

STATEMENT FOR THE RECORD

Conservatives for Property Rights¹

U.S. House Judiciary Subcommittee on Courts, Intellectual Property, and the Internet Hearing

The Patent Trial and Appeal Board After 10 Years: Impact on Innovation and Small Businesses

June 23, 2022

Chairman Johnson, Ranking Member Issa, and Members of the Subcommittee:

This hearing appropriately shines a spotlight on the Patent Trial and Appeal Board. As it stands, PTAB endangers America's inventors whose commercial success is vital to our global leadership in innovation, both in "frontier" technologies and high-value industries. Beleaguered inventors face tremendous threats, due to PTAB and its most frequent users.² These inventors and entrepreneurs face David versus Goliath scenarios, but in PTAB proceedings, these Davids usually lose and patent challenger Goliaths usually win. Thus, Congress should reconsider PTAB and either reform it so it affords patent owners sufficient due process and fairness akin to patent litigation in federal court and the U.S. International Trade Commission, or eliminate PTAB.

The Patent Trial and Appeal Board, its quasijudicial panels, and its adversarial proceedings such as inter partes review have earned a reputation as "patent death panels." Despite improvements by the Patent and Trademark Office in recent years, PTAB remains lacking in fairness and due process, and predisposed to invalidate patents. PTAB is highly favored by its most frequent users and feared by inventors, patent owners, entrepreneurs in IP-centered startups, and businesses that pursue innovation or commercialization of patented inventions.

Falsely Advertised

The America Invents Act, enacted in 2011, established the Patent Trial and Appeal Board, "a fully adversarial, quasijudicial entity in which anyone, even competitors, may pursue patent validity challenges repeatedly throughout the patent term."³ With the benefit of a decade's record to assess PTAB, ample evidence demonstrates that this administrative body exercising judicial power has rendered patent certainty and reliability completely unsettled.⁴

During the AIA debate, PTAB was promoted as a faster, cheaper alternative to patent litigation in federal court. It was portrayed as addressing "weak patents" (as defined by implementers and predatory patent infringers). Instead of an alternative option for reviewing a subset of patents, PTAB provides petitioners another, potent arrow in the quiver of patent litigation to target any patent. Hence, multiple bites at the apple against the same patent, parallel proceedings in different forums and serial PTAB proceedings, extraordinary uncertainty for patent owners and their would-be investors, disquieted title to one's patent, and unreliability of

¹ [Conservatives for Property Rights](#) is a coalition of conservative and libertarian organizations that emphasizes the central importance of private property in all its forms — physical, personal, and intellectual.

² Big Tech and Chinese national champions (e.g., Huawei, ZTE) are the most frequent challengers of patents in PTAB. <https://innovationalliance.net/from-the-alliance/infographic-big-tech-companies-are-biggest-users-of-ptab/>

³ <https://insight.ieeeusa.org/articles/the-steady-separation-of-patents-and-private-property-rights/>

⁴ <https://www.property-rts.org/post/unhappy-10th-birthday-aia>

patents as an intangible asset by which to bring one's invention to commercial market. A coauthor of the AIA, former Rep. Lamar Smith, has acknowledged how PTAB as he envisioned it has been hijacked: "entire industries have emerged to perpetuate these abuses."⁵ Thus, PTAB runs counter to private property rights, which patents were intended to secure to inventors, exclusively for a set time.

Patent Death Squads

Patent owners face jeopardy with every validity challenge in PTAB, whereas petitioners can stall for time to delay patentees' commercialization, while continuing unauthorized commercial use of the invention. This delay regarding the patent's validity, coupled with tremendous added expense to defend one's patent, is disruptive to larger patent owners that have the wherewithal to bring legal resources to bear in these matters while continuing research, development, and commercialization. Such disruption and diversion of precious resources is particularly debilitating to independent inventors, entrepreneurs, and small businesses.⁶

Further, if PTAB invalidates a patent in an at-bat in the early innings of the patent term, the patent owner loses the property he or she created, loses the right to exclude that the patent was supposed to secure, and loses all the investment of money, time, and effort that went into invention and patent prosecution. Assuming the petitioner brought the PTAB action in response to a patent infringement complaint, PTAB's cancellation of the patent or patent claims may well put the patent owner in dire straits, perhaps even facing bankruptcy, while the petitioner gets away with unauthorized commercial use of the invention without risk of accountability and liability. Thus, the dynamics and stakes at PTAB are grossly asymmetrical for petitioners and against patentees. And all of it diminishes private property rights.

Patent invalidation rates of PTAB versus federal court have long raised eyebrows because PTAB invalidation rates have consistently been far higher than those of Article III courts. Generally, PTAB has invalidated between 95 percent and 83 percent of challenged patent claims.⁷ A study of FY 2020 PTO data found 3,105 PTAB-challenged patents received a final written decision after PTAB proceedings, with 2,612, or 84 percent, of the patents having at least one claim cancelled.⁸

Moreover, getting conflicting results from PTAB and a court on the same patent is not uncommon. For instance, an analysis of PTO data for a sample of patents found that the administrative tribunal invalidated 168 of 220 patents PTAB reviewed *after* a federal court had determined the patent was valid.⁹ That is, a quasijudicial panel in the executive branch—employing procedures and standards that fail to provide the same level of fairness, due process, or even statutory presumption of validity and the same standard of proof—essentially overruled a court's determination 76 percent of the time. Not only has PTAB invalidated the same patents a federal court has upheld, but an IPWatchdog review found in one sample "58

⁵ https://news.bloomberglaw.com/ip-law/dont-weaken-the-leahy-smith-america-invents-act?mkt_tok=ODUwLVRBQS01MTEAAAGDebLRpW1Mi7JZobkF_bQuxaEaqCasa1pQk_BWA46hgGhrwOy6DDHGcIdBVuOknyrEK7NKMy0xIDgY3WyZzObQGhR_DpXdHexcWpggBxcaXYw

⁶ <http://www.ipwatchdog.com/2016/11/12/patents-property-right-now-patent-liability/id=74679/>

⁷ See e.g., <http://www.ipwatchdog.com/2014/03/24/ptab-death-squads-are-all-commercially-viable-patents-invalid/id=48642/> and <https://www.washingtontimes.com/news/2016/mar/24/adam-mossoff-weighting-the-patent-system/>.

⁸ <https://usinventor.org/assessing-ptab-invalidity-rates/>

⁹ <http://www.ipwatchdog.com/2018/01/07/ptab-errors-fatal-legitimate-patents/id=91457/>

cases where the patent is invalidated at the PTAB on the same statutory grounds asserted at district court and which did not lead to invalidity.”¹⁰

Modest Reforms

Several reasonable PTAB reforms have been implemented administratively.¹¹ These include changing the claim construction standard for interpreting patent claims in PTAB proceedings, requiring PTAB to apply the *Phillips* standard used in Article III courts and the International Trade Commission in patent validity proceedings, rather than the “broadest reasonable interpretation” standard.¹² Pursuant to *SAS v. Iancu*, PTO implemented the PTAB rules of practice for instituting PTAB proceedings on all challenged patent claims and all grounds, along with elimination of the presumption at institution favoring petitioners on testimonial evidence.¹³ Congress appropriately chose to let the temporary Covered Business Methods PTAB proceeding expire upon its statutory deadline of September 30, 2020—removing one of PTAB’s several postgrant forums available to petitioners for highly likely invalidation of patents.¹⁴

Discretionary Denials and Parallel Proceedings

As PTAB developed a body of cases, policies, and practices, PTO leadership recognized the need to modify policies and practices, and to exercise its statutory discretionary authority with respect to institution of PTAB proceedings. PTO leaders exercised discretion (35 U.S.C. §§ 314(a) and 325(d)) to preclude institution of proceedings when petitioners file multiple or serial petitions or challenge issued patents in both PTAB and federal court.¹⁵ A Precedential Opinion Panel has designated certain PTAB petitions and cases, within the PTO director’s statutory discretion, as precedents to guide future decisions on institution of PTAB proceedings. In other words, precedents guide decisionmaking to promote handling future petitions in cases of a similar nature as prior cases. Precedential decisions include *Apple v. Fintiv* (Case IPR2020-00019, March 20, 2020); *Becton, Dickinson v. B. Braun Melsungen* (Case IPR2017-01586, December 15, 2017), and *General Plastic Industrial Co. v. Canon Kabushiki Kaisha* (Case IPR2016-01357, September 6, 2017). The U.S. Supreme Court affirmed this statutory denial authority in *Cuozzo Speed Technologies v. Lee* and *Thryv v. Click-to-Call*. PTO leadership sought to initiate rulemaking to enhance reliance on important countervailing factors contained in statute; however, transition of administrations placed that effort on hold.¹⁶

CPR commented to PTO regarding discretionary denials of superfluous or nefarious PTAB petitions, saying in part:

¹⁰ <https://www.ipwatchdog.com/2018/01/08/58-patents-upheld-district-court-invalidated-ptab/id=91902/>

¹¹ CPR has supported several PTAB reforms. See https://www.property-rts.org/_files/ugd/651e0c_1ec1d9f1883b475589a4b9e6d6f213d7.pdf, https://www.property-rts.org/_files/ugd/651e0c_330aaca647a145db80a8c56ece44ff79.pdf, and https://www.property-rts.org/_files/ugd/651e0c_f9f369ce8ee846b7a6af9d9d2a5406ec.pdf.

¹² https://www.property-rts.org/_files/ugd/651e0c_31402aad4c3f4be1a926511d9227c298.pdf

¹³ https://www.property-rts.org/_files/ugd/651e0c_6ad171b9d7914588823cb8a90c193622.pdf

¹⁴ https://www.property-rts.org/_files/ugd/651e0c_427ba0ea8a7e43d3b0ce85c32cf7c5d4.pdf

¹⁵ https://www.property-rts.org/_files/ugd/651e0c_330aaca647a145db80a8c56ece44ff79.pdf

¹⁶ <https://www.ipwatchdog.com/2020/10/22/uspto-seeks-comments-discretion-institute-trials-ptab/id=126626/>

“CPR agrees that PTAB’s unfettered institution of proceedings has made gamesmanship by deep-pocketed parties not only possible, but easy and profitable. The nonexclusive factors set forth in the precedential denial case *General Plastic Co. v. Canon Kabushiki Kaisha* and those applied in *Valve Corp. v. Electric Scripting Products (Valve I and Valve II)* appropriately exercise statutory authority to preclude serial petitions against the same patent. The same or related petitioners, their schemes on timing multiple PTAB challenges, husbanding prior art as pretext for subsequent challenges, and the like deserve to be denied the ability to string out an unending series of administrative proceedings. Ensuring due consideration of the above countervailing factors [‘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’] would appropriately give balance to PTAB institution decisions, which strengthens property rights.”¹⁷

Today, PTAB remains a tool of serial patent infringers and incumbents intent on keeping innovative new competitors from challenging their position with new, better technologies and products. For example, in the case of patent owner Low Temp Industries against alleged infringer Duke Manufacturing, a federal court found LTI’s patent valid and issued an injunction against Duke. Duke appealed the ruling to the Federal Circuit *and* petitioned inter partes review at PTAB. PTAB granted review, despite *Fintiv* factors that should have kept the dispute solely in court. LTI noted in seeking reconsideration, *Duke’s both-and litigation strategy ensures duplicative parallel proceedings* in Article III court and PTAB’s administrative tribunal.¹⁸

Another example is patent owner VLSI Technology, which prevailed in a jury trial, proving patent validity and Intel’s infringement of VLSI’s patent, and winning an infringement verdict of \$2.2 billion. Two new LLCs (OpenSky and Patent Quality Assurance) were allegedly established after the fact in order to challenge the same patents Intel had infringed. The LLCs had not infringed VLSI’s patents themselves. The new LLCs filed IPRs allegedly to extract payments in exchange for dropping the IPRs. VLSI contends that OpenSky and PQA filed “copycat” submissions of Intel’s previously rejected petitions with PTAB. OpenSky relied on hearsay—“Intel’s expert declarations from Intel’s rejected petitions”—which is inadmissible, including as the basis of IPR institution decisions. Nevertheless, PTAB granted these dubious allies of the infringer inter partes review.¹⁹ Thankfully, PTO Director Kathi Vidal has granted the review VLSI requested of this suspect institution decision.

Also, cybersecurity firm Centripetal Networks sued Cisco for infringing four of its patents, and a federal court found Cisco not only to have infringed, but that the patent infringement was “willful and egregious.” In 2020, the court ordered Cisco to pay damages of \$2.75 billion for its willful misconduct.²⁰ The case is before the Court of Appeals for the Federal Circuit. Palo Alto Networks, a third party involved in separate litigation with Centripetal, petitioned PTAB challenges against Centripetal’s patents. PTAB recently instituted Palo Alto’s petitioned proceeding. Centripetal has request a POP review on the question, “Whether petitions filed substantially for the purpose of harassing patent owners who prevail in Article III courts, such as petitions targeting patents that have not been asserted against the petitioner but are the basis of district court judgments that are pending on appeal, should be discretionarily denied.”

¹⁷ Op.Cit., p. 2.

¹⁸ <https://jtb.org/wp-content/uploads/2021/08/1530979.pdf>

¹⁹ https://www.property-rts.org/_files/ugd/651e0c_2a31cdf2e48b4997bb53e74bfb0482bc.pdf

²⁰ <https://www.crn.com/news/networking/cisco-ordered-to-pay-1-9-billion-in-patent-infringement-suit>

These examples illustrate how various parties can game the system, challenging patents' validity in PTAB, federal court, and the ITC in overlapping, intertwined litigation.

Legislative Proposals

Several constructive legislative reforms dealing with PTAB have been proposed. CPR has supported a variety of approaches. The **Restoring America's Leadership in Innovation Act** (H.R. 5874) would address most of the worst problems of steadily weakened patent rights and the patent system. RALIA would repeal PTAB and PTAB's administrative proceedings, along with several changes the AIA enacted and judicial errors. CPR strongly supports RALIA.²¹ RALIA would do the most to return to status quo ante for patent exclusivity and certainty.

The bipartisan, bicameral **STRONGER Patents Act** would largely codify beneficial reforms made under PTO Director Andrei Iancu, as well as bring PTAB proceedings into line with the standards, due process, and fairness in procedure and substance afforded parties in federal courts and ITC proceedings. These reforms include heightened burden of proof, a standing requirement, appellate rights, disclosing challengers' real party in interest, and deference to Article III judicial rulings on patent validity. CPR strongly supports STRONGER.²²

The Republican Study Committee's **Countering Communist China Act** (H.R. 4792) is a broader legislative package dealing with a range of U.S.-China competitiveness and security issues. H.R. 4792 contains patent provisions, including the PTAB reform measures from the STRONGER Patents Act and the consent provision from the Inventor Rights Act. The narrower **Inventor Rights Act** would require certain patent owners' consent to enter PTAB proceedings. CPR supports both bills.²³

Other approaches would address problems PTAB causes, introduce some balance among adversarial parties, or remove inherent incentives in PTAB's present makeup that encourage abusive conduct and gamesmanship. Some of these are remediated in the above bills.

- **Require PTAB to defer to Article III courts and the ITC.** PTO's administrative body should suspend proceedings or deny institution if the same patent is before the judiciary or the ITC. PTAB should be bound by judicial rulings on a patent, and PTAB decisions should be appealable to Article III courts, including de novo review and jury trial. These would preclude radically different outcomes occurring on similar facts and correct an administrative panel's holding more judicial power than actual judicial bodies, particularly on a property issue.
- **Bind PTAB to the statutory presumption of patent validity.** If PTAB is to adjudicate adversarial disputes, it should have to abide by 35 U.S.C. §282's validity presumption.
- **Require PTAB to grant patent owners' requests to amend patent claims.** The AIA provides patent owners the right to amend patent claims in PTAB proceedings (35 U.S.C. §316(d)). In practice, PTAB often denies requests to amend claims. PTAB should have no option but to allow claim amendment midproceeding. This is only fair and statutory.
- **Require PTAB to decline to institute on more than one petition against the same patent.** PTAB cannot be a faster, cheaper alternative to federal court on patent validity questions without hard and fast limitations of a time window and of one bite at the apple—the

²¹ https://www.property-rts.org/_files/ugd/651e0c_ac55ff5354bc4b578e319d5e7e7d75d8.pdf

²² https://www.property-rts.org/_files/ugd/651e0c_412754bd5c564155bc66f4c85a8d8884.pdf, https://www.property-rts.org/_files/ugd/651e0c_90171c769aef4c2f8d8c681e11e23d9b.pdf

²³ https://www.property-rts.org/_files/ugd/651e0c_2ea2eeab75ec473ea0acf8d2910a76b6.pdf, https://www.property-rts.org/_files/ugd/651e0c_12e26aeec77f4f3186c540d320a248c7.pdf

apple being a given patent, not the panoply of potential petitioners. To be sure, serial PTAB proceedings against one's same patent, especially when there are parallel proceedings in federal courts or the ITC, are anything but a "faster, cheaper alternative" for small businesses.

- **As long as patents face the uncertainty of multiple PTAB proceedings, require subsequent petitioners to face the prospect of financial loss.** This could be something like requiring petitioners to post a significant bond when filing a PTAB petition. Either failing to obtain institution or obtaining institution and prevailing on invalidation of any or all challenged patent claims should result in the patent owner collecting the bond monies. This would compensate the patent owner's legal costs and inconvenience, and cost the petitioner for its nuisance. PTO should receive a share of the bond amount for PTAB denials. Petitioner payment for denials could help reduce frivolous or harassment petitioning. In case of claim invalidation, the bond monies should entirely go to the patent owner as "just compensation" for the taking of private property. Also, petitioners could be required to pay patent owners their total legal costs regardless of PTAB proceeding outcome in instances after the first PTAB proceeding or if parallel proceedings are occurring.
- **Change PTAB's financial incentives to institute.** Presently, PTAB collects sizable, additional fees when petitions are granted review, but not if institution is denied. This is a meaningful fact for a fee-based agency. Congress should end this temptation to institute.

Of especial concern is legislation that would even further weaponize PTAB. The ***Restoring the America Invents Act*** ("RAIA") and a recent iteration of RAIA, the ***PTAB Reform Act***, reverse the modest PTAB mitigation discussed above.²⁴ These bills subject Article III courts to being overruled by mere administrative quasijudicial PTAB panels. The legislation also uncorks estoppel and cancels the *Fintiv* doctrine. The Alliance of U.S. Startups and Inventors for Jobs warns that the PTAB Reform Act tilts the rules so "every patent that poses a competitive risk to Big Tech and that is being litigated or considered by the ITC, *or has already been found valid and infringed*, is guaranteed an IPR" (emphasis in original).²⁵ RAIA or the PTAB Reform Act would turn an already Kafkaesque nightmare system for inventors and patent owners into a never-ending cycle of administrative validity challenges. CPR strongly opposes this legislation.

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In conclusion, CPR believes PTAB is used and abused, decidedly advantaging patent infringers and bad-faith actors. It denies patent owners reliability and certainty, and does a disservice to inventors, investors, and the U.S. innovation ecosystem. PTAB's existence jeopardizes inventors of standards-essential inventions, national security- and competitiveness-related inventions, emerging technologies inventions, independent and small-business inventing and commercialization, and the opportunities and interests of future generations' students who have the capacity for STEM employment and entrepreneurship. We ask the subcommittee to address PTAB's inequities and unfairness, its deleterious effect on inventors and entrepreneurs, and its decided disadvantaging of small businesses that, with strong, reliable patents, might have a competitive change against established incumbent firms in all economic sectors.

²⁴ <https://townhall.com/columnists/jamesedwards/2022/04/26/raias-gift-to-big-tech-and-china-n2606334>

²⁵ https://twitter.com/USIJorg/status/1537936023618916352?s=20&t=FGBe9zCm8OOwmCpJFGP_EQ