



November 17, 2020

The Honorable Andrei Iancu  
Under Secretary of Commerce for Intellectual Property and Director of the United States  
Patent and Trademark Office  
United States Patent and Trademark Office  
600 Dulany Street  
Alexandria, VA 22314

Filed at *Regulations.gov*

**Re: Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board (Docket No. PTO-C-2020-0055)**

Dear Under Secretary Iancu:

BSA | The Software Alliance<sup>1</sup> welcomes the opportunity to provide comments on the United States Patent and Trademark Office (USPTO)'s *Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board*, 85 Fed. Reg. 66,502 (Oct. 20, 2020) (*hereinafter* "PTAB Trial Institution FR Notice").

BSA appreciates the USPTO's continued attention to reviewing the operation of the Patent Trial and Appeal Board (PTAB) with a view to achieving a "more efficient and streamlined patent system that will improve patent quality and limit counterproductive litigation costs," consistent with statutory authority and the congressional objectives underlying the America Invents Act.<sup>2</sup>

BSA is an association of the world's leading software and hardware technology companies, producing much of the hardware and software that power computer and telecommunication networks. On behalf of its members, BSA promotes policies that foster innovation, growth, and a competitive marketplace for commercial software, artificial intelligence, and related technologies.

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<sup>1</sup> BSA | The Software Alliance ([www.bsa.org](http://www.bsa.org)) is the leading advocate for the global software industry before governments and in the international marketplace. Its members are among the world's most innovative companies, creating software solutions that spark the economy and improve modern life. With headquarters in Washington, DC, and operations in more than 30 countries, BSA pioneers compliance programs that promote legal software use and advocates for public policies that foster technology innovation and drive growth in the digital economy. BSA's members include: Adobe, Atlassian, Autodesk, Bentley Systems, Box, Cadence, CNC/Mastercam, DocuSign, IBM, Informatica, Intel, MathWorks, Microsoft, Okta, Oracle, PTC, Salesforce, ServiceNow, Siemens Industry Software Inc., Sitecore, Slack, Splunk, Trend Micro, Trimble Solutions Corporation, Twilio, and Workday

<sup>2</sup> See H.R. Rep. No. 112-98, p. 1, at 40 (2011).

BSA members invest heavily in R&D and rely on intellectual property for the viability of their business. BSA members hold hundreds of thousands of patents and account for more than half of all US patents issued to the top 10 patent grantees every year.<sup>3</sup> The software industry accounts for \$83 billion in annual US R&D investments and 22 percent of total US private sector R&D expenditures.<sup>4</sup>

At the same time, due to the complexity and commercial success of their products, BSA members are frequently the subject of patent infringement claims. Frivolous patent litigation claims from non-practicing entities represent a significant expense that diverts resources away from investments in R&D and inventive activity.

As innovators, BSA members have a particularly acute interest in properly calibrated mechanisms for ensuring patent quality, including in the PTAB's *inter partes* review (IPR) and post-grant review (PGR) procedures established under the AIA. The key to promoting innovation is a predictable and well-functioning patent system that rewards innovators and protects valid patents, while offering an efficient and effective way to cancel patent claims that should not have been issued. Invalid patent claims can lead to an abuse of the system to the detriment of responsible innovators, market participants, and the economy at large.

BSA members have a variety of perspectives on how best to improve the patent system. At the same time, BSA members broadly support efforts to improve patent quality and the clarity of USPTO practice, consistent with the Patent Act. BSA's detailed comments on the above-referenced Federal Register Notice follow.

**I. USPTO Should Apply a Presumption in Favor of Institution When a Petitioner Has Demonstrated a Reasonable Likelihood of Successfully Challenging the Patentability of At Least one Claim of a Patent**

The key issue in determining whether to institute an IPR proceeding is whether, based on the initial filings, the petitioner is reasonably likely to prevail. If this threshold and the other statutory criteria have been met, the PTAB should institute the proceeding. There is no persuasive public interest in permitting invalid claims to remain protected by a patent once brought to the PTAB's attention. BSA does not consider either the rulemaking outlined in the *PTAB Trial Institution FR Notice* or a continuation of current PTAB practice as outlined in the FR Notice to be appropriate or advisable.

The AIA provides USPTO with clear guidance and direction regarding the legal standard for instituting PTAB trials. In AIA section 314(a) entitled, "Institution of *Inter Partes* Review," Congress directed USPTO to consider a single factor in institution decisions – *i.e.*, whether the petitioner has demonstrated:

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<sup>3</sup> IFI Claims Patent Services, 2018 Top 50 US Patent Assignees (accessed Oct. 1, 2019) ("2018 Top 50 US Patent Assignees"), available at: <https://www.ificlaims.com/rankings-top-50-2018.htm>. [BSA members accounted for 16,348 of the 20,771 patents issued to US companies within the top 10 patent recipients in 2018](#).

<sup>4</sup> Software.org, Growing US Jobs and the GDP (Sept. 2019), available at: [software.org/wp-content/uploads/2019SoftwareJobs.pdf](https://www.software.org/wp-content/uploads/2019SoftwareJobs.pdf).

a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.<sup>5</sup>

This statutory provision makes two things clear regarding the scope of congressional authority afforded to USPTO in legal determinations regarding “Institution of *Inter Partes* Review”:

- The USPTO is precluded from authorizing institution of a petition that has no reasonable likelihood of prevailing in a patentability challenge to “at least 1 ... claim” of a patent; and
- The substantive legal focus of USPTO’s institution determinations should be on whether there is “a reasonable likelihood” that the petitioner would prevail in a patentability challenge to “at least 1 ... claim” of a patent.

Several other provisions of the statute reflect this statutory design. For example, Congress:

- Granted a right to petitioners to “request to cancel as unpatentable 1 or more claims of a patent” in *inter partes* review on patentability grounds under sections 102 or 103 and on the basis of prior art consisting of patents or printed publications;<sup>6</sup> and
- Directed USPTO to “set forth the standards for the showing of sufficient grounds to institute a review under section 314(a).”<sup>7</sup>

Ancillary to the aforementioned provisions, Congress also set out a simple statutory formula for addressing procedural aspects of parallel litigation, by providing for a mandatory bar on IPR proceedings reviews if either: (a) the petitioner previously filed a civil action challenging the validity of a claim of the patent at issue; or (b) if the petitioner was served with a complaint alleging patent infringement more than one year prior to the date of the petition.<sup>8</sup>

The AIA sets out analogous provisions to those cited above for PGR proceedings.<sup>9</sup>

In sum, Congress conferred on petitioners a right to request expedited cancellation of (at least) one patent claim under IPR and PGR procedures; directed USPTO to focus its substantive legal evaluation of the grounds for institution on the petitioner’s likelihood of prevailing on (at least) one patent claim; and provided for a simple test to bar IPR and PGR proceedings on specifically enumerated procedural grounds. This statutory design reflects Congress’ intention that any improvidently granted patent claim can be quickly identified and cancelled, thus achieving a “more efficient and streamlined patent system that will

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<sup>5</sup> 35 USC 314(a) (emphasis added). For PGR proceedings, see 35 USC 324(a) (requiring evaluation of whether “the information presented in the petition... would demonstrate that it is more likely than not that at least 1 of the claims challenged in the petition is unpatentable.”)

<sup>6</sup> 35 USC 311(b). See also 35 USC 321(b) (containing the analogous provision for PGR proceedings).

<sup>7</sup> 35 USC 316(a)(2). See also 35 USC 326(a)(2) (containing the analogous provision for PGR proceedings).

<sup>8</sup> See 35 USC 315(a), (b). See also, 35 USC 325(a) (barring PGR if, “before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.” 35 USC 325(b) (detailing limitations PGRs based on the procedural status of parallel litigation in several contexts).

<sup>9</sup> See 35 USC 324(a), 321(b), 325(a)-(b), and 326(a)(2)

improve patent quality and limit counterproductive litigation costs”<sup>10</sup> and by providing “quick and cost-effective alternatives” to litigation.”<sup>11</sup>

## **II. USPTO Should Address Procedural Abuses in IPR and PGR Proceedings in the Manner Prescribed by the AIA**

As the USPTO explains in its *PTAB Trial Institution FR Notice*, many of the circumstances that the USPTO has sought to address through decisions to deny institution of IPR and PGR proceedings relate to the “potential for abuse of the review process by repeated attacks on patents.”<sup>12</sup> BSA agrees that addressing any abuse of IPR or PGR proceedings is important. And while BSA does not take a position on the merits of any of the specific PTAB cases cited in the FR Notice, BSA considers that the USPTO has, unfortunately, misdirected and misapplied its authority to combat procedural abuses in PGR and IPR proceedings.

Congress expressly authorized USPTO in the AIA to issue regulations:

prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding.<sup>13</sup>

Refusing to institute a proceeding is not what the statute contemplates to address abuse and it is not the right public policy. The “potential for abuse of the review process by repeated attacks on patents” or actions that “harass or cause unnecessary delay” or “increases in ... cost” are properly addressed through the sanctions for “abuse of discovery, abuse of process or any other improper use of the proceeding” – as envisioned by Congress.

While USPTO possesses statutory authority to address procedural abuses, it has relied on the wrong statutory provision (AIA section 314(a)) and applied the wrong statutory remedy (institution determinations) in the exercise of its authority. AIA section 316(a)(6) authorizes to address abuses of IPR and PGR process – not section AIA 314(a) and the other provisions outlined in Section I above.

Furthermore, as AIA section 314(a) and other provisions outlined in Section I make clear, Congress directed USPTO to focus its substantive legal evaluation in institution determinations on the petitioner’s likelihood of prevailing on at least one patent claim – not on other procedural issues, such as the circumstances surrounding the discovery of prior art,<sup>14</sup> periods of time between petitioner filings,<sup>15</sup> the timing of patent owner responses to petitioner filings and subsequent acts by the petitioner,<sup>16</sup> the nature of petitioner explanations on the aforementioned matters,<sup>17</sup> petitions previously filed by unrelated parties

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<sup>10</sup> See H.R. Rep. No. 112-98, p. 1, at 40 (2011).

<sup>11</sup> *Id.*

<sup>12</sup> *General Plastic Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016–01357, slip op, at \*16-17 (PTAB Sept. 6, 2017).

<sup>13</sup> 35 USC 316(a)(6). See also, 35 USC 326(a)(6) (analogous provision for PGR proceedings).

<sup>14</sup> *General Plastic* at \*7.

<sup>15</sup> *See id.*

<sup>16</sup> *See id.*

<sup>17</sup> *See id.*

to which a subsequent petitioner was joined,<sup>18</sup> or the number of claims in which a petitioner is unlikely to prevail on the merits (where the petitioner is nevertheless likely to prevail on at least one patent claim).<sup>19</sup> None of these gets to the key policy question under AIA section 314(a): whether at least one patent claim is invalid and should be canceled.

When USPTO makes institution determinations on these or other grounds that contradict or amend those set forth in section 314(a), it infuses uncertainty into the underlying AIA statutory framework and into the circumstances surrounding institution determinations. And while the USPTO does possess some discretion to deny petitions, that discretion is bounded by the statutory standard of section 314(a).<sup>20</sup> The USPTO should not unilaterally seek to restructure and redesign the AIA by limiting IPR and PGR institutions on procedural grounds that are unconnected to that statutory standard. To do so would effectively undermine and frustrate the legal standard for institution prescribed by Congress – neutralizing IPR and PGR proceedings for many patent claims with respect to which a petitioner has demonstrated a likelihood of prevailing in a patentability challenge.

### **III. Conclusion**

BSA supports USPTO's efforts to review the operation of PTAB IPR and PGR proceedings to ensure that they are being conducted in a manner consistent with underlying statutory requirements and congressional intent. BSA does not support the USPTO's promulgating rules or otherwise continuing its current practice of refusing to institute petitions for IPRs and PGRs on grounds that are unrelated to the congressionally mandated standard for institution. At the same time, BSA supports the USPTO's evaluating and addressing issues including abuse of discovery, abuse of process, or any other improper use of the proceeding, in a manner consistent with the statute.

We appreciate the opportunity to respond to this Request for Comments.

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<sup>18</sup> *Valve Corp. v. Elec. Scripting Prods., Inc.*, IPR2019–00064, –00065, –00085 (PTAB May 1, 2019).

<sup>19</sup> See e.g., *Deeper, UAB v. Vexilar, Inc.*, IPR2018–01310, 2019 WL 328753 (PTAB Jan. 24, 2019); *Chevron Oronite Co. v. Infineum USA L.P.*, IPR2018–00923, 2018 WL 5862245 (PTAB Nov. 7, 2018).

<sup>20</sup> *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016). The Patent Office's discretion in denying petitions can reasonably be understood to reflect the USPTO's discretion to determine what constitutes "sufficient grounds" of a "reasonable likelihood" of prevailing on at least one patent claim. It is a less viable interpretation to suggest that the Supreme Court viewed the USPTO as having the authority to deny petitions on bases that are contrary to the statutorily identified grounds for non-institution.