduled trial date, the guidance removes the opportunity for a district judge to manipulate the Board’s jurisdiction by setting an early if unrealistic trial date.

In addition, the guidance’s elimination of reliance on ITC trial dates is simply common sense. The PTAB should not be deferring to the validity reviews of a tribunal that lacks the authority to cancel invalid claims.

Nevertheless, despite these refinements, I believe that the *Fintiv* policy should be repealed in its entirety. For the reasons given in my answer to Chairman Johnson’s question 6, I believe that the *Fintiv* policy is illegal. It overrides a policy decision about the timing between PTAB review and civil litigation that was already made by Congress and enacted into law as 35 U.S.C. § 315(b). *Fintiv* gives defendants less

time to learn how the district court litigation is evolving and less time to conduct a prior art search than the amount of time that Congress decided that they should have.

In addition, *Fintiv*'s underlying premise—that review of patent validity by a randomly selected jury is just as good as review by the PTAB's trained experts, and thus should be deferred to when it is faster—is at odds with litigation reality and basic premises of our legal system.

Trial lawyers know that juries are more heavily influenced by narratives about the parties than by scientific evidence and they prepare their cases accordingly. A jury will entertain an anticipation case, particularly if it is based on product prior art. But if the technology is complex and the invalidity case is obviousness based on patents and printed publications, juries tend to defer to USPTO examination. In some cases, trial counsel will not even bother to present such an invalidity case to a jury, no matter how compelling it would be to trained experts.

If we actually believed that having a technical education makes no difference in deciding scientific issues, why would we have the system of expert witnesses and [Rule 702](#) gatekeeping? As the first sentence of the Advisory Committee Notes to Rule 702 notes, “[a]n intelligent evaluation of facts is often difficult or impossible without the application of some scientific, technical, or other specialized knowledge.”

The principal effect of *Fintiv*'s requiring the PTAB to defer to impending jury trials is to make it easier to enforce an invalid patent—a result that is not remotely in the public interest.

A very recent decision applying the new guidance illustrates the continuing negative effects of *Fintiv*. The Board in this case discretionarily denied a post-grant review despite finding that the petition presented “strong merits”—and despite its earlier finding that the claims were more likely than not invalid. See [Daiichi Sankyo, Inc. v. Seagen Inc.](#), PGR2021-00030 (Jul. 15, 2022); *ibid.* (Apr. 7, 2022).

The petition was filed by two drug companies—Daiich Sankyo and AstraZeneca—who alleged that a third drug company had improperly amended one of its long-running patent applications to claim a method of treatment that *they* had invented.

If these companies' enablement challenge has merit, as the Board had preliminarily found, blocking merits review will inevitably and unnecessarily increase healthcare

costs for consumers. It will also prevent the true innovators from receiving their full share of the reward for their discovery.

Finally, although the June 21 guidance guarantees that a *Sotera* stipulation will allow a petition to be considered on its merits, *Sotera* stipulations create their own problems.

The [*Sotera*](#) precedential decision of December 2020 provides that merits review is more likely to be allowed if the petitioner stipulates that it will not raise in district court any ground that it raised or reasonably could have raised in the PTAB proceeding.

Sotera stipulations, however, tend to badly distort district court litigation. First, they can skew a jury's award of damages. Many claimed inventions are incremental—they are a minor improvement over things that were developed by others.

When a defendant presents prior art in a validity challenge, even if that challenge fails, it can apprise the jury that much of what is claimed in the patent was already known in the art—that this patent owner did not invent the router or the internet but only an improvement to it.

But when the petitioner is bound by a stipulation not to present PTAB prior art (often the best or only available prior art), a jury is more likely to be misled into believing that the patent is for a pioneering invention. And such an impression often leads to a substantially larger damages award.

In addition, *Sotera* stipulations can scramble claim construction. A patent owner who will not be confronted with any prior art challenges is free to argue for a broad interpretation of its claims—one that would otherwise read on available prior art.

While *Sotera* stipulations have helped petitioners secure access to PTAB review, they impose substantial penalties on a defendant that is being sued in a court that refuses to stay its case after institution of a PTAB proceeding.

A business that has been sued on an invalid patent and seeks PTAB review is not a bad actor. It does not deserve to be punished for availing itself of the accurate and inexpensive system of USPTO validity review that Congress created for its use.

- 3. During the hearing, in response to a question from Rep. Issa, you expressed opposition both to imposing a clear and convincing standard in PTAB proceedings and to imposing a standing requirement for being allowed to seek PTAB review. Please further explain your positions on these issues.**

Answer: (1) *Clear and convincing evidence.* The principal rationale for requiring clear and convincing evidence of invalidity in civil litigation—deference to the expert agency that issued the patent—does not apply when a patent is being reconsidered by the same expert agency. The USPTO remains just as expert, if not more so, on the second evaluation of the patent. There is no reason for the agency to defer to an earlier decision that is the product of less deliberation and that considered less evidence.

The USPTO highlighted this point in the [Microsoft v. i4i](#) case, which reaffirmed the use of an across-the-board clear and convincing standard in civil litigation. As the agency’s brief stated:

the clear-and-convincing-evidence standard reflects deference to the agency’s authority and expertise by ensuring that, when the factual questions on which validity turns are doubtful, the decision of the Patent Office must control.

[USPTO Brief](#), p. 26.

By contrast, it makes “particular sense” to use a clear and convincing standard when patent validity is being evaluated by “lay juries who lack technical expertise and specialized knowledge of the relevant fields.” *Id.* at pp. 26-27.

In addition, a patent owner in an AIA proceeding *does* receive deference to the agency’s prior determinations of patentability—if the prior art was previously considered by the USPTO. The PTAB effectively applies such deference pursuant to its discretion under 35 U.S.C. § 325(d) to decline review when prior art or arguments previously were presented to the agency.

The PTAB has now issued precedential decisions that create a basic framework for applying § 325(d), see [Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH](#), IPR2019-01469 (Feb. 13, 2020), and that address subsidiary issues such as when new prior art is cumulative to that which was previously considered by

the USPTO. See [*Oticon Medical AB v. Cochlear Ltd.*](#), PR2019-00975 (Oct. 16, 2019).

Under the Board’s caselaw, § 325(d) has been distilled into a test that weighs how strong a reference is against whether it was actually considered by the agency. For example, if the record shows that the examiner analyzed a reference with respect to the disputed limitation, the PTAB requires a heightened showing of examiner error to institute on the basis that reference. See, e.g., [*Dropworks, Inc. v. U. of Chicago*](#), IPR2021-00100 (May 14, 2021). On the other hand, if a reference was cited in an Information Disclosure Statement but not actually applied in a rejection, review will be allowed if the reference appears to disclose the disputed limitation. See, e.g., [*Spinal Elements, Inc. v. Spectrum Spine IP Holdings, LLC*](#), PGR2021-00050 (Aug. 23, 2021); [*Commscope Techs. LLC v. Dali Wireless Inc.*](#), IPR2020-01473 (Mar. 12, 2021).

Not only does § 325(d) provide patent owners with a level of immunity against prior art that was already considered; it also creates an incentive for patent applicants to conduct their own prior art search and present relevant art to the examiner.

The fact that patent owners already receive deference in AIA trials for prior art that was evaluated during examination further undermines the case for applying a clear and convincing standard to PTAB proceedings.

An across-the-board deference requirement would mean that the PTAB must defer to the agency’s expert judgments about prior art that the agency did *not* actually consider. And such a rule would give the benefit of deference to patent owners who made no effort to apprise the examiner of prior art, undercutting § 325(d)’s incentive to help identify relevant art during prosecution.

(2) *Standing*. A standing requirement would not affect a large majority of AIA cases. About 85% of PTAB petitioners have been sued for infringement of the patent that they are challenging, and most of the rest likely have an economic interest adverse to the patent that is sufficient to confer standing.

Nevertheless, I would recommend against imposing a standing requirement for post-issuance cases. Much of the PTAB petitioning that would be barred by such a requirement is beneficial to the U.S. economy and helps curb abusive litigation.

A substantial number of PTAB petitions are “clearance petitions.” They are filed by businesses that want to develop and introduce a new product but have discovered

that an issued patent would be infringed by the product—and they believe that the patent is invalid.

An AIA petition provides such a business with an inexpensive and technically reliable way to “clear the field”—to determine if the patent is invalid and the business can move forward with its product.

In the absence of AIA review, many such businesses would not develop and commercialize the planned product. Article III standing requirements have calcified in recent years such that even market participants whose product design and development plans clearly are affected by a competitor’s patent nevertheless may lack standing to challenge the patent. *See, e.g., General Electric v. United Technologies*, 928 F.3d 1349 (Fed. Cir. 2019). And even when standing is present, a declaratory judgment action can be expensive and unpredictable.

When a business is deterred by an invalid patent from introducing a new product, consumers’ choices are reduced and prices likely are increased. Indeed, in many such cases, the patent owner does not practice the claimed technology. Barring the potential manufacturer from filing a clearance petition thus means that no product at all will be made available to the public.

Imposing a PTAB standing requirement also often would prevent manufacturers from defending their customers when those customers are sued for using the manufacturer’s product. Courts have held that the manufacture lacks standing in such a situation unless it had previously agreed to indemnify the customer. Absent such a pre-existing agreement, there is no standing even if the customer asks for indemnification. *See Microsoft Corp. v. DataTern, Inc.*, 755 F.3d 899, 904 (Fed. Cir. 2014); *Proofpoint, Inc. v. InNova Patent Licensing, LLC*, No. 5:11-CV-02288-LHK, at *5 (N.D. Cal. Oct. 17, 2011).

Courts also have held that there is no standing to bring suit in such a situation even if the manufacturer agrees to indemnify the customer after it has been sued. *See Ours Tech., Inc. v. Data Drive Thru, Inc.*, 645 F. Supp. 2d 830, 840 (N.D. Cal. 2009); *Shuffle Tech Int’l, LLC v. Sci. Games Corp.*, Case No. 15 C 3702, at *8 (N.D. Ill. Oct. 12, 2015).

Article III courts also often are unavailable to resolve patent disputes when infringement accusations are levied by a foreign company or a sovereign patent fund. Such entities may have no presence in the United States. As a result, when such entities send letters to U.S. businesses accusing them of infringing patents and

accruing damages, there may be no personal jurisdiction to bring a declaratory judgment action to address the allegations. See [Autogenomics, Inc. v. Oxford Gene Tech. Ltd.](#), 566 F.3d 1012, 1021 (Fed. Cir. 2009).

Enacting a PTAB standing requirement would in many cases leave a manufacturer with no way to defend its customers against assertions of invalid patents. The manufacturer would not be able to respond to these suits or to threats from foreign non-practicing entities, even though its own technology is being accused.

Finally, a PTAB standing requirement would effectively eliminate the patent challenge organizations that have developed during the last decade under the AIA. (For full disclosure and as noted in my oral testimony, Haynes Boone performs legal work for some of these organizations.)

These organizations file PTAB challenges against patents that are being asserted in an abusive manner, typically by parties that are seeking nuisance settlements. The plaintiffs in these cases file suit without any intention of obtaining a judgment on the merits—indeed, they will dismiss the case if the other party persists with a defense.

Instead, the plaintiff will offer to settle the case for an amount that is well below the cost of mounting a defense. And in many of these cases, the patents being asserted are invalid in view of published prior art.

Consider, for example, some of the patents that have been challenged in recent years by one of these organization, Unified Patents:

- *Oceana Innovations*. Over a three-year period, Oceana filed 19 district court infringement suits against different parties, all of which settled. Oceana’s patent claimed a particular shape for a plug at the end of a USB cable. Two defendants filed PTAB petitions, but Oceana settled with those parties before it was required to file a preliminary response to the petitions. In 2020, Unified Patents finally ended Ocean’s assertion campaign by filing a PTAB petition that succeeded in having all claims of the patent cancelled. See [Unified Patents v. Oceana Innovations LLC](#), IPR2020-01463 (Feb. 14, 2022).
- *Rothschild Connected Devices*. Over a two-year period, Rothschild filed 67 lawsuits against different businesses. In each, it asserted a patent that claimed the concept of using a computer to keep track of a consumer’s product preferences. Despite the apparent invalidity of the claims, no

defendant ever filed a PTAB petition—Rothschild quickly settled each case for nuisance amounts. Rothschild’s assertion campaign was terminated only after Unified Patents filed a PTAB petition and Rothschild agreed to grant a broad, royalty-free license to the patent. See [*Unified Patents v. Rothschild Connected Devices Innovations, LLC*](#), IPR2016-00535 (Feb. 3, 2016).

- *SportBrain Holdings*. SportBrain filed 148 infringement lawsuits, many of them against small businesses. Its patent claimed the idea of using an electronic device to track a person’s health data. No defendant ever filed a PTAB challenge—most cases settled within a few months. SportBrain’s assertion campaign finally was stopped when Unified Patents brought a PTAB challenge that resulted in the cancellation of all the patent’s claims. See [*Unified Patents v. SportBrain Holdings LLC*](#), IPR2016-01464 (Feb. 6, 2018).

In these and similar cases, no defendant has the incentive to litigate a validity challenge. The plaintiff always offers to settle for an amount that is much less than the cost of such a challenge. Absent the actions of a patent challenge organization such as Unified, it is unlikely that anyone would stop these entities from repeatedly filing nuisance lawsuits asserting invalid patents.

The litigation activities of an Oceana Innovations or SportBrain Holdings are contrary to the public interest and tend to damage the reputation of the patent system. To those who advocate a standing requirement that would eliminate the patent challenge organizations, it is fair to ask if they propose any other mechanism that would remedy the activities of these nuisance plaintiffs.

- 4. During the hearing, Mr. Jonathan Rogers of Centripetal Networks noted that his company’s patents have been repeatedly challenged at the PTAB and stated that such repetition is abusive—that once a patent has been reviewed one time, that should be enough, and no further challenges should be allowed. What do you think of such a rule—one that bars all further PTAB review once a patent has already been reviewed once.**

For full disclosure, Haynes Boone represents Cisco Systems in a pending challenge to one of Centripetal’s patents. For this reason, I will not comment on the facts or merits of any particular PTAB petition or the litigation.

I have reviewed Centripetal’s litigation activity and the PTAB challenges filed against its patents on the Docket Navigator database.

Centripetal has filed eight district court infringement actions and one ITC proceeding, in which it has asserted at least 31 patents against four different defendants. Of Centripetal’s 31 patents, 24 have been challenged in PTAB proceedings.

Of the 24 Centripetal patents that have been challenged at the PTAB, 17 have been challenged in only one petition. In addition, no Centripetal patent’s claim have had “serial” PTAB proceedings instituted against them—*i.e.*, proceedings that were filed successively in time.

Three of the 24 Centripetal patents were challenged in “parallel petitions”—*i.e.*, different petitions that were filed at the same time. Two of these patents were challenged in only two petitions. The third patent—U.S. Patent No. [9,137,205](#)—was challenged in four petitions. The ’205 patent contains 96 claims; each of the PTAB petitions challenged a different set of these claims.

In addition, in three cases Centripetal was able to have challenges turned away at the institution phase on § 325(d) grounds—that is, because the USPTO had previously entertained the same or similar prior art or arguments. In two of those cases, the patents that were shielded from review had *never* been challenged at the PTAB. Instead, § 325(d) was applied because another party had unsuccessfully challenged an ancestor patent in an ex parte reexamination.

In my view, the PTAB challenges that have been raised against Centripetal’s patents do not remotely qualify as abusive—particularly in light of Centripetal’s own 31-patent enforcement campaign.

Again, 17 of Centripetal’s 24 patents were challenged only once, and no patent had serial proceedings instituted against it. And when a patent such as the ’205 patent contains 96 claims, it is entirely appropriate to challenge those claims in separate petitions.

In addition, of the 24 Centripetal patents that have been contested at the PTAB, six have had all their challenged claims found invalid; two have had most of their challenged claims found invalid; and eight additional patents have recently been found to meet the evidentiary threshold for instituting review.

In other words, of the 24 Centripetal patents that have been challenged, two-thirds have been found by the USPTO to include claims that are invalid or reasonably likely to be invalid.

Centripetal's patents claim packet-switching firewall technology—*i.e.*, ways of keeping computer communications safe. This is a technology on which virtually all Americans rely, and Centripetal is suing the major U.S. suppliers of these systems and products for billions of dollars.

If Centripetal prevails in these assertions, it is inevitable that these costs will be passed along to consumers. Before this occurs, both the accused manufacturers and the American public are entitled to an authoritative testing of the validity of Centripetal's patents—particularly in view of the apparent weakness of much of Centripetal's portfolio.

Finally, as to your question about a one-and-done rule, I do not recommend such a policy. Under longstanding U.S. law, every defendant who is sued for infringing a patent is entitled to contest the patent's validity, regardless of the outcome of other proceedings involving other defendants. See [*Blonder-Tongue Labs., Inc. v. University of Ill. Foundation*](#), 402 U.S. 313 (1971).

In other words, no person is required to accept being “virtually represented” by another, unrelated person—the very concept is un-American.

Given that an infringement defendant is always allowed to assert invalidity in district court, it does not make sense to cut off access to PTAB for that same defendant. There is no policy justification for channeling such validity challenges into a more expensive and less reliable forum.

If the United States did adopt such a policy—that all further PTAB challenges are barred after the first challenge—it is inevitable that more patent owners would adopt a strategy of targeting small or technologically unsophisticated businesses in their initial lawsuits. They would do so in the hope of drawing only a weak PTAB petition which, if defeated, would insulate the patent against later challenges from defendants with more resources and a better understanding of the technology.

Finally, you may be interested to know that you are not the first public official to consider the issue of whether an unsuccessful patent challenge should block all future challenges to the patent.

In a letter to Congressman Hugh Williamson regarding then-pending patent legislation, Vice President Thomas Jefferson asked, “Will you make the first trial against the patentee conclusive against all others who might be interested to contest his patent?” Jefferson commented in reply, “If you do, he will always have a collusive suit brought against himself at once.” [Letter from Thomas Jefferson to Hugh Williamson](#), November 13, 1791.

It is not often the case that a proposed patent policy is so notoriously unsound that it was denounced in the 18th century by Thomas Jefferson, but the one-and-done rule meets that bar. Congress would be wise to heed Jefferson’s counsel and reject such a policy.

5. During question and answer following the hearing, one of my colleagues asked you and other witnesses who files the most IPR petitions. You were cut off before you finished your answer. Can you complete your answer to that question?

The companies that are the most frequent filers of PTAB petitions are the companies that are the most frequent targets of patent-infringement lawsuits.

Most of the companies among the top ten PTAB filers are American companies. The only foreign companies in the top ten are based in South Korea—an American ally whose corporations invest heavily in building [chip fabrication plants](#) in the United States. See [Top Petitioners and Patent Owners](#), Unified Patents (last viewed August 6, 2022).

On the other hand, although small and medium enterprises (SMEs) are targets of about one-third of patent infringement lawsuits, *see, e.g.*, [Unified Patents Quarterly Report](#) (Mar. 31, 2020), they form a substantially smaller portion of PTAB petitioners.

Based on my experience, much of this discrepancy is the result of the fact that when SMEs are sued, it is often for using technology that they purchased from a larger company. In such situations, the best course of action for the SME usually is to contact the larger company and ask them to address the infringement allegations. The supplier typically is in a better position to defend the technology and has a stronger interest in doing so.

In such scenarios, PTAB review benefits the smaller company even if it is not the party that is petitioning for review. PTAB proceedings offer the supplier a reliable and relatively inexpensive way to defend its customers. The broad availability of such review thus makes it more likely that the supplier will intervene and resolve the case against the SME.

6. District judges generally have discretion whether to stay a patent infringement case in relation to PTAB review of the patent. Are there circumstances in which you believe it would be an abuse of discretion not to stay the case? Should Congress reconsider a mandatory stay in district court once an IPR has been instituted?

If the USPTO has found that claims in a patent are reasonably likely to be invalid and has instituted review of all the claims that are being asserted in a district court litigation, the district court should stay its case absent some compelling justification.

In such a scenario, there is a high likelihood that some or all the asserted claims will be found unpatentable. Going forward with a trial is thus likely to impose millions of dollars in unnecessary costs on the parties because of patent claims that will ultimately be cancelled.

Frankly, I cannot imagine any justification for going forward with a trial in such circumstances absent some contravening statutory provision that requires or is premised on the trial going forward, such as the 30-month stay of FDA approval. *See* 21 U.S.C. §§ 355(c)(3)(C), (j)(5)(B)(iii).

A district court's desire to make itself an attractive venue for plaintiff's litigation or its rejection of the Supreme Court's Seventh Amendment jurisprudence is not an appropriate justification for declining to grant a stay.

This issue deserves congressional attention. Currently, different courts vary widely in their policies for granting a stay pending PTAB review. According to the most recent data, when such reviews are instituted at the USPTO, the rates at which courts will stay an infringement case vary from 72% and 64% in the Northern and Central Districts of California, respectively, to 11% in the Eastern District of Texas. *See* Saurabh Vishnubhakat, [Patent Inconsistency](#), 97 Ind. L.J. 59, 72 (2022).

The United States has one patent system, with one Court of Appeals that was specifically created to ensure uniformity in the interpretation and enforcement of

Questions for the Record—Responses of Joseph Matal

patent law. Different district courts should not be allowed to create their own fiefdoms in which they apply fundamentally different rules to issues that are important to a patent case.

The Federal Circuit has recognized that the All Writs Act gives it jurisdiction to ensure proper judicial administration and supervision of district courts and to resolve unsettled legal questions that cannot be addressed on appeal of a final judgment. See *In re Micron Technology, Inc.*, 875 F.3d 1091, 1095 (Fed. Cir. 2017); *In re Cray Inc.*, 871 F.3d 1355, 1358-59 (Fed. Cir. 2017).

If the Court of Appeals continues to decline to employ its authority to set uniform national standards for granting a stay pending USPTO review of a patent, Congress should step in and enact such standards.