

October 8, 2020

The Honorable Jerrold Nadler
U.S. House of Representatives
2132 Rayburn House Office Building
Washington, DC 20515

The Honorable Jim Jordan
U.S. House of Representatives
2056 Rayburn House Office Building
Washington, DC 20515

The Honorable Henry C. “Hank” Johnson
U.S. House of Representatives
2240 Rayburn House Office Building
Washington, DC 20515

The Honorable Martha Roby
U.S. House of Representatives
504 Cannon House Office Building
Washington, DC 20515

Dear Chairman Nadler, Ranking Member Jordan, Chairman Johnson, and Ranking Member Roby:

We write to express concern about the increased use by the Patent Trial and Appeal Board (“PTAB”) of discretionary denials that leave invalid patents in force to be asserted in litigation. Shielding invalid patents from cancellation is the exact opposite of what the PTAB was created to do. The direct result of the PTAB’s discretionary denials is that invalid patents remain in force and must be litigated at significant cost in district court infringement suits. This failure to consider and cancel invalid patents is one of the primary causes of the significant increase in litigation by non-practicing entities in recent months. Especially given the painful economic downturn due to the COVID-19 pandemic, we believe that Congress and the rest of the federal government should be doing everything within their power to prevent unnecessary and abusive litigation against U.S. companies and employers. Accordingly, we have serious concerns about these denials, which favor the interests of speculative litigation by shell company plaintiffs that do not make anything or productively employ anyone to the detriment of the real-world manufacturers and service providers that are the backbone of the U.S. economy.

These actions harm the economy and are contrary to the promise of the America Invents Act (“AIA”). After almost a decade of debate, “Congress, concerned about overpatenting and its diminishment of competition, sought to weed out bad patent claims efficiently” by creating inter partes reviews (“IPR”).¹ Congress’s goal was to “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”² For several years, IPR worked as intended and was successful in reducing unnecessary litigation, saving an estimated \$2.3 billion over just five years.³ Unfortunately, the U.S. Patent and Trademark Office (“USPTO”) has over the past few years taken a series of actions that impose requirements that were rejected by Congress in the AIA and that hobble IPR and reduce its effectiveness.

The most recent of these involves a rapidly growing string of “discretionary denials,” in which the USPTO has chosen to ignore the painstakingly-negotiated statutory deadline allowing an IPR to be

¹ *Thryv, Inc. v. Click-To-Call Techs.*, 589 U.S. (2020) (slip. op. at 8) (citations omitted).

² H. R. Rep. No. 112-98, pt. 1, p. 40 (2011)

³ <https://www.patentprogress.org/2017/09/14/inter-partes-review-saves-over-2-billion>.

brought within one year after service of the complaint upon a petitioner.⁴ In derogation of the statute Congress enacted, 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. Not only does this result in meritorious petitions being denied on extra-statutory grounds, it adds precisely the type of cost, complexity, and uncertainty that Congress sought to avoid by adopting a simple, clear one-year time bar.

A recent report shows that these discretionary denials under Section 314(a) have grown exponentially over the past three years and are on track to double yet again this year.⁵ To be clear, these procedural decisions are not based on the merits of the petition, resulting in the denial of *meritorious, timely-filed* IPR petitions and leaving invalid patents in force to be litigated. The USPTO’s actions degrade IPR proceedings and are a primary, direct contributor to the recent growth in the number of abusive suits brought by non-practicing entities.⁶ This is precisely the type of “counterproductive litigation” that Congress sought to stem by passing the AIA. The reduced effectiveness of IPR has substantially undermined this goal.

These decisions are both contrary to the legislative intent of the AIA and ignore reality. Many of these discretionary denials are predicated on a determination that an IPR proceeding would be duplicative in view of an impending district court trial that will consider the patent’s validity before a PTAB decision would issue. In reaching this inherently speculative conclusion, the PTAB relies primarily on the initial trial date set by the court. But an analysis of trial dates in these cases shows that 100% of the trials in Delaware and 70% of those in the Western District of Texas were delayed well past the initial trial date that was used to justify the discretionary denial of the PTAB proceeding.⁷ And with the growing backlogs due to COVID-19, district court trials are now being delayed even more frequently (and for longer periods), making an initially proposed trial date an inappropriate basis to discretionarily deny an IPR.

Contrary to the PTAB’s assumptions, the simple truth is that these patentability issues are not being decided more quickly by district courts. Nor are decisions by courts more often correct than those of the PTAB. Decisions in courts are, however, vastly more expensive. Resolving validity in a district court jury trial typically costs about ten times more than an IPR. Thus, in many cases, defendants that are denied recourse to the PTAB are forced to enter into nuisance settlements, which means no one—not the Court or the USPTO—ever considers the validity challenge at all. This leaves the invalid patents in place to be asserted against others over and over again, completely frustrating Congress’s purpose in creating IPR.

⁴ 35 USC § 315(b).

⁵ <https://www.unifiedpatents.com/insights/2020/7/27/ptab-discretionary-denials-in-the-first-half-of-2020-denials-already-exceed-all-of-2019>

⁶ *Litigation on the Rise: Number of New Cases Filed By Patent Assertion Entities*, Engine (May 4, 2020), https://static1.squarespace.com/static/571681753c44d835a440c8b5/t/5eb03467c0e81e79e64c5bb0/1588606056624/Pae+stats+Diagram_Jan++Apr.pdf.

⁷ *District Court Trial Dates Tend to Slip After PTAB Discretionary Denials*, Scott McKeown (July 24, 2020), <https://www.patentspostgrant.com/district-court-trial-dates-tend-to-slip-after-ptab-discretionary-denials/>.

Because the USPTO contends that these discretionary denials are not subject to judicial review, Congressional oversight is critically important to ensuring the faithful implementation of the AIA. Accordingly, the undersigned companies strongly urge the Committee to investigate the USPTO's practices and policies relating to the exercise of its discretion to deny IPR petitions. Moreover, to aid and inform such oversight, we respectfully suggest that the Committee request from the Government Accountability Office a report addressing: 1) the number of discretionary denial decisions and their rapid growth; 2) the extent to which such decisions result in denial of meritorious petitions that would otherwise have resulted in the institution of an IPR; 3) the effects of the USPTO's policies on the amount and costs of actual or threatened patent infringement litigation; and 4) the economic impact of such policies, specifically including the effect on costs borne by U.S. consumers and businesses.

Sincerely,

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Acushnet Holdings Corp.

Adobe Inc.

AirFuel Alliance

Amazon.com, Inc.

American Honda Motor Co., Inc.

Ancestry

Bitmovin, Inc.

Cable Television Laboratories, Inc. ("CableLabs")

Canon, Inc.

Cisco Systems, Inc.

CLBL Inc. ("CD Universe")

Computer Ways

Contextly, Inc.

Continental Corporation

Dell Technologies, Inc.

Dropbox, Inc.

Electronic Transactions Association ("ETA")

Enplug, Inc.

Ford Motor Company

Fresco Capital

General Motors Company

GitHub, Inc.

GlobalForce Tech Consulting

Google LLC
Intel Corporation
Kanguru Solutions
Macguyver Media
Mapbox, Inc.
Microsoft Corporation
Monolithic Power Systems, Inc.
MotionMobs
Mycroft AI, Inc.
N Software
Neuon, Inc.
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Qi-fense
Realtime POS, Inc.
Red Hat, Inc.
Rimidi
Salesforce.com, inc.
Samsung Electronics
Shopify Inc.
Southern DNA
Stratio Automotive
TCG, Inc.
TEEM
Toyota Motor Corporation
Twitter, Inc.
Verizon
Well Beyond
Xeo Software

cc: The Honorable Members of the House Committee on the Judiciary Subcommittee on Courts,
Intellectual Property, and the Internet