United States Senate

VIA ELECTRONIC TRANSMISSION

April 27, 2022

The Honorable Kathi Vidal
Under Secretary of Commerce for Intellectual Property and
Director United States Patent and Trademark Office
United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Dear Director Vidal:

We write to express our concern about the Patent Trial and Appeal Board's (PTAB's) recent decisions to institute inter partes reviews (IPRs) in *OpenSky Industries, LLC v. VLSI Technology LLC*[1] and *Patent Quality Assurance, LLC v. VLSI Technology LLC*.[2] The facts and circumstances around these proceedings suggest petitioners OpenSky Industries, LLC (OpenSky) and Patent Quality Assurance, LLC (PQA) brought the proceedings to manipulate the U.S. Patent and Trademark Office (USPTO) for their own financial gain. The PTAB's decisions to endorse this scheme are troubling and undermine the USPTO's recent efforts to ensure post-issuance proceedings are not used to harass patent owners.

The United States has long held the position as the world's leader in innovation. Our country's patent system has played a key role in securing this status. By granting inventors the exclusive right to practice their inventions for a limited period of time, the patent system incentivizes individuals and companies alike to invest their time, energy, and resources into the next generation of products and services. The result is a string of breakthroughs, including the light bulb, the telephone, the microchip, and many more.

In 2011, Congress enacted the America Invents Act. The centerpiece of this law was a new suite of post-issuance proceedings, including IPRs, to allow petitioners to challenge the validity of U.S. patents. Supporters of this law claimed such proceedings were necessary to "create an inexpensive and faster alternative to litigation."[3]

Unfortunately, a variety of petitioners have sought to weaponize the IPR process for their own financial gain.

For example, in 2015, hedge fund manager Kyle Bass formed the so-called Coalition for Affordable Drugs as a front group to file IPR petitions against patents held by pharmaceutical

[1] Case No. IPR2021-01064.
[2] Case No. IPR2021-01229.
[3] 157 Cong. Rec. H4496 (2011) (statement of Rep. Lamar Smith).

companies. All the while, his fund shorted the stocks of those companies and profited off the price drops caused by the very petitions Bass filed.[4]

More recently, OpenSky and PQA filed petitions challenging U.S. Patent Nos. 7,523,373 and 7,725,759 in an apparent attempt to extort money from patent owner VLSI Technology LLC. The motives behind these IPR petitions were suspect from the outset. For example,

- The companies were formed shortly before filing their petitions.
- The companies did not make, use, sell, or import *any* products, let alone any products that could subject them to claims of infringement.
- The companies filed their petitions only after VLSI had secured a $2.2 billion infringement judgment against Intel.
- And, most egregiously, the petitions filed by the companies were near "carbon copies" of petitions previously filed by Intel that had been rejected by the USPTO.[5]

Any doubt about OpenSky's motives was extinguished when VLSI filed with the USPTO an e-mail received from OpenSky's counsel. In the e-mail, OpenSky's counsel proposed a scheme in which the company would actively work to undermine the IPR it brought—thereby protecting VLSI's patents from other challenges—in exchange for monetary payment.[6]

These activities represent clear abuses of the IPR system. Yet, to date, it does not appear the USPTO has taken any steps to sanction those involved or otherwise act to deter future copycats. In fact, the PTAB has thus far granted two of the petitions filed by OpenSky and PQA. In one institution decision, the PTAB actually cited the timing of OpenSky's petition as a reason the petition should be granted.[7]

In recent years, the USPTO has made great strides in making the IPR process more fair and equitable. By adopting the *Phillips* claim construction standard, the USPTO ensured that PTAB reviews would more closely align with district court validity challenges. And, by adopting the *Fintiv* factors, the USPTO has reduced the burden faced by patent owners who too often are forced to defend their patents simultaneously on multiple fronts.

However, the abuses described above show that the USPTO's work is not finished. The USPTO must therefore review its policies and take all necessary actions to ensure the IPR process is not abused by parties filing petitions in bad faith and for reasons outside the intent of the America Invents Act.

To that end, please respond to the following questions no later than May 27, 2022.

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[4] https://www.reuters.com/article/celgene-lawsuit-hedgefund/hedge-fund-manager-kyle-bass-escapes-sanctions-in-drug-patent-case-idUSL1N11Y1S120150928.
[5] https://news.bloomberglaw.com/ip-law/review-of-vlsi-patents-in-intel-fight-seen-enticing-opportunists.
[6] https://news.bloomberglaw.com/ip-law/intel-patent-verdict-tensions-spark-reveal-of-unusual-offer.
[7] Case No. IPR2021-01064, Paper No. 17 at 13 ("We determine that OpenSky has offered a reasonable explanation for the timing of the Petition. Here, it was reasonable for OpenSky to take interest in the '759 patent after a substantial damages award, and choose to challenge the patent at that time.")

1. Does the USPTO consider filing an IPR petition for the purpose of profiting from a resulting decrease in the price of the patent owner's stock a proper use of the IPR system? Why or why not?

2. Does the USPTO consider filing an IPR petition for the purpose of extorting money from the patent owner a proper use of the IPR system? Why or why not?

3. The America Invents Act gives the Director of the USPTO discretionary authority to deny IPR petitions. Do you consider it a proper use of that discretion to (1) deny an IPR petition filed for the purpose of profiting from the resulting decrease in the price of the patent owner's stock; or (2) deny an IPR petition filed for the purpose of extorting money from the patent owner? Why or why not?

4. What sanctions can the USPTO impose on parties that file IPR petitions in bad faith? Has the USPTO exercised this authority to date? If so, please describe the circumstances.

5. What additional authorities, if any, does the USPTO require to ensure that parties do not file IPR petitions in bad faith and for reasons outside the intent of the America Invents Act?

We appreciate your attention to this matter. If you have any questions, please do not hesitate to contact us.

Sincerely,

Mazie K. Hirono
United States Senator

Thom Tillis
United States Senator