

June 15, 2021

The Honorable Dick Durbin
Chairman
United States Senate Judiciary Committee
Washington, District of Columbia 20510

The Honorable Chuck Grassley
Ranking Member
United States Senate Judiciary Committee
Washington, District of Columbia 20510

Dear Chairman Durbin and Ranking Member Grassley:

We applaud your leadership on intellectual property (IP) issues as the leaders of the Senate Judiciary Committee. To inform your work on these issues, we want to highlight the 2021 World IP Day comments of IP Subcommittee Chairman Patrick Leahy. In a statement on the floor, Chairman Leahy urged the next United States Patent and Trademark Office (USPTO) Director to protect small businesses and provide equitable access to the patent system, including by faithfully executing Congress' intent to weed out bad patents in post-grant review proceedings. In particular, Chairman Leahy stated that the next USPTO Director must "respect the law, including the statutory bounds set by Congress,"¹ unlike the last Administration's appointees, who "took steps to undermine the Leahy-Smith Act" and "acted outside those statutory bounds."² We agree with those statements and fully support the Senate Judiciary Committee's efforts to ensure that the next USPTO Director returns to the goals of the AIA.

We agree with Chairman Leahy's priorities in selecting a nominee who embodies these principles. We especially appreciate that Chairman Leahy "look[s] forward to supporting a nominee for PTO Director who shares [his] view that it is important to weed out poor-quality patents, void the potential for abuse, but at the same time reinforce the protection provided to high-quality patents."³ On these points, Chairman Leahy has the support of a vast range of manufacturers from auto to energy sectors, small business app and connected device makers, networking equipment makers, and digital health companies and providers.

When enacting the AIA in 2011, Congress sought "to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs."⁴ Congress also recognized "a growing sense that questionable patents [were] too easily obtained and are too difficult to challenge."⁵ Small businesses, the main drivers of the U.S. economy, were at the core of Congress' decision to enact the AIA, especially the *inter partes* review (IPR) process. IPR provides a more affordable and efficient recourse for businesses of all sizes to exercise their rights – whether defending the validity of their granted patent or challenging a granted patent. Since its creation, IPR, administered by the Patent Trial and Appeal Board (PTAB), has worked as intended and has reduced unnecessary litigation, saving \$2.3 billion over just five years.⁶

The IPR process allows companies competing in tech-driven markets—and small startups in particular—to have a fair and dispassionate tribunal to first assess whether the patent used against them was properly reviewed and issued. Many American companies have limited resources for litigation, and the IPR process successfully provides a much-needed alternative for these businesses that do not have the ability

¹ 167 Cong. Rec. 2188 (Apr. 26, 2021).

² *Id.*

³ *Id.*

⁴ H. R. Rep. No. 112-98, pt. 1, p. 40 (2011).

⁵ *Id.* at p. 39 (2011).

⁶ See, e.g., Josh Landau, *Inter Partes Review: Five Years, Over \$2 Billion Saved*, Patent Progress (Sept. 14, 2017).

to withstand years of expensive federal court patent litigation that can easily cost millions of dollars. Patent litigants often rely on the fact that small businesses, in particular, do not have the capital to fight a case. They use this resource imbalance to their advantage to force licensing arrangements that benefit the litigant and harm innovation. IPRs protect the companies we represent from some of the financial and temporal burdens associated with proceedings in front of Article III tribunals.

Unfortunately, as Chairman Leahy alluded to in his World IP Day comments, over the last few years the USPTO has taken a series of actions that impose requirements rejected by Congress in the AIA and that serve to reduce IPR's effectiveness. For example, USPTO amended the rules of practice to eliminate the presumption in favor of the petitioner for a genuine issue of material fact created by testimonial evidence submitted with a patent owner's preliminary response when deciding whether to institute an IPR, PGR, or CBM review. This rule change shifts the PTAB's process to unduly favor patent owners, significantly reducing due process for PTAB petitioners. Further, the procedures USPTO followed in this case may not meet Administrative Procedure Act requirements, which creates due process concerns.

Even more worrisome is the rapidly growing string of "discretionary denials" from the PTAB in which the USPTO has chosen to ignore the statutory deadline allowing an IPR to be brought within one year after service of the complaint upon the petitioner. In conflict with congressional intent, the USPTO has substituted its own policy preference and directed the "discretionary denial" of timely-filed IPR petitions if the district court docketed an early trial date in a parallel infringement suit. This practice results in meritorious petitions being denied on specious grounds and adds cost, complexity, and uncertainty that Congress specifically sought to avoid by adopting a clear one-year time bar. Section 314(a) discretionary denials have grown exponentially over the past three years (and are on track to double yet again this year) and routinely result in denial of timely-filed IPR petitions, leaving invalid patents in force to be litigated.

Unsurprisingly, the PTAB's substantial weakening of scrutiny has not gone unnoticed by patent assertion entities (PAEs). Abusive patent litigation where entities assert weak patents or assert long-shot claims in bulk, along with forum shopping, is increasing as a result of changes made to the IPR system.⁷ PAE litigation has grown substantially across districts,⁸ and the Western District of Texas, in particular, has seen an increase in PAE cases since the precedential *NHK Spring Co. v. Intri-Plex Techs., Inc.* decision.⁹ Indeed, Ranking Member Grassley alluded to these concerns during the nomination hearing for Federal Circuit judge candidate Tiffany Cunningham, asking whether it is appropriate for a court to actively seek to create a favorable venue for patent litigation. Defending against frivolous litigation is prohibitively expensive and more costly than an IPR.¹⁰ The resurgence of behavior that necessitated the creation of IPR in the first place should send a strong signal that the USPTO's policy changes over the last four years have been ineffective and stray from Congress' envisioned role.

Recent PTAB denials of legitimate and proper IPR petitions undermine progress made since the enactment of the AIA. Increasing procedural burdens on IPR petitioners saddles them with higher costs and additional obstacles by forcing them to bring claims against invalid patents in court.

⁷ *Q3 2020 Patent Dispute Report*, UNIFIED PATENTS, (Sept. 30, 2020), <https://www.unifiedpatents.com/insights/q3-2020-patent-dispute-report>.

⁸ *Litigation on the Rise: Number of New Cases Filed by Patent Assertion Entities*, ENGINE (Nov. 9, 2020), https://www.engine.is/s/Pae-stats-Diagram_Jan-Oct-2020.pdf.

⁹ *See NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752 (Sept. 12, 2018), *see also* Scott McKeown, *Texas Plaintiffs More Likely to Side-Step PTAB?*, PATENTS POST-GRANT, (Apr. 7, 2020), <https://www.patentspostgrant.com/texas-plaintiffs-more-likely-to-side-step-ptab/>.

¹⁰ Britain Eakin, *PTAB Discretionary Denials Harming Patent System, Atty Says*, LAW360, (Dec. 1, 2020), <https://www.law360.com/articles/1332942/ptab-discretionary-denials-harming-patent-system-atty-says>.

The USPTO can, and should, take action to right the ship and support small business growth, as well as to reduce existing inequities faced by innovators. New USPTO leadership should:

- Embody diversity and bring unique viewpoints to guide the PTO, advancing a more inclusive innovation ecosystem;
- Prioritize patent quality, ensuring that only valid patents issue and safeguard against the issuance or enforcement of low-quality patents;
- Commit to restoring PTO's ability to review and invalidate erroneously granted patents through robust post-grant reviews that afford petitioners the due process protections Congress intended; and
- Enable small business innovators from underrepresented groups to succeed by making the patent system accessible to entrepreneurs across the country to attain and leverage their IP.

We welcome the opportunity to work with you to realize the vision of the AIA, in creating jobs and growing the American economy, and in advancing the Biden-Harris Administration's priorities.

Sincerely,

ACT | The App Association
Computer and Communications Industry Association (CCIA)
High Tech Inventors Alliance (HTIA)
Internet Association (IA)
Software and Information Industry Association (SIIA)

Cc:

The Honorable Patrick Leahy, Chairman, United States Senate Judiciary Committee, Intellectual Property Subcommittee

The Honorable Thom Tillis, Ranking Member, United States Senate Judiciary Committee, Intellectual Property Subcommittee