June 18, 2024

Comments re Docket No. PTO-P-2023-0048

Honorable Kathi Vidal
Deputy Secretary of Commerce and Director,
U.S. Patent and Trademark Office
600 Dulany St
Alexandria, VA 22314

Dear Director Vidal:

The Alliance of U.S. Startups and Inventors for Jobs ("USIJ") comments herein on the Proposed Rule for which public comments are sought in Docket No. PTO-P-2023-0048, as detailed in 89 FR 26807–813, published April 16, 2024 ("Proposed Rule").[1] USIJ previously responded to "Advance Notice of Proposed Rulemaking," published April 21, 2023 (Docket No. PTO-P-2020-0022; 88 FR 24503) ("ANPRM"), which identified a number of factors that the PTO considered as potentially relevant to the exercise of statutory discretion denying institution of post-grant proceedings pursuant to 35 U.S.C. §§314 and 324. USIJ also responded to "Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board," published 10/20/20 at 85 F.R. 66502–506, Document Number: 2020-22946 ("PTO Request"). USIJ's responses to the ANPRM and the PTO Request taken together set forth a number of specific concerns expressed by the USIJ cohort of inventors, entrepreneurs,

[1] USIJ is a coalition of 23 companies – startups, entrepreneurs, inventors and investors – all of which depend on stable and reliable patent protection as a foundational prerequisite for making long term investments of capital and time commitments to high-risk businesses developing new technologies. USIJ was formed in 2012 to advocate for intellectual property rights. We are committed to promoting a strong intellectual property system that supports innovation, investment, and breakthrough technologies that change our world. Our mission is to ensure that this system continues to thrive for the benefit of American startups and inventors, and most importantly, American leadership in science and technology. USIJ collaborates with several other associations that are similarly concerned with the declining availability of U.S. patents essential to protect our nation's most important inventions that will define the future of technology and commerce.

startups and investors regarding the impact of the post-grant review processes on their businesses.

USIJ is largely supportive of the Proposed Rule as a small initial step in rebalancing the relative rights of patent owners with those of companies accused of infringement, which currently are heavily tilted in favor of infringers. It is helpful for all parties to know that there are guidelines for the exercise of the Director's discretion in allowing post-grant proceedings to move forward. We are disappointed, however, that some of USIJ's most significant concerns, as reflected in its responses to the ANPRM and the PTO Request are not addressed in the Proposed Rule, either specifically or by implication. Furthermore, we note that it is going to require much more than the simple adoption of guidelines for briefing discretionary denial requests to entice this cohort back into full use of the U.S. patent system that has been slowly squandered over the last ten years. Many of the country's most important venture capital investors and entrepreneurs no longer regard the U.S. patent system as reliable and have turned their commitments of time and capital to other uses.

Justifiable Reliance on the U.S. Patent System is Essential to This Nation. At the risk of duplicating a portion of past submissions, USIJ reiterates a couple of the points we have made in the past regarding the importance of patents and the impact that the creation of post-grant reviews of patent validity has had on reliability and investor confidence. It is critical for our nation that the patent system work properly for all companies – large and small – that are developing new technologies requiring lengthy periods for development and which, once proven workable, are easily copied. For large companies having fully developed infrastructure and substantial market presence, patents may be "nice to have" but often they are not mission critical. For startups, small companies and their investors, however, reliable and enforceable patents are absolutely essential. For this latter cohort, the inability of startups and entrepreneurs to tell their investors that they enjoy patent protection that genuinely prevents the theft of their new technology often means that such technologies will not be developed and innovation will be thwarted. This is tragic, because these startups and individual inventors have long been the **primary** source of major technological breakthroughs, as noted in our prior submissions, and are truly essential to this nation's continued leadership of those areas of science and technology that are most critical and strategically important. This nation cannot rely on a handful of gigantic companies, each having its own agenda and shareholders, to become our sole source for important innovation in areas like biotechnology, telecommunications, quantum computing, artificial intelligence, space travel, optics, new materials and the like.

The post-grant review processes created by the America Invents Act have been extremely helpful to the larger companies with extensive cash reserves that can hire lawyers and prolong litigation until a patent owner simply gives up and walks away from years of effort and millions of dollars, an outcome that is devastating for startups

and small companies and that deters other entrepreneurs from even trying to develop innovative new technologies that are likely to be misappropriated by one of the corporate giants. Simply put, although originally presented to Congress as a way of expediting final resolutions in patent cases and making litigation less expensive, from the viewpoint of startups and small companies, the actual effect of the PTAB has been quite the opposite. Small companies often end up defending IPR proceedings brought for the purpose of making it more cumbersome and expensive to assert their patents or even suggesting that an infringer take a license to their new technology.

Key Factors That Should Be a Basis for Discretionary Denials. We see no point in reiterating here the many suggestions we have set forth that would help level the playing field, but we do urge the Director and others involved in adjudicating disputes to keep a few key points in mind before allowing post-grant proceedings to move forward.

- First, the Proposed Rule does not mention the *Apple v. Fintiv* decision, which is unfortunate because adherence to the *Fintiv* principles can help prevent abusive practices by large companies that game the system by allowing litigation to proceed in district court to a strategically opportune before petitioning for an IPR. The added cost of fighting on two fronts is much easier for cash-rich companies than for smaller ones trying to assert their patents and *Fintiv* has been a helpful precedent in that regard. We urge the Director to continue its use even without specifying such in the Proposed Rule.

- Second, although the ANPRM suggested that the Director might take into account the disparity in size between a petitioner and a patent owner, particularly a small patent owner actively pursuing the development of a new technology, the Proposed Rule is silent in this regard. We encourage the Director to keep in mind the ease with which petitions can be filed and the devastating impact that such petitions or even the threat of such petitions can have on both a small company and its investors.

- Third, the absence of any standing provisions is one of the glaring defects in the AIA as originally enacted, but it is an abuse that the Director could help ameliorate through the use of discretionary denial of IPR petitions. Where a petitioner cannot demonstrate any personal stake in the outcome or any legal or business reason for filing an IPR other than a general dislike of patents, the agency should seriously question whether institution is good use of resources. Further, when membership organizations are being used to circumvent time bars and abuse the use of the IPR process, the Director has the authority to stop such abuse.

- Fourth, it appears clear from the Proposed Rule that the PTO has no plans for rejecting IPR petitions on a patent that has been adjudicated in a prior district court decision and not found to be invalid. This is one of the aspects of the IPR process that renders it so utterly unfair to small patent owners, because large infringers are given a substantial advantage having multiple shots at the same patent. The recently concluded matters involving Centripetal Networks and Netlist are exemplary but by no means alone in this respect. In the case of Netlist, several core patents were recently found valid and infringed in federal district court, only to see the PTAB override the judicial process and invalidate these same patents. What is the value of even placing discretion in the hands of the Director if not to address blatant abuses of the process such as this? It is inexplicable for the Proposed Rule to be silent on circumstances in which patents found valid after a prolonged and extremely technical judicial process are still fair game at the PTAB. The Director should make it clear that patents found valid in district court enjoy quiet title and will not be subject to further IPRs.

- Finally, the PTO and indeed the rest of our federal government must understand that it is not the rules, as such, that entrepreneurs and investors rely on in assessing the strength of their intellectual property. It is whether their IP is effective in maintaining exclusive dominion over their inventions and their companies. Private property always has been at the very core of our entire civilization and is one of our most sacrosanct values. The patent system purports to reward invention, but that only works when patent owners win enough cases to create confidence in the integrity of their property and the IP rights that protect it. Patent litigation always has been probabilistic – even before the current erosion of protection began – but where the playing field is perceived to be level, entrepreneurs and investors have and will continue to rely on it for protection. The current state of affairs, however, creates a playing field that is a far cry from being fair and level. It is difficult to find cases today where patent owners are being properly compensated for the unauthorized use of their property, and this diminishes both the value of the technology and the value of the company. This situation makes it nearly impossible to restore the belief needed to restore our innovation ecosystem.

Respectfully submitted,

/s/ Robert P. Taylor

Alliance of U.S. Startups and Inventors for Jobs
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