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June 19, 2023

BEFORE THE

UNITED STATES PATENT AND TRADEMARK OFFICE

Washington D.C.

Docket No. PTO-P-2020-0022

United States Patent and Trademark Office
The Honorable Kathi Vidal
U.S. Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Dear Director Vidal:

The Institute for Policy Innovation (IPI) appreciates the opportunity to provide these comments to the United States Patent and Trademark Office concerning potential changes to proceedings before the Patent Trial and Appeal Board (PTAB).

The Institute for Policy Innovation is a non-profit, non-partisan public policy "think tank" based in Irving, Texas. IPI is supported wholly by contributions from individuals, businesses, and other non-profit foundations. I am a resident scholar with IPI. I am also a past president of the Health Economics Roundtable for the National Association for Business Economics, the largest trade association of business economists.

IPI is also an accredited NGO with the World Intellectual Property Organization (WIPO) in Geneva, Switzerland, and thus we were the first organization to begin hosting an annual World IP Day event in Washington DC almost twenty years ago.

IPI reaffirms the truth, borne out time and again by experience, that intellectual property rights are vital to American innovation. When these rights are secure, economic actors small and large are free to invest and experiment with confidence that they will reap the fruit of their sacrifices if they are successful. When people cannot be certain that these rights are secure, the risks of innovation become too high for rational actors to assume. This applies to inventors themselves, the entrepreneurs who develop their work into commercial products, and to the investors who fund this work.

In such circumstances, it is especially difficult for small businesses and startups, which cannot rely on the same financial resources as larger or more established competitors, to assume the costs necessary for innovation. Early-stage startups typically have little to no revenue. Their biggest assets are their intellectual property and the talent of the people who work to develop it. In the absence of reliable and

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certain intellectual property rights, investment in innovation will dry up—with disastrous effects for the U.S. economy.

As the USPTO considers potential reforms of its internal patent review processes, this concern should be front of mind. New rules should ensure all innovators, regardless of size, can rely on robust intellectual property protection, while safeguarding a review process for those cases where it is genuinely necessary.

Indeed, past and ongoing abuses at PTAB proceedings make it urgent that we maintain current protections and even improve them. A number of companies have devised a well-rehearsed strategy of repeatedly using patent challenges to pursue "efficient" infringement of intellectual property developed by competitors. By challenging the claims of patentholders whenever and however possible, these companies subject innovators to lengthy and costly proceedings—burdens many of them are unable to bear.

It is no coincidence that almost all of the top 10 PTAB petitioners are high-tech companies such as Samsung. It is also worth noting that approximately one-third of all patents with PTAB proceedings ending in FY2022 were found invalid either in whole or in part, despite the rigorous USPTO review each patent underwent prior to issue.

Commendably, USPTO has implemented reforms meant to limit abuse of PTAB proceedings. The *Fintiv* factors laid out in 2020 are an effective means for reducing the breadth and frequency of process abuse. The *Fintiv* factors provide guidance to the PTAB on when not to institute a review if proceedings in federal court are already underway on the same issues. Under such circumstances, PTAB review is duplicative, unnecessary and an additional expense for patentholders whose patents are being challenged. Yet USPTO Director Kathi Vidal determined in 2022 that *Fintiv* factors should be attenuated and a PTAB review should proceed only if the Board determines a challenge has "compelling merits."

The courts are quite capable of resolving the vast majority of patent disputes on the merits. There is no need for patentholders to be subject to duplicative proceedings when a trial court will soon decide validity on the same merits. Indeed, further reforms to the process should move in the direction of more, not less, protection of quiet title for those who assume the risks of innovation.

Uncertainty is one of the greatest deterrents to robust economic activity. Its effects ripple across markets and nations. If clear, reasonable limits are not imposed on the means for presenting and prosecuting patent challenges before the PTAB, uncertainty will become the rule for every innovator in this country.

Respectfully,

Merrill Matthews, PhD
Research Fellow
Institute for Policy Innovation