

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re: Discretion to Institute Trials Before
the Patent Trial and Appeal Board

Docket No. PTO-C-2020-0055
85 Fed. Reg. 66502

COMMENTS OF THE R STREET INSTITUTE

November 30, 2020

Attn: Scott C. Weidenfeller
Vice Chief Administrative Patent Judge
U.S. Patent and Trademark Office
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The R Street Institute respectfully submits the following comments in response to the Request for Comments dated Oct. 20, 2020, for which the due date for responses was extended on Nov. 18, 2020, 85 Fed. Reg. 73437. The R Street Institute is a nonprofit, nonpartisan public-policy research organization. R Street's mission is to engage in policy research and educational outreach that promotes free markets as well as limited yet effective government, including properly calibrated legal and regulatory frameworks that support economic growth and individual liberty.

For the reasons stated below, R Street opposes the United States Patent and Trademark Office's (Office) proposal to promulgate rules relating to either serial or parallel petitions, and opposes the use of discretionary denial authority to decline to institute petitions for post-grant trials before the Patent Trial and Appeal Board in most cases.

In view of the many other comments that are being submitted on this proceeding, these comments present two specific arguments that address certain components of the Office's inquiry, and then answers the specific questions that the Office poses in its Request for Comments.

I. Inter Partes Review Should Not Be Subsidiary to Other Proceedings in District Court or the U.S. International Trade Commission

Under the precedential decision *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, the Patent Trial and Appeal Board has set forth factors for when a petition for an inter partes review or post-grant review trial should be discretionarily denied in view of parallel litigation in a district court or before the United States International Trade Commission (ITC). These factors are improper because they render the Board's authority to review patents as subsidiary to those of other adjudicators, whereas Congress intended for the Board to take priority, and policy considerations show that the Board should take precedence in deciding patentability.

In creating trials before the Board under the America Invents Act (AIA), Congress intended for the proceeding to be a lower-cost, more efficient alternative to litigation in district courts or the ITC. By separating patent validity questions from infringement, Congress hoped to streamline the process of patent adjudication, such that cases involving patents of questionable validity could be disposed without the expenses of infringement-oriented discovery and trial.

Yet, by directing the denial of AIA trial petitions in view of parallel litigation, the Office turns that congressional purpose on its head. The cost savings and efficiencies of AIA trials cannot be achieved if the Office effectively forces petitioners to use more costly, inefficient litigation instead. To be sure, it would be wasteful for both litigation and an AIA trial to proceed simultaneously, but that only occurs because a small handful of trial judges and ITC adjudicators refuse to stay proceedings in view of copending AIA trials—a practice that is also unfortunately inconsistent with legislative intent. But acknowledging this intransigence as reason to deny AIA trial petitions, as the *Fintiv* factors do, only leaves two wrongs that do not make a right. Almost certainly, *Fintiv* will encourage those intransigent forums to refuse stays even more frequently, thereby further undermining the congressional scheme for a low-cost alternative to litigation.

The nature of AIA trials, which are solely directed to issues of patentability, further explains why AIA trial petitions should not be rendered subsidiary to district court or ITC litigation. Because those parallel forums adjudicate both patent validity and infringement, the conflation of issues creates complex incentives for how parties argue claim construction, invalidity and infringement. These incentives tend to drive parties away from broad invalidity

positions of relevance to markets and competition overall, and toward party-specific arguments such as noninfringement. Roger Allan Ford, *Patent Invalidity Versus Noninfringement*, 99 Cornell L. Rev. 71, 93–118 (2013). AIA trials, by contrast, force determinations of patentability; infringement cannot be adjudicated and thus the distorted incentives of litigation are not present. Thus, AIA trials better protect the public’s “paramount interest in seeing that patent monopolies...are kept within their legitimate scope,” *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 816 (1945), and they should not be subordinated to parallel litigation.

II. Petitions Should Not Be Denied in View of Other Litigation or Petitions by Unrelated Parties

In several cases, the Board has applied discretionary denials to AIA trial petitions based on earlier petitions or parallel litigation filed by third parties not related to the AIA trial petitioner. The impropriety of this practice is made evident by analogous case law on the judicial doctrine of *res judicata*.

Because of “our deep-rooted historic tradition that everyone should have his own day in court,” it has long been the case that a “judgment or decree among parties to a lawsuit...does not conclude the rights of strangers to those proceedings.” *Martin v. Wilks*, 490 U.S. 755, 762 (1989) (quoting 18 Charles Wright et al., *Federal Practice and Procedure* § 4449, at 417 (1981)) (internal quotes omitted). Thus, the doctrine of *res judicata*, otherwise known as claim preclusion, prevents relitigation of issues only where “the party to be affected, or some other with whom he is in privity, has litigated or had an opportunity to litigate the same matter in a former action.” *Postal Tel. Cable Co. v. City of Newport*, 247 U.S. 464, 476 (1918) (citing *S. Pac. R.R. Co. v. United States*, 168 U.S. 1, 48 (1918)). The Supreme Court has recognized narrow exceptions where special procedures were in place to protect nonparties’ interests or the unrepresented parties understood that the prior suit was brought in a representative capacity, but the application of *res judicata* outside those narrow circumstances is of such concern that the Court has called it “inconsistent with the due process of law guaranteed by the Fourteenth Amendment.” *Taylor v. Sturgell*, 553 U.S. 880, 897 (2008) (quoting *Richards v. Jefferson County*, 517 U.S. 793, 797 (1996)) (internal quotes omitted).

To be sure, it is unclear whether constitutional concerns apply to the denial of AIA trial petitions, but even if they do not, it cannot be denied that the long tradition of due process should inform the Office's application of discretion. Where the Office relies on one petitioner's failure to prove a patent invalid as reason to deny unrelated petitions is essentially to "conclude the rights of strangers to those proceedings," *Martin*, 490 U.S. at 762, contrary to principles of claim preclusion.

It is not hard to imagine situations where it would be highly inappropriate to allow an unrelated party's prior petition or parallel litigation to preclude a later petition. For example, the patent owner might pay the prior unrelated party to settle its dispute, thereby creating a duopoly with all other competitors prevented from using the AIA trial procedure; this creates virtually the same anticompetitive situation that the Supreme Court condemned in *Federal Trade Commission v. Actavis*, 133 S. Ct. 2223 (2013). Or the patent owner might first assert its patents against smaller, less-financed alleged infringers, triggering an AIA trial petition that is deficient in its prior art search or arguments; that underdeveloped petition plainly ought not to preclude later challenges to the patent.

III. Answers to Specific Inquiries

The Office poses several specific questions, and answers to each are provided below.

1. *Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in General Plastic, Valve I, Valve II and their progeny, for deciding whether to institute a petition on claims that have previously been challenged in another petition?*

No. Recent studies of serial petitions show that they are frequently filed for legitimate reasons, either to ensure a full record of prior art in view of word limits or to comply with the timing limits for filing petitions. As use of AIA trials evolves over time, a codified rule that cannot be distinguished or limited by traditional processes of precedent may entrench the Office and prevent legitimate petitions from being granted.

2. *Alternatively, in deciding whether to institute a petition, should the Office (a) altogether disregard whether the claims have previously been challenged in another petition, or (b) altogether decline to institute if the claims have previously been challenged in another petition?*

No to (b). As described above, it ignores due process and traditional rules of res judicata for an unrelated party's petition to justify discretionary denials.

3. *Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in the Consolidated Trial Practice Guide, for deciding whether to institute more than one petition filed at or about the same time on the same patent?*

No, for the reasons given above with regard to (1).

4. *Alternatively, in deciding whether to institute more than one petition filed at or about the same time on the same patent, should the Office (a) altogether disregard the number of petitions filed, or (b) altogether decline to institute on more than one petition?*

No to (b), for the reasons given above with regard to (2)(b).

5. *Should the Office promulgate a rule with a case-specific analysis, such as generally outlined in *Fintiv* and its progeny, for deciding whether to institute a petition on a patent that is or has been subject to other proceedings in a U.S. district court or the ITC?*

No. The concerns about evolution of precedent discussed with regard to (1) apply here. Additionally, the *Fintiv* rule is incorrect insofar as it permits an unrelated party's litigation to be reason to deny an AIA trial petition.

6. *Alternatively, in deciding whether to institute a petition on a patent that is or has been subject to other proceedings in district court or the ITC, should the Office (a) altogether disregard such other proceedings, or (b) altogether decline to institute if the patent that is or has been subject to such other proceedings, unless the district court or the ITC has indicated that it will stay the action?*

No to (b), for the reasons given above with regard to (2)(b).

IV. Conclusion

For the foregoing reasons, the Office should not promulgate rules as proposed in the Request for Comments. The R Street Institute thanks the Office for its inquiry on this matter. If any questions remain, please feel free to contact the attorney identified below.

Respectfully submitted,

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