

No. 24-2304

United States Court of Appeals
for the Federal Circuit

NETLIST, INC.,

Appellant,

v.

SAMSUNG ELECTRONICS CO., LTD., MICRON TECHNOLOGY, INC.,
MICRON SEMICONDUCTOR PRODUCTS, INC.,
MICRON TECHNOLOGY TEXAS, LLC,

Appellees.

*On Appeal from the United States Patent and Trademark Office, Patent
Trial and Appeal Board, in Case Nos. IPR2022-00615, IPR2023-00203*

**BRIEF FOR *AMICUS CURIAE* ALLIANCE OF U.S. STARTUPS
& INVENTORS FOR JOBS (“USIJ”) IN SUPPORT OF
APPELLANT NETLIST, INC. AND REVERSAL**

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**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT****CERTIFICATE OF INTEREST****Case Number** 24-2304**Short Case Caption** Netlist, Inc. v. Samsung Electronics Co., Ltd.**Filing Party/Entity** Alliance of U.S. Startups & Inventors For Jobs**Instructions:**

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1. Represented Entities. Fed. Cir. R. 47.4(a)(1).	2. Real Party in Interest. Fed. Cir. R. 47.4(a)(2).	3. Parent Corporations and Stockholders. Fed. Cir. R. 47.4(a)(3).
Provide the full names of all entities represented by undersigned counsel in this case.	Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities. <input type="checkbox"/> None/Not Applicable	Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities. <input checked="" type="checkbox"/> None/Not Applicable
Alliance of U.S. Startups & Inventors For Jobs	**See attached	



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5. Related Cases. Other than the originating case(s) for this case, are there related or prior cases that meet the criteria under Fed. Cir. R. 47.5(a)?

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6. Organizational Victims and Bankruptcy Cases. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).

☒ None/Not Applicable ☐ Additional pages attached



Appendix A

USIJ Member Companies

- Aegea Medical
- BioCardia
- DivX, LLC
- EarLens Corporation
- ExploraMed
- Fogarty Institute for Innovation
- ForSight Labs, LLC
- Headwater Research
- Lauder Partners, LLC
- Materna Medical
- MedicalCue
- Moximed
- Original Ventures
- Pavey Investments
- Precision Biopsy
- Prescient Surgical
- Puracath Medical
- Rearden Studios
- Siesta Medical
- Soraa
- Tallwood Venture Capital
- The Foundry

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The Alliance of U.S. Startups and Inventors for Jobs (“USIJ”) submits this brief as *amicus curiae* pursuant to Fed. R. App. P. 29(b) in support of Patent Owner-Appellant, Netlist, Inc., in appeal from the Final Written Decision (“FWD”) of the Patent Trial & Appeal Board (“PTAB”) in IPR 2022-00615, an Inter Partes Review (“IPR”) cancelling Claim 16 of U.S. Patent No. 7,619,912, owned by Netlist.¹

INTEREST OF *AMICUS CURIAE*

Amicus curiae USIJ is a coalition of startup companies, inventors, investors, and entrepreneurs whose businesses depend upon stable and reliable patent protection as an essential foundation for making long-term investments of capital and time commitments to high-risk ventures developing new technologies.² USIJ was formed in 2012 to address concerns that legislation, policies and practices adopted by the U.S. Congress, the Federal Judiciary and certain Federal agencies were and are placing individual inventors, entrepreneurs and research-intensive startups (“USIJ Cohort”) at an unsustainable disadvantage relative to their larger incumbent rivals, both domestic and foreign, and others that would make wrongful

¹ USIJ filed an *amicus* brief on January 24, 2025 in the *en banc* proceeding entitled *EcoFactor, Inc. v. Google LLC*, No. 23-1101. We have no desire to burden the Court with unnecessary information, but do feel obligated to note that some of the arguments made here are substantively the same as some of those in the *EcoFactor* matter; we believe they are equally relevant here.

² No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than *amicus curiae* made a monetary contribution to its preparation or submission.

use of their inventions and patents. A disproportionately large number of strategically critical breakthrough inventions are attributable to such individual inventors and small companies, this case being exemplary.

USIJ's fundamental mission is to assist and help inform members of Congress, the Federal Judiciary and leaders in the Executive branch regarding the critical role that patents play in our nation's economic system and the particular importance of startups and small companies to our country's economic health and its continued leadership role in the development of strategically critical technologies.

SUMMARY OF ARGUMENT

The decision of the PTAB in this case, unless reversed by this Court, will take its place as a "high-water mark" for the glaring injustice wrought by the creation of the PTAB and its administration by the USPTO. By the time this appeal is finally concluded, the '912 patent will have spent all or nearly all of the entire period of its statutory grant in prosecution, reexaminations and this IPR. The Chart on page 15 of Netlist's Opening Brief ("Op.Br.") tells the story in a way words cannot.

From the standpoint of the USIJ Cohort of inventors, entrepreneurs and investors, Netlist's experience highlights – as a cruel hoax – the oft-heard trope that statutory exclusivity is granted to an inventor as a *quid pro quo* for the disclosure of an invention. That idealized description, based on the words of the Patent Act and

the U.S. Constitution, bears little resemblance to the actual patent system today, where courts are unable to state with any predictability what inventions may be patented, where exclusive rights have been all but eliminated for most inventors and startups, where IPR procedures allow infringers to drag out proceedings and continue to profit from their infringement, and where an issued patent's chance of surviving the PTAB gauntlet is – despite the statutory presumption of validity – something in the 30% range or lower.

While the Netlist saga is clearly among the most egregious examples of abuse of the IPR process by corporate goliaths, it is far from unique. From the outset, Samsung, an Asian company notorious for misappropriating American technology, has been the single most frequent petitioner in our country, having filed 1130 IPR petitions to cancel U.S. patents as of the end of 2024 (one every 4.2 days for 13 years), many of which are multiple petitions against the same patent claim. Google, as the third most frequent user, has filed 630 such petitions. Nineteen of the twenty most frequent petitioners for IPRs are large digital technology companies, six of them foreign companies.³

³ See, e.g., <https://savetheinventor.com/get-the-facts>, showing that the vast majority of all IPR proceedings are brought by large companies challenging the patents of smaller ones. Originally conceived to make it easier and less expensive than district court proceedings for litigants to determine the validity of patents, the PTAB has proven to be quite the opposite. For the USIJ Cohort, the PTAB has

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The current case, implements for Samsung, the litigation strategy in the Big Tech playbook for dealing with startups and small companies. Designed to take full advantage of the vast disparity in resources between a large corporate infringer and a small patent owner trying to protect its invention and build a business, the Big Tech strategy entails taking whatever steps are available to prolong the length of litigation and to make it as expensive as possible for the patent owner to obtain relief, with the ultimate objective of deterring all patent owners from ever attempting to enforce their patents or even to license them. The Big Tech goliaths refer cynically to their strategy as “efficient infringement.” It is no more “efficient” than if those same companies hired burglars or thugs to steal the raw materials that go into their products, but the name, and more importantly, the practice seem to have caught on with their legal, marketing and PR teams. In reality, the stolen intellectual property is usually far more valuable than the materials used to make their products.

The Big Tech strategy is more appropriately termed “predatory infringement,” and it has had a devastating impact on innovation in this country, as fewer and fewer inventors, entrepreneurs and investors choose to develop better technology that would disrupt existing industries and technologies. Given the current state of patent law, there is simply no reason for anyone to invest time and resources in developing

increased the costs and delay to the point that, for many, trying to enforce their patents is simply impossible.

a new technology that can be readily copied by well-funded corporate giants who refuse to respect property rights in the new technology. In Section I, we discuss more fully predatory infringement and its impact.

The PTAB is a willing accomplice to this Big Tech playbook in a number of ways, one of the most damaging being its receptiveness to the filing of multiple IPR petitions challenging the same claim, as in this case. This is directly contrary to what Congress intended with the enactment of the AIA. Throughout the course of debate over the AIA and its predecessor bills, Congress reiterated its commitment to avoiding repeated attacks on a patent. This commitment was codified in the AIA but has been widely ignored by the PTAB from the very outset, as this case exemplifies.⁴

Multiple attacks on the validity of almost any patent, no matter how novel and creative the invention may be, are likely to kill the patent. This is because the patent owner must win every such attack, whereas one adverse ruling from the PTAB or a

⁴ Much has been written about the systematic efforts of some of the largest technology companies to spend enormous sums on lobbying politicians and hiring lawyers to argue to courts with the stated objective to weaken the U.S. patent system and allow their unlawful use of the technology of smaller companies with impunity. See, e.g., Nick Matich, “Big Tech has Eviscerated America’s Patent System,” Real Clear Policy (April 5, 2023), available at: https://www.realclearpolicy.com/articles/2023/04/05/big_tech_has_eviscerated_americas_patent_system_891935.html; Jonathan M. Barnett, “The Big Steal,” published by Oxford University Press (2024) (p. 153 *et seq*).

court can invalidate the patent claim for all time. Litigation odds on outcomes in patent cases do not range from zero to 100 percent no matter how strong the patent may be, because there are just too many ways to lose – judges who are biased or who fail to understand the technology, juries that misinterpret the testimony or documents, witnesses whose testimony is questionable – all of these factors combine to lower the probability of success, in some cases to the vanishing point. In Section II, we discuss the legislative history of the AIA and the pernicious nature of multiple attacks on the same patent or patent claim.

USIJ has demonstrated on other occasions that the loss of effective patent protection has been accompanied by a corresponding decline in entrepreneurial activity in patent-intensive industries, particularly those that are strategically critical to our national security and well-being such as cybersecurity, semiconductor design, quantum computing, artificial intelligence and biopharmaceuticals, to name a few. The same decline in the digital technologies was recently noted in the “Final Report of the National Security Commission on Artificial Intelligence” and in a report entitled “Investigation of Competition in Digital Markets” issued two years ago by the House Judiciary Subcommittee on Antitrust, Commercial and Administrative Law (“H.R. Report”).

Politicians often extol the virtues of entrepreneurs and startups and most appear to believe that the patent system is working well to protect brilliant inventors

and to incentivize innovation. Such views are misinformed. They fail to grasp the reality facing small companies that try to enforce their patents against larger incumbents, particularly the Silicon Valley giants that comprise some of the largest companies in the world, such as Google and Apple. Many of those innovative young companies are sadly disillusioned by today's patent landscape; some are shifting to other less risky pursuits that do not require enforceable patents, some are finding employment with the large incumbents they might otherwise challenge, and many are relying on patent protection available in other countries, particularly the newly created Unified Patent Court in the EU. In Section III, we expand on these points.

When a patent claim has been examined and reexamined on multiple occasions, as is the case with Claim 16 of the '912 patent, it is grossly unfair to allow a subsequent panel of Article I judges to trot out a new claim construction to justify a different outcome. At some point, the agency must say "enough is enough!" and mean it. That is particularly so in this case, where Samsung's IPR petition was filed, at least in part, for the benefit of Google, which had previously challenged Claim 16 and had failed to establish its invalidity. Although the PTAB concluded that Google was not a real party in interest here, saying that a supplier-customer relationship does not establish privity, nowhere does the institution decision address or even acknowledge that Samsung, as the supplier of the infringing memory devices, was fully aware of the proceeding previously brought by Google, but was nevertheless

able to lie in the weeds to give the duo a second opportunity to cancel Claim 16.⁵ In Section IV, we discuss the FWD in light of the Supreme Court’s recent decision in *Loper Bright Enterprises v. Raimondo*, 144 S.Ct. 2244 (2024) and the demonstrable intent of Congress to avoid multiple attacks on the same patent claim.

ARGUMENT

I. Predatory Infringement by the Largest Companies in the World Should No Longer Be Rewarded.

New technologies often have lengthy development cycles, during which time investors and entrepreneurs face multiple risks of failure – risk that other and newer technologies may leapfrog them, regulatory risk, market risk upon completion, among others. To add the further risk that a larger incumbent will copy the new technology once it is proven feasible often makes the difference between moving forward or abandoning the idea. Without some assurance that larger incumbents, with established brands and fully staffed engineering, manufacturing and marketing

⁵ This is precisely the type of behavior that Congress wished to avoid by giving the USPTO Director the discretion to deny a petition so as to effectuate the will of Congress. A USIJ White Paper published in 2018 entitled “How ‘One Bite at the Apple’ Became Serial Attacks on High Quality Patents at the PTAB” lays out, *inter alia*, key portions of the legislative history of the AIA showing that Congress tried to limit the IPR process from being used to bully small and highly creative startups. <https://usij.org/2018-serial-attacks>. The paper also describes the manner in which large technology companies file multiple IPR petitions, often in tandem as here, against the same high quality patent.

infrastructure already in place, can be prevented from simply copying the new technology, the incentive for a startup even to commence such an undertaking or venture capital investors to fund such an effort is severely impaired. These startups and small companies are particularly important to our nation, because they are responsible for most of the important scientific and technological breakthroughs, many of them funded by their venture capital investors.⁶

Before the Supreme Court's ruling in *eBay v. MercExchange LLC*, 126 Sup Ct 1837 (2006), entrepreneurs and investors could be reasonably assured that they had at least a fighting chance of challenging the dominance of a large incumbent and that gave rise to relatively amicable licensing discussions in many instances. In the aftermath of the *eBay* ruling, however, as this Court and the district courts began to apply the ruling, it became next to impossible for startups and small company patent owners to obtain injunctions protecting their statutory right to exclude, and almost all were left with the likelihood that monetary damages may be their only remedy for trespass on their property rights. This, in turn, also meant that it became difficult

⁶ For example, more than half of all new medicines are commercialized by startup companies funded by venture capital investors. *E.g.*, <https://freopp.org/whitepapers/no-contest-small-pharma-innovates-better-than-big-pharma>. Many of today's corporate giants in Silicon Valley are themselves exemplary of this point – Apple, Google, Intel, Cisco and others began as venture capital funded startups bringing fresh new technologies to the American public. Their current predatory efforts ignore their own origins and seek to avoid responsibility for misappropriating the newer technologies of others; it is shameful.

or impossible for startups to negotiate licenses on terms that reflected the actual value of their technology.

It also gave rise to a pernicious and destructive practice on the part of a number of the digital technology giants (“Big Tech”), most but not all from Silicon Valley and in collaboration with one another. After nearly two decades, *eBay* has eliminated virtually all the risk for a defendant who pursues a strategy of deliberate, wanton and continuing infringement, and has given rise to a culture of scorn and disrespect for the patents of smaller companies, a phenomenon particularly prevalent in the behavior of Big Tech.

In his concurring opinion in *eBay*, Chief Justice Roberts cautioned:

“From at least the early 19th century, courts have granted injunctive relief upon a finding of infringement in the vast majority of patent cases. This ‘long tradition of equity practice’ is not surprising, given the difficulty of protecting a right to exclude through monetary remedies that allow an infringer to use an invention against the patentee’s wishes ... When it comes to discerning and applying those standards, in this area as others, ‘a page of history is worth a volume of logic.’”

Id. at 1841 - 42. [citations omitted].

That observation proved to be prescient. Prior to *eBay*, a reasonable expectation on both sides of a licensing negotiation was that if successful infringement litigation ensued, an injunction was likely to be entered to stop infringement, which in turn gave even a very large incumbent a compelling reason to at least consider settling patent cases and/or taking a license from a startup or

smaller company. After *eBay*, however, there was no longer any such incentive, and many large companies began routinely to ignore the patents of smaller companies, harvesting enormous profits from the infringement for at least the duration of the litigation and beyond.

In a 2019 interview with a representative of the Economist, a former executive of Apple, provided a candid look into this predatory practice that has become an entrenched mode of doing business for many Big Tech companies:⁷

“Boris Teksler, Apple's former patent chief, observes that ‘efficient infringement’, where the benefits outweigh the legal costs of defending against a suit, could almost be viewed as a ‘fiduciary responsibility,’ **at least for cash-rich firms that can afford to litigate without end.**”

<https://www.economist.com/business/2019/12/14/the-trouble-with-patent-troll-hunting> (The Economist, 12/14/2019) (emphasis supplied).

At its core, this predatory strategy seeks to impair the ability of small companies to become competitors before they can become large enough to mount a serious competitive challenge.

The strategy starts with a determined refusal to take a license from a startup or small company whose patents it infringes, choosing instead to deploy whatever

⁷ See, e.g., Osenga, “‘Efficient’ Infringement and Other Lies,” Seton Hall Law Review, 52:1085, 1101-1104; Adam Mossoff and Bhamati Viswanathan, “Explaining Efficient Infringement,” <https://cip2.gmu.edu/2017/05/11/explaining-efficient-infringement>.

funding and personnel are needed to prevail in any patent litigation – without regard to its merits, duration or impact on the patent owner or its overuse of judicial resources. The strategy is calculated to take maximum advantage of far greater access to resources, which usually involves hiring a large number of the best lawyers available, initiating multiple challenges to the validity of the patents at the PTAB based on 35 U.S.C. §§311, *et. seq*, and 321, *et seq*, excessive discovery requests and resistance to the discovery sought by the patent owner, requests for extensions of time to prolong the period of infringement and the profits that it brings, and as many motions and appeals as will be tolerated by the judicial process – until the patent owner simply goes away or fails. To further discipline any small company with the temerity to continue litigating, it is not uncommon for the infringer to petition for IPRs with respect to patents not even being asserted.⁸

Given the enormous costs that can be inflicted on a small patent owner facing litigation without end, the net effect of predatory infringement is that few if any startups and small firms are able to muster the resources necessary to enforce their patents against a dominant incumbent, which in turn renders their patents all but

⁸ See, e.g., Carlson, “Weaponizing IPRs,” published in *Landslide Magazine* by the Intellectual Property Law Section of the ABA, September 2019, p. 37 *et seq.* describing the wave of IPRs brought by Apple against Valencell, a North Carolina startup that developed wearable biometric sensors that Apple tried to misappropriate with its typical strong-arm tactics. The story puts the entire IPR procedure in a very ugly light.

irrelevant to their businesses. And by publicizing the intent never to settle litigation by taking a license, these corporate giants make certain that smaller companies and their venture capital investors get the message that spending money on litigation may be throwing good money after bad, with the ultimate effect that many instances of infringement do not even become the object of a challenge from a patent owner.

II. The Legislative History of the AIA Makes Clear that Congress Tried to Prevent Subjecting Patents to Multiple or Serial Attacks.

Any patent, no matter how well written it is or how important its contribution may be to the rest of the industry, is still subject to the vagaries of the litigation process and the likelihood of encountering a judge or tribunal that does not understand the patent, the prior art or the law. The arithmetic of successive attacks on the same patent is compelling. Each time a patent is attacked, its chance of survival declines exponentially – for example, a 50% survival rate means that the patent owner has only a 50% chance of winning the first challenge, but then only 25% of surviving both the first and second attacks , and so on.⁹

⁹ In an impressive statistical analysis, Dr. Matteo Sabatini provides a mathematical model demonstrating the vulnerability of even the very best of patents when subjected to multiple attacks. See, https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3668216. He concludes:

“Endless challenges to the same patent, even if each individual challenge is poor, will eventually lead to a denial of that patent right. If any patent can be killed in this manner, a fair question can be asked whether our patent system

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And of course, no patent owner has anything close to a 50% chance of surviving even one attack in the PTAB. A recent article by Stephen Schriner recaps the history of outcomes at the PTAB over its full history, pointing out that the invalidation rate always has been staggeringly high.¹⁰ In 2015, 72% of cases where the USPTO instituted an IPR ended in invalidity rulings. In other words, the patent owner starts off with a 28% chance of success, a percentage that drops further with each successive challenge.¹¹ The invalidity rate declined for a couple of years to 55% in 2019, but with the arrival of a new Director during the Biden Administration began to increase again. For the first two quarters of 2024, 71% of the patents ruled upon had some or all claims invalidated. In 2023, all claims in 68% of the patents reviewed in IPRs were found invalid. These statistics mean that a patent owner subjected to multiple attacks in the PTAB has a vanishingly small chance of surviving this process.

as constructed still upholds its constitutional directive to encourage innovation.”

¹⁰ See IP Watchdog, November 25, 2024; <https://ipwatchdog.com/2024/06/25/recent-statistics-show-ptab-invalidation-rates-continue-climb/id=178226>

¹¹ The legislative process by which the AIA was enacted was described in detail in an article entitled “A Look Back to the Legislative Origins of IPRs,” <https://ipwatchdog.com/2017/09/20/look-back-legislative-origin-iprs/id=88075>. The author, Philip S. Johnson, was at the time, Senior Vice President – Intellectual Property Policy & Strategy for Johnson & Johnson and played a significant role in the negotiations that led to the final wording of the AIA. The article traces the stark departure of the actual implementation from what Congress intended.

Nevertheless, the USPTO appears to respond favorably to requests from the digital technology giants, notwithstanding that allowing multiple attacks on the same patent claims was clearly contrary to the intention of Congress. In the debates surrounding the proposed Patent Reform Act of 2007, a legislative predecessor of the AIA, the Senate Report explicitly referenced concern about multiple attacks on a patent. These comments were directed to what at the time were characterized as “first window” and “second window” opportunities to initiate post-grant review (“PGR”) proceedings. The “first window” referred to the Post Grant Review set forth in 35 U.S.C. §§ 321, *et. seq.* The “second window” was the forerunner of the Inter Partes Review provisions set forth in 35 U.S.C. §§ 311, *et. seq.*

Congress plainly understood the potential for abuse of IPR proceedings as a costly delaying tactic that large companies could exploit to bankrupt small inventors:

“A few words about second window: opening up a second window for administrative challenges to a patent only makes sense if defending a patent in such proceedings is not unduly expensive, and if such proceedings substitute for a phase of district-court litigation. If second-window proceedings are expensive to participate in, a large manufacturer might abuse this system by forcing small holders of important patents into such proceedings and waiting until they run out of money. **Defending oneself in these proceedings requires retention of patent lawyers who often charge \$600 an hour, quickly exceeding the means of a brilliant inventor operating out of his garage – or even of a university or small research firm.**

“Second, if estoppel rules are unduly liberalized, second-window proceedings could **easily be used as a delaying tactic.**”

Senate Report 110-259, “The Patent Reform Act of 2007,” 110th Congress, to accompany S. 1145, at 66 (emphasis supplied).

Recognizing that duplicative or repetitive petitions are “one of the worst evils” of administrative proceedings, Congress sought to eliminate virtually all such proceedings (allowing for repeat proceedings only in extreme cases, such as in cases of collusion between the patent owner and the petitioner):

“Subsection (c) of section 327 applies a successive-petition bar of sorts to second or successive petitions for second-period review. It is a rare patent that should be twice subjected to second-window proceedings

“Lengthy and duplicative proceedings are one of the worst evils of other systems of administrative review of patents. During the pendency of such proceedings, a patent owner is effectively prevented from enforcing his patent. Subsection (c) should ensure that second or successive second-period proceedings are few and far between.”

Congressional Record, Vol. 154 (2008), Part 16, Pages 22620-22632 (Senator Kyl speech on Patent Reform) (emphasis supplied).

The substance of Section 327(c) of the bill then pending became Section 325(d) of the AIA. This determination to prohibit multiple petitions continued through the 2011 debates and enactment, with both the Senate and House reiterating the goal of precluding repetitive and abusive challenges. Senator Grassley explained:

“In addition, the bill would improve the current inter partes administrative process for challenging the validity of a patent It would also include a strengthened estoppel standard to prevent petitioners from raising in a subsequent challenge the same patent issues that were raised or reasonably could have been raised in a prior challenge. **The bill would significantly**

reduce the ability to use post-grant procedures for abusive serial challenges to patents.”

Senate Debate 2-28-2011 (157 Cong. Rec. S936-S953) (comments of Senator Grassley) (emphasis supplied).

The congressional intent to prevent patents from being subjected to repeated attacks was codified in 35 U.S.C § 325(d), which expresses the incontrovertible intent of Congress to avoid the kind of repetitive attacks that characterize the instant case and too many of the PTAB’s outcomes since 2012. And while the final decision to implement this intent was entrusted to the USPTO, we respectfully submit that it was unlawful, on the facts here, for the USPTO to enter the FWD from which the patent owner appeals.

III. Investments in Critical Strategic Technologies in Our Country Have Been Declining for More Than a Decade

The loss of entrepreneurial energy and investor enthusiasm for patent intensive industries, which are among the sectors most important to national security and public welfare, has been one of the truly unfortunate casualties of allowing our patent system to deteriorate and weaken. Although some entrepreneurs continue to start new companies, they are taking fewer risks and making far less use of the U.S. patent system. Increasingly, the focus of new companies is on consumer and fashion products, smartphone apps, and the like, moving away from the strategic technologies that are critical to U.S. leadership in science and technology. USIJ

believes this growing unwillingness to invest in developing higher risk technologies that require strong and reliable patents to justify long term investments is the harbinger of an impending disaster; China, Korea, Japan and a number of European countries are strengthening their own patent systems for the very purpose of increasing innovation in critical technologies and with the realistic objective of overtaking American leadership in science and technology.

Larger companies also play an important role in our economy, in that they can carry out large scale manufacturing efficiently and have established nationwide or worldwide distribution channels and marketing expertise that are important for getting new products and technologies to worldwide markets. What most large companies cannot do, however, is to bring disruptive new technologies into existence that are likely to compete with their legacy products. There are many reasons why such is the case, most notably because the compensation structures that most large companies have in place create a business dynamic that precludes creative innovators from disrupting the company's profitability.¹² This is why the loss of

¹² See Professor Clayton Christensen, "Innovators Dilemma," Harvard Business Review Press (1997) whose studies describe a number of industries where innovation caused the company's failure.

Accord, Chris Miller, "Chip Wars," Simon & Schuster (2022), pp. 191-97, describing Intel's inability to innovate and enter the market for mobile processing until after smaller companies were able successfully to develop low power chips necessary for smartphones. Michael Hiltzik, "Dealers of Lightning," Harper Collins Publishing (1999), describing how Xerox recognized in 1970 that the dawn of digital

(Footnote Cont'd on Following Page)

entrepreneurs and their investors presents a significant long-term national security problem.

The House Judiciary Subcommittee on Antitrust, Commercial and Administrative Law released a report two years ago entitled “Investigation of Competition in Digital Markets” (“H.R. Report”),¹³ a 451-page assessment of the state of competition in the digital technology industry. Although the Report is primarily concerned with the impact that Google, Facebook, Amazon and Apple are having on privacy and competition in the digital technologies, much of the report is equally applicable to some of the other corporate giants. An important finding of the investigation shows a significant decline in the number of startups and entrepreneurs willing to start companies to compete with the large incumbents:

“In recent decades, however, there has been a sharp decline in new business formation as well as early-stage startup funding. The number of new technology firms in the digital economy has declined, while the entrepreneurship rate—the share of startups and young firms in the industry as a whole—has also fallen significantly in this market. Unsurprisingly, there has also been a sharp reduction in early-stage funding for technology startups.”

(H.R. Report at p.46).

imaging ultimately would destroy its analog copier business and so created Xerox Parc staffed with some of the most brilliant young inventors and scientists in the world, only to discover that the institutional forces within the company still would not allow most of the resulting innovation to come to market.

¹³ The H.R. Report can be found at: https://democrats-judiciary.house.gov/uploadedfiles/competition_in_digital_markets.pdf

Similarly, the National Security Commission on Artificial Intelligence noted the decline in strategic industries. Its Final Report states:

“China is both leveraging and exploiting intellectual property (IP) policies as a critical tool within international strategies for emerging technologies. The United States failed to similarly recognize the importance of IP in securing its own national security, economic interest and technology competitiveness. The US has not developed comprehensive IP policies to incentivize investments in and protect the creation of artificial intelligence (AI) and other emerging technologies. The consequences of this policy void – which includes legal uncertainty created by the US patent system, eligibility and patentability doctrines, the lack of effective response to China’s domestic and geopolitical strategy centered on its IP institutions, and the lack of effective data protection policies – is that the US could lose its prime position and IP global leadership. At the same time, by strengthening its own IP regimes, China is poised to ‘fill the void’ left by weakened IP protections, particularly for patents, as the US has lost its ‘comparative advantage in securing stable and effective property rights in new technological innovation.’ This stark policy asymmetry has multiple significant domestic and international implications for the US.”

(NSCAI Final Report, p.201)

These concerns are borne out by a number of other studies, including one commissioned by USIJ and released in 2020 by Professor Mark F. Shultz at the University of Akron showing the shift in venture capital spending away from critical technologies such as semiconductors that are dependent upon patents and toward lower risk investments, such as new marketing and financing techniques, consumer products, hospitality, etc. See, Schultz, “The Importance of an Effective and Reliable Patent System to Investment in Critical Technologies,”

<https://www.usij.org/research/2020/8/3/usij-releases-report-on-the-importance-of-an-effective-and-reliable-patent-system-to-critical-technologies>.

Needless to say, these developments do not bode well for our nation and certainly should weigh against any further weakening of the U.S. patent system.

IV. *Loper v. Raimondo* Requires That an Article III Court Examine the Rulings of Administrative Agencies in Light of the Legislation That Creates Them.

When the institution decision in this case was reviewed by the Director, USIJ submitted a one-page statement supporting Netlist in its challenge to the decision, arguing that institution was improper because both Google and Samsung were real parties in interest in both the *inter partes* reexamination and this IPR proceeding. Certainly, a favorable outcome in either proceeding would have inured to the benefit of both entities. Given that Claim 16 of the '912 patent had already survived a 10-year long *inter partes* reexamination challenge brought by Google and two other parties, which included an affirmance by this Court, and since Google, as the user of the accused chips would be time barred to file this IPR, Samsung as the maker of those chips and other real party in interest should be similarly barred.

Although USIJ believes the Director abused her discretion when she refused to take into account the intent of Congress regarding serial attacks on the same patent claim, we recognize that a fair reading of the AIA and the decision of the Supreme

Court in *Thryv, Inc. v. Click-to-Call Technologies LP*, 590 U.S. 45 (2020) appear to foreclose an argument at this juncture that this Court should address the institution decision itself.¹⁴

Nevertheless, USIJ submits that the FWD should be analyzed by this Court in light of the Supreme Court’s decision last term in *Loper Bright Enterprises, LLC v. Raimondo*, 144 S.Ct. 2244 (2024) and the legislative history of the AIA, the statute that created the PTAB and IPRs. In *Loper*, in abolishing so-called “Chevron deference,” the Supreme Court set forth some fundamental principles to guide the lower courts in the future regarding the review of rulings of federal agencies. First, the Court noted the need for “a check upon administrators whose zeal might otherwise have carried them to excesses not contemplated in legislation creating their offices.” 144 S.Ct. at 2249. That language seems particularly applicable here, when one compares the unfortunate history of the ‘912 patent with the clear legislative intent to avoid repetitive attacks on a patent claim. The PTAB and the entire review structure within the USPTO seem much less interested in the cost reduction goals and fairness to both parties that Congress believed it was implementing, and instead they view their role to be the cancellation of patents if

¹⁴ The final page of the Netlist Opening Brief mentions this point as a placeholder for the record that would allow it to ask the Supreme Court to reconsider the language use in the *Thryv* case.

there is any conceivable basis for doing so, and without regard to the reality that most every subsequent petition can be fine-tuned in light of the previous unsuccessful petitions to refine the approach.

Whether or not Google and Samsung are in “privity,” whether both are considered as a “real party in interest” in the USPTO challenges brought by the other, or whether they are simply parties to a manufacturer-supplier contract, the fact remains that this IPR proceeding inures to the benefit of both entities; Google is still a party in district court litigation and has had its day in court on patent office challenges. Considered more broadly than just the instant case, we do not believe that Section 315 – in light of its demonstrable legislative history – can be fairly construed to allow each entity in a chain of distribution of the same infringing component the opportunity for repetitive attacks on its validity. In this case, it is only two entities – Samsung and Google – that comprise the manufacturer to customer chain, but the distribution of many patented components often involves far more than just two players. If the rule of law is that Samsung and Google in this case can dodge the estoppel provision in Section 315(e)(1), then it naturally follows that **all** of the intermediate entities in any chain of distribution of a patented product can be induced by the manufacturer to file IPRs challenging any patent claim that survives an earlier IPR, notwithstanding the specific intent of Congress to the contrary.

While this “loophole” may have endured prior to the decision in *Loper*, we urge this Court to give effect to the intent of Congress here and rein in an overly zealous USPTO. As noted in *Loper*:

“When the best reading of a statute is that it delegates discretionary authority to an agency, the role of the reviewing court under the APA is, as always, to independently interpret the statute and effectuate the will of Congress subject to constitutional limits.” *Id* at 2263.

CONCLUSION

USIJ believes that this Court should require the USPTO to give greater respect to the intention of Congress in creating the AIA. It is impossible to reconcile the history of Claim 16 of the ‘912 patent with what Congress believed it was doing when it created the IPR procedures and gave the USPTO Director the discretion to implement its intentions.

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Respectfully submitted,

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**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT****CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATIONS****Case Number:** 24-2304**Short Case Caption:** Netlist, Inc. v. Samsung Electronics Co., Ltd.

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