

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE PATENT TRIAL AND APPEAL BOARD

**OPEN SKY INDUSTRIES, LLC, and
INTEL CORPORATION,
Petitioners**

v.

**VLSI TECHNOLOGY LLC,
Patent Owner**

Case IPR2021-01064
Patent 7,523,373

and

**PATENT QUALITY ASSURANCE, LLC, and INTEL CORPORATION,
Petitioners,**

v.

**VLSI TECHNOLOGY LLC,
Patent Owner**

Case IPR2021-01229
Patent 7,725,759

AMICUS BRIEF BY

**ALLIANCE FOR U.S. STARTUPS & INVENTORS FOR JOBS (“USIJ”),
CONSERVATIVES FOR PROPERTY RIGHTS (“CPR”), AND
VALENCEL CORPORATION (“VALENCELL”)**

IN RESPONSE TO REQUEST FROM DIRECTOR VIDAL DATED 7/7/2022

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I. INTRODUCTION and SUMMARY

The USPTO Director, by Order dated July 7, 2022, requested *amici curiae* to comment on two related questions regarding the appropriate way to address abusive conduct and other conduct that does not advance the goals of the U.S. patent system.¹ The Alliance of U.S. Startups and Inventors for Jobs (“USIJ”) responds herein to the Director’s request.² USIJ is joined by Conservatives for Property Rights (CPR),³ and Valencell, Incorporated (“Valencell”).⁴

Question 1 --

With respect to the first question posed by the Director, we note initially that the America Invents Act (AIA) enacted in 2011 gives the Director essentially unlimited discretion regarding whether to institute an IPR. 35 U.S.C. §314 (d) (no appeal from decision of Director re institution

¹ The two questions are:

(1) What actions the Director, and by delegation the Board, should take when faced with evidence of an abuse of process or conduct that otherwise thwarts, as opposed to advances, the goals of the Office and/or the America Invents Act (AIA)? and

(2) How the Director, and by delegation the Board, should assess conduct to determine if it constitutes an abusive process, or if it thwarts, as opposed to advances, the goals of the Office and/or the AIA, and what conduct should be considered as such? <https://www.uspto.gov/subscription-center/2022/director-vidal-sets-schedule-and-calls-amicus-briefing-director-review>

² USIJ is a coalition of 21 startup companies and their affiliated entrepreneurs, inventors and investors that depend on stable and reliable patent protection as an essential foundation for making long term investments of capital and time commitments to high-risk businesses developing new technologies. USIJ was formed in 2012 to address concerns that legislation, policies and practices adopted by the U.S. Congress, the Federal Judiciary and certain Federal agencies were and are placing startups and entrepreneurs at an unsustainable disadvantage relative to their larger incumbent rivals, both domestic and foreign, and others that would misappropriate their inventions. A disproportionately large number of strategically critical breakthrough inventions are attributable to individual inventors, startups, and small companies.

³ CPR is a coalition of organizations that stand for private property rights whatever the type of property, believe property rights are divinely endowed and that private property is essential to the functioning of free enterprise, human flourishing, discovery and creativity, and the exercise of ordered liberty.

⁴ Valencell develops and commercializes wearable medical-grade physiological monitoring solutions through innovative R&D, hundreds of patented inventions, and clinically validated technologies.

decision); *see also Apple Inc. v. Iancu*, 5:20-cv-06128-EJD, 9-10 (N.D. Cal. Nov. 10, 2021) (appeal from discretionary denial dismissed by trial court by Order dated 11/10/21).

While discretionary denial of institution might not always be an appropriate or a full response to abusive conduct, denial is certainly proper – indeed almost mandatory – when a party files a petition for an IPR that is abusive or thwarts the goals of the U.S. patent system. In the above-captioned cases, where petitioners with no apparent interest in the challenged patent(s) simply seek to cash-in on the patent owner’s interim vulnerability, dismissal is clearly called for. This outcome is essential to maintain the reputation and integrity of the USPTO, and equally essential to deter a tidal wave of copycat filings in other cases by third parties seeking a “something for nothing” opportunity.

In addition to the discretion given to the Director under Section 314 to deny any institution, Section 315(c) also gives the Director similar discretion to refuse to allow other entities to join pending IPRs. Once the Director has made a determination that the filing of an IPR petition is in fact an abuse of process and has denied institution, that denial should nullify the abusive petition for all purposes *ab initio*, and any effort at joinder to such an action should be denied. In the circumstances of these cases, particularly, it would be extremely unjust and detrimental to the proper administration of the USPTO to allow an unsuccessful infringer, who already has had a full opportunity to adjudicate its assertions that the relevant claims of these two patents are invalid, now to be given a new opportunity to adjudicate the identical claims once again in this tribunal. Although Section 315(b) provides that joinder may be permitted even after the 1-year window for petitioner to file on its own has expired, nothing in that provision suggests that a losing litigant, after a full and complete opportunity to challenge the validity of a patent claim in a district court proceeding, the outcome of which is still on appeal, should be allowed to

do so. Aside from the obvious unfairness to the patent owner, such a practice would quickly be followed by other losing litigants which, as a policy matter, would not be good use of the USPTO's limited resources. Moreover, there will be considerable difficulty in detecting the invisible hand of the losing infringer in such initial filings. If this type of shenanigan were permitted, "friends" of infringers who have just lost a case would be able to provide a convenient and often undetectable vehicle for "joinder" with little or no risk to themselves. Nothing more than a surreptitious phone call would be required to set in motion such a joinder opportunity to resurrect an infringer's ability to repeat the challenge it just lost.

In addition to discretionary dismissal, Section 316 (a)(6) requires the Director to implement Regulations "prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding." Pursuant to that statutory mandate, 37 C.F.R. § 42.12 sets forth the currently available options that the Office should consider in addressing improper conduct, one of which in particular is "Judgment in the trial or dismissal of the petition." *Id.* at (b)(8). In addition, the provision allows for "compensatory expenses, including attorney fees." *Id.* at (b)(6). Further, USPTO Rules of Professional Conduct allow the Office to sanction conduct participated in by those persons having a duty to further the administration of justice. 37 C.F.R. § 11.804 specifically identifies as professional misconduct "[engaging] in conduct that is prejudicial to the administration of justice." Depending on the nature of the abuse of process or egregiousness of the misconduct, any one of more of the foregoing sanctions may be appropriate. This question will require the Director to exercise judgement in achieving the right balance of factors.

Question 2 –

With respect to the second question, the criteria for determining whether conduct has been abusive or otherwise thwarts the goals of the U.S. patent system will sometimes be apparent from the surrounding circumstances, whereas in other situations the conduct is likely to be ambiguous, requiring the Director and the Patent Trial and Appeal Board (“PTAB”) (collectively “Office”) to exercise judgment in assessing the conduct in question. Given the diverse circumstances in which abusive conduct may be deployed, it is difficult to set forth rules of general application, but the categories of abuse described further below might be useful to guide the analysis.

II. THE ABSENCE OF STANDING HAS ALLOWED SEVERAL FORMS OF ABUSE

The lack of a standing requirement in IPR proceedings opens the door to abuses that thwart the goals of the America Invents Act, and the patent system generally. Congress had intended that PTAB proceedings would be used in a more limited number of situations to resolve disputes involving critical innovation. However, filings at the USPTO from the outset were nearly three times than expected after the first few years and a new breed of predator arose using increasingly devious ways to monetize the risks and uncertainties of the PTAB system. These predators make and sell nothing and have no stake in the patent system, save to exploit the open standing rules for their own undeserved gain. While contributing nothing by way of invention, these predators seek to use the threat of invalidating legitimate property rights as leverage to extort what they can from patent owners and other market participants. As a practical matter, the Director of the USPTO alone has both the power and the opportunity to prevent this malignant and despicable abuse of legitimate IPR procedures. USIJ believes that the Office should exercise its statutory authority to bar these abuses of the PTAB process, consistent with the legislative intent of the AIA and the need to deter abusive conduct in the future. While Article III standing

is not a prerequisite for filing petitions at the PTAB, when a petitioner does lack Article III standing, this should be a "red flag" that the Director and the PTAB should consider when weighing whether to proceed with institution. Indeed, it would be appropriate to establish a rebuttable presumption that without Article III standing, institution should be denied – a presumption that could be overcome by showing specific benefits to the public from the filing.

III. LEGISLATIVE HISTORY OF THE AIA

IPR proceedings have swollen as a result of an uneasy compromise in the legislative history of the America Invents Act to dominate the PTAB system. It was unforeseen how this “second window” opportunity to challenge a patent would morph from the rarely used adjunct proceeding, which was sold to Congress as a faster and cheaper alternative to litigation, to now constitute 95% of the PTAB’s adversarial cases. And while lawmakers did suspect that this “second window” might provide an opportunity for abuse, they did not foresee the full extent of the problems that would be spawned in devising schemes to take unfair advantage of the PTAB system.

Many of these abuses stem from the lack of a standing requirement when petitioning the Office to initiate an IPR. As Congress considered various possible provisions for the AIA, a broad consensus emerged to establish a “first window” opportunity to challenge the validity of newly-issued patents. This “first window” mirrored the opposition proceedings that were long-established in Europe and in other countries around the world, but then added more specific timelines to ensure that the U.S. proceeding did not unnecessarily delay providing certainty in the challenged rights. Congress broadly embraced harmonizing the U.S. system with such opposition proceedings, to establish this “first window” in which patents could be challenged within nine months of their issuance. As in Europe and elsewhere, there was no standing requirement to institute a “first window” challenge. The lack of a standing requirement for “first

“window” proceedings made sense, because these proceedings concerned newly-issued patents, and the entities concerned by such new patents would likely not have been threatened yet by the patentee. Anyone concerned with a newly issued patent could petition to have it challenged. Such “first window” proceedings were eventually codified in 35 U.S.C. §§ 321-329 as Post-Grant Review (“PGR”) proceedings.

During the legislative process, however, some lawmakers pressed to create a “second window” opportunity to challenge patents. The asserted rationale was that the first window alone would not provide an adequate opportunity to challenge invalid patents given:

- (i) the large number of potentially patented components that could make up any one product (e.g., a computer), (ii) the cost required to challenge every one, and (iii) the uncertainty as to what any one patent may cover.

(Senate Report 110-259) (Patent Reform Act of 2007) (comments of Sen. Leahy).

Establishing this “second window” was contested, with many other lawmakers recognizing the potential for abuse. Many senators foresaw that allowing parties to challenge the validity of a patent throughout its life in administrative proceedings could be unduly costly to inventors and discourage use of the patent system, thereby undermining its goals:

- “opening up a second window for administrative challenges to a patent only makes sense if defending a patent in such proceedings is not unduly expensive, and if such proceedings substitute for a phase of district-court litigation” S. Rep. No. 110-259, at 66 (2008) (comments of Sen. Specter);
- “Though shoddy patents do exist and must be addressed, after careful consideration, I decided that defending a patent’s validity throughout its life will be so burdensome that only patent owners with deep pockets could consider this a viable and attractive option.... Patents will be devalued and many inventors will opt for trade secrecy instead,

undermining the Framers' intent to promote disclosure and public benefit through a strong patent system." *Id.* at 69 (comments of Sens. Feingold and Coburn);

- “Although the Committee markup process incorporated some safeguards into the original broad and unfettered proposal, and because the ‘2nd window’ is uncharted territory that provides the opportunity for abuse, more effort needs to be made to provide a tighter second window or none at all.” *Id.* at 71 (comments of Sens. Coburn, Grassley, Kyl, and Brownback);
- “However, [second window proceedings] would lack the many safeguards of existing judicial and administrative reexamination procedures that protect patent owners against unwarranted, duplicative, and abusive post-grant challenges.... This uncertainty over the patent would limit the ability of inventors to attract capital investment and further develop their innovation and bring it to the marketplace. The Committee must not be so intent on creating a new process that they disregard the legitimate industries that need a more certain and final system.” *Id.* at 72 (comments of Sens. Coburn, Grassley, Kyl, and Brownback);
- Where consensus does seem apparent is in implementing a ‘1st window,’ a more prudent course than launching into an unknown and potentially unnecessary 2nd window may be to enact the 1st window, make adjustments to the current reexamination system and monitor the results. If the changes are still inadequate, then maybe the need for a 2nd window, and the appropriate parameters, will be more apparent. It is safer for this Committee and the full Senate to tread cautiously and make adjustments in the future than it is to stumble into a thicket that we cannot easily escape.” *Id.* at 72 (comments of Sens. Coburn, Grassley, Kyl, and Brownback).

The view that ultimately prevailed was that the Act provided enough safeguards that such abuses would not proliferate. These asserted “safeguards” included the various estoppel provisions, and certain limits preventing a party who filed a PGR petition to subsequently file an IPR petition. *Id.* at 157. Also, lawmakers recognized that the PTO already allowed “second window” proceedings, in the form of inter partes reexamination, and thus the lawmakers envisioned that the new “second window” proceedings would have the same form and effect as then-existing inter partes reexamination. *See* Sen. Kyle Speech on S. 3600 – 154 Cong. Rec. S9982-S9993 (Sept 27, 2008) (“To address some of the concerns about a second window, this bill limits such review to the issues that can be raised in inter partes reexam, and includes provisions that are designed to preclude the kinds of tactical and abusive uses of second-period proceedings that are currently seen in inter partes reexam.”).

These “second window” challenges were enacted as IPR proceedings. The lawmakers, in suspecting that they would resemble inter partes reexamination in form and effect, plainly did not foresee that “second window” challenges would swell from an adjunct of “first window” proceedings to dominate the PTAB landscape.

One of the most important safeguards that Congress provided was to grant to the Director of the USPTO the discretion on whether to institute IPRs, and to allow sanctions for abusive behaviors. 37 C.F.R. § 42.12(a)(6)-(8). It is these safeguards, in particular, that the Director must exercise with vigilance.

IV. THE DEVIL IS IN THE DETAILS - TODAY’S ABUSES WERE UNFORESEEN

While many lawmakers foresaw that the IPR proceeding might be abused, their foresight did not extend to the details and extent of the abuses. No one predicted the gaming of the system that has emerged since the AIA’s enactment. Specifically, none of the lawmakers predicted that stock market speculators would short sell positions in tandem with filing IPR petitions to

threaten patents covering pharmaceuticals and thereby manipulate stock prices. None of the lawmakers predicted the rise of a new class of predator that would sell subscription services for targeting valuable patents. And none of the lawmakers predicted that new entities would spring up to challenge patents that had just prevailed in court, to ransom the court judgment. These abuses, discussed below, undermine confidence in the patent system, and frustrate the Framers' goals of promoting the progress of science and useful arts through disclosure of inventions through patent filings. A common thread among these abuses is that all stem from the lack of a standing requirement similar to what has been an integral part of the jurisdiction of Article III courts for more than 200 years. These abuses share a hallmark that the Director should recognize in targeting instances of abuse – when the petitioner has no case or controversy arising under the patent, that is a telltale sign of abuse. If a petitioner would otherwise lack Article III standing, this should be a “red flag” that the PTAB and the Director should consider deciding whether conduct is abusive. Furthermore, where there is an abuse of process, the Director should bear in mind the full panoply of sanctions available under 37 C.F.R. §42, including monetary sanctions and attorney fees adequate to compensate the patent owner for the expenses incurred in defending the petitions, as well as additional sanctions designed to deter abuse of process in the future. We respectfully suggest that all of the following types of abuse be considered in such light.

A. Short sellers

Investors have gamed the system by targeting products, especially pharmaceuticals, that are protected by patents. By shorting the stocks of those companies, and concurrently filing IPR petitions to invalidate the patents, they have sought to turn the PTAB into a gambling hall. By filing and publicizing IPR challenges against pharmaceutical patents, these investors bet that the threat of invalidation will cause the stock price of the parent company to drop.

These stock market manipulators are not inventive entities that promote the progress of science and useful arts; they are not authors and inventors needing exclusive rights to their writings and discoveries. The patent system was not established for their benefit, and they have no case or controversy in the matter, save their own speculative goals. These stock market manipulators have been denounced by members of Congress in both parties. They frustrate the goals of the patent system by subjecting inventors to expense, disruption, and uncertainty over their patents rights. *See* Comments of Sens. Coburn, Grassley, Kyl, and Brownback, *supra*. While competing entities in the market would of course have the right to challenge such patents, instituting such challenges at the behest of stock market manipulators condones abuse.

Various patent reform bills are currently attempting to strip such stock market speculators of standing to file IPRs. However, even if these patent reform bills stall for other reasons, the Director should exercise all authority to stop this abusive behavior. The Director has such authority pursuant to 37 C.F.R. § 42.12(a)(6)-(8). In fact, the Director is *required* to “prescrib[e] sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding.” 35 U.S.C. § 316(a)(6). Accordingly, the Director should exercise this authority by declining to institute post-grant challenges when the only motive of the petitioner is financial speculation and the petitioner is unable to demonstrate a legitimate basis for its petition.

B. Shadow proxy subscription services

The lack of a standing requirement has allowed for the emergence of profiteers that collect subscription fees from deep-pocketed companies, largely in the digital technology industries, for the unstated but clearly understood “service” of challenging patents, and then proceed to file challenges through the PTAB. In their most favorable light, the problem with such “services” is they engender duplicative challenges to patents, which is harassing and burdensome to inventors. More realistically, these services are designed to avoid the estoppel

provisions of the AIA by pretending to be independent of the entities that provide their support, when in fact the only basis for their existence is to challenge patents on behalf of their members. They make no products, invent nothing, and sell no products and therefore are a drain or “tax” on the market.

Any patent can be challenged by a company that has an active stake in the outcome — if, for example, a patent holder is threatening a company or if a company perceives a patent as blocking its path to commercializing a new product it has developed – those companies have every right to file an IPR against that patent. What is abusive is to have these predatory profiteers file separate PTAB challenges in addition to the PTAB challenges that can be brought by the operating companies that fund the predator. Those operating companies are normally well-funded and more than capable of defending their own interests. Truly invalid patents can and should be invalidated by companies threatened by such patents, but there is no justification for providing two or more “bites at the apple” to knock out any duly issued patent.

Such subscription services should be stopped through diligent enforcement of the estoppel rules applying to “privies” and “real parties in interest.” *E.g.*, 35 U.S.C. § 315(e). That is, where an operating company is paying subscription fees for the “service” of invalidating patents, that same operating company should be found to be in privity, or to be a “real party in interest,” with the subscription service. As such, only one of those entities should be permitted to file a PTAB challenge, and both should be bound by any final determination that the patent is not invalid. This rule was enforced through *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336 (Fed. Cir. 2018).

Prior administrations have been lax in enforcing the privity rules as to subscription services, where they have erected the appearance of a veneer of independence between the filing

decisions of the subscription service and the operating companies. *E.g.*, *Unified Patents Inc. v. Clouding IP, LLC*, [IPR2013-00586, Paper 9](#) (Mar. 21, 2014). None of these institution decisions has been reviewed by the Federal Circuit, which has held that 35 U.S.C. § 314(d) precludes judicial review of the Board's RPI determinations under 35 U.S.C. § 312 entirely. *See ESIP Series 2, LLC v. Puzhen Life USA, LLC*, 958 F.3d 1378 (Fed. Cir. 2020). Thus, it is the prerogative of the PTAB to set its own rules regarding 35 U.S.C. §312 (a)(2) and to establish consequences for non-compliance. Moreover, we strongly believe that the rules the current Administration should implement be designed to deter such non-compliance, including sanctions for repeat offenders up to and including debarment.

C. Piling on to existing disputes

A variant of abuses from the lack of a standing requirement stems from the ability of litigants to challenge indiscriminately any number of patents in a company's portfolio, regardless if those other patents had ever been asserted, and to file multiple petitions against single patents. This tactic allows well-funded companies to barrage a competitor, typically a smaller company, by petitioning to invalidate up to every patent in its portfolio. This strategy turns a smaller company's patent assets into immediate financial liabilities. That is, a smaller company whose rights may be infringed by a larger company may be faced with a crushing deluge of IPR petitions, forcing it to spend hundreds of thousands of dollars per petition to defend patents that were never asserted, or a volley of serial petitions against individual patents. This tactic turns the IPR system on its head and exerts it to simply cause harm and distraction to extract litigation leverage. Exemplary instances of this type of abuse include the following:

- When Valencell sued Apple to enforce its rights under 4 patents, Apple petitioned to invalidate not only those asserted patents, but also filed seven IPR petitions against patents that Valencell had never asserted, plainly as a means to impose

cost and burden to extract litigation leverage. *See* “Weaponizing IPRs,”
Landslide, Vol. 12, No. 1, September/October 2019;

- When TiVo sued Comcast for patent infringement, Comcast responded by filing 124 IPR petitions against 37 of TiVo’s patents, for an average of 3.35 petitions per patent. *See* Marc Ehrlich & Marian Underweiser, Statement for the Record, Committee on the Judiciary, The Patent Trial and Appeal Board: Examining Proposals to Address Predictability, Certainty, and Fairness, June 22, 2022; *see also* “Closing in on 100 IPRs Against TiVo Patents, Comcast Shows No Signs of Backing Down,” IAM, April 20, 2020.

As Senator Specter stated, opening up a second window for administrative challenges to a patent “only makes sense if defending a patent in such proceedings is not unduly expensive, and if such proceedings substitute for a phase of district-court litigation.” S. Rep. No. 110-259, at 66 (2008) (comments of Sen. Specter). In the foregoing scenarios, the PTAB challenges of unasserted patents do not substitute for a phase of the district court litigation, indeed most could not be brought in an Article III court. Their sole purpose is to impose financial pressure on the competitor, directly contrary to the goals of the PTAB and the patent system, generally. Likewise, serial IPR challenges against a single patent do not substitute for district court litigation, but amount to piling on, far beyond what district court litigation would allow.

The relative disparity in the size of the parties also should be a factor in consider when assessing potentially abusive behavior. By far the largest users of post grant procedures created by the AIA, particularly IPRs, have been large digital technology companies attacking the patents of far smaller companies, often with the express objectives of making it extremely costly for the smaller company to assert its patents and never having to pay for a license or redesign of

the product alleged to infringe. This strategy, sometimes referred to as “efficient infringement,” evolved largely as a result of the *eBay v. MercExchange LLC*, 547 U.S. 388 (2006) decision of the Supreme Court, which made it almost impossible for small companies to obtain injunctions against larger ones.

“Efficient infringement” is best described as a business strategy in which a large company with massive resources simply refuses to take a license from a startup or small company whose patents it infringes, choosing instead to deploy whatever funding and personnel are needed to prevail in any patent litigation without regard to merits, duration or impact on the patent owner or the patent system itself. The strategy is designed to take maximum advantage of far greater access to resources, and typically involves hiring a large number of the best lawyers available, initiating multiple challenges to the validity of the inventor’s patents at the PTAB, excessive discovery requests and resistance to the discovery sought by the patent owner, requests for extensions of time to prolong the period of infringement and the profits that it allows the infringer to earn, and as many motions and appeals as will be tolerated by the judicial process – until the patent owner simply goes away or fails. This tactic also permits the infringer to establish dominance in the marketplace for the invention, where first mover advantage, market power, and recognition put the incumbent at a large, and sometimes insurmountable, position that monetary damages in court cannot undo. This selfish, pernicious strategy was described succinctly and candidly by a former Apple executive to a reporter from “The Economist”:

“Boris Teksler, Apple's former patent chief, observes that ‘efficient infringement’, where the benefits outweigh the legal costs of defending against a suit, could almost be viewed as a ‘fiduciary responsibility,’ *at least for cash-rich firms that can afford to litigate without end.*”<https://www.economist.com/business/2019/12/14/the-trouble-with-patent-troll-hunting> (The Economist, 12/14/2019) (emphasis supplied).

USIJ submits that the Director should be alert to the behavior of large companies and the possibility that their behavior runs contrary to the fundamental purpose of the patent system. This is not to suggest that company size should be a factor in assessing the merits of any particular case, only that great disparity in size works to advantage of a petitioner bent on making it unduly expensive through overly zealous advocacy, and the Director should keep that possibility in mind, particularly where there is co-pending litigation involving the same parties.

D. Ransoming trial verdicts

The above captioned cases involving VLSI and Intel illustrate additional instances where petitioners have requested IPRs in ways that Congress did not foresee and did not intend. The goal of Congress was to avoid duplicative proceedings and to create a form of “quiet title” to patents once an unsuccessful challenge had been made. These objectives are directly undercut by the tactics in the present cases if the discretion provided by Congress is not used to identify and deny petitions when appropriate. Indeed, few things could be more detrimental to the reputation of the patent system and the PTAB, as perceived by the inventor and investor communities, than allowing a predatory interloper, for no legitimate purpose, to hold hostage a patent owner who has just successfully completed a grueling, expensive and hard-fought multi-year battle with a large infringer. And, to allow the unsuccessful infringer then to join such an IPR proceeding, which it could never have done but for the interloper, adds insult to injury. It is a perfect example of the despicable tactics that many of the technology giants use in the implementation of their “efficient infringement” strategies and warrants a sanction having sufficient impact to discourage similar tactics by these petitioners and others.

When a patent has already been litigated in court, there is no justification for substituting the judgment of the PTAB in place of what the court has already ruled. Courts have more powerful tools at their disposal for evaluating the validity of a patent, including live witnesses

and cross-examination. Instituting an IPR after a court has already adjudicated the validity of a patent devalues the due process that has already been accorded to those rights. While the statutory framework of the PTAB may not preclude instituting an IPR in this situation, it should be a “red flag” of abuse that a party (particularly one with no Article III standing) seeks to institute an IPR after that patent has already survived a district court challenge.

Nor are the instant cases the only situations in which a patent owner who was successful in litigation has become the target of a predatory interloper with no stake in the outcome of the patent litigation or in the IPR itself other than to hold the patent owner hostage in hopes of gaining an undeserved economic advantage in another forum. After these two IPRs were filed in the *VLSI/Intel* matter, a copycat filing was made by Palo Alto Networks (“PAN”) seeking to invalidate one of the patents that formed the basis of Centripetal Network’s \$2B successful infringement suit against Cisco Systems, Inc.⁵ PAN has never been accused of infringing the Cisco patent it challenged and has provided no legitimate reason for challenging its validity. A PTAB panel elected to institute the IPR requested by PAN and the patent owner filed a request for rehearing, together with a request that the issue be heard by a POP panel, which request to our knowledge is still pending.⁶

These are not good developments. Suffice it to say, allowing interlopers to ransom successful trial verdicts, after the relevant patents have already survived a PTAB challenge and/or court litigation, is repugnant and enormously damaging to the underlying purpose of patents as instruments of U.S. innovation policy. These interlopers have no apparent interest in

⁵ Order dated October 5, 2020 by Judge Henry Morgan in Civil Action No. 2:18cv94 (E.D.Va), vacated and remanded for new trial by Federal Circuit based on disqualification of Judge Morgan. *Centripetal Networks, Inc. v. Cisco Systems, Inc.*, 38 F.4th 1025, 1027 (Fed. Cir. 2022).

⁶ Patent Owner’s Request for Rehearing in *Palo Alto Networks v. Centripetal Networks, Inc.*, IPR2022-00182 re U.S. Patent No. 9,917,856 (Paper 13) and email letter from James Hannah to Precedential Opinion Panel dated June 8, 2022. USIJ filed an *amicus* brief urging rehearing by a POP panel in this matter on June 21, 2022.

the integrity of the patent system, save to try to extract a ransom payment or some other form of value from inventors that have already vindicated their rights in the PTAB and in court. The PTAB should exercise its discretion to decline to institute post-grant challenges in these circumstances.

V. CONCLUSION

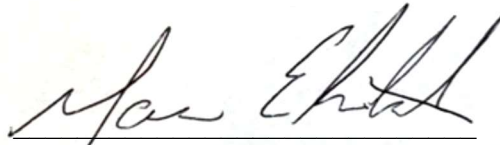
The current Director and PTAB have the opportunity to define the jurisdiction of the PTAB in a way that respects the intellectual property rights of inventors, builds trust in the institution and further the goals of the patent system. Prior rulings have allowed stock market manipulators to proceed with IPRs, *see, e.g.*, IPR2015-01092, Paper No. 19, and have allowed subscription services to skirt the privity requirements, *see* [IPR2013-00586, Paper 9](#) (Mar. 21, 2014). Those rulings were from prior Administrations that had their own goals in managing the PTAB as an institution. None of those decisions was elevated to “precedential” status, and all of those decisions can be revisited. The present cases involving VLSI and Intel appear to be matters of first impression.

It should be a “red flag” suggestive of abuse when a petitioner would not otherwise have Article III standing to file a declaratory judgment action in court. It should also be a “red flag” indicating abuse when a petitioner seeks to undue an existing district court judgment, whereby the patent has already survived the rigors of examination in court. It should also be a “red flag” when the apparent motive of the challenge in front of PTAB is to impose cost and burden to exact litigation leverage, particularly when the challenged patents are not at issue in that litigation.

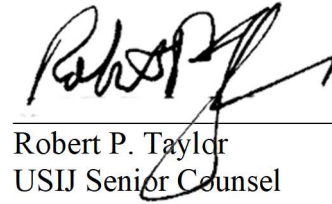
It is incumbent upon this Administration to recognize the potential harm that may be caused by an open standing requirement and the abuses that have been spawned because of it. The stature of the PTAB as an institution and the utility of the patent system itself will increase if

the Director vigilantly polices the PTAB's jurisdiction to block abusive conduct by entities having no stake in the challenge other than to exploit unintended flaws in the statutory framework. The Director has the last call on these issues – there is no appellate reviewability of most, if not all, of these institution decisions. Congress gave the Director the authority to enjoin abuses of process, and the Director should assiduously exercise this authority to safeguard the public interest and the institution itself.

Respectfully submitted,



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Submitted on behalf of Alliance of
U.S. Startups and Inventors for Jobs;
Conservatives for Property Rights and
Valencell, Incorporated

Dated: August 18, 2022

CERTIFICATE OF SERVICE

Dated: August _____, 2022

By: _____