

**U.S. Senate Committee on the Judiciary
Subcommittee on Intellectual Property
November 8, 2023**

The PREVAIL Act

**Written Testimony of
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Chairman Coons, Ranking Member Tillis, and Members of the Committee:

Thank you for inviting me to appear before you today. My name is Michelle Armond, and I am the co-founder of Armond Wilson LLP, an IP litigation law firm based in Newport Beach, California and Austin, Texas.

After I graduated from Caltech with a degree in electrical engineering, I headed straight to law school with the dream of becoming a patent lawyer. For the last 20 years, my law practice has been focused on intellectual property litigation, particularly cases that are legally and technically complex.

I started my legal career after the clerkship at the U.S. Court of Appeals for the Federal Circuit, almost a decade before enactment of the America Invents Act. At that time, patent infringement and validity were essentially decided in the district courts, usually by lay juries. My first case after my clerkship was a trial in the Eastern District of Texas. Since then, I've litigated cases in Massachusetts, Delaware, Florida, Alabama, Illinois, Texas, Ohio, Washington, Arizona, and of course my home state of California.

As a litigator, I still handle district court cases and Federal Circuit appeals. Now, after the AIA, a significant part of my practice are PTAB post-grant proceedings at the Patent Office. PTAB post-grant proceedings are in many ways distinct from litigating validity in the district courts. I got involved with post-grant proceedings in the early days, and have watched the PTAB grow and a body of caselaw rapidly develop at both the PTAB and the Federal Circuit. It's been an exciting time seeing so many changes occur so quickly, and I've had firsthand experience as it plays out on the ground at the PTAB.

At my firm, we represent both plaintiffs and defendants, patent challengers and patent owners. For our country to continue its trajectory of technological excellence, it's important to have a balanced patent system that supports research and development and protects innovation, yet provides

guardrails to defend large and small businesses from weak patent claims. The current bill provides opportunities to do exactly that.¹

I. Introduction

It's been a little over a decade since the Leahy-Smith America Invents Act ("AIA") was enacted in 2011. The AIA made sweeping revisions to the patent system, including creating three post-grant proceedings: *inter partes* review ("IPR"), post-grant review ("PGR"), and covered business method review which was phased out in 2020. These post-grant proceedings transformed U.S. patent litigation.

The AIA changed the Patent Office's longstanding internal administrative court, the Board of Patent Appeals and Interferences, into the Patent Trial and Appeal Board ("PTAB" or "Board"). The PTAB was given jurisdiction over the AIA's new post-grant proceedings and quickly became the busiest patent court in the nation. The popularity of these post-grant proceedings is reflected by the large proportion of PTAB appeals before the Federal Circuit, which hears all patent appeals. For example, as of September 2023, appeals from the Patent Office constituted 42% of currently pending Federal Circuit appeals.² Before the AIA in 2011, Patent Office appeals made up just 9% of the Federal Circuit's caseload.³

What happens before the PTAB does not stay there. Most IPRs are litigated in parallel with patent infringement disputes in federal district court or trade investigations before the International Trade Commission ("ITC"). PTAB decisions on patent invalidity directly impact these parallel proceedings, sometimes very significantly.

In just ten years, a large volume of Federal Circuit caselaw has developed around these post-grant proceedings. Since the PTAB issued its first final written decision in 2013, the Federal Circuit has issued hundreds of decisions on PTAB appeals.⁴

¹ My testimony to the Committee reflects my own personal opinions and not those of my law firm or its clients. I appreciate the support of Monica M. Arnold, Douglas R. Wilson, and Bridget Smith in preparing my testimony.

² U.S. Court of Appeals for the Federal Circuit, Year-to-Date Activity and Status of Pending Appeals (Sept. 2023), <https://cafc.uscourts.gov/wp-content/uploads/reports-stats/FY2023/FY2023YTDActivity12.pdf> (showing 694 of 1651 appeals originated from the Patent & Trademark Office).

³ U.S. Court of Appeals for the Federal Circuit, Appeals Filed by Category, FY2011, https://cafc.uscourts.gov/wp-content/uploads/reports-stats/caseload-by-category/Caseload_by_Category_FY2011.pdf.

⁴ <https://cafc.uscourts.gov/home/case-information/opinions-orders/>.

II. About The AIA's Post-Grant Proceedings

A. Purpose of The AIA

The AIA was enacted to modernize the U.S. patent system to strengthen, promote, and protect U.S. technology and innovation in a global economy.⁵ Changes to the U.S. patent system should promote public confidence in the U.S. patent system and support domestic innovation. Indeed, in reference to patent reform and the AIA, Representative Smith recognized that “[i]f the United States is to maintain its competitive edge in the global economy, it needs a system that will support and reward all innovators with high quality patents.”⁶

The AIA was “designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”⁷ Almost anyone can file an IPR or PGR post-grant proceeding.⁸ IPRs and PGRs were intended to be both faster and less expensive than district court litigation.⁹

B. IPRs vs. PGRs

Two of the main differences between IPRs and PGRs are timing and scope.

Timing. PGRs must be filed within the first 9 months after a patent is granted.¹⁰ IPRs can generally be filed both after the first 9 months and within one year of being served with a complaint for patent infringement in district court.¹¹

Scope. IPRs are limited to anticipation and obviousness challenges (i.e., 35 U.S.C. §§ 102, 103) based on only prior art patents or printed publications.¹² PGRs are much broader, allowing invalidity arguments related to patentable subject matter, novelty, obviousness, written description, and enablement (i.e.,

⁵ David Kappos, Presentation about the Global Impacts of the AIA: *The America Invents Act, State of Patent Law in the US and Europe*, United States Patent and Trademark Office, https://www.uspto.gov/sites/default/files/aia_implementation/aia_global_impact-kappos.pdf.

⁶ H.R. Rep. No. 112-98, pt. 1, at 40 (2011), <https://www.govinfo.gov/content/pkg/CRPT-112hrpt98/pdf/CRPT-112hrpt98-pt1.pdf>.

⁷ *Id.*

⁸ 35 U.S.C. §§ 311(a), 321(a).

⁹ H.R. Rep. No. 112-98, pt. 1, at 39-40 (2011).

¹⁰ 35 U.S.C. § 321(c).

¹¹ 35 U.S.C. § 311(c).

¹² 35 U.S.C. § 311(b).

35 U.S.C. §§ 101, 102, 103, and 112), and are not limited to prior art patents and printed publications.¹³

C. PTAB Post-grant Trials vs. District Court Trials

Both post-grant proceedings (IPRs and PGRs) follow the same statutory timeline:¹⁴



After a petition for review challenging the patentability of certain patent claims is filed, the patent owner can file a preliminary response brief before the PTAB issues its decision on whether to institute review.¹⁵ The PTAB must decide on institution within six months after the petition is filed.¹⁶ If the PTAB decides not to institute, the proceeding is done.¹⁷ If the PTAB decides to institute, then trial commences with additional briefing and depositions, and the PTAB will issue its final written decision on the patentability of the challenged claims within 12 months of institution.¹⁸ Thus, the entire process takes about 18 months from the filing of the petition to final written decision. In 2019, the estimated median costs associated with these post-grant proceedings to a final written decision ranged from \$350,000 to \$600,000.¹⁹

By contrast, district court litigation takes far longer and is more expensive. For example, the median time to trial in a patent infringement case in the top three busiest federal district courts (Western District of Texas, Eastern District of Texas, and District of Delaware) ranges from about two to

¹³ 35 U.S.C. § 321(b).

¹⁴ See <https://www.uspto.gov/patents/ptab/trials/aia-trial-types>.

¹⁵ 35 U.S.C. § 313.

¹⁶ 35 U.S.C. § 314(b).

¹⁷ 35 U.S.C. § 314(d).

¹⁸ 35 U.S.C. § 316(a)(11).

¹⁹ American Intellectual Property Law Association, *2023 Report of the Economic Survey* at 63.

two and a half years,²⁰ and the cost through trial can range anywhere from \$1 to \$3.625 million.²¹

Post-grant proceedings are often part of a broader patent infringement defense strategy. According to a recent study, about 79% of patents challenged in IPR are also simultaneously litigated in the federal district courts.²² As a result, post-grant proceedings frequently run in parallel with federal district court litigation.

D. IPR and PGR Outcomes

The Patent Office closely tracks outcomes for post-grant proceedings. Setting aside procedural dispositions, settlements, and disclaimed patents, the major outcomes for FY23 according to the Patent Office's 2023 End of Year Outcome Round Up for IPRs and PGRs were:²³

- **Institution denied** (no post-grant proceeding).
 - Patent owner wins – 39%
- **Institution granted** (post-grant proceeding ordered).
 - All claims canceled. Patent challenger wins – 41%
 - Some claims confirmed/some canceled. Mixed outcome – 10%
 - All claims found patentable. Patent owner wins – 10%

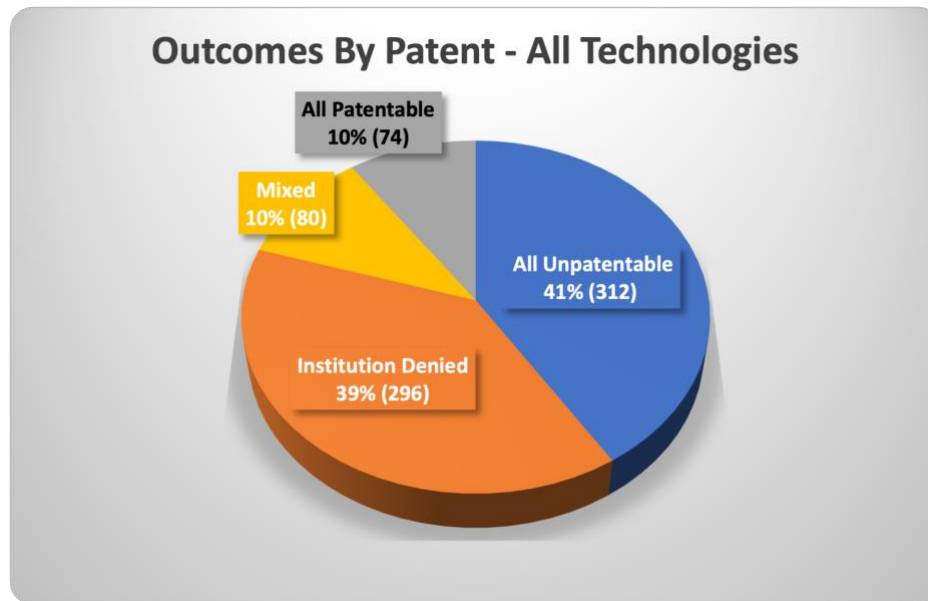
²⁰ Angela Morris, *How Top US Patent Courts Compare on Median Time-To-Trial Statistics*, <https://brochure.docketnavigator.com/how-top-us-patent-courts-compare-on-median-time-to-trial-statistics/>.

²¹ American Intellectual Property Law Association, *2023 Report of the Economic Survey* at 61.

²² RPX Corp., *The Overlap Between Patents Asserted in District Court and Challenged at the PTAB* (June 1, 2023), <https://www.rpxcorp.com/data-byte/the-overlap-between-patents-asserted-in-district-court-and-challenged-at-the-ptab/>.

²³ See USPTO, *PTAB Trial Statistics, FY23 End of Year Outcome Roundup IPR, PGR*, https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2023__roundup.pdf.

These outcomes are visualized in the following graphic. The net result is that patent owners emerge from IPR with one or more claims confirmed in 59% of IPR proceedings.



E. Reexamination

Ex parte reexamination is another post-grant proceeding predating the AIA. Any person at any time during a patent's period of enforceability can request the Patent Office reexamine any claim of a patent, including the patent owner herself.²⁴ Unlike IPRs, these reexaminations are not contested proceedings after the original request is made, and there is no statutory deadline for completing reexamination.²⁵ The scope of the challenge is limited to either prior art patents or printed publications (like in an IPR), or statements made by the patent owner filed in a federal court or Patent Office proceeding where the patent owner took a position related to claim scope.²⁶

According to one source, about one-third of *ex parte* reexamination requests were made following a post-grant proceeding on the same patent.²⁷

²⁴ 35 U.S.C. § 302; 37 C.F.R. § 1.510.

²⁵ 35 U.S.C. § 305.

²⁶ 35 U.S.C. § 301.

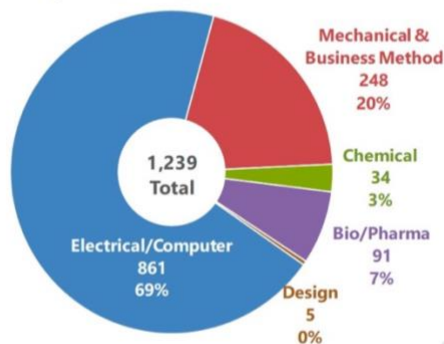
²⁷ Jason Eisenberg, et al., *The Resurgence and Perils of Ex Parte Reexaminations* (June 2022), <https://www.sterneckessler.com/news-insights/publications/resurgence-and-perils-ex-parte-reexaminations-0>.

F. Most Popular Technologies Litigated in IPRs

Post-grant proceedings are very popular, particularly for electrical, computer, mechanical, and business method patents. Patent Office data for FY23 categorizing the number of IPR petitions filed by technology area shows this graphically:²⁸

Petitions filed by technology

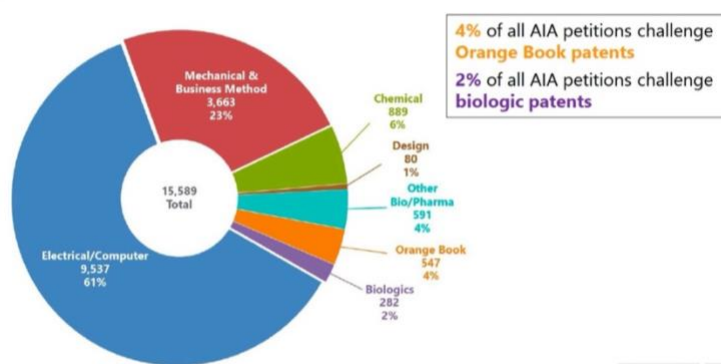
(FY23: Oct. 1, 2022 to Sept. 30, 2023)



As you can see below, the prevalence of IPRs in these technical areas has been fairly consistent since the AIA was enacted in 2012. Looking at the data for all IPRs shows the proportion of electrical, computer, mechanical, and business method patents challenged over the past decade has remained relatively stable:²⁹

AIA Petitions filed by technology

(Sept. 16, 2012 to Mar. 31, 2023)



Includes all trial types.



²⁸ USPTO, *PTAB Trial Statistics, FY23 End of Year Outcome Roundup IPR, PGR*, https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2023__roundup.pdf.

²⁹ USPTO, *PTAB Orange Book patent/biologics study, FY23 Q2 Update (through March 2023)*, https://www.uspto.gov/sites/default/files/documents/orange_book_biologics_study_update_t_hru_march__2023_.pdf

III. The Current Bill

Now that we've participated in about a decade of AIA post-grant proceedings, Congress is in a strong position to assess what is working and what aspects could be adjusted. The following discusses parts of the Promoting and Respecting Economically Vital American Innovation Leadership Act (The "PREVAIL Act") and its impact on post-grant proceedings in their current form.

Two of the original policy goals of the AIA were to streamline resolution of patent validity disputes and provide certainty in the patent system.³⁰ Below I discuss the impact of provisions of the PREVAIL Act in achieving these goals.

A. Limiting Multiple Proceedings: Requiring Forum Choice Earlier

The AIA does not always streamline resolution of patent validity disputes. Instead, district court litigation and post grant proceedings typically run in parallel,³¹ often with the same prior art and invalidity arguments being litigated in both courts simultaneously if the district court litigation is not stayed.

Some district courts have tried to reduce the incidence of parallel litigation cases by staying federal patent litigation while the IPR proceedings are underway at the PTAB. But different district courts have adopted different approaches to staying patent litigation.³² And even those stay rates have varied over time, as shown in the below data through December 31, 2021 comparing stays rates in different courts before and after April 2018.³³

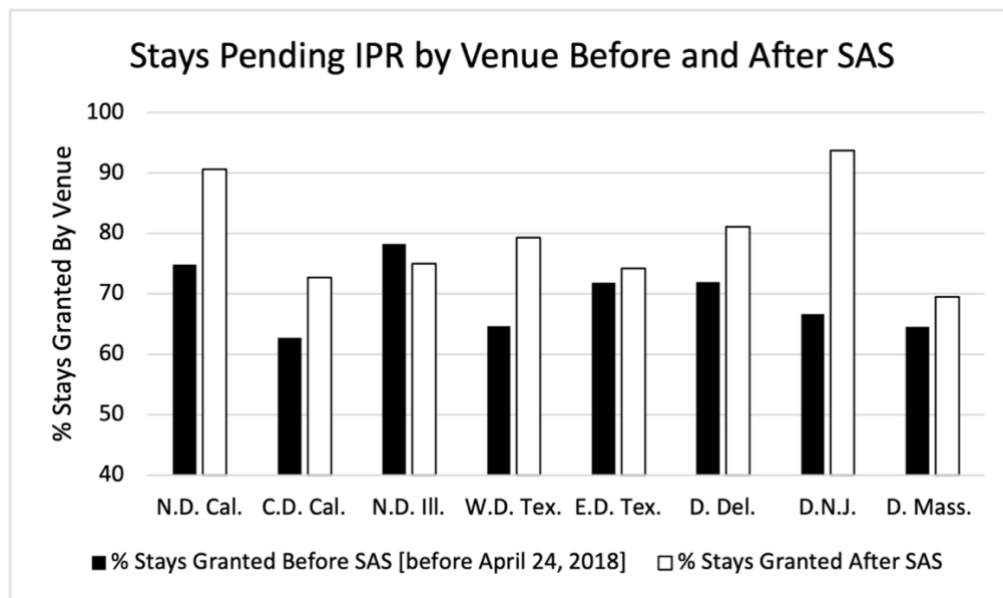
³⁰ H.R. Rep. No. 112-98, pt. 1, at 40 (2011); David Kappos, Presentation about the Global Impacts of the AIA: *The America Invents Act, State of Patent Law in the US and Europe*, United States Patent and Trademark Office,

https://www.uspto.gov/sites/default/files/aia_implementation/aia_global_impact-kappos.pdf.

³¹ RPX Corp., *The Overlap Between Patents Asserted in District Court and Challenged at the PTAB* (June 1, 2023), <https://www.rpxcorp.com/data-byte/the-overlap-between-patents-asserted-in-district-court-and-challenged-at>.

³² Forrest McClellan, Douglas Wilson, and Michelle Armond, *How Increased Stays Pending IPR May Affect Venue Choice*, Law360 (Nov. 15, 2019), <https://www.law360.com/articles/1220066/how-increased-stays-pending-ipr-may-affect-venue-choice> (Nov. 15, 2019).

³³ Amy Han, Forrest McClellan and Michelle Armond, *What The Latest Case Data Reveals About Stays Pending IPR*, Law360 (Mar. 7, 2022), <https://www.law360.com/articles/1470979>.



To make things even more complicated, the PTAB also attempted to reduce duplicative litigation through a different approach. In March 2020, the PTAB issued a precedential decision in *Apple v. Fintiv*, providing a list of six nonexclusive factors for judges to consider in deciding whether to exercise their discretion to proceed with an IPR trial if district court litigation was also underway.³⁴ The factors are:

1. whether the court granted a stay or evidence exists that one may be granted if a proceeding is instituted;
2. proximity of the court's trial date to the Board's projected statutory deadline for a final written decision;
3. investment in the parallel proceeding by the court and the parties;
4. overlap between issues raised in the petition and in the parallel proceeding;
5. whether the petitioner and the defendant in the parallel proceeding are the same party; and
6. other circumstances that impact the Board's exercise of discretion, including the merits.

The PTAB's *Fintiv* decision was controversial from the start and has introduced uncertainty into PTAB litigation.³⁵ In the wake of *Fintiv*, the number

³⁴ *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 at 6 (P.T.A.B. Mar. 20, 2020) (precedential).

³⁵ Michelle Armond and Amy Han, *Patent Litigation Reset*, Daily Journal (June 30, 2022), <https://www.dailyjournal.com/articles/368188-patent-litigation-reset>.

of discretionary denials surged. A June 2022 analysis noted there were 121 *Fintiv* denials in 2021 alone.³⁶

In June 2022, Patent Office Director Vidal issued additional guidance specifying that the PTAB will not deny petitions based on *Fintiv* if: (1) the petition presents “compelling evidence of unpatentability,” (2) the patent challenger provides a stipulation agreeing that it will not raise in a district court proceeding the same challenge, or any challenge it reasonably could have raised, in the petition, or (3) the request for denial under *Fintiv* is based on a parallel International Trade Commission proceeding.³⁷

After the June 2022 guidance, *Fintiv* discretionary denials immediately took a nosedive. Only four IPRs were discretionarily denied in the second half of 2022.³⁸ There was some resurgence in early 2023, but not approaching 2021 levels.³⁹

The PREVAIL Act amends 35 U.S.C. § 315 to provide that if an IPR is instituted, that “the petitioner, a real party in interest, or a privy of the petitioner may not file or maintain... a claim, a counterclaim, or an affirmative defense challenging the validity of any claim of the patent on any ground described in section 311(b)” in a district court litigation or ITC investigation.⁴⁰

This amendment will adjust current post-grant practice and more closely align it with the policy goal of streamlining patent invalidity litigation and avoiding lengthy duplicate invalidity disputes proceeding in parallel at the Patent Office and in federal district court. This would provide more certainty to both patent owners and patent challengers, and probably largely eliminate *Fintiv* discretionary denials.

³⁶ Josepher Li and Michelle Armond, *Fintiv Discretionary Denials Seem To Be Back At PTAB*, Law360 (June 14, 2023), <https://www.law360.com/articles/1687921/fintiv-discretionary-denials-seem-to-be-back-at-ptab>.

³⁷ Director Memorandum, Interim Procedure For Discretionary Denials in AIA Post-Grant Proceedings With Parallel District Court Litigation (June 21, 2022), https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621_.pdf.

³⁸ Josepher Li and Michelle Armond, *Fintiv Discretionary Denials Seem To Be Back At PTAB*, Law360 (June 14, 2023), <https://www.law360.com/articles/1687921/fintiv-discretionary-denials-seem-to-be-back-at-ptab>.

³⁹ *Id.*

⁴⁰ Proposed 35 U.S.C. § 315(c)(1).

B. Aligning The Evidentiary Standard Across Forums

In district court, patent challengers must establish invalidity by clear and convincing evidence.⁴¹ Currently, at the PTAB, patent challengers have a lower burden of proof, and must only establish invalidity by a preponderance of the evidence.⁴² The Supreme Court observed that the AIA currently allows that a “district court may find a patent claim to be valid, and the [Patent Office] agency may later cancel that claim in its own review.... As we have explained above, inter partes review imposes a different burden of proof on the challenger. These different evidentiary burdens mean that the possibility of inconsistent results is inherent to Congress' regulatory design.”⁴³

The PREVAIL Act amends 35 U.S.C. § 316(e) to require a patent challenger to prove invalidity by clear and convincing evidence,⁴⁴ which is the same standard applied in the district court. This amendment would promote consistency by harmonizing standards between the PTAB and district court.

C. Providing More Certainty: Who May Petition For Review

Another original policy goal of the AIA was to strengthen, promote, and protect U.S. technology and innovation in a global economy.⁴⁵ Some U.S. innovators and inventors have concerns about defending against PTAB proceedings, and this may deter them from pursuing patent rights in the first place.⁴⁶ Patent challengers could use more certainty in standards for assessing whether they may be considered a real-party-in-interest in a specific post-grant proceeding. The following sections address the PREVAIL Act amendments on these issues.

Standing Requirement. The PREVAIL Act amends 35 U.S.C. § 311 to add the same standing requirement to file an IPR petition that is required to file a declaratory judgment action in federal court. Specifically, a person must have either been sued for or charged with patent infringement to file an IPR.⁴⁷ The Federal Circuit also requires Article III standing to bring an appeal from an IPR

⁴¹ 35 U.S.C. § 282; *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011).

⁴² 35 U.S.C. § 316(e).

⁴³ *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 282–83 (2016).

⁴⁴ Proposed 35 U.S.C. § 316(e)(2)(A).

⁴⁵ David Kappos, Presentation about the Global Impacts of the AIA: *The America Invents Act, State of Patent Law in the US and Europe*, United States Patent and Trademark Office, https://www.uspto.gov/sites/default/files/aia_implementation/aia_global_impact-kappos.pdf.

⁴⁶ Alliance of U.S. Startups & Inventors for Jobs, *The Prevail Act Provides Much-Needed Reforms to Reduce Harassment of Startups and Inventors*, <https://www.usij.org/s/USIJ-Executive-Overview-PREVAIL-Act-2gwa.pdf>.

⁴⁷ Proposed 35 U.S.C. § 311(d).

proceeding.⁴⁸ As the Federal Circuit observed, “the universe of permissible IPR petitioners seeking to challenge patent claims is significantly larger than the universe of plaintiffs who would have Article III standing to bring a declaratory judgment action challenging the validity of a patent in federal court.”⁴⁹

Currently, there is no standing requirement and thus anyone who is not the patent owner may file an IPR petition.⁵⁰ This amendment provides reassurance to independent and small business patent owners that their patents will only be challenged if they assert them, and addresses their apprehension about seeking patent protection in the first place for fear of being unable to defend an IPR.

Clarifying Who Is A Real-Party-In-Interest. The PREVAIL Act amends 35 U.S.C. § 311 to define a real-party-in-interest as a party, either directly or indirectly, that financially contributes to the preparation or conduct of the IPR.⁵¹

Currently, a real-party-in-interest is not defined by statute.⁵² Instead, it is left to the courts to apply common law to determine who is a real-party-in-interest, which is highly factually specific.⁵³ This amendment provides some certainty to patent challengers about whether they may be considered a real-party-in-interest (a) which could block them from future IPR challenges based on a prior patent litigation, or (b) subject them to estoppel.⁵⁴ There has been significant litigation in both the PTAB and the Federal Circuit over the real-party-in-interest issue.⁵⁵ Statutory amendment could provide some needed clarity.

IV. Conclusion

Thank you to the Committee for carefully considering improvements to our nation’s patent system, and for the opportunity to provide my input.

⁴⁸ *Phigenix, Inc. v. Immunogen, Inc.*, 845 F.3d 1168, 1172–73 (Fed. Cir. 2017).

⁴⁹ *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336, 1348 (Fed. Cir. 2018).

⁵⁰ 35 U.S.C. § 311(a).

⁵¹ Proposed 35 U.S.C. § 311(e).

⁵² 35 U.S.C. § 312(a)(2).

⁵³ See *Applications in Internet Time*, 897 F.3d at 1351; *RPX Corp. v. Applications in Internet Time, LLC*, IPR2015-01750, Paper 128 (P.T.A.B. Oct. 2, 2020) (precedential).

⁵⁴ 35 U.S.C. § 315(b), (e)(2).

⁵⁵ See, e.g., *Uniloc 2017 LLC v. Facebook Inc.*, 989 F.3d 1018 (Fed. Cir. 2021); *Unified Pats. Inc. v. Am. Pats. LLC*, No. IPR2019-00482, 2022 WL 3138192 (P.T.A.B. Aug. 3, 2022).