



Via Electronic Delivery

December 2, 2020

Andrei Iancu
Under Secretary of Commerce for Intellectual Property
Director of United States Patent and Trademark Office

Re: Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 80 FR 66502-06

Dear Director Iancu:

The Clearing House Association L.L.C., Askeladden L.L.C., the American Bankers Association, the Bank Policy Institute, and the Electronic Transactions Association respectfully submit this comment letter in response to the Office's Request for Comments ("RFC") regarding policies concerning institution of inter partes and post-grant review at the Patent Trial and Appeal Board ("PTAB" or "Board").

The Importance of Accurate and Effective Post-Grant Review Proceedings

We along with the rest of the financial services industry have a strong interest in the proper implementation of America Invents Act ("AIA") post-grant proceedings, such as inter partes review and the transitional program for covered business method patents. Today, financial services companies are heavily investing in developing technologies related to fraud detection, blockchain, advanced authentication, faster payments, privacy, and big data analytics, to name a few. Moreover, the financial services industry provides frictionless movement of capital in every sort of financial transaction including credit card purchases, ATM withdrawals, online and mobile banking, and digital wallet payments—all of which are fundamental to the modern financial system. Financial services companies have increasingly sought to protect such innovation through the patent system in recent years. Thus, financial services companies have a strong interest in ensuring that AIA post-grant proceedings are fair to patent owners.

Additionally, the financial services industry is the primary source of capital for startups of every kind. Based on data from the Small Business Administration, as of June 2015 there were \$599 billion in small business loans outstanding.¹ Traditional banks also help fund millions of businesses every year, and have a strong interest in seeing those entities achieve returns on their innovations. As lenders, therefore, it is essential that the intellectual property that they may rely on as collateral is of high quality.

At the same time, the financial services industry has been plagued for years by patent litigation based on patents that claim longstanding financial or business practices or that are otherwise of low quality and that should not have issued. The issuance of such patents leads directly to costly and wasteful litigation that is detrimental to economic progress and actual innovation. The financial services industry therefore has an equally strong interest in ensuring that AIA post-grant proceedings, which were designed to provide a lower-cost alternative to district court litigation for determining patent validity, are effective at accomplishing that goal.

Comments on PTO Policies Restricting the Use of Post-Grant Proceedings

The RFC inquires whether the PTO should promulgate regulations that would require the Board to refuse to institute review when: (1) a patent is the basis of an action in district court or at the International Trade Commission; or (2) a third party has previously challenged that patent at the PTAB. As your notice acknowledges, these proposals relate to policies that the Office has already imposed via the precedential PTAB decisions in *Apple Inc. v. Fintiv, Inc.*² and *Valve Corp. v. Elec. Scripting Prods., Inc.*³

We write today to urge you not to promulgate such regulations and to discontinue the policies that have been imposed on the Board via *Fintiv* and *Valve Corp.* We believe that any regulations would be inappropriate at this time; that the *Fintiv* and *Valve* policies conflict with the letter and the spirit of the AIA, as well as longstanding U.S. patent policy; and that *Fintiv* and *Valve* undermine the integrity and credibility of the U.S. patent system.

The Fintiv and Valve rules contravene the AIA and longstanding U.S. patent policy

Financial services companies and associations were deeply involved in the development and enactment of the AIA and the financial services industry has regularly used the proceedings authorized under the law. We are familiar with both the letter of the law and the purposes behind the AIA. The text of the AIA and the congressional intent behind it cannot be reconciled with *Valve* and *Fintiv*, which arbitrarily cut off access to the AIA's quality-enhancement proceedings. Nor can these PTO rules be reconciled with nearly a century of policy recognizing that the Patent

¹ https://www.sba.gov/sites/default/files/Banking_study_Full_Report_508_FINAL.pdf

² IPR2020-00019, 2020 WL 2126495 (PTAB Mar. 20, 2020).

³ IPR2019-00064, -00065, -00085, 2019 WL 1965688 (PTAB May 1, 2019).

Act favors the authoritative testing of patent validity, particularly when a party has been sued for infringement of a patent.

1. *Fintiv* conflicts with Congress's decision to afford defendants one year after they have been sued to file for IPR

The AIA itself establishes detailed procedural and substantive rules governing the institution of its post-grant proceedings. The PTO must, first and foremost, comply with these statutory rules and avoid adopting "policies" that conflict with the law. One critical statutory rule, which was the subject of extended negotiations between the House of Representatives and Senate, provides that a party has one year after it has been sued for infringement of a patent to file a petition for inter partes review.⁴ The original Senate bill would have limited this period to six months.⁵ The House, however, extended this period to one year, and the Senate agreed to and adopted this change in the final law.

Senator Jon Kyl, one of the cosponsors of the America Invents Act, explained in detail that Senators accepted a one-year time limit for § 315(b) because they agreed and recognized that petitioners need this time to prepare their cases:

The House bill also extends the deadline for allowing an accused infringer to seek inter partes review after he has been sued for infringement. The Senate bill imposed a 6-month deadline on seeking IPR after the patent owner has filed an action for infringement. The final bill extends this deadline, at proposed section 315(b), to 1 year. High-technology companies, in particular, have noted that they are often sued by defendants asserting multiple patents with large numbers of vague claims, making it difficult to determine in the first few months of the litigation which claims will be relevant and how those claims are alleged to read on the defendant's products. Current law imposes no deadline on seeking inter partes reexamination. And in light of the present bill's enhanced estoppels, it is important that the section 315(b) deadline afford defendants a reasonable opportunity to identify and understand the patent claims that are relevant to the litigation. It is thus appropriate to extend the section 315(b) deadline to one year.⁶

Whatever "discretion" the PTO may have, it does not have the authority to unravel this legislative compromise and to rewrite § 315(b). Yet under the *Fintiv* policy, that is exactly what the PTO is doing. As the PTAB itself has acknowledged, in a case applying *Fintiv* to bar consideration of a timely filed IPR petition, the PTO's policies "may require petitioners to act

⁴ See 35 U.S.C. § 315(b).

⁵ See S.23, American Invents Act, 112th Congress (2011), § 5 (proposed 35 U.S.C. § 315(b)) ("(b) Patent Owner's Action.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 6 months after the date on which the petitioner, real party in interest, or his privy is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).").

⁶ 157 Cong. Rec. S5429 (daily ed. Sep. 8, 2011).

more quickly than the maximum amount of time permitted by Congress.”⁷ But when an agency’s policies conflict with the agency’s authorizing statute, it is the statute that must prevail.⁸ Scores of IPR petitions have now been denied, even though filed within one year of the commencement of district court litigation, on account of the pendency of that same district court litigation.⁹ Section 315 already regulates the relationship and timing between district court litigation and an IPR proceeding, and the agency does not have authority to depart from what the law provides—a legal reality that the Board had acknowledged before the *Fintiv* rule was imposed.¹⁰

⁷ *Apple Inc. v. Seven Networks, LLC*, IPR2020-00156, 2020 WL 3249313 (2020)

⁸ The PTO contends that it has “discretion” to deny review whenever it chooses, citing the statement in *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131 (2016), that “the agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.” *Id.* at 2140. *Cuozzo* addressed the scope of judicial review of institution decisions. Just two years later, in *SAS Instit., Inc. v. Iancu*, 138 S.Ct. 1348 (2018), the Court directly addressed the scope of the PTO’s authority to develop its own rules for denying institution. In response to the PTO’s argument that it “retains discretion to decide which claims make it into an inter partes review and which don’t,” *id.* at 1255, the Court concluded that “[t]he trouble is, nothing in the statute says anything like that.” *Id.* The Court held that “[t]here is no room in this scheme for a wholly unmentioned ‘partial institution’ power that lets the Director select only some challenged claims for decision.” *Id.* SAS’s holding, which directly addresses the scope of the Director’s “discretion” to fashion extra-statutory rules, also conforms to the familiar principle that an agency must follow the law when “Congress has directly spoken to the precise question at issue.” *Uniloc 2007 v. Hulu, LLC*, 966 F.3d 1295, 1300 (Fed. Cir. 2020) (quoting *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 842 (1984)).

⁹ A recent report has noted that during this year, over a third all denials of review at the PTAB have been based on the PTO’s procedural policies. See Unified Patents, PTAB/District Court Trial Date Denials Spiraling Upward: PTAB Discretionary Denials Third-Quarter Report, Oct. 21, 2020 (“38% of all denials in 2020 to date are cases where the Board did not consider the merits of the petition.”).

¹⁰ PTAB panels confronted with patent owner arguments about the “advanced state” of copending district court litigation routinely noted that “section 315(b) provides a one-year period after service of a complaint alleging infringement of a patent in which a party may file a petition seeking inter partes review of that patent. The statute does not set forth any basis for treating petitions differently depending on which day within that year they are filed,” and “the legislative history of the AIA indicates that Congress was aware the one-year period in § 315(b) would be used” by petitioners to “try to better understand the asserted claims, the bases for the infringement allegations by Patent Owner, and to identify relevant prior art.” *Amazon.com, Inc. v. CustomPlay, LLC*, IPR2018-01498, 2019 WL 1224735, at 3 (2019) (citing Senator Kyl)); see also *Sprint Spectrum L.P. v. Intellectual Ventures II LLC*, IPR2018-01770, 2019 WL 1581944, at 27 (2019) (“filing within the one-year period provided by 35 U.S.C. § 315(b) is presumptively proper. Strategizing by Petitioner to determine its preferred timing for filing a petition for inter partes review within the period permitted by law is entirely reasonable.”); *Precision Planting, LLC v. Deere & Company*, IPR2019-01044, 2019 WL 6481776, at 8 (2019) (“Filing a petition for inter partes review after being sued for infringement is not a serial challenge weighing in favor discretionary denial. . . . [T]he statutory scheme specifically contemplates a Petition filed with co-pending litigation by allowing filing one year after service of the complaint. We are not persuaded that Petitioner’s filing of a single petition to challenge the ’663 patent after being sued for infringement should be considered a fact weighing in favor of discretionary denial.”) (citations and quotations omitted); *Samsung Elecs. Co., Ltd. v. Immersion Corp.*, IPR2018-01499, 2018 WL 7515967, at 7 (2018) (noting that “AIA trials have a statutory bar that is premised on the fact that IPRs will be filed with co-pending litigation,” and applying the Board’s restrictions on serial PTAB petitions to bar institution because of a district court trial “twists the intent of [the serial-petition limits] . . . , which is to conserve Board resources from repeat or multiple staggered petitions challenged the same claims of the same patent before the Board.”).

The conflict between *Fintiv* and § 315(b) is particularly egregious in light of Congress's stated reasons for adopting the one-year time limit. As members recognized, patent owners often do not identify which claims in a patent they will assert or how they will construe those claims to be infringed until months after litigation has started. Defendants then need time to conduct a thorough prior art search and to prepare an IPR petition. As the Federal Circuit has noted, IPR petitioners "stand to lose significant rights" if they file an inadequately prepared petition; they will be estopped from later raising, in any other forum, any invalidity arguments that they "reasonably could have raised" in that IPR.¹¹ It was expressly because of these estoppel requirements, and the need to provide defendants a "reasonable opportunity" to prepare a petition, that Congress modified the AIA to adopt the one-year deadline. *Fintiv* ignores these concerns and forces petitioners to file rushed petitions before claims have been narrowed and a search can be conducted, if they have time to file at all. *Fintiv* is directly at odds with the purpose and intent behind the statute that Congress enacted.

2. *Fintiv* conflicts with Congress's repeal of the use of district court decision making as a factor that limits access to post-issuance review

Fintiv's illegality is further highlighted by the fact that it requires the PTAB to deny institution on the basis of factors that the statute had previously required to be weighed, but that Congress *eliminated* in the AIA. The predecessor to the AIA's post-grant proceedings, inter partes reexamination, did take into account the status of district court proceedings when determining whether the PTO should initiate or maintain an inter partes reexamination. Former § 317(b) provided that if a party tried and failed to prove the invalidity of a patent claim in district court, that party was thereafter barred from requesting or maintaining an inter partes reexam for that claim.¹² This provision, however, was eliminated by the AIA with respect to post-grant proceedings. As the Federal Circuit has pointed out, "when Congress replaced the inter partes reexamination provisions with the IPR provisions in the AIA, Congress did not carry forward pre-AIA § 317(b), concerning the termination of an inter partes reexamination based on parallel judicial proceedings."¹³ Congress decided in the AIA that access to quality review at the PTAB should not be barred on account of parallel district court proceedings. Yet that is exactly what *Fintiv* does.

¹¹ *SAS Institute, Inc. v. ComplementSoft, LLC*, 825 F.3d 1341, 1351 (Fed. Cir. 2016) (reversed on other grounds); 35 U.S.C. § 315(e).

¹² See 35 U.S.C. § 317(b) (pre-AIA) ("Once a final decision has been entered against a party in a civil action arising in whole or in part under section 1338 of title 28, that the party has not sustained its burden of proving the invalidity of any patent claim in suit . . . , then neither that party nor its privies may thereafter request an inter partes reexamination of any such patent claim on the basis of issues which that party or its privies raised or could have raised in such civil action . . . , and an inter partes reexamination requested by that party or its privies on the basis of such issues may not thereafter be maintained by the Office.").

¹³ *Uniloc 2007 LLC v. Hulu, LLC*, 966 F.3d 1295, 1303 (Fed. Cir. 2020).

3. *Fintiv*'s bias against review when the "same party" was sued in district court conflicts with the CBM statute and with nearly a century of U.S. patent policy

One of the "factors" that *Fintiv* requires the PTAB to weigh against instituting review is "whether the petitioner and the defendant in the parallel proceeding are the same party."¹⁴ Thus in all post-grant proceedings, including CBM review, when "[t]he parties that are [in the PTAB proceeding] are the same as in the district court proceeding," this factor counts "in favor of denial of institution."¹⁵

The CBM statute, however, expressly *prohibits* institution of review *unless* the petitioner is the "same party" that has been sued or charged with infringement. Section 18 of the AIA states that "[a] person may not file a petition for a transitional proceeding with respect to a covered business method patent unless the person or the person's real party in interest or privy has been sued for infringement of the patent or has been charged with infringement under that patent."¹⁶ As the Board itself has acknowledged, *Fintiv* effectively takes a condition that is a statutory prerequisite for CBM review and converts into a factor that weighs *against* instituting CBM review.¹⁷ The conflict between *Fintiv* and the text of the actual law could not be more plain.

Fintiv's denial of access to quality review on the basis that the petitioner has been sued for infringement also contradicts nearly a century of U.S. patent policy. The Supreme Court has repeatedly held that the "[t]he possession and assertion of patent rights are issues of great moment to the public,"¹⁸ and that it "is the public interest which is dominant in the patent system."¹⁹ It has concluded that because of "[t]he far-reaching social and economic consequences of a patent,"²⁰ including the high cost of patent litigation²¹ and the distortions produced by the enforcement of an invalid patent,²² "the public [has] a paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope."²³ For these reasons, the Supreme Court has long emphasized that the Patent Act favors of the "authoritative testing of

¹⁴ *Fintiv*, IPR2020-00019, Paper 11, at 6.

¹⁵ *Stripe, Inc. v. Boom! Payments, Inc.*, CBM2020-00003, 2020 WL 2549833, at 4 (2020).

¹⁶ Pub. L. No. 112-29, § 18(a)(1)(B).

¹⁷ See *Quantile Technologies Ltd. v. Trioptima AB*, CBM2020-00011, 2020 WL 5665751 (2020) ("The parties here are the same as in the district court proceeding, but we note that section 18(a)(1)(B) and 37 C.F.R. § 42.302 require that the person petitioning for CBM review be either sued for infringement or threatened with suit.") (applying *Fintiv*).

¹⁸ *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 815 (1945) (citation omitted).

¹⁹ *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1944); see also *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 343 (1971) ("[a] patent by its very nature is affected with a public interest") (citation omitted).

²⁰ *Precision Instrument*, 324 U.S. at 816

²¹ See *Blonder-Tongue*, 402 U.S. at 334-35.

²² See *id.* at 346.

²³ *Precision Instrument*, 324 U.S. at 816.

patent validity” and the “removal of restrictions on those who would challenge the validity of patents.”²⁴

By barring access to quality review to litigation defendants, *Fintiv* stands these policies on their head.²⁵ *Fintiv* treats the fact that a party that has been sued on a patent as weighing *against* allowing that party to test the patent’s validity. The *Fintiv* policy all but ensures that, in some cases, manufacturers and consumers will be forced to pay monopoly rents for technology that was already known and that cannot legitimately be patented. *Fintiv* is the very type of “restriction” on validity challenges that the Supreme Court has condemned, and is contrary to the public interests that the Patent Act seeks to protect.

4. *Valve Corp.*’s prohibition on review based on the actions of parties wholly unrelated to the petitioner conflicts with the AIA and basic principles of due process

The *Valve* policy bars a petitioner from seeking quality review at the PTO if another party had earlier petitioned for review. This policy bars review regardless of whether that third party was an agent or proxy of the petitioner. Indeed, *Valve* has been applied to cut off a petitioner’s access to PTAB proceedings even when it is conceded that the earlier filer has no relationship at all with the petitioner.²⁶

This is not how the AIA works. The statute does bar follow-on challenges, but only once there has been a “final written decision” and only if the party that is later seeking review is a “real party in interest or privy” of the earlier petitioner.²⁷ *Valve* cannot be reconciled with these clear statutory commands. The PTO may disagree with the principle that only a real party in interest or a party in privity with an earlier petitioner should be blocked from later seeking review, but that is what the statute provides and the PTO lacks the authority to rewrite the law.

Valve also conflict with fundamental principles of due process. A party that has been sued on a patent and seeks to challenge its validity has no ability to control who has petitioned for review in an earlier proceeding. Indeed, in many cases plaintiffs wielding invalid patents will sue defendants in a staggered series, filing first against smaller and weaker companies in an effort to

²⁴ *Blonder-Tongue*, 402 U.S. at 344-45.

²⁵ As one PTAB judges has aptly noted, there is “no basis” for “tip[ping] the scales against a petitioner merely for being a defendant in the district court,” either “in the text of the statute or in the intent of Congress in passing it. Indeed, it would seem to be contrary to the goal of providing district court litigants an alternative venue to resolve questions of patentability.” *Cisco Systems, Inc. v. Ramot at Tel Aviv University Ltd.*, IPR2020-00122, 2020 WL 2511246 (2020) (Crumbley, J., dissenting).

²⁶ See *United Fire Protection Corp. v. Engineered Corrosion Sols., LLC*, IPR2018-00991, 2019 WL 5089762, at 3 (2019) (denying institution despite the fact that “Petitioner was not aware of the ’700 patent or the [earlier] IPR until after the final written decision was entered in the [that] IPR, Petitioner is unrelated to the Prior Petitioners, and there is no evidence that Petitioner is similarly situated with, or cooperating in any way with, the Prior Petitioners.”).

²⁷ See 35 U.S.C. § 315(e)(1) (“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.”).

secure easy settlements and only later suing other companies. If one of those first-sued businesses files a petition for review that does not identify the relevant prior art, why should that prejudice the rights of a defendant who is sued later? It is a foundational principle of U.S. patent law that “every defendant is entitled to argue that a patent is invalid and unenforceable, regardless of how many times the validity and enforceability has been previously litigated against other defendants.”²⁸ The PTO has no basis to depart from this principle, or to bind later defendants to the actions of unrelated third parties simply because the patent owner chose to sue those parties earlier. Yet that is exactly what *Valve* does. As the PTAB’s own judges have noted, the *Valve* rule “set[s] up a race to file the first petition. The losers of the race are denied a chance to present their own case to the Board, and must depend on others whose interests may not align fully with theirs.”²⁹ *Valve* conflicts with the statutory framework of the AIA and is contrary to long-established principles of U.S. patent law.

The Fintiv and Valve rules encourage forum shopping, enable abusive litigation, and undermine the integrity of the U.S. patent system

Fintiv and *Valve* do not simply make it more difficult to obtain review at the PTO or require petitioners to turn sharper corners. In many cases, these policies make it impossible for a defendant to seek PTAB quality review. In some of the judicial venues that are most popular with plaintiffs, courts routinely adopt litigation schedules that set a trial for barely a year after a suit is filed. In the Eastern District of Texas, for example, trial occurs on average only 15 months after the case is filed, and in the Western District of Texas the only trial that has taken place under Judge Albright’s new rules occurred 13 months after suit was filed.³⁰

Because it takes six months for the Board to decide whether to institute a review petition and one year to complete the merits phase,³¹ it is impossible for a defendant to file a petition early enough for the post-grant proceeding to be completed before a competing lawsuit would go to trial in these districts. Even if the defendant filed on the *same day* that it was sued (a practical impossibility), it would not be able to secure a final PTAB decision before the trial date, the factor that is most frequently applied to bar access to review under *Fintiv*.

The Eastern and Western Districts of Texas are among the most frequently used venues for patent litigation today. Indeed, the Western District is on track to receive more patent lawsuits this year than any other district in the United States,³² and over 85% of the suits filed in that

²⁸ Intell. Prop. L. Bus. Law. § 5:33 (2019-2020 ed.).

²⁹ *Google LLC v. Uniloc 2017 LLC*, IPR2019-01584, 2020 WL 1488349, at 8 (2020) (Giannetti, J., dissenting).

³⁰ These data are collected from Docket Navigator. For East Texas, they reflect the average time to trial since the beginning of 2017.

³¹ See 35 U.S.C. §§ 314(b), 316(a)(11); 37 C.F.R. § 42.107(b).

³² See “This District Could Soon Eclipse Delaware for Most Patent Cases,” Law.com, Apr. 1, 2020, <https://www.law.com/2020/04/01/this-district-could-soon-eclipse-delaware-for-most-patent-cases/>; “Surprise—Waco, Texas, Is the Patent Litigation Capital of the United States!,” Law.com, Oct. 8, 2020 (“The Western District’s Waco Division, which is where Judge Albright sits, received a mere 28 patent cases in 2018, the year he took the bench. If current trends hold, Judge Albright alone will receive 779 patent cases in 2020, an increase of 2682%.”).

district are brought by non-practicing entities (NPEs).³³ This confluence of circumstances—the *Fintiv* rule, aggressive trial schedules in these districts, and the concentration patent litigation in the same districts—is no accident. Plaintiffs frequently asserting low-quality patents are often NPEs;³⁴ an important part of their trial strategy is to avoid validity review at the PTO. As academic experts have noted, “[t]he goal of most NPEs in litigation is to quickly earn a license fee—that is, a settlement—and then move on to the next defendant. Defendants are often faced with a dilemma of paying to litigate past discovery or settling for an amount that will likely be lower than the cost of discovery.”³⁵

Critical to NPEs’ strategy of forcing nuisance settlements based on low-quality patents is evading quality review by the technical experts at the PTAB. The *Fintiv* policy allows NPEs to do just that. *Fintiv* makes it impossible for a defendant to access PTO review based solely on where the plaintiff chose to file suit. *Fintiv* not only aids and abets abusive litigation, but it also encourages forum shopping by driving litigation to those districts where the trial schedule alone will cut off access to PTAB review. As scholars have also noted, this concentration of patent litigation in districts with little connection to the disputes “undermines public confidence in the impartiality of the judiciary, makes the court an uneven playing field for litigants, and facilitates the[se] nuisance suits.”³⁶

Arbitrary limits on parallel petitions undermine patent quality and result in piecemeal litigation

The RFC also asks whether the PTAB should adopt rules limiting how many petitions can be filed with respect to a patent, and notes that the current “Trial Practice Guide” applies a presumption that no more than one or at most two petitions should be allowed.

To answer the notice’s question: the PTO should grant a petition if it meets the threshold for review and presents a distinct and separate reason why the patent is invalid. There is no basis for the PTO to presume that all the noncumulative prior art that reads on a patent’s claims can be presented in a single petition. Indeed, the lower the quality of the patent, the more likely it is that multiple prior art references will demonstrate its obviousness or anticipation. By arbitrarily cutting off some challenges, the PTO creates a risk that an unexpected claim construction, for example, will negate the challenge that was granted while another prior art reference that was not considered on its merits would disclose the claim limitations. As a result, an invalid patent would survive and could continue to be used as a basis for nuisance litigation.

³³ See “Surprise,” *supra* n.32 (“[P] patent suits in the Western District are overwhelmingly being filed by so-called patent trolls—entities that don’t make any products or provide services but instead exist solely to enforce patents.”).

³⁴ Lauren Cohen, Umit Gurun, Scott Duke Kominers, *Patent Trolls: Evidence from Targeted Firms*, Harvard Business School Finance Working Paper No. 15-002 (2018), at 31 (“NPEs appear to bring lower-quality lawsuits, and there is evidence that NPEs are actively forum shopping.”).

³⁵ “Surprise,” *supra* n.32 (quoting Professor Paul R. Gugliuzza, Temple Law School).

³⁶ *Id.*

Arbitrary limit on petitions also undermine the statutory framework of the AIA and contribute to piecemeal litigation. The AIA’s estoppels, by barring litigation in district court over prior-art challenges that the defendant “could have raised” in its instituted post-grant proceeding,³⁷ ensure that this class of validity challenges will generally be resolved in either one forum or the other. When review is denied, however, because the defendant filed “too many” petitions or for some other reason, no estoppel attaches to the challenges that were raised in the denied petition.³⁸ As a result, the defendant remains free to litigate those denied grounds in the district court. By refusing to consider a meritorious petition that raises distinct grounds, the PTO does not streamline the resolution of validity challenges, but rather ensures that they will be litigated piecemeal—partly at the PTAB and partly in district court. This undermines the AIA’s estoppels and undercuts the goals of increasing efficiency and avoiding serial challenges. Petitioners should be allowed to have all the noncumulative grounds that show that a patent is invalid considered on their merits.

Conclusion

The *Fintiv* and *Valve* rules conflict with the letter and spirit of the American Invents Act. They undermine the long-standing U.S. patent policy that allows a litigation defendant to obtain authoritative testing of patent validity—a policy that ensures that the public is not made to pay monopoly rents for an invalid patent. *Fintiv* and *Valve* also violate basic principles of due process, encourage forum shopping, enable abusive litigation, and have damaged the integrity and credibility of the U.S. patent system. *Fintiv* and *Valve* are contrary to the law and against the public interest. They should be repealed, and under no circumstances should be codified via last-minute rulemaking.

Sincerely,

**The Clearing House
Association L.L.C.**

**American Bankers
Association**

Bank Policy Institute

Askeladden L.L.C.

**Electronic Transactions
Association**

³⁷ See *Return Mail, Inc. v. United States Postal Service*, 139 S.Ct. 1853, 1867 n.10 (2019) (noting that the AIA’s “estoppel provisions . . . generally preclude a party from relitigating issues in any subsequent proceedings in federal district court, before the International Trade Commission, and (for inter partes review and post-grant review) before the Patent Office”) (citing 35 U.S.C. §§ 315(e), 325(e); AIA § 18(a)(1)(D)).

³⁸ See *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293, 1300 (Fed. Cir. 2016) (noting that when a party raised a separate “ground in its petition for IPR,” and “the PTO denied the petition as to that ground, . . . no IPR was instituted on that ground,” and thus the petitioner “did not raise—nor could it have reasonably raised— [that] . . . ground during the IPR. The plain language of the statute prohibits the application of estoppel under these circumstances.”).