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Submitted via Regulations.gov

Katherine K. Vidal
Under Secretary of Commerce for Intellectual Property
Director, United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

AUTM's Comments on the USPTO's Notice of Proposed Rulemaking re Patent Trial and Appeal Board Rules of Practice for Briefing Discretionary Denial Issues, and Rules for 325(d) Considerations, Instituting Parallel and Serial Petitions, and Termination Due to Settlement Agreement (Docket No. PTO-P-2023-0048)

Dear Director Vidal:

Please accept AUTM's comments on the USPTO's Notice of Proposed Rulemaking (NPRM) re Patent Trial and Appeal Board (PTAB) Rules of Practice for Briefing Discretionary Denial Issues, and Rules for 325(d) Considerations, Instituting Parallel and Serial Petitions, and Termination Due to Settlement Agreement (the "Proposed Rule"). Since its inception, the PTAB has had far-reaching effects on the United States patent system. Unfortunately, the statistics clearly demonstrate that, as currently constructed, it has inflicted disproportionate harm to patent owners. Thus, we applaud your efforts to improve its operation such that it might deliver more balanced results.

AUTM is the non-profit leader in efforts to educate, promote, and inspire professionals to support the further development and deployment of innovations arising from academic research. Our community is comprised of more than 3,000 members who work in more than 800 universities, research centers, hospitals, businesses, and government organizations around the globe.



AUTM’s membership has traditionally stemmed—and continues to draw primarily—from academic settings (67%). AUTM members in such academic settings are focused on advancing early-stage inventions and other technologies to the marketplace, primarily through licensing and further development with partners (i.e., implementers). Between 2013 and 2022 (the most recent decade for which we have data), our skilled professionals filed over 160,000 patents for academic inventors and negotiated over 70,000 intellectual property license agreements on behalf of U.S. universities and academic research institutions. It is estimated that the American economy has received nearly \$2 trillion in benefits from the technology transfer carried out by AUTM members over the past 30+ years.

AUTM members are at the very crossroads of innovation, taking early-stage inventions from the laboratory and helping to translate those inventions into new products and services through commercialization so that all Americans can benefit from them. Thus, we appreciate you giving thoughtful consideration to AUTM’s views on this important issue as the patent system is critical to retaining America’s position as the world leader in innovation and technology.

Summary of AUTM’s Comments

AUTM urges the USPTO (the “Office”) to modify these PTAB rules of practice with an eye toward promoting innovation and technology commercialization. As discussed in more detail below, we generally believe that fewer inter partes reviews (IPRs) and/or IPRs that are less favorable to the Petitioner is the way to do so. The current IPR system acts as a “cloud” over the title of issued patents because there are no limits to the total number of post grant challenges that can be made to a patent throughout its entire term. A partial solution to this is to at least limit similar parties and similar arguments from filing successive IPRs. Fewer IPRs will strengthen U.S. patent rights thus making them more reliable. More reliable patent rights incentivize the investment necessary to bring new patent-dependent products to market because the reliability reduces the risk associated with the long, expensive development process. The reduced risk provided by strong patent rights, then, leads to more innovation, more technology commercialization, more competition and lower prices as well as U.S. technological leadership, increased economic growth, more high-paying jobs and a higher standard of living for all Americans.

AUTM’s Comments on Proposed Rule

1. Separate Request for Discretionary Denial

AUTM opposes this change because it favors petitioners and further disadvantages patent owners. Inter partes review (IPR) is harmful to patent owners and their licensees. In 2023, 67% of final written decisions resulted in all claims being invalidated.¹ In the first half of 2024, that percentage has risen to 70%.² These invalidation rates make it difficult for licensees to rely on the licensed patents to help them prevent copycat products and generate a return on the investment needed to bring the new product to the marketplace.

¹ <https://ipwatchdog.com/2024/05/22/winning-strategies-ptab-part-bring-game/id=176805/>

² *Id.*

This lack of return will disable the innovation engine because, once the likelihood of a return on investment drops to a certain level, the projects become too risky and future investment will be directed to projects that do not depend on patent technologies.

This change to discretionary denial will only exacerbate the harm to patent owners and their licensees. It benefits petitioners because it alleviates petitioner's need to address discretionary denial issues in the petition. Thus, petitioners will be able to focus more on the substance of their challenge in the petition. In other words, they can devote more of their 14,000 words to arguing a lack of novelty or obviousness often in the form of additional items of prior art. Notably, addressing discretionary denials only arises when the petitioner is asking for additional opportunities to invalidate the patents.

Petitioners will also benefit because patent owners will no longer be permitted to address discretionary denial in the Patent Owner Preliminary Response (POPR) without Patent Trial and Appeal Board (PTAB or the "Board") authorization. Instead, under this change, patent owners must address discretionary denial in a separate request. Unfortunately for patent owners, the petitioner would then get an additional right to respond to that brief. Patent owners don't typically use all their allotted word count in their POPRs, thus this rule change effectively amounts to giving the petitioners an additional brief that they do not currently have. This additional brief eliminates the one small advantage patent owners have in IPR; namely, being able to submit two responses (one preliminary response and another one after institution, both currently 14,000 words).

Finally, this change benefits petitioners because an additional two rounds briefing for patent owners will likely add to the cost of the IPR. Increasing the length of an existing brief is less expensive than drafting an entire new set of briefs (the request brief and a reply brief). Patent owners are often small companies or startups who are strapped for cash as they are spending every dollar they have, and then some, trying to hire people and get their product established in the marketplace as soon as possible. The last thing they want to be doing is spending their scarce resources defending against an IPR that they did not initiate. Increasing the already unaffordable cost drains resources from commercialization and can threaten the existence of the patent owner.

2. Serial & Parallel Petitions

Consistent with its prior comments, AUTM strongly urges the USPTO to drastically curtail both serial and parallel petitions. In our view, the most effective way to accomplish that objective is to broaden the definition of "same petitioner" to include similarly situated petitioners. To further curtail serial petitions, AUTM also urges narrowing the scope of what can be challenged by adopting the more restrictive language of parallel petitions (i.e., same patent vs. overlapping claims). Finally, for consistency, clarity, and to make it simpler for patent owners, AUTM also urges that the definitions of serial and parallel petitions be harmonized to the extent possible.

With the current narrow definition of “same petitioner,” similarly situated petitioners constitute an immense threat to patent owners and our innovation system. What it means to be “similarly situated” is best illustrated by the entities who have filed the most Inter Partes Review (IPR) petitions (e.g., Samsung, Apple, Google, Intel, ZTE and Huawei).³ These entities are mostly large, established information technology implementers (i.e., search, social networking, e-commerce, software, devices, chips or some combination thereof) who either (i) incorporate the patented inventions of others into their products or services or (ii) use their size and market power to continue to reap the benefits of earlier generation innovations that would have otherwise by now been displaced. Given their similarities, these entities often seek to utilize or are those whose market position is threatened by the same disruptive new technologies. These disruptive new technologies are typically owned by small inventors, universities or startups.

The U.S. patent system exists to give these disruptors the weapons they need to displace these entrenched, well-heeled former innovators as the way to promote the progress of science and the useful arts. Thus, without the need for direct coordination, these similarly situated entities are naturally motivated to bring challenge after challenge to patents covering these disruptive new technologies. They are further motivated knowing that each subsequent petition is strengthened because of having access to the prior petition and observing the conduct of the associated trial. Moreover, since each of these entities has, relatively speaking, unlimited legal resources, these additional challenges nearly bring themselves. These entities realize that, with each subsequent challenge, the patent owner is rapidly depleting its limited legal resources such that those resources will soon be exhausted leaving the patent owner no choice but to give up. Notably, in the off chance the patent survives, arguments made by the patent owner during each successive challenge are often used to narrow the scope of the patent claims.

The continued success of the U.S. innovation system, especially when it comes to our intense competition with China to be the world’s technological hegemon, demands that these harmful serial and parallel petitions be drastically curtailed. China now leads the U.S. in 37 of 44 key technology sectors⁴. The IPR process and the fact that it is markedly out of balance against patent owners is no small contributor to this disturbing statistic. The constant threat of invalidation via IPR, among other factors (e.g., subject matter eligibility uncertainty, inability to obtain injunctions, improper use of march-in rights, reasonable or reference pricing clauses), are throwing sand in the gears of the technology transfer that comprises the core of the U.S. innovation system. Curtailing serial and parallel petitions through these simple definition and scope changes will go a long way to creating balance in IPR, restoring the American innovation system and driving new products to the marketplace such that we can retake our leadership position in all 44 key technology sectors. New products on the market also increase competition and the choices available to American consumers thereby lowering prices and helping to reduce inflation.

³ [Innovation Alliance Infographic](#)

⁴ [ASPI Report](#)

To accomplish the above, then, AUTM suggests the following changes and additions to the proposed language of Section 42.2:

A “serial petition” is a petition that (1) challenges the same patent that has already been challenged by the same petitioner; and (2) is filed after (a) the filing of a patent owner preliminary response to the first petition; or (b) the expiration of the period for filing such a response under § 42.107(a)(2) or § 42.207(a)(2), or as otherwise ordered, if no preliminary response to the first petition is filed.

“Parallel petitions” are two or more petitions that (1) challenge the same patent and (2) are filed by the same petitioner on or before: (a) the filing of a patent owner preliminary response to any of the petitions, or (b) the due date set forth in § 42.107(a)(2) or § 42.207(a)(2) for filing a patent owner preliminary response to the first petition (if no patent owner preliminary response to the petitions is filed).

A “same petitioner” is a petitioner that is (i) identical to; (ii) a real party in interest of; (iii) a privy of; (iv) similarly situated as; (v) an agent or representative thereof; or (vi) is otherwise affiliated with any previous petitioner.

A “similarly situated” petitioner is a petitioner that utilizes the same North American Industry Classification System (NAICS) 2-digit sector code or is one that a person of ordinary skill in the relevant art would consider to be in a similar business or industry as any previous petitioner.

3. Previously Presented Art or Arguments

AUTM opposes the proposal to limit the application of 325(d) to circumstances in which the same or substantially the same prior art or arguments previously presented to the Office were “meaningfully addressed” by the Office. AUTM strongly prefers the broader application of discretionary denial in circumstances where prior art references were made of record during prosecution (such as on an IDS) but not necessarily applied or substantively discussed by the examiner. Limiting discretionary denial to those circumstances where prior art or arguments were “meaningfully addressed” by the Office is inconsistent with the text of 325(d). The statute requires only that the prior art or arguments were “previously presented” to the Office. As above, this change will exacerbate the disproportionate harm to patent owners by allowing serial copying of grounds that were already considered and not deemed persuasive enough by prior Office decisions. It will result in fewer discretionary denials leading to more trials and patent

invalidations. More invalidations are harmful to innovation as the inability to rely on patents makes it more difficult to enter into the licenses that are the bedrock of the partnerships necessary to bring new patent-dependent products to market. The unreliability makes the investment too risky and drives investors away from patent-intensive sectors.

4. Termination & Settlement Agreements

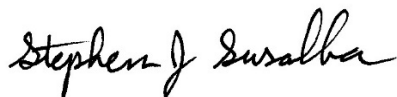
AUTM has mixed views on the proposed requirement to file pre-institution settlements. Many AUTM members are employed by public institutions and therefore already operate under strong disclosure and freedom of information rules. This subset of its membership, then, is unlikely to have concerns with this new requirement. On the other hand, many AUTM members work at private universities and research institutions that would not be subject to such rules and, as such, would prefer the option to keep any pre-institution settlement agreements be confidential.

AUTM believes that, as a general rule, confidential settlement agreements encourage settlement and that settlement is preferred to holding a trial. Settlement avoids the time, expense and expenditure of scarce USPTO resources associated with a trial. Moreover, given the current invalidation statistics, a settlement will more likely result in the patent being saved, at least in some form. Saving the patent promotes innovation and competition as more patents increase the likelihood of substitute products coming to market. Substitute products, whether me-too or next generation inject downward price pressure into the system increasing access to consumers at all income levels.

Thus, AUTM suggests that the proposed rule be modified to allow parties to redact key terms of any pre-institution settlement agreement to promote settlement and spur competition in the marketplace.

Thank you again for the opportunity to provide comments on this NPRM and we look forward to continued productive dialog on this and other matters critical for American innovation.

Sincerely,

A handwritten signature in black ink that reads "Stephen J. Susalka". The signature is written in a cursive, flowing style.

Stephen J. Susalka, Ph.D.
Chief Executive Officer