

United States Patent and Trademark Office

Via Electronic Filing

June 20, 2023

Re: Response to Advanced Notice of Proposed Rulemaking on Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board

Dear Director Vidal:

On behalf of the Consumer Technology Association® (CTA), I write to submit our response to the Patent and Trademark Office's (PTO) Advanced Notice of Proposed Rulemaking (ANPRM).

CTA is North America's largest technology trade association. Our members are the world's leading innovators—from startups to global brands—helping support more than 18 million American jobs. CTA owns and produces CES®—the most influential tech event in the world. We are writing this letter to express our concerns regarding the proposals in the ANPRM that could potentially limit access to the Patent Trial and Appeals Board (PTAB) process.

The United States patent system plays a vital role in fostering innovation, driving economic growth, and maintaining our global competitiveness. It is essential for supporting the development and commercialization of innovative technologies, attracting investment and funding, and creating high-quality jobs. CTA's membership comprises a diverse range of companies, including world-leading patent holders and small businesses that rely on robust intellectual property protections to thrive in the technology sector.

However, our patent system faces challenges from entities known as "Patent Assertion Entities" or "Patent Trolls." These entities exploit the system by asserting low-quality patents in frivolous or overly broad patent infringement lawsuits, often targeting small businesses that lack the resources to effectively defend themselves. This abusive practice undermines innovation, diverts resources from productive activities, and impedes economic progress.

This practice is a major burden that is uniquely imposed on US innovators. According to a study, patent trolls impose direct costs of \$29 billion annually on the companies they target.¹ Small businesses endure most of these lawsuits, with more than 52% of companies targeted by Patent Assertion Entities between 2017 and 2022 having annual revenues below \$25 million.²

The PTAB's inter partes review (IPR) process has proven to be a critical tool in addressing these challenges. It provides an efficient and effective mechanism for challenging the validity of patents asserted by patent trolls, helping to level the playing field for innovative companies and ensuring that only deserving patents receive the protection of the law. The IPR process has been instrumental in invalidating many weak patents and curbing the abuses perpetrated by patent trolls.

We share the PTO's objective of continually improving patent quality and have concerns regarding the scope and potential impact of the proposed rule changes outlined in the ANPRM. These changes could inadvertently hinder the ability of American businesses, particularly small enterprises, to seek PTAB review in cases involving invalid patents. Additionally, some of the proposed changes appear to exceed the PTO's statutory authority and conflict with the America Invents Act (AIA).

Specifically, we have reservations about the following proposed restrictions and changes:

1. Shortening the statutory deadline for filing a PTAB petition: Shortening the deadline from one year to just six months, as proposed by the PTO, could place undue burdens on parties seeking PTAB review, especially in complex cases. Striking the right balance is essential to ensure fairness and accessibility, and Congress decided that balance should be set at one year.
2. Restricting who can file a petition: Imposing limitations on nonmarket competitors that go beyond the standing requirements outlined in the current law may unduly restrict access to PTAB review. Maintaining a

¹ <https://hbr.org/2014/07/the-evidence-is-in-patent-trolls-do-hurt-innovation>

² <https://lotnet.com/wp-content/uploads/2023/03/HTS-NPE-Risk-for-Pre-IPO-Companies.pdf>

level playing field is crucial to protect innovation from abusive litigation tactics, and, again, Congress has already decided who should have access to IPR.

3. Narrowing the AIA's standard for instituting review: The existing AIA standards for instituting PTAB review were carefully crafted by Congress to provide an effective and fair mechanism for challenging patent validity. Deviating from these standards by introducing a non-statutory "compelling merits" test could hinder the ability of businesses under attack from patent trolls to seek recourse through the PTAB process.
4. Rewriting the statutory estoppel: The repeal of previous rules that made district court determinations a bar to PTO review was a deliberate decision by Congress. Reintroducing estoppel at the beginning of a PTAB proceeding and making any district court determination a bar to PTAB review, absent an extra-statutory "compelling merit" showing, could unjustly limit the options available to defendants facing patent infringement claims.
5. Instituting a new "substantial relationship" test: The proposed rule to prevent a party from seeking review if a different party with a "substantial relationship" was previously sued and brought an unsuccessful challenge raises concerns about its practical implementation. The complexity of relationships within industries and the potential for abuse make this proposal challenging to enforce without unintended consequences.
6. Creating a new loophole for abusive litigants: The proposal to exclude validity review if a patent is owned by a "small business" attempting to "commercialize" the invention introduces ambiguity and potential for exploitation. It may lead to abusive litigants leveraging such loopholes to shield themselves from scrutiny.

If these proposals are implemented, they would represent a significant economic blunder at a time when economic recovery and growth are crucial. A study conducted over the 2014-2019 period reveals that the cost savings resulting from PTAB proceedings amounted to a

remarkable \$2.95 billion increase in gross product for US businesses.³ This impact was particularly beneficial for the manufacturing sector, which plays a vital role in our economy.

By limiting the availability of this critical resource for companies facing patent infringement challenges, we would be undermining the government's ongoing efforts to drive US manufacturing forward through the CHIPS Act, the Inflation Reduction Act, and similar initiatives.

We believe that the PTAB serves as a critical safeguard against invalid patents, protecting innovators and promoting a fair and efficient patent system. Implementing the proposed rules would undermine the effectiveness of the PTAB, disproportionately harm innovators, particularly small businesses, and embolden patent abusers.

While we believe it is important to improve patent quality, we must also address low-quality patents that have already been issued and rectify any errors in their issuance. We urge the PTO not to weaken or dismantle the process for correcting these errors. Instead, it is crucial to strike a balance that upholds the principles of fairness, encourages innovation, and safeguards the rights of legitimate patent holders.

Thank you for your attention to these comments. We are confident in the PTO's commitment to fostering innovation and protecting American businesses. We trust the PTO will consider our feedback while formulating the final rules and continue to strengthen the patent system.

Sincerely,
Michael Petricone
SVP
Consumer Technology Association

³ <https://www.perrymangroup.com/media/uploads/report/perryman-an-assessment-of-the-impact-of-the-american-invents-act-and-patent-trial-and-appeal-board-on-the-us-economy-06-25-20.pdf>