

United States Senate Subcommittee on Intellectual Property
Questions for the Record in the June 22, 2022 Hearing on The Patent Trial and Appeal Board: Examining Proposals to Address Predictability, Certainty, and Fairness

Questions from Senator Tillis

1. *What specifically do you like and what do you not like about our introduced bill?*

Thank you for the invitation to testify before the Senate Judiciary Subcommittee on Intellectual Property and for your follow-up questions. We appreciate the opportunity to share our thoughts on the PTAB Reform Act of 2022.

Provisions we oppose:

- Abrogating *Fintiv* discretion to consider duplicative parallel proceedings;
- Attempting to create standing to appeal final Patent Trial and Appeal Board (“PTAB”) decisions;
- Permitting review of PTAB institution decisions;
- Shifting the burden for proving patentability for claim amendments; and
- Limiting PTAB discretion on how to proceed where there are multiple related proceedings before the Office.

Provisions we believe could be improved:

- Limiting repeated petitions;
- Allowing real party in interest discovery;
- Providing financial support to small or micro entities;
- Addressing petitioners who deliberately lose or delay an IPR and clarifying certain types of permissible sanctions; and
- Prohibiting *ex parte* communications.

Provisions toward which we are neutral:

- Implementing an *Arthrex* fix.

Positions we support:

- Codifying the use of the district court *Phillips* claim construction standard at PTAB proceedings.

2. *Regarding what you don't like in our bill, why don't you like it, and what would you like to see changed? When answering, please keep in mind that a balance must be struck between all interested parties and relevant parties.*

Provisions we oppose:

Removing Fintiv Discretion Would Create an Unfair and Inefficient Patent System

The Innovation Alliance strongly opposes the PTAB Reform Act's abrogation of the "*Fintiv* doctrine," which allows the PTAB to consider parallel proceedings in district court when deciding whether to use its discretion to deny institution of petitions that would otherwise meet the threshold requirement. PTAB discretion to deny institution of IPR petitions in light of duplicative proceedings is an important tool to prevent abuse, promote efficiency, and conserve resources of the USPTO and the parties.

Fintiv discretion has helped conserve the resources of the USPTO and protect patent owners from having to concurrently, and continuously, defend their patents against repeated and duplicative challenges at the PTAB and in court. *Fintiv* has done so by allowing PTAB judges to weigh factors when determining whether to launch a review of a patent that is at issue in a parallel infringement case in federal court. Those factors include whether and when a trial date has been set in the infringement case, the extent of overlapping issues, and whether the other tribunal has paused its case for PTAB review. In other words, *Fintiv* gives the PTAB discretion to deny institution of an IPR where duplicative litigation in federal court would conclude before the PTAB trial or would otherwise unnecessarily burden the patent owner. That balancing test provides transparency and incentivizes petitioners to act expeditiously and efficiently, consistent with the express purpose of the America Invents Act ("AIA") for the PTAB to serve as a streamlined, cost-effective alternative to litigation. Protecting *Fintiv* discretion is important because the PTAB should have a tool to avoid situations in which parallel proceedings before the PTAB and a district court would unreasonably burden patent holders with having to defend duplicative validity challenges. Taking this power away from the PTAB not only immediately makes this issue prevalent once more, but also prevents the PTAB from addressing further issues stemming from duplicative proceedings as they inevitably arise in the future.

Further, any concerns about the PTAB's use of its discretion under *Fintiv* should be addressed by Director Vidal's recent guidance in her Interim Procedure for Discretionary Denials in AIA Post-Grant Proceedings with Parallel District Court Litigation. As shown in the PTAB Parallel Litigation Study that accompanied the Director's interim guidance, *Fintiv* denials have dropped sharply in the last year, and the Director's guidance should lead to even fewer denials, as it constrains PTAB panels from exercising their discretion in certain situations, such as when a *Sotera* stipulation is present or when the panel finds that the petition's merits are compelling. And as the Director noted in her guidance, it is imperative that she be allowed discretion to deny institution in light of parallel proceedings in order to combat abuse of the IPR system.

We believe that eliminating *Fintiv* discretion would result in greater unfairness and inefficiency in the patent system. Discretion is at the heart of what the PTAB does at every step in post-grant proceedings. The USPTO must make decisions about the merits of each case, such as whether a petition meets the threshold for institution, and whether the claims have been proven invalid in preparing a final written decision. The AIA by necessity confers discretion on the USPTO Director, and there is no reason that such discretion should not extend to whether to deny institution in view of fairness and efficiency concerns.

Attempting to Create Standing to Appeal Final PTAB Decisions

The PTAB Reform Act includes a provision in § 319 that attempts to create an artificial constitutional injury for petitioners seeking appeal to an Article III court without standing. Under current well-established law, a petitioner may not appeal the PTAB's final written decision that a patent is not unpatentable to the Federal Circuit unless that petitioner can establish Article III standing. This is not simply a matter of PTAB or Federal Circuit procedure, but a constitutional requirement designed to sharpen arguments and limit precious judicial resources to parties with a real stake in a case's outcome. The Federal Circuit is an Article III court, meaning that an appellant must establish all of the elements to meet the Article III constitutional standing requirements. Elements of the constitutional standing requirement cannot be simply awarded statutorily as a means to circumvent this important constitutional safeguard. As the Supreme Court has stated, "[n]o principle is more fundamental to the judiciary's proper role in our system of government than the constitutional limitation of federal-court jurisdiction to actual cases or controversies."¹

Permitting Review of Institution Decisions Would Increase Costs and Decrease Efficiency

The PTAB Reform Act would allow parties to PTAB proceedings to seek review of the PTAB's determination to institute an IPR under 35 U.S.C. § 314(d). This change would not only introduce significant delay into PTAB proceedings, directly contradicting the intent of the AIA to provide a streamlined, cheaper alternative to district court litigation, but it would also tilt the playing field further in the direction of petitioners. The PTAB currently is able to use the institution decision as an important gatekeeping function to quickly dismiss invalidity challenges that have little likelihood of success. This helps both to preserve PTAB resources and to protect duly-granted patents from unnecessarily protracted proceedings. The PTAB Reform Act would take away this safeguard and introduce lengthy appeal disputes into effectively every institution decision. Further, when an IPR is filed, district courts often stay related proceedings where the patent owner is attempting to stop infringement of their patent on the premise that the IPR will be quickly resolved. Whereas a decision denying institution would normally mean that the district court would lift the stay, this appeal procedure would unnecessarily continue this delay to a patent owner seeking relief from infringement. Thus, this appeals provision stands not only to draw out weak invalidity challenges against duly-granted patents, but also to freeze out a patent owner's ability to seek relief from bad actors infringing its patents at the same time.

Shifting the Burden for Proving Patentability for Claim Amendments Would Disadvantage Patent Owners

Current law places the burden of proof on the PTAB petitioner at each stage of the proceeding, and allows patent owners to clarify their patent claims that are often challenged as overly-broad. Motions to amend were intended, in part, to serve as a check-and-balance against the AIA's low burden of proof enjoyed by petitioners. Unfortunately, such motions have had a very low rate of success. Recent efforts by the PTAB in its motion to amend pilot program have

¹ *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540, 1547 (2016) (citation and quotations omitted); see also *AVX v. Presidio Components, Inc.*, 923 F.3d 1357 (Fed. Cir. 2019).

markedly improved outcomes, but motions to amend still have less than a 20% chance of succeeding.² This is in stark contrast to the high institution rates and high cancellation rates at final decision noted in my testimony (*i.e.*, that the PTAB has found in favor of the patent challenger in nearly two-thirds of its institution decisions and has invalidated at least one claim in over 80% of the petitions that reach a final written decision). The bill would further constrain the motion to amend process by removing the burden of invalidity from petitioners and placing it on the USPTO, who is not a party to the IPR. The Innovation Alliance opposes this provision. The burden of establishing invalidity of a patent, or any claim thereof, should rest on the party asserting such invalidity—not on the patent holder or the USPTO. For this reason, we favor the approach set forth in the STRONGER Patents Act, which would maintain the burden of invalidating patent claims on the challenging party.

Limiting PTAB Discretion to Resolve Related Proceedings Would Invite Delay and Gamesmanship

The PTAB Reform Act proposes concerning changes to the guidance provided under § 315(d)(1) regarding multiple proceedings before the USPTO. Under current law, the Director may choose to stay, transfer, consolidate, or terminate a proceeding before the USPTO based on the existence of another proceeding involving the same patent that is also before the USPTO. The bill limits the Director’s discretion by forbidding the Director from terminating an IPR in favor of an *ex parte* proceeding. Coupled with the further amendments that (1) the Director be required to issue a decision regarding these supposed related proceedings and that (2) a party can appeal the Director’s decision, the PTAB Reform Act carves the path for a petitioner to effectively attempt to halt the prosecution of any patent application that shares a priority date with a duly-granted patent in the same family. We are concerned that this change would introduce unreasonable delays into the patent examination process and would provide an avenue for bad actors seeking to undermine a patent application with a means to delay the issuance of a patent.

Provisions we believe could be improved:

The Bill Does Not Sufficiently Limit Multiple Petitions

We appreciate the PTAB Reform Act’s codification of the current PTAB practice of denying institution for petitions that challenge claims that have already been challenged on an earlier date by the same party. However, multiple petitions would still be a significant problem under the bill. The bill’s proposed rule barring follow-on petitions would be limited to petitions challenging the same claims, not the same patent. As a result, subsequent petitions attacking the validity of the same patent would be allowed so long as they challenged different claims. Likewise, the “same-day” exception would give rise to significant abuse, encouraging “kitchen sink” filings of multiple petitions on the same day, each attacking the same claim but under different obviousness theories. For example, the PTAB Reform Act would allow for ten different petitions to be filed on the same day, each based on a different prior art argument, and would

² U.S. PATENT AND TRADEMARK OFF., *Patent Trial and Appeal Board Motion to Amend Study*, 3 (Jul. 2020), https://www.uspto.gov/sites/default/files/documents/20201028_ptab__mta_study_installment_6_tf_iq_813950_final_revised.pdf.

also allow patent challengers a full year to bring a new petition against amended claims that they already had a chance to challenge during the amendment process.

The Bill Should Further Clarify the Scope of Real Party in Interest Discovery

We support the addition of a provision allowing discovery into real parties in interest in IPR proceedings. However, we believe that this subsection could benefit from further clarification regarding the types of discovery that the rulemaking should allow—for example, by clarifying that the parties should be allowed to depose witnesses who submit affidavits or declarations and to request evidence identifying the petitioner’s real parties in interest.

Providing Financial Support to Small or Micro Entities Does Not Outweigh the Costs Imposed on Them by the Bill

We would not oppose a provision under which the USPTO would pay for the reasonable costs of a small entity to defend its patents from an IPR. Such financial assistance may be warranted because small entities often do not have the resources to defend their patents from validity challenges in IPRs. We believe the proposal would have a very modest impact, however, because we understand that very few IPRs are brought against small or micro entities. Further, we believe that the financial support offered to small and micro entities, and the definitions of these entities used in the draft language, do not sufficiently protect small businesses from the added costs and burdens imposed by other provisions in the bill.

The Bill Should Clarify How Sanctions Against Petitioners who Deliberately Lose or Delay an IPR Would be Applied to Patent Owners

We appreciate the bill’s attempts to address certain kinds of bad-faith conduct by parties in IPRs. We are concerned, however, that the inclusion of the language “which sanctions shall be equally applicable to petitioners and patent owners” is confusing, as it may imply that any sanctions must be issued against both parties, and it is unnecessary, because the section plainly applies to either party without that clause.

The Bill Should Ensure that Exceptions to the Prohibition on ex parte Communications are Limited

We support the proposed prohibition on *ex parte* communications between supervisory officers and judges assigned to an IPR panel. However, we are concerned with the exception provided in the bill, as the Code of Conduct for United States Judges allows a judge to “consult with other judges or court personnel whose function is to aid the judge in carrying out adjudicative responsibilities.”³ We are concerned that this exception may swallow the rule and would prefer that any exceptions be explicitly clarified in the text.

3. *How specifically can our introduced bill be made fairer to patent owners?*

In addition to the changes listed above in response to Question 2, the PTAB Reform Act

³ Code of Conduct for United States Judges, Canon 3A(4).

would more fairly treat patent owners and strengthen the patent system by implementing provisions in the STRONGER Patents Act. Strong patents are critical to maintaining U.S. leadership in a global innovation economy. Innovators in fields like 5G, AI, quantum computing, next-generation medical cures, and countless others rely on intellectual property rights to protect their technologies and to bring their innovations to market. The STRONGER Patents Act would ensure that innovators can enforce and defend their patents at a PTAB that is consistent and fair, ultimately strengthening U.S. competitiveness in innovative R&D, in the following ways:

Aligning the Burden of Proof Applied in PTAB and District Court Proceedings

The STRONGER Patents Act would ensure that the same burden of proof applies to parties seeking to invalidate a patent claim in federal court and the PTAB. Specifically, the bill would increase the burden of proof in PTAB proceedings by requiring a challenger to demonstrate invalidity of patent claims by “clear and convincing evidence” instead of a mere “preponderance of the evidence,” and would apply the presumption of validity used in district court to PTAB proceedings.

This provision is necessary to prevent the gamesmanship that can occur where a challenger chooses to seek the invalidation of a patent at the PTAB rather than federal court because of the lower evidentiary burden. We also believe the stricter “clear and convincing evidence” standard, along with the presumption of validity, provides due deference to the expert determinations made by the USPTO’s patent examiners when they make the original decision to award a patent. Patent holders that have invested a substantial amount of money in the process of discovering, developing, and patenting their innovations need the certainty that the decision of the USPTO’s patent examiners in the first instance have meaning.

If the PTAB is permitted to wholly disregard a patent examiner’s finding and essentially engage in *de novo* review each time a patent is challenged, the reliability of a patent granted by the USPTO is significantly reduced. This deprives patent owners the ability to accurately gauge the validity of a patent that has been issued, but not litigated, and thus creates uncertainty.

Requiring PTAB Challengers to Have a Stake in the Suits They Initiate

The STRONGER bill also requires litigants to have a particular interest in order to challenge the validity of a patent before the PTAB, just as they would be required to have standing to file a suit in federal court. This ensures that PTAB challenges will be brought only by those entities with a direct business or financial stake in the outcome of the proceedings. Accordingly, these sections would help eliminate nuisance challenges and challenges brought for nefarious purposes that only serve as a tax on innovation. The Innovation Alliance supports this provision because exposing innovators to challenges from parties with only an attenuated stake in the proceedings themselves creates the possibility of astronomical costs and protracted litigation without a direct benefit to either of the litigants or the U.S. economy at large.

Establishing Commonsense Limitations on Serial and Redundant Challenges

Sections 102(f) and 103(f) of the STRONGER bill provide that a PTAB petitioner can only file a single proceeding to challenge a given patent in most instances. If the validity of the

patent is upheld, the challenger cannot file another PTAB challenge. These sections also provide that a party who has filed an instituted IPR at the PTAB may not later bring a challenge to the same patent's validity in federal court.

Finally, sections 102(h) and 103(h) of the STRONGER bill provide that, when a federal district court has issued an opinion on the validity of a patent subject to concurrent review by the PTAB and the district court opinion has been appealed, the PTAB decision should be stayed pending resolution of the appeal.

The Innovation Alliance supports these provisions because they ensure the most efficient allocation of judicial resources by avoiding redundant and duplicative proceedings. Further, they will help ensure that a patent holder will not be subjected to protracted, expensive litigation simply because a challenger decides to file redundant challenges against the same patent. These provisions ensure that patent owners have *some* prospect of finality to adjudications of the validity of a given patent, at least with respect to the same challenger.

4. *What are your thoughts regarding the introduced bill's ban on institution of serial petitions? How can it be improved?*

As noted above in response to Question 2, we appreciate the bill's codification of the current PTAB trial practice of denying institution for petitions that challenge claims that have already been challenged on an earlier date. However, multiple petitions would remain a significant problem under the bill. The PTAB Reform Act's proposed rule barring follow-on petitions would only apply to petitions challenging the same claims, not the same patent, permitting subsequent petitions attacking the validity of the same patent if they challenged different claims. Further, the bill's "same-day" exception would lead to significant abuse, encouraging "kitchen sink" filings of multiple petitions on the same day, each attacking the same claim but under different obviousness theories. For example, the bill would allow for ten different petitions to be filed on the same day, each based on a different prior art argument, and would also allow patent challengers a full year to bring a new petition against amended claims that they already had a chance to challenge during the amendment process.

5. *What are your thoughts regarding the introduced bill's codification of the Phillips standard? How can it be improved?*

We support the bill's codification of the *Phillips* standard as currently drafted.

6. *What are your thoughts regarding the introduced bill's coverage of reasonable fees for small and micro entities who face challenges at the PTAB?*

As noted above in response to Question 2, we would not oppose a provision under which the USPTO would pay for the reasonable costs of a small entity to defend its patents from an IPR. Such financial assistance may be warranted because small entities often do not have the resources to defend their patents from validity challenges in IPRs. We believe the proposal would have a very modest impact, however, because we understand that very few IPRs are brought against small or micro entities, and the assistance does not sufficiently outweigh the costs imposed on patent owners by other provisions of the bill.

7. *What are your thoughts regarding the introduced bill's increased transparency regarding decisions – whether they are made by the USPTO Director or PTAB administrative patent judges?*

We support the proposed bill's transparency provisions, including the prohibition on *ex parte* communications between supervisory officers and judges assigned to an IPR panel. However, we have concerns regarding the exception provided in the bill, as the Code of Conduct for United States Judges allows a judge to "consult with other judges or court personnel whose function is to aid the judge in carrying out adjudicative responsibilities." We are concerned that this exception may swallow the rule and would prefer that any exceptions be explicitly clarified in the text.

8. *Does the introduced bill's sanction of bad-faith challengers who offer to deliberately delay or lose an instituted challenge in exchange for consideration go far enough to end gamesmanship? Are there any additional steps that can be taken to address gamesmanship?*

We appreciate the PTAB Reform Act's attempts to address certain kinds of bad-faith conduct by parties in IPRs. We are concerned, however, that its inclusion of the language "which sanctions shall be equally applicable to petitioners and patent owners" is confusing, as it may imply that any sanctions must be issued against both parties. We further believe that language is unnecessary because the section plainly applies to either party without that clause.

9. *What are your thoughts regarding establishing a presumption of validity for patents that are being challenged at the PTAB?*

We would strongly support a provision that established a presumption of validity for patents challenged at the PTAB, along with an accompanying change in the burden of proof from "preponderance of the evidence" to "clear and convincing evidence." Such a change is necessary to prevent the gamesmanship that can occur where a challenger chooses to seek the invalidation of a patent at the PTAB rather than federal court because of the lower evidentiary burden. We believe the stricter "clear and convincing evidence" standard, along with the presumption of validity, provides due deference to the expert determinations made by the USPTO's patent examiners when they make the original decision to award a patent. Patent holders that have invested a substantial amount of money in the process of discovering, developing, and patenting their innovations need the certainty that the decision of the USPTO's patent examiners in the first instance have some meaning.

If the PTAB is permitted to wholly disregard a patent examiner's finding and essentially engage in *de novo* review each time a patent is challenged, as the current law allows, the reliability of a patent granted by the USPTO is significantly reduced. This deprives patent owners the ability to accurately gauge the validity of a patent that has been issued, but not litigated, and thus creates uncertainty. We thus recommend that the PTAB Reform Act include provisions establishing a presumption of validity and changing the burden of proof to the "clear and convincing evidence" standard.

10. *What are your thoughts regarding establishing a standing requirement for institution of a petition at the PTAB?*

We would strongly support a provision that would establish a standing requirement for institution of a petition at the PTAB, such as the one included in the STRONGER Patents Act. Such a provision would ensure that PTAB challenges will be brought only by those entities with a direct business or financial stake in the outcome of the proceedings, which would help eliminate nuisance challenges and challenges brought for nefarious purposes that only serve as a tax on innovation. Requiring parties to have standing to institute a petition at the PTAB would provide innovators with certainty that only those individuals or entities who have a direct, vested interest in the validity or invalidity of their patents can file a challenge with the PTAB. Exposing innovators to challenges from parties with only an attenuated stake in the proceedings themselves creates the possibility of astronomical costs and protracted litigation without a direct benefit to either of the litigants or the U.S. economy at large.

11. *Are there any additional measures that we should consider as part of a comprehensive PTAB reform bill?*

As noted in response to Question 3, we support including the provisions in the STRONGER Patents Act.

Questions from Senator Leahy

1. *You testified on behalf of a trade group called the Innovation Alliance. In patent matters, I hear from all sorts of groups, and it is not always clear what companies or individuals are behind them or are funding them. Understanding this is important especially because I may hear the same policy proposal from two different groups, and I may not be told that those groups are actually being funded by the same source. Some groups make their membership and funding public. For instance, the Innovation Alliance represents on its website that its members are your company—Qualcomm—as well as InterDigital; AbbVie; Aware, Inc.; Cantor Fitzgerald, LP; Digimarc Corporation; Dolby Laboratories, Inc.; Fallbrook Technologies, Inc.; Immersion; and Xperi Corporation. Other groups do not make their membership and funding public.*
 - a. *Besides the Innovation Alliance, does Qualcomm fund any groups that lobby Congress on anything related to patents?*
 - b. *In particular, has Qualcomm ever provided funding or payments, directly or indirectly, to any organizations that are active in patent policy debates before Congress, such as (by way of example) Engine, the Alliance of U.S. Startups & Inventors for Jobs (USIJ), U.S. Inventor, the High Tech Inventors Alliance (HTIA), the Eagle Forum, the Federalist Society, the Heritage Foundation, the Computer & Communications Industry Association (CCIA), the U.S. Chamber of Commerce's Global Innovation Policy Center, or the Twenty-First Century Coalition for Patent Reform (21C)?*

- i. Which organizations?
 - ii. How much funding has Qualcomm provided to each of them?
 - c. Has Qualcomm ever provided funding or payments, directly or indirectly, to any individuals who are active in patent policy debates before Congress who were previously high-ranking officials at the U.S. Patent and Trademark Office (Director, Acting Director, Deputy Director, or Acting Deputy Director), the Intellectual Property Enforcement Coordinator, Article III judges, or members of Congress?
 - i. Which individuals?
 - ii. For each individual, through which organization or organizations, if applicable?
 - iii. How much funding has Qualcomm provided to each of them?
 - d. What is Qualcomm's overall lobbying budget for 2022?

Qualcomm is deeply committed to engaging in the development and discourse of public policies, such as the STRONGER Patents Act, that promote U.S. technological competitiveness and global leadership by strengthening the patent system, and we support organizations that further these important goals. A strong patent system is central to the future of a resilient, growing, and increasingly technology-driven U.S. economy that allows us to protect our national security. For decades, the U.S. patent system has secured our global technology leadership by incentivizing the R&D that is needed to invent ground-breaking technologies. As Congress considers legislation, such as the PTAB Reform Act, that would weaken the U.S. innovation ecosystem and disadvantage patent owners, it is important for policymakers to hear from subject matter experts and stakeholders that would be regulated and affected by the legislation.

In the Lobbying Disclosure Act ("LDA"), Congress recognized a balance between the First Amendment right to participate in the legislative process and the public interest in transparency.⁴ Qualcomm has followed the LDA's requirements by registering appropriate employees and filing quarterly and semi-annual lobbying activity reports with the Clerk of the House and the Secretary of the Senate. In addition to adhering to the requirements of the LDA, Qualcomm has endeavored to further promote transparency by voluntarily publishing its political contributions and expenditures.⁵

- 2. *In the hearing you suggested that the invalidation rates at the PTAB are inappropriately high and mentioned 84%. However, the official PTO statistics show that, last fiscal year (FY21), only 16% of patent claims subject to a petition were found unpatentable by the PTAB. Meanwhile, all the rest of the claims were confirmed (so not cancelled), were denied institution or dismissed (so not cancelled), settled (so not cancelled), or resulted in*

⁴ Lobbying Disclosure Act, 2 U.S.C. § 1607(a) ("Nothing in this Act shall be construed to prohibit or interfere with - (1) the right to petition the Government for the redress of grievances; (2) the right to express a personal opinion; or (3) the right of association, protected by the first amendment to the Constitution.").

⁵ See Qualcomm Incorporated, Disclosures Under Political Contributions and Expenditures Policy Fiscal Year 2021 (September 28, 2020 - September 26, 2021), available at https://dl1io3yog0oux5.cloudfront.net/_47bcf020bc9c78924cf74a7b33f7a545/qualcomm/db/784/7084/file/FY21+Full+Year+Disclosure_Final.pdf.

the patent owner requesting adverse judgment and disclaiming them (5% of claims, which were cancelled at the patent owner's request).

- a. *Do you dispute the PTO's statistics?*
- b. *If PTAB proceedings unfairly favor petitioners as you seemed to suggest, how do you explain the fact that patent owners prevail the vast majority of the time?*

The statistics cited in our testimony—that the PTAB has found in favor of the patent challenger in nearly two-thirds of its institution decisions and has invalidated at least one claim in over 80% of the petitions that reach a final written decision—are based on the official PTAB statistics.⁶ We believe that the rates of institution and rates of cancellation in final written decisions are far more salient to the question of what statutory reforms are necessary at the PTAB, as those are the statistics that include decisions by the PTAB on the merits, and are thus the best metrics for understanding how the PTAB is applying the statute. As the statistics show, when the PTAB applies its institution standard (that there is a “reasonable likelihood” that the petitioner will ultimately prevail under the preponderance of the evidence standard), the PTAB decides that threshold has been met nearly two-thirds of the time. Similarly, when the PTAB finally reaches the question of whether the petitioner has met its preponderance-of-the-evidence burden, it finds in favor of the petitioner over 80% of the time.

We disagree with the assertion that patent owners prevail the vast majority of the time at the PTAB. To arrive at the conclusion that the PTAB's statistics show that patent owners are prevailing in the vast majority of petitions, one would need to count all settlements, non-merits dismissals, and requests for adverse judgment by the patent owners as a win for the patent owner. But applying the same logic to district court cases would lead to the conclusion that defendants win not only a vast majority, but nearly every district court patent litigation dispute, undermining almost all arguments advanced in favor of the creation or the continued existence of the PTAB.⁷

3. *During patent prosecution, the examiners at the PTO apply the broadest reasonable interpretation to construe claim terms. However, in district court litigation, the courts will*

⁶ U.S. PATENT AND TRADEMARK OFF., *PTAB Trial Statistics FY22 Q2 Outcome Roundup IPR, PGR*, 11 (2022) (collecting statistics for FY 2022),

https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2022_q2__roundup.pdf; U.S. PATENT AND TRADEMARK OFF., *PTAB Trial Statistics FY21 End of Year Outcome Roundup IPR, PGR, CBM*, 11 (2022) (collecting statistics for FY 2021),

https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2021__roundup.pdf; U.S. PATENT AND TRADEMARK OFF., *PTAB Trial Statistics IPR, PGR, CBM Patent Trial and Appeal Board September 2020*, 10-11 (2022) (collecting statistics for Sept. 16, 2012 to Sept. 30, 2020),

https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf.

⁷ See Docket Navigator Court & Judge Comparison Report Outcomes Comparison (available at https://search.docketnavigator.com/patent/search/comparison/patent_court_comparison) (showing that, of the approximately 19,000 patent cases filed in U.S. district courts from 2016 to present, nearly 16,000 ended in settlement and that patentees have prevailed on the merits in only about 500 of those 19,000 cases, for a success rate of approximately 2.5%).

use a narrower Phillips standard. The Patent Act currently does not require that the PTAB use the same Phillips standard as the courts.

- a. In the hearing you mentioned that you recognized the PTAB Reform Act included compromises that favor patent owners, including the proposed requirement that the PTAB use the Phillips standard in post-grant proceedings. Which standard for claim construction do you think the PTAB should be applying when hearing challenges to a patent?*

We support the bill's codification of the *Phillips* standard as currently drafted.

4. *In the hearing, both Professor Anderson and I cited the statistic that projected trial dates relied upon by the PTAB are inaccurate 94% of the time, to which you responded that those delays were due to postponements caused by the COVID-19 pandemic.*
 - a. How accurate were projected trial dates relied upon by the PTAB before the coronavirus pandemic?*
 - b. How did you arrive at that number?*

The cases from the study cited by Professor Anderson were all affected by the COVID-19 pandemic, as the study focused exclusively on institution decisions that issued between May and October in 2020. None of the decisions that the PTAB analyzed under the *Fintiv* framework included future trial dates that were scheduled before the coronavirus pandemic, as *Fintiv* was not designated as precedential until May 2020 (and the *Fintiv* decision itself did not issue until March 2020, the same month COVID-19 was declared a global pandemic). Even going back to *NHK Spring* (the first case to consider co-pending district court litigation in the discretionary denial analysis, and the predecessor to *Fintiv*), the number of petitions denied due to future district court trial dates that were unaffected by the pandemic is likely to be statistically insignificant, as *NHK Spring* was not designated as precedential until May 2019, and PTAB statistics show that fewer than ten IPR petitions were denied under *NHK Spring* in 2019, with the majority coming in the second half of the year, when parallel trial dates were likely to be scheduled for after March 2020.

Further, as explained below in response to Question 8, the Director has issued interim guidance on how PTAB panels are to consider parallel district court litigation and is pursuing rulemaking on this issue, mitigating any concerns about the interplay between district court litigation and PTAB institution decisions.

5. *In Congress, I periodically hear references to abuses of the PTAB process by petitioners, but stakeholders' views on what is or is not abusive differ significantly.*
 - a. What types of uses of the PTAB are abusive and why?*
 - b. If a petitioner files a meritorious petition that demonstrates that a patent should never have been issued, should its motivation for challenging that patent matter? Why?*
 - c. Does the cancellation of invalid patent claims benefit or harm the public?*

Abuse of the PTAB system is a problem that the PTAB takes seriously, as shown by Director Vidal's interim guidance on applying *Fintiv*, which repeatedly states that the PTAB needs discretion to consider parallel district court proceedings in situations where abuse of the system could be present. One recent example of such abuse is shown in the OpenSky petitions filed against VLSI. Following VLSI's \$2 billion dollar verdict in district court against Intel, OpenSky—an entity with no stake in the litigation or the patents—filed IPRs to extract a nuisance settlement from VLSI.⁸ Further, defendants in patent infringement suits often file multiple, duplicative IPRs merely for the purpose of altering the negotiating positions of the companies, rather than to seek a cost-effective alternative to district court.

As explained further in response to Question 8 we generally believe Director Vidal has taken steps to clarify the use of *Fintiv* discretion in her interim guidance with respect to competing concerns about maintaining the ability to combat abuses at PTAB and the public's interest in cancellation of plainly invalid patents. The PTAB Reform Act of 2022 would remove a tool that the Director clearly sees as essential to that balance by eliminating her ability to consider parallel district court proceedings for any reason. For this and many other reasons, we cannot support the PTAB Reform Act of 2022's unnecessary and harmful abrogation of *Fintiv*.

6. *In your testimony, you suggested that an unintended consequence of the Leahy-Smith America Invents Act is that big companies will continue to “unfairly use the PTAB as a tool to gain unfair leverage against small companies.”*

- a. *How many inter partes review petitions and post-grant review petitions has Qualcomm filed in the last 3 years?*
- b. *How many of those are against small companies?*
- c. *Do those patent holders argue that any of those petitions were vexatious or repetitive?*

Qualcomm is one of only a few companies that brings and faces PTAB challenges with essentially equal frequency. This perspective gives us unique insight on how the competing concerns of patent owners and patent challengers should be balanced. Qualcomm has filed 19 IPR petitions and 0 PGR petitions in the last three years. These petitions were filed against large operating companies, universities, and patent assertion entities. None of the patent owners in these IPRs filed at the PTAB as small entities. None of these petitions challenged the same patent, *i.e.*, only one petition per patent, and none of the patent owners argued that the petitions were vexatious or repetitive.

7. *I periodically hear reference to concerns that the foreign companies, like companies in China, can use the PTAB to challenge issued U.S. patents. I understand that 51%—more than half—of issued U.S. patents are issued to foreign inventors.*

- a. *Do you have concerns that foreign companies like those in China can use the PTAB to challenge issued U.S. patents?*

⁸ See <https://www.law360.com/articles/1496674/ptab-needs-tougher-rules-to-thwart-abusive-iprs-attys-say>.

- b. *Do you have the same concerns that foreign companies like those in China can obtain U.S. patents and use them—whether valid or invalid—to seek nuisance licenses from U.S. businesses?*

U.S. innovation leadership depends on strong patent rights that incentivize the private investment of money and talent that is needed to develop new technologies. This virtuous cycle of R&D and investment permits the U.S. and our companies to compete with firms such as those in China, which receive substantial government support and therefore do not rely on licensing revenue to fund R&D into new technology. However, a cornerstone of the U.S. patent system is the non-discriminatory treatment of inventions. Section 101 of the Patent Act states: “Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor.”⁹

Like many companies that participate in the global economy, Qualcomm holds patents in many countries and avails itself of governing laws to protect its patented technologies. A reciprocal patent system that respects and acknowledges these laws is vital for the U.S. to maintain its position as the world’s leader in inventing and developing emerging technologies. While we note that many foreign firms are frequent users of the PTAB, the U.S. patent system has procedures in place to protect strategic U.S. economic and national security interests. One procedure that helps the PTAB achieve this goal is its ability to use its discretion to deny institution of petitions in light of abuse of the system by litigants. The PTAB Reform Act of 2022’s curtailing of the Director’s discretion on institution would weaken the PTAB’s ability to combat abuse of the system, whether it comes from foreign or domestic firms.

8. *There has been a lot of controversy surrounding the last Administration’s decision to consider ongoing district court litigation, beyond the statutory time bars, when deciding whether to allow a patent challenge to move forward at the PTAB. PTO Director Kathi Vidal recently announced new agency guidance on discretionary denials related to civil actions. This guidance cabins the ongoing-litigation factors that can be a basis for denying institution.*
- a. *Do you agree with Director Vidal’s interim procedures for dealing with parallel district court litigation?*
- b. *What factors from the *Fintiv* decision or from Director Vidal’s guidance do you think should be left intact in a legislative compromise?*

We appreciate Director Vidal’s commitment to transparency and predictability at the PTAB and her dedication to promulgating regulations through notice-and-comment rulemaking. We plan to file comments as part of the rulemaking process on the application of *Fintiv*, but we generally support the balance that the Director has struck with her recent interim guidance. Any concerns about the PTAB’s use of its discretion under *Fintiv* should be addressed by this guidance. As shown in the PTAB Parallel Litigation Study that accompanied the Director’s interim guidance, *Fintiv* denials have dropped sharply in the last year, and the Director’s guidance should lead to even fewer denials, as it constrains PTAB panels from

⁹ 35 U.S.C. § 101.

exercising their discretion in certain situations, such as when a *Sotera* stipulation is present or when the panel finds that the petition's merits are plainly compelling. And as the Director noted in her guidance, it is imperative that she be allowed discretion to deny institution in light of parallel proceedings in order to combat potential abuses of the IPR system.

We support the Director's position of incentivizing patent challengers to agree to stipulate that they will not argue any invalidity grounds in parallel district court litigation that were raised or could have been raised in their IPR petition. Defendants who agree to so stipulate are using the PTAB as it was intended—a cost-effective alternative to district court litigation—mitigating concerns about duplication of efforts at the PTAB and district court. We remain concerned, however, that the PTAB has no authority to enforce these stipulations. We would therefore include a provision that required the stipulations to be filed with, and honored by, the district court, in any legislation on parallel proceedings in district court and the PTAB.

However, in cases where a patent challenger refuses to stipulate that it will not raise in district court any invalidity grounds that could have been raised in its IPR petition, the patent challenger has shown that it is not seeking to use the PTAB as an alternative to district court litigation, but is instead intentionally duplicating proceedings. If a petitioner is not willing to avoid duplication at the patent office and in district court, the standard for institution should be set high. One such way to overcome this bar could be by showing that the petition challenges a patent that is clearly invalid, similar to the Director's guidance that "compelling" petitions will be instituted regardless of parallel district court proceedings. Though we believe the Director's guidance on this point should more clearly state how difficult this standard should be to meet, we generally support the concept that the small subset of patents that clearly should not have been issued should be considered by the PTAB regardless of parallel proceedings.