

Reforming the Patent Trial and Appeal Board—The PREVAIL Act and Proposals to Promote U.S. Innovation Leadership

Hearing Before the Senate Committee on the Judiciary,

Subcommittee on Intellectual Property

118th Congress, November 8, 2023

Questions for the Record—Responses of Joseph Matal

Questions for the Record from Senator Tillis

- 1. What do you think that the USPTO should be doing (or doing better) to ensure that invalid patents are not granted? How specifically can the USPTO improve their examination procedures to increase the quality of issued patents?**

Answer: U.S. patent examining procedure should be made more rigorous. Two changes that I would recommend would be to require that the final decision to grant a patent be made by three examiners (as it is in Europe), and to limit Requests for Continued Examination and continuations practice.

Under current USPTO regulations, there is literally no limit to how many times an applicant can return to an examiner and reargue the same application or seek further claim amendments. Relatedly, there is no limit to how many patents the applicant can request or obtain based on an original specification.

The result is that an applicant can spend the entire 20-year term of a patent rearguing the same application or seeking additional patents based on the original application. An examiner has no power to bring to conclusion the examination of an application that he or she determines does not warrant a patent. The examiner cannot even compel the applicant to appeal a final rejection internally to the USPTO's Patent Trial and Appeal Board. The only way that an examiner can bring an end to the examination of an application pursued by a persistent applicant is to grant the patent. Under the USPTO's "count" system, the examiner even receives less work credit for the later rejections of the application.

The inevitable result of such a system is a decline in the quality of issued patents. On many occasions when I have reviewed the file of a patent that had claims cancelled in an AIA proceeding, I have found that the examiner *did* find the relevant prior art and initially rejected the claims. However, after renewed arguments and additional claim amendments, the examiner allowed the patent to issue. In many

cases, these final, successful claim amendments were insubstantial and were unrelated to what the patent specification described as the invention's advance over the prior art.

The impression created by such a record is not of an examiner who was persuaded on the merits but rather one who was simply worn down by the process. Conversations that I have had with individual examiners have confirmed that this is in fact what happens in many cases. Others have noted the same phenomenon. See Mark A. Lemley and Kimberly A. Moore, [Ending Abuse of Patent Continuations](#), 84 B.U. L. Rev. 63, 74-75 (2003).

This system appears to be designed, *not* to determine if claims are patentable, but rather to compel the applicant to exhaust a certain amount of process before claims will issue.

The U.S. patent system should not operate this way. In particular, the system should not make it so difficult for an examiner to stand by his or her judgment that claims are unpatentable. By allowing the system to operate this way, we allow the issuance of weak patents that will not survive subsequent scrutiny in PTAB proceedings.

The quality of U.S. patents would improve, and fewer claims would be cancelled in PTAB trials, if the USPTO adopted more rigorous patent examining procedures. In particular, the USPTO should limit the number of requests for continued examination and claim amendments that an applicant can pursue (and also limit continuations, which effectively allow an applicant to reargue an application).

In addition, the USPTO should require that the final decision to grant a patent be made by a panel of three examiners. This would help ensure that the final decision to grant the patent is the examining corps' judgment on the merits rather than the product of applicant tenacity and examiner fatigue.

A three-examiner final-decision system would not be unworkable or even unusual. The European Patent Office employs such a system. Under [Article 18](#) of the European Patent Convention, responsibility for examining an application is assigned to an "examining division" that "consists of three technically qualified examiners."

"[A]s a general rule," one member of the examining division will "be entrusted to carry out all the work up to the point of a decision to grant a patent or refuse the application." Guidelines for Examination in the European Patent Office, [C.VIII.1](#).

The final decision to grant or refuse the application, however, is made by all three members of the examining division:

[A] point will be reached when it becomes appropriate for the examiner to refer the case formally to the other members of the examining division. This will arise if the examiner considers the case is in order to proceed to grant or, alternatively, where there seems no possibility of amendment which would overcome his or her objections or where the applicant has not overcome these objections, and the examiner considers the case is in order to proceed to refusal.

Id.

Thus if the primary examiner decides that the application should be rejected, he or she prepares a brief explanation of their decision and refers the application to the examining division:

When referring to the examining division an application which is not in order for grant of a patent, the examiner should confer with the other members of the division, bringing to their attention the points at issue, summarising the case history to the extent necessary to enable the other members to obtain a quick grasp of the essential facts, and recommending the action to be taken, e.g. refusal, or grant conditional upon certain further amendments. As the other members will need to study the case themselves, there is no need for a detailed exposition.

Id. [C.VIII.3.](#)

On the other hand, if the primary examiner decides that the application should be granted, he or she also provides an explanation of the decision to the examining division, which makes the final decision:

If examiner[] considers that the application satisfies the requirements of the EPC and is thus in order to proceed to grant, they should make a brief written report (the ‘votum’). As a general rule, it will be appropriate in this report for the examiner to give the reasons why, in their opinion, the subject-matter as claimed in the application is not obvious having regard to the state of the art. They should normally comment on the document reflecting the nearest prior art and the features of the claimed invention which make it patentable, although

there may be exceptional circumstances where this is not necessary, e.g. where patentability is based on a surprising effect. They should also indicate how any apparently obscure but important points have ultimately been clarified, and if there are any borderline questions which the examiner has resolved in favour of the applicant, they should draw attention specifically to these.

Id. [C.VIII.2](#).

Adopting a similar system would serve the United States well. It would result in the issuance of fewer patents whose claims will later be cancelled in PTAB proceedings.

In conjunction with such changes, the USPTO should expand the number of judges who hear ex parte appeals and accelerate the proceedings, so that appeals can timely resolve disagreements between applicants and the examining corps.

Finally, I should note that the USPTO has ample authority to adopt such rules—including limits on RCEs and continuations. Section 2(b)(2) of title 35 authorizes the USPTO to “establish regulations, not inconsistent with law, which shall govern the conduct of proceedings in the Office,” and § 2(b)(2)(C) empowers the Office to promulgate regulations to “facilitate and expedite the processing of patent applications.”

The question of the USPTO’s regulatory authority arose when the USPTO recently requested comment on proposals to improve the examination process. *See* USPTO, [Initiatives to Ensure the Robustness and Reliability of Patent Rights](#), 87 Fed. Reg. 60130, Oct. 4, 2022. Some commenters argued that the USPTO lacks the authority to limit the number of continuing applications that an applicant may file, citing 35 U.S.C. § 120 and the Federal Circuit’s vacated opinion in [Tafas v. Doll](#), 559 F.3d 1345 (2009). *See, e.g.*, [Comment from Ron Katznelson](#).

Other commenters analyzed the text and history of § 120 and concluded that the USPTO may limit the number of continuing applications that an applicant may file. *See* [Comments from Askeladden L.L.C.](#); [Comments from US*MADE](#).

In my view, the latter interpretation is correct. Section 120 only sets conditions on when a later application that the applicant has been permitted to file may *claim the benefit* of the filing date of an earlier application: it defines when “an application for

patent . . . shall have the same effects . . . as though filed on the date of [a] prior application.” 35 U.S.C. § 120.

Section 120 says nothing, however, about whether or under what conditions the applicant is entitled file the later application—*i.e.*, one that repeats the subject matter of and reargues the earlier application. If the USPTO *does* permit the applicant to file the later application, § 120 sets the conditions under which the applicant may also claim the benefit of the earlier application. But § 120 does not create an entitlement to file the later application.

This interpretation is confirmed by the history of § 120, which was adopted as part of the 1952 Patent Act. Courts have recognized that § 120 was intended to “express in the statute certain matters which exist in the law today but which had not before been written into the statute,” *In re Henriksen*, 399 F.2d 253, 258 (CCPA 1968) (quoting H.R. Rep. No. 1923, 82d Cong., 2d Sess. (1952))—and that “the practice prior to the 1952 Act is thus pertinent [to the meaning of § 120].” *Id.*

An important feature of pre-1952 Patent Office practice is the U.S. Supreme Court’s decision in [*Overland Motor Co. v. Packard Motor Car Co.*](#), 274 U.S. 417 (1927). *Overland Motor* held that “it is not incumbent upon the office as a duty to entertain” a “second application for a patent after the first application has been rejected,” and that “if [the office] refuses to entertain [such a second application], it has a perfect legal right so to do.” *Id.* at 421 (quoting *In Re Barratt’s Appeal*, 14 App. D.C. 255 (1899)). With respect to the continuing application that was before the court, *Overland Motor* held that “the Commissioner of Patents might have refused to consider” it after rejecting the initial application because “a claim rejected as this was constitutes *res judicata* in favor of the Government and against the applicant.” *Id.* at 420.

The vacated *Tafas* opinion did not address *Overland Motor*—the decision was not even cited in any of the briefs before the court. Until the Federal Circuit considers the U.S. Supreme Court’s precedents and finds to the contrary, I would be hesitant to conclude that Congress has chosen to enact a statute that prohibits the USPTO from placing any limits on the number of times that a patent applicant can reargue the same patent application.

2. What is one thing that you would suggest including in the PREVAIL Act that would address the concerns of petitioners?

Answer: I would recommend expanding the grounds on which a patent can be challenged in an inter partes review to include indefiniteness under 35 U.S.C. § 112(b).

Under current law, the Board is sometimes forced to turn away an obviousness challenge because a claim’s language is impossible to understand and the Board cannot know whether the asserted prior art reads on the claim. *See, e.g., Apple Inc. v. Immersion Corp.*, IPR2016-01372, Paper 7 (January 11, 2017) (because we cannot “determine the scope and meaning of claims 12-18,” we “cannot conduct the necessary factual inquiry for determining obviousness with respect to these claims, such as ascertaining differences between the claimed subject matter and the prior art.”).

Similarly, when a means-plus-function claim fails to recite corresponding structure, it too becomes indefinite and is effectively immune from challenge under the current statutory framework. *See Intel Corp. v. Alacritech, Inc.*, 817 F. App’x 1014, 1019 (Fed. Cir. 2020); *see also In re Donaldson Co., Inc.*, 16 F.3d 1189, 1195 (Fed. Cir. 1994).

Indefiniteness is an issue that can almost always be decided by reviewing the patent’s claims and its specification—it can easily be resolved in an administrative proceeding. When the Board is forced to conclude that a claim cannot be tested against prior art because it is indefinite, it should also be permitted to cancel the claim as indefinite.

- 3. Congress created the PTAB to establish a less costly and more efficient patent dispute resolution mechanism. However, certain patent holders—especially those who are inventors—are having their patents abused through serial petitions filed against them at the PTAB. Earlier this year, the USPTO released its update to its annual PTAB Multiple Petitions Study which, among other things, confirms that we continue to see serial petitions.**
- a. Wouldn’t you agree that serial petitions undermine the reliability of patentholders’ rights and, therefore, harm incentives to innovate?**

b. Wouldn't you agree that serial petitions are out of step with Congressional intent when it established the PTAB to create a less costly and more efficient dispute resolution process?

Answer: Serial petitions certainly *can* be abusive. The USPTO, however, has already effectively addressed the problem of abusive serial petitions via the policy that it adopted in [General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha](#), IPR2016-01357 (Sep. 6, 2017).

General Plastic sets forth seven factors that a PTAB panel must consider before allowing a “serial” petition to be pursued by a party. A serial petition is a second or subsequent petition that is filed by the same party after the patent owner has already responded to the prior petition (*i.e.*, at least three months after the prior petition was filed). The gist of *General Plastic* is that the petitioner must have a persuasive reason for filing the later petition, such as that the patent owner asserted additional claims of the patent in litigation after the first petition was filed.

As the study that you cite notes, serial petitions—which never made up more than a few percent of all instituted petitions—dropped sharply after *General Plastic* was adopted: only 0.6% of instituted AIA challenges have resulted from serial petitions since *General Plastic* issued. *See* USPTO, [Patent Trial and Appeal Board Multiple Petitions Study: Fiscal Years 2021-2022 Update](#), at 9 (Jul. 2023). In 2022, for example, serial petitions resulted in only three instituted proceedings out of the 1,367 petitions that were filed.

As the USPTO study further notes, when serial petitions *are* instituted, it is generally for good reasons, such as that the patent owner asserted new claims in court after the initial petition was filed or the initial petition was dismissed for “procedural” reasons that no longer apply. *See id.* at 8.

As to the question of congressional intent: the America Invents Act addresses many PTAB procedural issues. The AIA regulates, for example, the relationship between district-court litigation and inter partes reviews, providing that a petition must be filed within one year of the date when the petitioner is served with an infringement complaint. *See* 35 U.S.C. § 315(b). The AIA also determines when one party is bound by another party’s PTAB petitioning activity. *See* 35 U.S.C. § 315(e) (applying estoppel to real parties in interest and parties in privity).

Nothing in the AIA, however, regulates serial petitions. This leaves it to the USPTO to address the issue. Unlike the former inter partes reexamination statute, the AIA does give the USPTO power to manage the proceedings and prohibit abusive behavior. *See* 35 U.S.C. § 316(a)(4), (6).

While other recent discretionary-denial rules, such as [*Apple v. Fintiv*](#) and [*Valve Corp. v. Electronic Scripting Prods.*](#), conflict with the statute and are illegal, I believe that *General Plastic* is within the USPTO’s authority. The piecemeal, serial filings that *General Plastic* prohibits arguably qualify as “harass[ment]” or “abuse,” 35 U.S.C. § 316(a)(6), and no other provision of the statute regulates serial filings. It is thus consistent with congressional intent that the USPTO adopt rules limiting serial petitions (although it ought to do so via regulations rather than “precedential decisions,” *see* 35 U.S.C. § 316(a)).

4. In PTAB proceedings the patent owner is subject to a duty of candor and full disclosure. There are currently no rules placing petitioners under the same obligations.

- a. Do you think that the duty of candor and full disclosure now imposed on patent owners in these proceedings should apply to petitioners as well?**
- b. Would such provisions improve the PREVAIL Act?**

Answer: A duty of *candor* does apply to all parties—both patent owners and petitioners—in contested PTAB proceedings. Section 42.11 of the regulations governing PTAB proceedings provides:

§ 42.11 Duty of candor; signing papers; representations to the Board; sanctions.

(a) *Duty of candor.* Parties and individuals involved in the proceeding have a duty of candor and good faith to the Office during the course of a proceeding.

(b) *Signature.* Every petition, response, written motion, and other paper filed in a proceeding must comply with the signature requirements set forth in § 11.18(a) of this chapter. The Board may expunge any unsigned submission unless the omission is promptly corrected after being called to the counsel’s or party’s attention.

Questions for the Record—Responses of Joseph Matal

(c) *Representations to the Board.* By presenting to the Board a petition, response, written motion, or other paper—whether by signing, filing, submitting, or later advocating it—an attorney, registered practitioner, or unrepresented party attests to compliance with the certification requirements under § 11.18(b)(2) of this chapter.

(d) *Sanctions*—(1) *In general.* If, after notice and a reasonable opportunity to respond, the Board determines that paragraph (c) of this section has been violated, the Board may impose an appropriate sanction on any attorney, registered practitioner, or party that violated the rule or is responsible for the violation.

(2) *Motion for sanctions.* A motion for sanctions must be made separately from any other motion and must describe the specific conduct that allegedly violates paragraph (c) of this section. The motion must be authorized by the Board under § 42.20 prior to filing the motion. At least 21 days prior to seeking authorization to file a motion for sanctions, the moving party must serve the other party with the proposed motion. A motion for sanctions must not be filed or be presented to the Board if the challenged paper, claim, defense, contention, or denial is withdrawn or appropriately corrected within 21 days after service of such motion or within another time the Board sets. If warranted, the Board may award to the prevailing party the reasonable expenses, including attorney's fees, incurred for the motion.

(3) *On the Board's initiative.* On its own, the Board may order an attorney, registered practitioner, or party to show cause why conduct specifically described in the order has not violated paragraph (c) of this section and why a specific sanction authorized by the Board should not be imposed.

(4) *Nature of a sanction.* A sanction imposed under this rule must be limited to what suffices to deter repetition of the conduct or comparable conduct by others similarly situated and should be consistent with § 42.12.

(5) *Requirements for an order.* An order imposing a sanction must describe the sanctioned conduct and explain the basis for the sanction.

37 C.F.R. § 42.11.

In *ex parte* proceedings—those involving only the patent applicant or owner—the USPTO also imposes an additional duty “to *disclose* to the Office all information known to that individual to be material to patentability.” 37 C.F.R. §§ 1.56; 1.555 (emphasis added).

As the regulations explain, “[t]he public interest is best served, and the most effective patent examination occurs when, at the time an application is being examined, the Office is aware of and evaluates the teachings of all information material to patentability.” 37 C.F.R. §§ 1.56(a); 1.555(a); *see also* MPEP § 2001.04 (noting that imposing a duty to disclose material information “may result in enhanced patent quality”).

I do not recommend extending the duty of disclosure to *inter partes* PTAB proceedings. The duty of disclosure appears to be a creature of the *ex parte* nature of examination and reexamination, in which only one side participates and opposing interests are not represented. Because of the nature of these proceedings, a duty is imposed on participants to disclose material information that is adverse to their interests and of which they are aware. In an *inter partes* or post-grant review, by contrast, both sides are represented and can be expected to search for and discover information that advances their interests.

For all these reasons—because a duty of candor and good faith already applies to both petitioners and patent owners in PTAB trials, and because it would not make sense to extend the duty of disclosure to *inter partes* proceedings—I do not recommend addressing these issues in the PREVAIL Act.

- 5. Critics of the PREVAIL Act complain that they want parties who do not have judicial standing to still be able to petition for IPR institution. They argue that competitors need to be able challenge patents in the PTAB to clear the way for their own development activities. Patent owners counter that they should enjoy the rights and benefits of patents that they haven’t asserted.**

Do you think that the PREVAIL Act strikes the right balance between these competing interests?

Answer: No. The PREVAIL Act would add a subsection (d) to § 311 of title 35 that would bar the filing of a PTAB petition unless the petitioner has been sued for

infringement or accused of infringing in a way that creates a “real and substantial controversy” that is sufficient to create Article III standing.

The latter provision—requiring a “substantial controversy”—appears to impose the type of standing requirement that the Federal Circuit applied before the U.S. Supreme Court clarified declaratory-judgment jurisdiction in [*MedImmune, Inc. v. Genentech, Inc.*](#), 549 U.S. 118 (2007).

Under the now-defunct pre-*MedImmune* test, parties adverse to a patent who had not been sued for infringement were required to show that they had a “reasonable apprehension” that they were about to be sued. Other concrete harms—such as potential liability for developing and launching an infringing product—were not sufficient to confer standing. As the pre-*MedImmune* test was applied in the lower courts, patent owners could even send a demand letter that triggered potential liability for treble damages without giving the recipient of the letter standing to challenge the patent in court.

Like the pre-*MedImmune* test, PREVAIL’s standing requirement would effectively prohibit “clearance petitions.” These are petitions that are filed by a business that wants to develop and introduce a new product but has discovered that an issued patent would be infringed by the product—and the business believes that the patent is invalid. A PTAB petition provides such a business with an inexpensive and technically reliable way to “clear the field”—to determine if the patent is invalid and the business can move forward with its product.

In the absence of PTAB review, many such businesses would not develop and commercialize the planned product. Despite the *MedImmune* decision, Article III standing requirements have calcified in the lower courts in recent years such that even market participants whose product design and development plans clearly are affected by a competitor’s patent nevertheless may lack standing to challenge the patent. See, e.g., [*General Electric v. United Technologies*](#), 928 F.3d 1349 (Fed. Cir. 2019). And even when Article III standing is present, a declaratory judgment action can be expensive and unpredictable.

When a business is deterred by an invalid patent from introducing a new product, consumers’ choices are reduced and prices likely are increased. Indeed, in many such cases, the patent owner does not practice the claimed technology. Barring the potential manufacturer from filing a clearance petition thus means that no product at all will be made available to the public.

6.
 - a. **After over a decade’s worth of experience with PTAB, isn’t it clear that it’s operating as an alternative to district court litigation, which employs this standard, rather than a “double check” on the original examination?**
 - b. **Why shouldn’t the PTAB give the same deference as district courts to the original examination of a patent through use of the clear and convincing evidence standard?**

Answer: PTAB proceedings serve *both* as an alternative to litigation and as a double check on the original examination.

The principal rationale for requiring clear and convincing evidence of invalidity in civil litigation—deference to the expert agency that issued the patent—does not apply when a patent is being reconsidered by the same expert agency. The USPTO remains just as expert, if not more so, on the second evaluation of a patent. There is no reason for the agency to defer to an earlier decision that is the product of less deliberation and that considered less evidence.

The USPTO itself highlighted this point in the [Microsoft v. i4i](#) case, which reaffirmed the use of an across-the-board clear and convincing standard in civil litigation. As the agency’s brief stated:

the clear-and-convincing-evidence standard reflects deference to the agency’s authority and expertise by ensuring that, when the factual questions on which validity turns are doubtful, the decision of the Patent Office must control.

[USPTO Brief](#), p. 26.

It thus makes “particular sense” to use a clear and convincing standard when patent validity is being evaluated by “lay juries who lack technical expertise and specialized knowledge of the relevant fields.” *Id.* at pp. 26-27.

By contrast, there is no reason to require a PTAB panel to defer to an earlier decision by an examiner. That earlier decision is almost always the product of much less deliberation and analysis—and often did not consider the most relevant prior art.

In addition, it bears emphasis that a patent owner in an AIA proceeding *does* receive the benefit of deference to the USPTO's earlier patentability determinations if the prior art was actually considered during examination. The PTAB effectively applies such deference pursuant to its discretion under 35 U.S.C. § 325(d) to decline review when prior art or arguments that were previously presented to the agency.

The PTAB has now issued precedential decisions that create a basic framework for applying § 325(d), *see* [Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH](#), IPR2019-01469 (Feb. 13, 2020), and that address subsidiary issues such as when new prior art is cumulative to that which was previously considered by the USPTO. *See* [Oticon Medical AB v. Cochlear Ltd.](#), PR2019-00975 (Oct. 16, 2019).

Under the Board's caselaw, § 325(d) has been distilled into a test that weighs how strong a reference is against whether it was actually considered by the agency. For example, if the record shows that the examiner analyzed a reference with respect to the disputed limitation, the PTAB requires a heightened showing of examiner error to institute on the basis that reference. *See, e.g.,* [Dropworks, Inc. v. U. of Chicago](#), IPR2021-00100 (May 14, 2021). On the other hand, if a reference was cited in an Information Disclosure Statement but not actually applied in a rejection, review will be allowed if the reference appears to disclose the disputed limitation. *See, e.g.,* [Spinal Elements, Inc. v. Spectrum Spine IP Holdings, LLC](#), PGR2021-00050 (Aug. 23, 2021); [Commscope Techs. LLC v. Dali Wireless Inc.](#), IPR2020-01473 (Mar. 12, 2021).

Not only does § 325(d) provide patent owners with a level of immunity against prior art that was already considered by the USPTO; it also creates an incentive for patent applicants to conduct their own prior art search and to present relevant prior art to the examiner.

By contrast, the across-the-board deference that PREVAIL would require would mean that the PTAB would have to defer to the allowance of claims with respect to prior art that the examiner did *not* actually consider. Such a rule would give the benefit of deference to patent owners who made no effort to apprise the examiner of relevant prior art during prosecution, undercutting § 325(d)'s incentive for applicants to help identify prior art.