IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

Revision to Rules of Practice Before the Patent Trial and Appeal Board

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Docket No. PTO-P-2025-0025

COMMENTS BY THE U.S. MANUFACTURERS ASSOCIATION FOR DEVELOPMENT AND ENTERPRISE

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I. INTRODUCTION AND COMMENTER'S INTEREST

The U.S. Manufacturers Association for Development and Enterprise (US*MADE) is a nonprofit association representing companies manufacturing diverse goods in the United States. US*MADE members range from some of the largest U.S. manufacturers to the smallest father and son business. While US*MADE members have collectively received hundreds of thousands of patents to undergird their innovative enterprises, they have also been the targets of abusive patent litigation. Thus, US*MADE was specifically created to preserve and strengthen efficient and cost-effective mechanisms—including the administrative procedures created by the America Invents Act ("AIA")—to cancel improvidently granted patents that can be used to threaten U.S. manufacturing.[1]

II. COMMENTS

US*MADE strongly opposes the proposed restrictions on access to PTAB review in the USPTO's October 17, 2025, Notice of Proposed Rulemaking. These proposals would do substantial harm to US*MADE's manufacturing members both large and small. US*MADE is particularly troubled that the USPTO has made no effort to assess the economic impact of the NPRM. As discussed below, US*MADE believes the proposals would inflict serious damage—in the tens of billions of dollars—on the U.S. manufacturing base, with no countervailing benefit to other sectors of the economy. A careful appraisal of its economic effects counsels in favor of abandoning the NPRM.

US*MADE's smaller members would be devastated by the elimination of access to PTAB review. The bulk of US*MADE's members are small shops that employ only a few

[1] US MADE's members are listed at: https://us-made.org/members/

people—often family members. Many of these enterprises are still recovering from COVID shutdowns and are financially fragile—any unexpected large cost can put them out of business and Americans out of work. When an invalid patent is asserted against such enterprises, they cannot afford to spend millions of dollars to litigate a patent suit. If PTAB review is cut off, such small U.S. manufacturers will simply have to pay to settle a lawsuit over a patent that never should have issued.

The NPRM would likewise harm US*MADE's larger members, exposing them to the risk of billion-dollar judgments based on invalid patents. The NPRM would push development of high-tech manufacturing out of the United States at the same time that the rest of the Administration has recognized it must do more to strengthen that manufacturing capacity as a matter of national security. Unfortunately, the U.S. chip industry's experience with the *Fintiv* policy demonstrates the harm that limiting access to *inter partes* review imposes on the advanced manufacturing sector. Investing the tens of billions of dollars that it costs to build a chip fabrication plant in the United States cannot be justified if that plant will be left vulnerable to the thousands of invalid patents that the USPTO issues every year. Yet that is exactly what the USPTO is proposing. Multiple independent rules in the NPRM would make it impossible for manufacturers to access the PTAB system for broad classes of patents, mostly for reasons completely beyond the manufacturer's control.

Nor are these harms confined to the semiconductor industry. They will affect every other advanced manufacturing sector that faces strong foreign competition and repeated assertions of invalid patents. This includes manufacturers of networking equipment (who are direct competitors of Huawei); memory device manufacturers; cloud storage computing; and AI data

centers. All this activity will be driven overseas if companies that would otherwise invest in the United States cannot protect themselves against assertions of invalid patents.

Finally, it bears emphasis who will benefit from these policies. It is not "small inventors" or research institutions. It is the wealthy individuals and financial firms that invest in U.S. patent litigation and their associated law firms. Many of these investment enterprises are foreign owned. Investment funds such as PurpleVine that are owned by the Chinese government have been particularly active in U.S. patent assertion campaigns in recent years—as well as Chinese companies such as Huawei that have been sanctioned by the U.S. government, and enterprises such as YMTC that directly compete with (and steal trade secrets from) U.S. manufacturers of critical technologies such as networking equipment and DRAM memory. If the Chinese Communist party were allowed to publish proposed rules in the Federal Register restricting PTAB review, it could hardly do better than the pending NPRM.

The NPRM is ill-conceived from top to bottom. It should not move forward.

A. Recent experience in the chip manufacturing sector shows that the NPRM's rules will cost US manufacturers billions of dollars due to invalid patents

There is no need to speculate as to what impact the NPRM's rules will have on American manufacturers. Recent experience from the chip manufacturing sector tells us exactly what will happen.

In March 2020, the USPTO adopted the *Fintiv* policy, which cuts off access to PTAB review if a district court schedules a trial to occur before the PTAB would issue a final written decision. Like much of the NPRM, *Fintiv* is premised on a policy judgment that the opportunity to challenge a patent in an infringement trial is a perfectly adequate substitute for validity review by the technical experts at the PTAB. Not only is this policy judgment irreconcilable with

Congress's decision to establish post-issuance review—it has been refuted by the experience under *Fintiv*.

Fintiv was applied to block consideration of the merits of scores of PTAB petitions—in many cases retroactively to petitions that were filed before *Fintiv* was announced. A dozen *Fintiv* denials were applied to petitions challenging patents that had been asserted against Intel Corp. Intel's petitions presented evidence that the patents were invalid as obvious over prior art, but this evidence was never considered on its merits. Several of these patents were asserted by VLSI, the litigation arm of a foreign-owned hedge fund. As a result of these *Fintiv* denials, VLSI went on to secure multi-billion-dollar damages awards against Intel.[2]

A year later, however, these same patents were challenged at the PTAB by other entities that had not been sued and thus were not subject to a *Fintiv* bar. These entities largely copied the petitions that Intel had filed in 2020 but that had been dismissed under *Fintiv*. The USPTO concluded that the petitions presented a "reasonable likelihood" that the patents were invalid and instituted review. And in subsequent final written decisions, the USPTO has concluded that all the challenged claims of the asserted patents are invalid.[3]

The VLSI litigation tells us two things: first, *Fintiv* and other procedural hurdles that the USPTO is erecting against PTAB review are preventing merits review of clearly invalid patents. And second, Congress was right about the need for post-issuance review at the agency: district court litigation, and in particular jury trials in the patent magnet jurisdictions, do not provide a reliable or effective check on patent quality.

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[2] *See* "Intel loses U.S. patent trial, ordered to pay $2.18 billion to VLSI Tech," Reuters, Mar. 2, 2021; Britain Eakin, "Intel Hit With $949M Verdict In Latest VLSI Patent Fight," Law360, Nov. 5, 2022.

[3] *See OpenSky Indus., LLC v. VLSI Tech. LLC*, IPR2021-01064 (May 12, 2023); *Patent Quality Assurance, LLC v. VLSI Tech. LLC*, IPR2021-01229 (Jun. 13, 2023).

The unavoidable conclusion is that arbitrarily cutting off access to PTAB review, as the NPRM proposes, is guaranteed to result in the enforcement of invalid patents. And recent experience shows us that, despite their strong indicia of invalidity, these patents can produce damages awards of billions of dollars.

A former Acting Director of the USPTO, commenting on legislation similar to the USPTO's NPRM that was introduced by Rep. Thomas Massie,[4] drew the following conclusion: "If our system allows patents as weak as [VLSI's] '983 patent to command billion-dollar damages awards, we eventually won't have much of a semiconductor industry left in the United States. It would be hard to think of a policy more clearly designed to undermine the United States."[5]

Congress and the Administration have wisely recognized that leadership in semiconductor design and manufacturing is critical to the economy and to our national security. Congress recently appropriated billions of dollars to strengthen domestic chip manufacturing. The Commerce Department, in addition to administering this program, has made extensive efforts to persuade foreign manufacturers to build chip fabrication plants in the United States.

All these efforts will be badly undercut if the NPRM's proposals are implemented. Building a chip fab costs tens of billions of dollars, and chip manufacturing is a fiercely competitive industry. Companies need to be able to reliably secure a return in order to justify such investments. But doing so becomes difficult if not impossible when limits are imposed on a company's ability to defend itself against lawsuits seeking billions of dollars for worthless patents.

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[4] H.R. 5874, the Restoring America's Leadership in Innovation Act.

[5] Joseph Matal, "RALIA Is Economic Suicide: A Reply to the Critics," IPWatchdog, Jan. 4, 2023.

Again, these potential harms are not speculative or hypothetical. This is *exactly* what happened to our nation's leading chip maker under the *Fintiv* policy—and a *Fintiv*-type rule is just one of the many arbitrary restrictions on PTAB review that are proposed in the NPRM.

If the NPRM is implemented, it will inevitably depress investment in chip manufacturing—and other high-tech manufacturing in the United States more generally. Jury trials in patent cases and unpredictable high-dollar damages awards are unique to the U.S. litigation system. If a company does choose to manufacture here, every chip or other item built at that plant, regardless of where it is ultimately sold or used, is a potential target of patent litigation. Building a factory anywhere else in the world avoids many of these problems.

In addition to our domestic manufacturers, foreign manufacturers also are sensitive to U.S. patent litigation. They are fully aware of the USPTO's "discretionary denial" policies—for example, several foreign chip manufacturers submitted comments when the USPTO sought public views on the policy in October 2020. These companies also know about the litigation against Intel, and they face much U.S. patent litigation of their own. When foreign companies see that even a leading U.S. manufacturer is being subjected to multi-billion-dollar damages awards based on invalid patents, these foreign companies know they can hardly expect better treatment for themselves. The *Fintiv* policy has likely already deterred substantial foreign direct investment in high-tech manufacturing in the United States.

Finally, the NPRM's rules will inevitably increase outlays for the federal government by driving up the costs of acquisitions and contracting. When the government's suppliers and contractors pay more to settle claims to invalid patents, those costs inevitably are passed on to the purchaser—the U.S. government.

With the NPRM, the USPTO now proposes to entrench and expand *Fintiv* and other arbitrary restrictions on access to patent validity review, with entirely predictable effects. The NPRM would do serious harm to the U.S. manufacturing economy. It needs to be stopped.

B. The NPRM would arbitrarily cut off patent validity review for both large and small manufacturers.

In multiple ways, the NPRM would make it impossible for U.S. manufacturers to seek PTAB validity review of patents that are asserted against them. In many cases, manufacturers would lose the right to seek review for reasons that are entirely outside their control. And in all cases, the NPRM's proposed rules directly contradict provisions of the Patent Act.

1. Third party challenges

The NPRM proposes that review be cut off if a third party has previously unsuccessfully challenged the patent over prior art in district court, the ITC, or other USPTO proceedings. Proposed subsection (e) would provide:

> (e) *Claims found valid in prior proceedings*. Inter partes review shall not be instituted or maintained if a challenged claim or an independent claim from which a challenged claim depends:
>
> (1) *U.S. District Court Trial*—Was found not invalid under 35 U.S.C. 102 or 103 by a district court or jury following a bench trial or jury trial in a decision or verdict that has not been vacated or reversed in relevant part;
>
> (2) *U.S. District Court Summary Judgment*—Was found not invalid by a district court in a summary judgement decision finding no dispute of material fact under 35 U.S.C. 102 or 103 that has not been vacated or reversed in relevant part;
>
> (3) *U.S. International Trade Commission*—Was found not invalid under 35 U.S.C. 102 or 103 in initial or final determination of the U.S. International Trade Commission that has not been vacated or reversed in relevant part;
>
> (4) *PTAB Final Written Decision*— Was found not unpatentable in a final written decision of the Board under 35 U.S.C. 318(a) or 328(a) that has not been vacated or reversed;

> (5) *Ex Parte Reexamination*—Was found patentable in an office action or decision by the Board following a reexamination request filed under Chapter 30 of Title 35 United States Code by someone other than the patent owner, the patent owner's real party in interest or privy; or
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> (6) *Federal Circuit*—Was found unpatentable or invalid under 35 U.S.C. 102 or 103 in a decision, but that decision was reversed in relevant part by the U.S. Court of Appeals for the Federal Circuit.

This proposal would effectively estop a party from challenging the validity of an asserted patent because of prior actions by entities with no relationship at all with the later party, and over whom the later party had no control. In addition, it does so on the basis of other proceedings that Congress has already determined are not sufficiently reliable to justify future estoppel.

35 U.S.C. § 315(e) defines when estoppel is triggered and against whom it applies. That section applies estoppel only on the basis of a contested PTAB review that has resulted in a final written decision, and it extends the estoppel to third parties only if they are real parties in interest or privies of the PTAB petitioner. Section 315(e) provides:

> (e) Estoppel.—
>
> (1) Proceedings before the Office.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.
>
> (2) Civil actions and other proceedings.—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

35 U.S.C. § 315(e).

In the proposed regulation, the USPTO would override this statutory language to trigger estoppel based on ITC proceedings, *ex parte* reexaminations, district court challenges, and PTAB non-institution decisions. But Congress consciously chose *not* to impose estoppels against future validity reviews on these bases, and for good reason: even the requester cannot participate in an *ex parte* reexamination once the reexamination begins, and ITC proceedings lack the authority to estop the further enforcement of an invalid patent. Moreover, Congress expressly *repealed* the statute's prior estoppel that was based on a final district court decision rejecting a validity challenge, which appeared at former 35 U.S.C. § 317(b). The NPRM reimposes a restriction that Congress deleted from the U.S. Code.

And again, the NPRM extends this estoppel to *any* party, even a party that is sued years after the party that first brought a validity challenge, that had no relationship at all with that first party, and that did not even know about the prior litigation. In effect, the first party that is sued and begins a challenge would be deemed to "virtually represent" all future parties that are sued on the patent.

The imposition of such a non-mutual offensive estoppel is contrary to longstanding American legal principles. The Supreme Court has made clear that 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).

If the United States did adopt such a policy—that all further PTAB challenges are barred after the first challenge—more patent owners would target small, unsophisticated defendants in the early phases of their litigation campaigns. They would do so in the hope that the initial defendant would bring an incomplete or inadequately prepared invalidity challenge that it could

defeat, which would then bar later defendants from bringing a stronger challenge against the patent.

A one-and-done rule is bad policy that America has long rejected. Indeed, the unsoundness of this policy was recognized by the original creators of the U.S. patent system. 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.

The USPTO should heed Jefferson's counsel. A one-and-done rule would encourage abusive behavior and is contrary to basic principles of due process and the right to protect one's own interests. The USPTO should reject this rule.

2. Stipulations to waive on-sale and public-use defenses in all proceedings.

The NPRM proposes to block access to *inter partes* review unless the petitioner stipulates to waive *all* anticipation and obviousness defenses in "any other proceeding." This would include validity defenses that the claimed invention was on sale or in public use—defenses that cannot be raised in an *inter partes* review. Proposed subsection (d) would provide:

> (d) *Required stipulation for efficiency*. Inter partes review shall not be instituted or maintained unless each petitioner files a stipulation with the Board and any other tribunal where it is litigating or later litigates regarding the challenged patent, stating that if a trial is instituted, the petitioner and any real party in interest or privy of the petitioner will not raise grounds of invalidity or unpatentability with respect to the challenged patent under 35 U.S.C. 102 or 103 in any other proceeding.

In effect, as a prerequisite to *inter partes* review, defendants would have to give up the right to assert longstanding, statutorily-enshrined validity defenses in any forum. The USPTO

has no authority to do this, nor is it apparent what conceivable purpose this serves (other than to punish manufacturers who are sued on invalid patents and to make *inter partes* reviews unusable for many defendants).

It is particularly unfair to force petitioners to waive these defenses in district court. Juries in civil litigation often pay little attention to validity defenses, particularly obviousness defenses that are based on prior patents and printed publications. But they do often find an anticipation (or near anticipation) defense that is based on *product prior art* to be compelling—they can grasp that the 'same thing' was already available on the market. Yet the NPRM would take this one defense that tends to be effective in district court and force defendants to waive it, on penalty of no access at all to statutorily authorized PTAB review.

The main effect of the NPRM's proposal would be to make infringement litigation much more difficult for defendants who are sued in district courts that refuse to stay the case pending a PTAB review. (Most courts will stay litigation in such circumstances, but a few venues favored by plaintiffs routinely go forward with trials despite the institution of a PTAB proceeding for the same patent claims.) When the defendant is barred from presenting prior art defenses, this tends to distort the jury's sense of the scope of the invention: an incremental invention is more easily misrepresented as a pioneering one. Barring consideration of prior art also makes it easier for the plaintiff to argue for a broad claim construction (since they need not fear that such a construction will read on prior art). The ultimate result of such a "stipulation" requirement would be to put a heavy thumb on the scale in favor of the plaintiff in the litigation: the defendant risks a broader claim construction that is more likely to be infringed, and a higher damages award—all because it sought statutorily authorized review of a patent that it has shown

is reasonably likely invalid. Such a requirement is unfair to defendants and contrary to the statute.

This proposal is irrational and should be withdrawn.

3. Yet another *Fintiv* rule.

Like the horror movie monster that refuses to die, the *Fintiv* policy makes yet another appearance in the NPRM. The rules package proposes to block PTAB review if a district court or ITC proceeding in which a party asserts anticipation or obviousness is likely to reach a final written decision before the PTAB. Proposed subsection (f) would provide:

> (f) *Parallel Litigation—Inter partes* review shall not be instituted or maintained if, more likely than not, any of the following will occur, with respect to a challenged claim or an independent claim from which a challenged claim depends, before the due date for the final written decision pursuant to 35 U.S.C. 316(a)(11):
>
> (1) *U.S. District Court*—A district court trial in which a party challenges the patent under 35 U.S.C. 102 or 103;
>
> (2) *U.S. International Trade Commission*—an initial or final determination of the U.S. International Trade Commission with respect to 35 U.S.C. 102 or 103; or
>
> (3) *PTAB Final Written Decision*—issuance of a final written decision by the Board under 35 U.S.C. 318(a) or 328(a).

Under proposes subsection (d) of the NPRM, a petitioner would already be compelled to stipulate that it will not raise any anticipation or obviousness defenses in any of these proceedings. This new *Fintiv* bar would thus be meaningless with respect to the petitioner itself—by definition, it cannot seek a determination "with respect to 35 U.S.C. 102 or 103" in the ITC or in district court under subsection (d). The only apparent effect of subsection (f)'s new *Fintiv* bar would thus be to make other, unrelated parties' validity challenges in district court or at the ITC preclusive of the petitioner's ability to seek an IPR—or even to maintain an already-instituted IPR.

Again, ITC proceedings, even if they result in a finding of invalidity, have no preclusive effect—they cannot prevent the patent owner from continuing to assert the patent against other parties (or even against the ITC respondent in district court). The USPTO is in effect proposing to waive a petitioner's right to defendant itself against an invalid patent in the PTAB on the basis of a "parallel proceeding" that lacks the ability to provide any protection to the petitioner.

Barring validity review because of another party's district court litigation is equally nonsensical and contrary to the Patent Act. District court infringement litigation has always existed. If Congress considered it adequate to address all patent validity questions, there would have been no reason to enact laws creating reexamination and PTAB review. In addition, in the America Invents Act, Congress already set a deadline for seeking PTAB review in relation to district court litigation: defendants have one year to prepare and file a petition after they are sued. *See* 35 U.S.C. § 315(b). The NPRM's proposals would allow plaintiffs to cut off access to review based on where they choose to sue, in direct conflict with the deadline chosen by Congress.

III. CONCLUSION

Any one of the NPRM's proposals would create broad swathes of patents that cannot effectively be reviewed at the PTAB. Collectively, the proposals would make manufacturing in the United States a legal minefield. As described earlier, this is likely to have a negative impact on the high-tech manufacturing sector, which has been a particular target of foreign-funded patent assertion entities exploiting the *Fintiv* rule.

These proposals also are damaging for the many small, mom-and-pop machine shops and other manufacturers that make up the majority of US*MADE's membership. For such an entity, simply hiring a lawyer to review a patent that is asserted against it in a lawsuit or demand letter

can be a challenge. If the lawyer concludes that the patent is invalid, filing a PTAB challenge is at least a possibility—the costs are in the thousands of dollars. If PTAB review is barred, however, then the only channel of review is civil litigation, which is much less accurate and predictable—and which costs millions of dollars. For a small business, district court patent litigation simply is not an option. If a small business cannot reliably access PTAB review, usually its only choice when sued on an invalid patent is to pay a settlement. This not only hurts the small business; it adds fuel to the industry of asserting questionable patents against small enterprises. The impact of the NPRM on US*MADE's many small manufacturing members would be profoundly unjust and contrary to the public interest.

The NPRM's restrictions on the use of PTAB proceedings are contrary to the statute, contrary to the public interest, and contrary to common sense. The USPTO should realign its priorities with those of the Administration and Congress: it should protect real innovators and manufacturers, especially when it comes to critical technologies such as microprocessors and other high-tech manufacturing. The NPRM would subvert these interests for the benefit of those investors and lawyers who profit from litigating invalid patents. The USPTO should jettison the NPRM and return to following the letter and spirit of the Patent Act.