

# QUALITY PATENTS COALITION

## STATEMENT FOR THE RECORD

April 27, 2023

On behalf of the members of the Quality Patents Coalition (QPC) we appreciate the opportunity to state for the record our strong opposition to the United States Patent and Trademark Office's (USPTO) Advanced Notice of Proposed Rulemaking (ANPRM) which would upend the system for the administrative review of patents created by Congress in the "America Invents Act." The proposed rule, if implemented, would severely restrict the ability of operating companies to challenge low-quality patents at the Patent Trial and Review Board (PTAB), and empower non-practicing entities to assert low-quality patents in district court without consideration of a review at the PTAB. This proposal appears based on the false assumption that the AIA gives the PTO director wide discretion in implementing the law to the point of essentially rewriting the law.

When Congress passed the AIA it created a quicker and less costly system that could operate in parallel with district court litigation, where any party could petition for review of a patent based upon a "reasonable likelihood" showing that the patent was invalid based on prior art. However, since the AIA was passed the USPTO has repeatedly attempted to limit access to that system. The ANPRM is yet another example of this.

Among the many problems with the ANPRM are that the proposed rules:

- Create a "standing" requirement previously rejected by Congress;
- Create a heightened "compelling merits" standard for petitions filed more than 6 months into the statutory window for seeking PTAB review if petitioners wish to avoid discretionary denials;
- Require petitioners to waive their right file other PTAB petitions or reexamination requests despite no such requirements in the AIA;
- Advance the point at which estoppel attached from final decision to institution;

- Allow the PTAB to deny petitions based on speculation as to when parallel district court litigation will be resolved, despite the fact the AIA contemplated parallel litigation, litigation calendars routinely change, and the district courts apply a higher standard for invalidation.
- Block companies from seeking PTAB review of patents based on the activities of other somehow vaguely “related”—yet legally unrelated—companies that previously challenged the patent; and
- Immunize large numbers of patents from PTAB review in a way that is ripe of abuse and fails to accomplish its stated goal of benefitting small business.

All of these are problematic, but the last two warrant additional discussion because the ANPRM frames them as being minor changes to correct existing problems or as being pro-small business, when in actuality they greatly limit the patents that can be challenged in PTAB proceedings and the parties that can challenge them—all in a way that is ripe for abuse.

Finding the current privity rules inadequate to prevent numerous challenges to a patent, the ANPRM proposes replacing these rules with a new “substantial relationship” test. However, the ANPRM fails to adequately define that term, other than stating it does not require privity, should be broadly construed, is not limited to the few examples given in the notice. Because of this, the rule could ensnare entire industries and their customers. Companies routinely have numerous relationships and contracts with each other, their customers, and their vendors. Even if given a more definite construction of “substantial relationship”, this rule would invite a tidal wave of discovery that will make the merits of a petition a sideshow. And even if the discovery issues could be addressed, the proposal would still prevent companies from defending themselves against an invalid patent simply because another party attempted to challenge the patent first.

In addition, the proposed rule contains a supposedly pro-small business carve out that is both ripe for abuse by non-practicing entities and that fails to truly benefit the public. Specifically, the ANPRM proposes to deny review if a patent is owned by a “under-resourced” patent owner “attempting to bring products to market.” However, that is exactly how many abusive patent-assertion entities attempt to portray themselves, and USPTO lacks the resources or expertise to adequately investigate and evaluate a party’s claim that it is truly a small business attempting to commercialize a product. Even if the USPTO could do so, that is no reason to immunize such an entity’s patents from review at the PTAB. Allowing businesses—regardless of their size—to restrain trade based upon invalid patents fails to benefit the public.

Pursuing regulations that protect low quality IP and restrict access to administrative review will cause prices of all manner of goods and services to go up. A more appropriate focus for the PTO should be to re-establish the primacy of the AIA to ensure that low quality patents that are asserted can be reviewed by the experts at the PTAB.

Best regards,

American Bankers Association  
American Transactions Processors Coalition  
Bank Policy Institute  
Electronic Transactions Association  
Independent Community Bankers of America  
National Restaurant Association  
The Clearing House Association