

Statement of

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On Behalf of the Innovation Alliance

**Before the
Subcommittee on Intellectual Property**

**Committee of the Judiciary
United States Senate**

**Hearing on
The Patent Trial and Appeal Board: Examining Proposals to Address Predictability,
Certainty, and Fairness**

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Chairman Leahy, Ranking Member Tillis, and Members of the Committee, thank you for holding this important hearing on the Patent Trial and Appeal Board (“PTAB”) and the PTAB Reform Act, and for inviting me to testify today. My name is Robert Giles, and I am the Senior Vice President and Chief Intellectual Property Counsel for Qualcomm Incorporated, the world’s leading wireless technology innovator and the driving force behind the development, launch, and expansion of 5G. When we connected the phone to the internet, the mobile revolution was born. Today, Qualcomm’s foundational technologies enable the mobile ecosystem and are found throughout the wireless communications ecosystem. We are bringing the benefits of cellular technologies to new industries, including automotive, the Internet of Things (“IoT”), and computing, and are leading the way to a world where everything and everyone can communicate and interact seamlessly.

I am here on behalf of the Innovation Alliance, a coalition of research and development-based technology companies that believe that maintaining a strong patent system is critical to supporting innovative enterprises of all sizes. The Innovation Alliance is committed to strengthening the U.S. patent system to promote innovation, economic growth, and job creation, and we support legislation and policies that help to achieve those goals.

Innovation Alliance member companies innovate across a wide range of industries, from audio compression, to wireless communications, to advanced video communication, to vehicle transmission and drive train technology, and semiconductor technology. Our member companies include, among others, Dolby Laboratories, Inc., Qualcomm Incorporated, enviolo, and Adeia. Despite the wide range of industries Innovation Alliance companies are involved in, each member shares a deep commitment to innovation and dissemination of their research efforts through patent licensing. Innovation in these industries requires the expenditure of vast sums of money in research and development (“R&D”) before an innovation can be commercialized.

Like other Innovation Alliance members, Qualcomm invests heavily in R&D efforts taking on substantial risks associated with technical innovation. Since its founding in 1985, Qualcomm has invested over \$73 billion in R&D to develop emerging mobile devices, networks, and entire ecosystems of technologies years before others. In addition to expending large financial sums, Qualcomm’s many innovation teams spend countless hours innovating and working with colleagues to protect these innovations. These human and capital resource investments represent strategic opportunity cost decisions – sometimes yielding positive return-on-investment outcomes and sometimes not. And these actions demonstrate Qualcomm’s continuous commitment to develop technologies impactful to everyone – not any one group or individual.

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.¹ 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. However, the United States’ global

¹ See, e.g., Alexander Kersten, *How Moves to Weaken Standard-Essential Patents (SEPs) Threaten U.S. National Security*, CSIS (Apr. 12, 2022), <https://www.csis.org/analysis/how-moves-weaken-standard-essential-patents-seps-threaten-us-national-security>; Andrei Iancu & David J. Kappos, *U.S. Intellectual Property Is Critical to National Security*, NEW YORK L. J. 266 (Jul. 7, 2021).

technology leadership position has been threatened by judicial and legislative actions, such as the current implementation of *inter partes* review (“IPR”) as conducted by the PTAB, that weaken patent rights.

The Innovation Alliance urges Congress to pass the STRONGER Patents Act to strengthen U.S. competitiveness and global leadership. STRONGER would (1) empower U.S. inventors to protect their patent rights against infringers by permitting courts to grant injunctions in appropriate cases, and (2) overhaul the PTAB to ensure its proceedings are conducted in a fair and consistent manner in line with federal courts. Importantly, for example, STRONGER would prevent petitioners from filing a second IPR on the same patent claim if the petitioner failed to show a reasonable likelihood of success in its first IPR.

In contrast, the Innovation Alliance urges Senators to oppose the PTAB Reform Act because it would further tilt the playing field to infringers. Specifically, the PTAB Reform Act eliminates the “Fintiv doctrine,” which allows the PTAB to deny institution of a petition in order to prevent abuse, promote efficiency, and conserve resources of the USPTO and individual parties. The PTAB Reform Act would prevent the PTAB from considering harassing and abusive repetitive proceedings when deciding whether to institute an IPR. It would also create a legally questionable backdoor to give standing to parties who would not otherwise have it. These changes harm inventors and move the patent system in the wrong direction.

I. Robust Patent Protections Are Essential to the U.S. Economy and National Security

The U.S. patent system is the foundation of our innovation economy and is the reason that U.S. technological leadership is envied worldwide. It grants inventors—whether they are individuals, start-ups, or established businesses—defined property rights in their inventions for a limited time, in exchange for publicly disclosing the technical details of those inventions through required filings with the United States Patent and Trademark Office (“USPTO”). By rewarding innovation and enabling inventors to quickly build upon each other’s ideas, this system is the driving force behind U.S. innovation leadership.

Strong patent protections are foundational to the U.S. economy and national security for two main reasons. First, a robust patent protection regime is necessary to appropriately incentivize private companies to invest in the costly and risky long-term R&D needed for leadership in emerging technologies such as AI, IoT, 5G, and now 6G. Second, patent rights facilitate commercialization, collaboration, and follow-on innovation. By granting exclusionary rights in an invention in exchange for public disclosure, patents “simultaneously protect, and disclose, the inventor’s contribution to the knowledge pool.”² At the same time, patent protections ensure that an invention can be freely bought, sold, or licensed, allowing patent owners to reap the benefits of their inventions, while transferring their invention directly to the party best positioned to commercialize it for public or industry use.

Strong intellectual property (“IP”) protections and a strong culture of innovation are vital to economic growth and job creation. According to the USPTO, IP-intensive industries

² David J. Kappos, *Why America’s Patent System Is Not Killing Innovation*, *Fortune* (May 8, 2015), <http://fortune.com/2015/05/08/why-americas-patent-system-is-not-killing-innovation/>.

accounted for \$7.8 trillion in economic activity in 2019—41% of domestic output.³ These industries also directly supported 47 million jobs—33% of all employment in the United States.⁴ Compared to workers in non-IP-intensive industries, workers in IP-industries earn significantly higher wages and are more likely to participate in employer-sponsored health insurance and retirement plans.⁵ The innovation economy thus represents not only an essential piece of the overall American economy, but provides an important source of high quality job growth.

Strong patent protections are particularly important for small businesses and startups. Research shows that, on average, startups with patents increase their employment growth by 55% and grow their sales by an additional \$10.6 million compared to startups that fail to obtain a patent—and that patents increase startups’ likelihood of going public by 128%, being acquired by 84%, securing a loan by using the patent as collateral by 119%, and securing venture capital funding by 47%.⁶ Additional research has found that weaker patent protections reduce follow-on research by 37%, and that the effect is stronger for small businesses.⁷

U.S. national security also depends on strong patent protections and U.S. technological leadership.⁸ Encouraging technology development by U.S. companies through strong property rights protects our national interest by incentivizing the private investment of money and talent needed to develop technologies in key areas like telecommunications and AI, which will provide significant advantages economically and militarily to the country that develops them. This permits the U.S. and our companies to compete with firms such as those in China, which receive substantial governmental support and therefore do not rely on licensing revenue to fund R&D into new technology.⁹

Innovation in the technology-based industries the Innovation Alliance’s members represent frequently requires the expenditure of vast sums of money in research, testing, and development before an innovation can be commercialized. This process often takes years.

³ U.S. PATENT AND TRADEMARK OFF., *Intellectual Property and the U.S. Economy: Third Edition*, 3, 13 (2022), <https://www.uspto.gov/ip-policy/economic-research/intellectual-property-and-us-economy>.

⁴ *Id.* at 4.

⁵ *Id.* at 11.

⁶ See Joan Farre-Mensa, Deepak Hegde, & Alexander Ljungqvist, *What is a Patent Worth? Evidence From the U.S. Patent “Lottery,”* NBER (Dec. 2018), https://www.nber.org/system/files/working_papers/w23268/w23268.pdf; see also Joan Farre-Mensa, Deepak Hegde & Alexander Ljungqvist, *The Bright Side of Patents*, NBER (Feb. 2016), <https://www.nber.org/papers/w21959>.

⁷ Ashish Arora, Sharon Belenzon, Matt Marx & Dror Shvaron, *(When) Does Patent Protection Spur Cumulative Research Within Firms?*, NBER, 18 (June 2021), <https://www.nber.org/papers/w28880>.

⁸ See e.g., *U.S. Intellectual Property Is Critical to National Security*, *supra* note 1 (“For the United States to maintain its technological edge, we must encourage Americans to make more discoveries in AI and other emerging technologies. This in turn requires providing strong intellectual property (IP) rights to incentivize and protect the huge investments required to make those discoveries.”).

⁹ See, e.g., Comment of Senators Coons, Hirono, and Tillis on DOJ, USPTO, & NIST *Draft Policy Statement on Licensing Negotiations and Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments* (Feb. 4, 2022).

Further, many R&D expenditures never yield successful inventions or inventions that can be commercialized. To justify the extraordinary commitment of resources to fund this process of research, development, and testing, these companies require the certainty that they will be able to obtain property rights in their inventions that will enable them to profit from their successes. The patent system thus creates a virtuous circle in which the promise of monetary rewards for successful inventions encourages innovators to continuously invest resources in risky R&D ventures. Without this promise, the incentive to engage in resource-intensive innovation would be destroyed, disadvantaging U.S. companies on the world stage and ceding global technological leadership to countries with state-run economies.

Additionally, the patent system plays a critical role in encouraging commercialization and follow-on innovation. By ensuring that patent rights can be bought, sold, or licensed, the patent system enables innovations to be brought to market in the most economically-efficient ways possible. Many innovators may not have the expertise or resources needed to commercialize their own innovations; bringing a product to market often requires extensive collaboration between the inventor and investors, marketers, legal experts, and manufacturers. Small businesses in particular often lack the ability to fully conduct each of these functions within their own firm. As a result, innovators often rely on external partners to fully develop their products. This diffusion of responsibilities amongst firms has two chief benefits. First, it maximizes the marketplace's efficiency by allowing different, competing firms to specialize in these areas. Second, it strengthens the supply chain against future disruptions by promoting multiple, diverse firms that are capable of developing the product. Therefore, the ability to efficiently buy, sell, or license a patent in the same manner as any other piece of property encourages innovators to enlist the assistance of others who may have more experience bringing products to market. This ensures that new innovations are quickly and efficiently made available to consumers.

Likewise, the fact that the technical details of an invention must be publicly disclosed when a patent application is filed ensures that the latest discoveries are quickly available to the public. This, in turn, allows other innovators to easily examine the details of the most recent discoveries. With this information, others can more easily improve upon or develop new applications for the latest innovations. Without the incentive for public disclosure that the patent system provides, innovators would have much less reason to disclose their inventions publicly and would be more likely to keep them as trade secrets. This would undermine the free exchange of information between inventors and delay the process of follow-on innovation.

II. Aspects of the Current Patent System Threaten U.S. Technology Leadership

Despite the critical role that patents play in the U.S. economy, patent rights have been under attack in recent years, and many innovators now face substantial obstacles to asserting their rights to their inventions against infringers. An uncertain patent enforcement climate disincentivizes investment in innovative businesses in the United States that rely on strong patents. If U.S. companies are unable to receive a fair return on investment for their inventions, they will divert their engineering and business expertise elsewhere and the United States will fall far behind. There are already troubling signs of this happening. Venture capital funding has

begun to flow toward investment opportunities outside of the United States. For example, the United States' share of global venture capital funding fell from 82% in 2004 to 49% in 2021.¹⁰

Against this backdrop, Congress created the PTAB in 2011 to serve as an efficient, cost-effective alternative to district court litigation. Unfortunately, the PTAB has had the opposite effect. In contrast to federal district courts, the PTAB uses the lower preponderance of evidence burden of proof in invalidating patent claims and fails to presume the validity of a duly-issued patent despite the fact that the PTAB is an adjudicative body. As a result of these and various other pro-challenger policies, 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.¹¹ It has thus created a system in which any party may attack a duly-granted patent with such a high degree of certainty that entire businesses have sprung up to help companies game this result. Further, bad actors have begun gaming the system through stock shorts and other schemes all based on the expectation that an IPR will result in at least a partial invalidation of patent rights.

A. *The eBay Decision and the Unavailability of Injunctions to Stop Infringement*

For decades, U.S. federal courts adhered to the well-established rule that the owner of a valid and infringed patent was generally entitled to a court-issued injunction to preclude further infringement in the vast majority of cases. This changed in 2006 when the Supreme Court decided *eBay Inc. v. MercExchange, LLC*.¹² In *eBay*, the Court upended this longstanding rule, holding that a patent holder is not presumptively entitled to an injunction after a finding of infringement. The Court confirmed that patent holders seeking an injunction must satisfy the traditional four-factor test for obtaining equitable relief. This test requires the patent holder to show that: (1) the patent holder has suffered an irreparable injury that requires an injunction to stop; (2) monetary damages and similar remedies are not enough to compensate the patent holder for the harms suffered; (3) balancing the interests of the parties, an injunction is warranted; and (4) that the public interest would not be disserved by the issuance of an injunction. However, the Court issued a concurring opinion that significantly altered the traditional analysis of these four factors for patent holders seeking injunctive relief.

¹⁰ NAT'L VENTURE CAPITAL ASS'N, *2022 Yearbook*, 7 (2022), <https://nvca.org/wp-content/uploads/2022/03/NVCA-2022-Yearbook-Final.pdf>.

¹¹ 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.

¹² 547 U.S. 388 (2006).

The *eBay* Court rejected established rules about whether an injunction should or should not be granted. The Court, in a concurring opinion that has been widely adopted, specifically clarified that inventors that license patents, rather than manufacture the inventions themselves, should not often be able to obtain injunctive relief. Despite the contradictory language of the majority opinion, lower courts have consistently referred to this concurring opinion and effectively imposed a categorical rule *against* granting injunctions to inventors that license their patents. Specifically, lower courts have misapplied both the first and second prongs of the *eBay* test by routinely assuming that monetary damages are adequate to compensate patent owners for use of their intellectual property and that, as a result, further infringement of the patent could not cause irreparable injury. They routinely deny injunctions based on these flawed assumptions.

The effects of *eBay* cannot be overstated. Empirical research has found that the rate of permanent injunctions granted as a percentage of all cases filed dropped by more than 85% after *eBay*.¹³ Likewise, the rate at which patent holders even seek injunctive relief has also declined post-*eBay*.¹⁴

This trend has substantially weakened the value of U.S. patents as property rights. In a different concurring opinion in *eBay*, Chief Justice Roberts, joined by Justices Scalia and Ginsburg, implicitly recognized the importance of injunctions in negotiations by recognizing that it is very difficult to enforce a “right to exclude” with money damages alone. Thus, because patent owners cannot expect that a court will compel infringers to stop infringing, those infringing a patent have much less incentive to negotiate a license for use of the patent.

The inability to obtain an injunction to stop infringement thus permits patent users—companies that incorporate others’ patented inventions into their products—to pursue a strategy of “efficient infringement” (some even refer to this as “predatory infringement”). This means that because patent owners may not obtain a court order to stop infringement, the infringing user of a patent has much less incentive to stop infringing. Rather than seek a license for the patent, the efficient infringer will choose to infringe the patent, while assuming the risk that the patent owner will sue. Because a court is unlikely to enjoin the infringer’s use of the patent, the efficient infringer can typically expect to pay only a royalty to the patent owner as damages for its use of the patent.

The practical impact of lower courts’ misreading of *eBay* has been to devalue U.S. patent rights and tilt the scales against innovators, including small innovators who often seek to license their patents. Often, patent owners—especially small businesses and individual inventors—will simply give up or succumb to an artificially low license fee to avoid the substantial expense of litigating and defending against petitions before the PTAB.

This is especially true for individuals and small businesses that lack the resources to bring lawsuits against large corporations. Although the Supreme Court recognized in *eBay* that “some patent holders, such as university researchers or self-made inventors, might reasonably prefer to

¹³ Kirti Gupta & Jay P. Kesan, *Studying the Impact of eBay on Injunctive Relief in Patent Cases*, Hoover Inst. Working Grp. on Intell. Prop., Innovation, and Prosperity No. 17004, 16 (2017), <https://hooverip2.org/wp-content/uploads/ip2-wp17004-paper.pdf>.

¹⁴ *Id.* at 39.

license their patents, rather than undertake efforts to secure the financing necessary to bring their works to market themselves,”¹⁵ the inability to obtain an injunction eliminates the incentive for would-be licensees, especially large incumbents, to negotiate in good faith. Small inventors, startups, and universities that rely on licensing to fund R&D and other expenses are the parties who most need the ability to obtain an injunction.

This degradation of U.S. patent rights is undermining U.S. competitiveness globally. Many patent holders are now able to obtain better protections for their patent rights overseas than they are in the U.S. For instance, German courts issue injunctions as a matter of course following a finding of infringement, and “generally have no discretion as to whether to grant an injunction,” other than in rare “exceptional cases.”¹⁶ Many other European countries—including the Netherlands, France, Italy, Spain, Austria, Sweden, and Switzerland—have similar regimes,¹⁷ as do Asian countries like Thailand, South Korea, and Japan.¹⁸ And even Chinese courts have only limited authority to decline to grant an injunction.¹⁹

This gross disparity between the protections available to patent holders in the U.S. and some of the leading foreign economies undermines U.S. competitiveness. As a result, innovative companies in the United States and around the world have an increasing incentive to enforce their patented inventions outside the United States.

B. *The Patent Trial and Appeal Board (PTAB)*

The America Invents Act, signed into law in 2011, made many changes to the U.S. patent system. Among other things, it established the PTAB, an administrative tribunal charged with hearing challenges to patents through a procedure called *inter partes* review. The goal of the AIA was to provide an alternative method of adjudicating the validity of issued patents that was quicker and cheaper than district court litigation.

Instead, however, the PTAB has invalidated patents at an alarmingly high rate. For instance, the USPTO’s own data show that nearly two-thirds of IPR institution decisions find in favor of the patent challenger, over 80% of instituted IPRs that reach a final written decision result in cancellation of at least one challenged claim, and over 60% of instituted IPRs that reach

¹⁵ *eBay*, 547 U.S. at 393.

¹⁶ Michael Frohlich, AIPPI Special Committee on Patents and Standards, *Availability of Injunctive Relief for FRAND-Committed Standard Essential Patents, Including FRAND-Defense in Patent Infringement Proceedings*, 10 (Mar. 2014), <https://aippi.org/wp-content/uploads/committees/222/Report222AIPPI-report+on+the+availability-of+injunctive+relief+for+FRAND-committed+standard+essential+patentsEnglish.pdf>; see also *Godo Kaisha IP Bridge I v. Ford-Werke GmbH*, Case No. 7 O 9572/21 (ruling that Ford infringed on IP Bridge’s patent and ordering an injunction, recall of delivered cars, and damages).

¹⁷ *Availability of Injunctive Relief for FRAND-Committed Standard Essential Patents, Including FRAND-Defense in Patent Infringement Proceedings*, *supra* note 19 at 7-8.

¹⁸ *Id.*

¹⁹ *Id.* at 7.

a final written decision result in the cancellation of *every* challenged claim.²⁰ These extremely high invalidation rates at the PTAB have led one former judge on the U.S. Court of Appeals for the Federal Circuit to call the PTAB’s administrative judges “patent death squads,” responsible for “killing property rights.”²¹ It is clear from these statistics that the PTAB has been a useful tool for petitioners to challenge and cancel duly-issued patents.

Since the adoption of the AIA, large tech companies have frequently used the PTAB as a tool to drive up the cost of enforcing patent rights and, in turn, devalue U.S. patents. Former Chief Judge of the Federal Circuit Paul Michel has stated that these large tech companies use their “influence to chip away at patent rights [to] kill off smaller competitors or buy them up at fire-sale prices to maintain their market dominance” and “have long relied on a strategy of deliberate infringement because enforcement litigation is too expensive for younger smaller competitors.”²² Despite the fact that the PTAB effectively serves as an adjudicative body that addresses patent validity similar to a district court, the PTAB fails to presume that a patent is valid and applies a lower burden of proof (preponderance of the evidence) than district courts. As a result, the PTAB has cancelled thousands of patent claims since 2012.

As the chart below shows, Big Tech infringers are by far the most frequent users of the PTAB,²³ not smaller companies or the “mom and pop” entities whose protection is cited as supporting the need for aggressive post-grant procedures. The PTAB has opened the door to allow well-resourced companies to attempt to invalidate patent claims by filing multiple, harassing petitions against the same patent, contrary to the AIA’s goal of providing an efficient forum to resolve validity challenges. The frequency with which the PTAB has strayed beyond its intended mission of quickly eliminating only low-quality patents has created significant instability for all patent holders.

²⁰ 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.

²¹ Brian Mahoney, *Software Patent Ruling a Major Judicial Failure, Rader Says*, Law360 (Oct. 25, 2013), <https://www.law360.com/articles/482264>.

²² Paul Michel, *Big Tech is Overwhelming Our Political System*, RealClear Policy (Nov. 20, 2020), https://www.realclearpolicy.com/articles/2020/11/20/big_tech_is_overwhelming_our_political_system_650331.html.

²³ Innovation Alliance, *Infographic: Big Tech Companies Are Biggest Users of PTAB, 2012-2021* (June 20, 2022) <https://innovationalliance.net/from-the-alliance/infographic-big-tech-companies-are-biggest-users-of-ptab-2012-2021/>.

BIG TECH COMPANIES ARE BIGGEST USERS OF PTAB

China's ZTE and Huawei Also Among Top Users

Top 20 Petitioners Since PTAB Established - 2012-2021

		Number of Petitions filed
1	Samsung.....	771
2	Apple.....	765
3	Google.....	414
4	LG.....	268
5	Microsoft.....	267
6	Intel.....	257
7	Unified Patents.....	247
8	Cisco.....	179
9	Comcast.....	174
10	Facebook.....	149
11	ZTE.....	148
12	Dell.....	146
13	HP.....	139
14	Sony.....	136
15	Huawei.....	135
16	HTC.....	126
16	Mylan.....	126
18	Ericsson.....	125
19	Amazon.....	108
20	Lenovo.....	103

Source: DocketNavigator

Contrary to the AIA's goals, duplicative proceedings brought at the PTAB are the norm, not the exception. A 2018 study found that nearly half of the IPR petitions filed by the PTAB's five most frequent petitioners (Samsung, Apple, Google, LG, and Microsoft) were brought against patent claims that the petitioner had already challenged at the PTAB.²⁴ While PTAB guidance has sought to reduce the number of serial and parallel petitions, recent legislative efforts have sought to prohibit the PTAB from moderating the number of filings. These duplicative proceedings enable large tech companies to price out smaller patent holders by adding expense and uncertainty for patent holders, rather than providing the promised alternative to prolonged, resource-intensive district court litigation. Thus, while PTAB proceedings were

²⁴ Steven Carlson & Ryan Schultz, *Tallying Repetitive Inter Partes Review Challenges*, LAW360 (Sept. 14, 2018), <https://www.robinskaplan.com/-/media/pdfs/tallying-repetitive-inter-partes-review-challenges.pdf>.

intended to be less expensive than federal district court litigation, the cumulative effect of defending a single patent against multiple challenges at the PTAB (and, frequently, in federal court as well), adds to the costs that innovators must bear to protect their patent rights, thus raising the overall cost of innovation.

Consider the following example demonstrating how patent infringers have used the PTAB to gain an unfair advantage over their adversaries. Centripetal, a cybersecurity technology firm based in Virginia, invented an Internet-based security system. According to Centripetal, Cisco invited the company to demonstrate its network protection system so that Cisco could consider licensing the technology—after Cisco signed a non-disclosure agreement, Centripetal disclosed its technology to Cisco and engaged in a series of negotiations to license the technology. According to Centripetal, Cisco declined to license the technology, but began incorporating it into Cisco products in 2017. Centripetal responded by suing Cisco in federal court for patent infringement. Cisco, in turn, filed numerous IPR petitions seeking to invalidate Centripetal’s patents.

In September 2019, the court lifted a stay for the patents not subject to IPR petitions and allowed those proceedings to continue. In October 2020, the court found that Cisco willfully infringed four of Centripetal’s patents and ordered Cisco to pay \$1.9 billion in damages, one of the highest damages awards ever issued in a patent case. In his judgment, District Judge Henry Morgan wrote: “The fact that Cisco released products with Centripetal’s functionality within a year of these meetings goes beyond mere coincidence.”²⁵ He noted that Cisco had “continually gathered information from Centripetal as if it intended to buy the technology from Centripetal,” but then “appropriated the information gained in these meetings to learn about Centripetal’s patented functionality and embedded it into its own products.”²⁶ The judge said Centripetal was owed \$756 million for past use of the inventions, which he increased by two-and-a-half times after finding that Cisco’s infringement was “willful and egregious.”²⁷

At the PTAB, Cisco challenged 9 patents using 14 IPR petitions. The PTAB invalidated all the claims of 6 of the patents, and some of the claims of another patent. A much higher invalidity rate as would be expected in district court. By filing numerous attacks against a single patent, Cisco’s use of the PTAB to strengthen its negotiating position against Centripetal runs counter to stated AIA goals. Cisco’s challenges and others like it distort the relative bargaining positions of parties in negotiations by creating a windfall benefit for infringers at the expense of patent owners. It was not the intent of the AIA to influence the private market in this manner, nor should it have been. But until these unintended consequences are addressed, companies like Cisco will likely continue to unfairly use the PTAB as a tool to gain unfair leverage against small companies.

The landscape surrounding PTAB challenges and their associated costs have been exacerbated by several operational details of the PTAB. In particular, the AIA uniquely disadvantages patent holders. First, patent invalidity challenges are more easily filed at the

²⁵ *Centripetal Networks, Inc. v. Cisco Systems, Inc.*, 492 F. Supp. 3d 495, 602 (E.D. Va. 2020).

²⁶ *Id.* at 604.

²⁷ *Id.* at 608.

PTAB than federal courts. Unlike federal courts, which have strict standing requirements that require a real dispute to exist between the parties to a lawsuit, virtually “[a]nyone can file a petition with the PTAB to challenge the validity of a patent: a defendant in court, someone merely threatened with infringement litigation, or even an organization dedicated to eliminating all patents on a technology altogether.”²⁸ Furthermore, under current law, a single patent can be challenged multiple times, leaving patent owners open to potential harassment by competitors, licensees, or others, with no legal mechanism to effectively secure, reliable patent rights.

Second, there are evidentiary restrictions imposed on PTAB proceedings. For example, discovery is significantly curtailed as compared with federal court litigation, and live witness testimony is generally prohibited. In certain circumstances, these evidentiary restrictions make it much harder for a patent holder to present all the relevant evidence, and thus undermines a patent holder’s ability to fully defend the validity of its patent.

Last, in district court litigation, a challenged patent is presumed valid and a party attacking it must show that the patent is invalid through “clear and convincing” evidence. No such presumption of validity applies in PTAB proceedings despite the fact that the PTAB is an adjudicative body similar to courts, and challengers need only demonstrate invalidity under the less rigorous “preponderance of the evidence” standard, further incentivizing validity challenges and creating additional uncertainty for patent holders. By retaining two different standards of proof at the PTAB and in district court, the current regime serves only to benefit well-resourced companies at the expense of small businesses and individual inventors.

III. Congress Should Pass the STRONGER Patents Act to Support the Value of Patent Rights and Maintain U.S. Innovation Leadership

The STRONGER Patents Act offers an important opportunity for Congress to codify and build upon the recent administrative actions taken by the USPTO to address the issues discussed above that, intentionally or not, have tilted the U.S. patent system against innovators. The STRONGER Patents Act addresses some of the most significant roadblocks faced by innovators and represents a significant step forward in restoring American innovation leadership. Several of the most consequential provisions for innovators are discussed below.

A. The STRONGER Patents Act Empowers U.S. Inventors to Protect Their Rights Against Infringers

U.S. courts should treat a patent like any other property right, permitting preliminary injunctions to protect patent owners against infringement while cases are pending, and granting permanent relief to protect patent owners from ongoing infringement after courts rule in their favor. Section 106 of the bill clarifies the application of *eBay Inc. v. MercExchange, LLC* by providing that, after a court has issued a finding of infringement of a valid and enforceable patent, the court shall presume that further infringement of that patent would cause irreparable injury for which monetary damages are inadequate. This would reverse the current practice in

²⁸ Alden Abbott et al., *Crippling the Innovation Economy: Regulatory Overreach at the Patent Office*, Regulatory Transparency Project Intellectual Property Working Group, 12-13 (Aug. 14, 2017), <https://regproject.org/wp-content/uploads/RTP-Intellectual-Property-Working-Group-Paper.pdf>.

many courts of near-categorical refusal to issue injunctions by creating a presumption in favor of an injunction if a court finds infringement, encouraging infringers to negotiate fair licenses based on the free market and keeping cases out of court.

Importantly, section 106 does not reverse or nullify the *eBay* decision itself. Rather, it merely codifies the proper application of *eBay*. Section 106 would not return the patent system to the pre-*eBay* period (still followed in many countries) where injunctions were granted virtually as a matter of course after a finding of infringement. Patent holders would still be required to satisfy the two elements of *eBay*'s four-part test not addressed by section 106—that is, they would be required to show that an injunction is warranted given the balance of the hardships between the plaintiff and the defendant, and that the public interest would not be jeopardized by an injunction.

Further, the presumptions of irreparable injury and the inadequacy of monetary damages established in section 106 are rebuttable presumptions. Accordingly, infringers would have the opportunity to present evidence to convince the court that, based on the unique facts of a given case, the harm alleged by a patent holder is not really irreparable or can be fully recompensed with monetary damages. Therefore, Section 106 would continue to permit courts to engage in the kind of fact-intensive analysis *eBay* contemplates before granting an injunction.

The Innovation Alliance strongly supports a presumption of irreparable harm and the inadequacy of money damages for a patent that has been found valid and infringed. Injunctive relief is critical to ensure that patent owners can stop unlawful infringement and fully vindicate their property rights. The inability to obtain an injunction, even with strong evidence of irreparable harm, only creates uncertainty and broadly devalues patents across the economy. While the STRONGER Patents Act would not allow courts to automatically grant an injunction upon a finding of infringement, it would ensure that courts do not categorically *deny* injunctive relief without engaging in a full and fair analysis of the relevant factors. Patent holders with strong evidence in support of a request for an injunction would have the certainty that, at a minimum, they will be given a fair hearing and thorough consideration by the court and will not be deprived of the ability to exclude others from using their property without a full review of the facts.

The certainty that a patent holder with a strong case to be made on the merits of the four-part *eBay* test will not be mechanically denied an injunction as a matter of course is essential to sustaining a vigorous innovation economy. It ensures that small businesses and individual inventors can enter into meaningful licensing negotiations with large competitors, thereby perpetuating the virtuous cycle of innovation in a way that encourages continued investment in R&D by innovative researchers and startups.

B. The STRONGER Patents Act Ensures Fairness in PTAB Proceedings

Additionally, several provisions of the STRONGER Patents Act make statutory changes to the PTAB's procedures to ensure that administrative proceedings before the tribunal are consistent, fair, and do not artificially stifle innovation.

1. Harmonizing Claim Construction Standards Used by the PTAB and District Courts

The STRONGER Patents Act would codify the guidance issued by the USPTO that requires the PTAB to use the *Phillips* standard for claim construction instead of the broader standard that was in use before the promulgation of the USPTO’s 2018 final rule on this issue. In so doing, the bill would align the claim construction process used in both PTAB and district court proceedings.

We strongly support this provision because it eliminates incentives for entities challenging a patent to engage in gamesmanship by challenging a patent at the PTAB instead of federal court because of the more favorable claim construction standard available at the PTAB, compared to district courts. It also eliminates the “heads I win, tails you lose” of patent challengers to advocate entirely different claim constructions in the PTAB and district courts for validity and infringement purposes. Innovators contemplating making substantial investments in the R&D necessary to produce groundbreaking innovations need the certainty that the ultimate validity of their patent will not depend upon the forum in which its validity is adjudicated. This provision will help ensure that proceedings brought at the PTAB or a district court are fair to all parties, including individual inventors and small businesses.

It should also be noted that standardizing claim construction standards helps to further the AIA’s goal of efficiency. When the PTAB uses the same claim construction approach as federal courts, decisions of the PTAB are of much greater subsequent value to federal judges.²⁹ Thus, while the Innovation Alliance applauds the USPTO’s actions in this area, we support codifying into law the use of the *Phillips* standard in PTAB proceedings.

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

Similarly, 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 a patent’s invalidity 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.

We support this provision which, much like the provision harmonizing claim construction standards between the PTAB and district courts, 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

²⁹ Saurabh Vishnubhakat, Arti K. Rai, & Jay P. Kesan, *Strategic Decision Making in Dual PTAB and District Court Proceedings*, 31 Berkeley Tech. L.J. 45, 83 (2016).

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, 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.

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

The 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 it provides 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.

4. Establishing Commonsense Limitations on Serial and Redundant Challenges

Sections 102(f) and 103(f) of the 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 *inter partes* review proceeding 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 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.

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. This legislation would ensure that innovators can enforce and defend their patents on a level playing field, ultimately strengthening U.S. competitiveness in innovative R&D.

IV. The PTAB Reform Act Would Weaken Patent Rights, Undermining U.S. Economic and National Security

The Innovation Alliance opposes the PTAB Reform Act, which caters primarily to large tech companies' objectives to weaken patent rights. The bill's approach runs directly contrary to the clearly-stated intention that the PTAB serve as a cost-effective alternative to litigation, rather than a companion to litigation. It focuses solely on post-grant review mechanisms, where patent owners are already at a disadvantage, and creates new additional opportunities for well-resourced companies to challenge patents repeatedly as a business tactic. It also upsets the ability of inventors to enjoy secure, reliable patent rights that were important to the drafters of the AIA and to incentivize patent owners to engage in costly, long-term R&D. At the same time, the bill takes away a key piece of discretion the AIA gave to the USPTO Director to act as a last-stop gatekeeper who could ensure fairness in how the new PTAB procedures were applied. Indeed, the level of discretion the AIA gave to the USPTO Director was essential to convincing stakeholders at the time to support the powerful new *inter partes* and post-grant review provisions, whose potential for abuse were apparent.

It is worth quoting from the House Judiciary Committee Report on the America Invents Act on these precise points:

The Committee recognizes the importance of quiet title to patent owners to ensure continued investment resources. While this amendment is intended to remove current disincentives to current administrative processes, the changes made by it are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost effective alternatives to litigation. Further, such activity would divert resources from the research and development of inventions. As such, the Committee intends for the USPTO to address potential abuses and current inefficiencies under its expanded procedural authority.³⁰

A. The PTAB Reform Act Invites Abuse, Inefficiency, and Waste of Resources

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 or at the International Trade Commission ("ITC") when deciding whether to use its discretion to deny institution of petitions that would otherwise meet the threshold requirement. As an initial matter, we do not believe policymakers need to or should constrain the discretion of the PTAB in this way. Discretion applied in a fair-minded, even-handed manner on a case-by-case basis is a cornerstone of administrative decision-making. At its core, the PTAB has always sought to take a "holistic view of whether efficiency and integrity of the system are best served by denying or

³⁰ H.R. REP. NO. 112-98 (June 1, 2011), pt. 1 at 42.

instituting review.”³¹ Indeed, the Director has been afforded vast discretion to institute PTAB review even when petitions do not strictly meet statutory requirements.³² Obviously, if the PTAB is to have discretion over whether to institute these proceedings, that discretion must cover both approval *and* denial of such institutions. 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.

A considerable worry at the time of the adoption of the AIA was how the USPTO would be able to handle the influx of patent proceedings at the newly-created PTAB and how it would be able to respond to attempts at gamesmanship as they inevitably arose in this new forum. Though there unfortunately are and always will be bad actors who attempt to exploit the PTAB system, the Innovation Alliance deeply appreciates the commitment of the USPTO to preventing those exploits as they are identified. The bill’s prohibition on the Director from considering parallel litigation when deciding whether to exercise her discretion to deny institution strips the Director of a key tool in preventing attempts at gamesmanship and hampers the Director’s ability to manage the Office’s docket. And instead of promoting certainty, two parallel validity reviews on any given patent claim, can yield divergent outcomes.

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 Board 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 or the ITC. 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 or the ITC would conclude before the PTAB trial or would otherwise unnecessarily burden the patent owner. That balancing test provides transparency in the process and incentivizes petitioners to act expeditiously and efficiently, consistent with the express purpose of the 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 (or the ITC) 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.

While the Innovation Alliance wholeheartedly supports the bill’s goal of providing more certainty and finality in the PTAB process, we do not believe removal of *Fintiv* discretion would serve this goal. Under the bill’s approach, burdensome and duplicative parallel litigation would still be a problem. This is because the bill would not allow the PTAB to address the concern that *Fintiv* addresses—*i.e.*, the situation in which a petition would result in the patent holder being

³¹ *Apple v. Fintiv*, IPR2020-00019, Paper 11, 6 (PTAB Mar. 20, 2020) (precedential).

³² See, e.g., *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367 (2020); *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261 (2016).

unreasonably burdened with defending a duplicative and burdensome challenge before the PTAB that is already being advanced in another forum (either a district court or the ITC). Indeed, the bill does not provide any basis for denying institution of an IPR because there is parallel and duplicative litigation on the same patent in another forum, even when that other litigation is in such an advanced stage that it would likely become final before a final written decision at the PTAB could be issued.

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.

B. *The PTAB Reform Act Attempts to Allow Petitioners to Skirt Constitutional Standing Requirements for Appeals to the Federal Circuit*

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. When the PTAB issues a final written decision finding that a patent is not unpatentable, a petitioner may not appeal that decision 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. 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.”³³

C. *The PTAB Reform Act Creates Unnecessary Confusion and Procedural Obstacles*

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 markedly improved outcomes, but motions to amend still have less than a 20% chance of succeeding.³⁴ This is in stark contrast to the high institution rates and high cancellation rates at final decision noted above. 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

³³ *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).

³⁴ 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.

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.

D. The PTAB Reform Act Stacks the Deck Against Inventors

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.

The Innovation Alliance appreciates the Subcommittee’s careful attention to the issues facing the PTAB. For the reasons noted above, we urge Members to support the STRONGER Patents Act which would strengthen patent rights, and to oppose the PTAB Reform Act which would weaken them.