

**The Office of
Hon. Paul R. Michel (ret.)
Alexandria, Virginia**

June 20, 2023

Katherine K. Vidal
Under Secretary of Commerce for Intellectual Property
and Director of the United States Patent and Trademark Office
U.S. Patent and Trademark Office
Alexandria, Virginia 22314

Re: Docket No. PTO-P-2020-0022

Dear Director Vidal:

I submit these comments in response to the USPTO's advance notice of proposed rule-making. *See USPTO, Changes Under Consideration to Discretionary Institution Practices, Petition Word-Count Limits, and Settlement Practices for America Invents Act Trial Proceedings Before the Patent Trial and Appeal Board*, 88 Fed. Reg. 24,503 (Apr. 21, 2023) (hereafter "ANPRM").

I submit these comments on behalf of myself only. The comments are based on my years of experience in patent and administrative law, including as a judge on the U.S. Court of Appeals for the Federal Circuit for over twenty-two years. Since I stepped down from the bench, I have maintained a keen interest in ensuring that the U.S. patent system remains vigorous and robust. Having a patent system that encourages a vibrant U.S. innovation ecosystem is the best means for continuing the innovation that has created some of the most fundamental and significant advances in biotechnology, medicine, and healthcare.

In providing my comments here, I first commend the Office for its steps to improving the U.S. patent system. Since the passage of the American Invents Act, the Patent Trial and Appeal Board has become, in many respects, the most important tribunal for adjudicating contested patent issues. It is therefore critical to ensure that the rules and procedures applicable to AIA post-grant proceedings correctly balance the need to promote innovation through reliable patent rights and having a fair and efficient means to cancel patent claims that do not satisfy patentability requirements. The current system is far from ideal, and many changes and improvements will need to come from Congress, including restoring a standing requirement for patent disputes and applying the clear and convincing evidence standard, to avoid conflict with 35 U.S.C. § 282 and Supreme Court precedent.

Even so, the USPTO's ANPRM identifies a number of issues that are worth further discussion and percolation. The USPTO should move forward with a concrete Notice of Proposed Rulemaking so that all interested and affected parties can provide specific comments and feedback. As the old saying goes, "the devil is in the details." Or perhaps more appropriate here, as Rep. Nancy Pelosi once said, "the devil and the angels are in the details." Here, the USPTO has the opportunity to propose rules having more angels than devils, but any

proposed rules will need to be carefully drafted and must consider input from all interested stakeholders, particularly entities dependent on reliable patents.

For the ANPRM, I provide some brief comments on a few of the identified topics. I am not endeavoring at this time to address every issue in the ANPRM, and my limited comments here should not be deemed to be an endorsement or objection to other proposals in the ANPRM. I look forward to providing more detailed comments once the Office issues a Notice of Proposed Rulemaking.

I. Ownership Disclosure Requirement

I suggest that the USPTO not propose a rule that would impose an onerous requirement that patent owners must disclose detailed information about ownership interests in any patents at issue in an AIA post-grant proceeding. While limited information about patent ownership may be relevant in rare instances, such as a request based on a micro- or small entity, a general requirement of disclosing patent ownership information in order to obtain a discretionary denial will cause far more problems than it will solve.¹

The proposal, if further considered, seemingly requires specific and highly complex rules for assessing what types of interest and ownership would need to be disclosed in a PTAB proceeding. Such complex rules would unnecessarily add to the significant burdens for patent owners who already face an average expense of about a half-million dollars for defending a post-grant proceeding.

The ANPRM does not provide a rational explanation for why ownership information is necessary. If there is a specific, rational explanation and the USPTO decides to propose a rule on this issue, the USPTO should provide a rational explanation for the rule so that interested parties can assess the possible impact. Otherwise, an ambiguous proposal will lead to ancillary litigation over issues not related to the merits of the patent—and will increase cost, delay, and uncertainty for innovation leaders.

The ANPRM also does not seem to contemplate the increased burden associated with compiling and disclosing information that is very often highly confidential. From a practical standpoint, preparing and filing information with highly confidential disclosures is much more time-consuming and expensive for patent owners. Disputes over compliance can be expected.

Ultimately, requiring the disclosure of patent ownership interests conflicts with the overall purpose of the AIA. It also would likely impose unnecessary burdens on innovators and those willing to invest in innovation. That, by itself, does not comport with the USPTO's goals of improving the U.S. innovation ecosystem.

¹ The ANPRM provides: "The USPTO also requests feedback on whether the Office should require patentees to provide (e.g., in a request for discretionary denial or as part of their mandatory disclosures, 37 CFR 42.8) additional information as to patent ownership as a precondition for the Board considering discretionary denial. For example, the Office requests feedback on whether, as a precondition to discretionary denial, patent owners should be required to disclose additional information relating to entities having a substantial relationship with the patent owner (e.g., anyone with an ownership interest in the patent owner; any government funding or third-party litigation funding support, including funding for some or all of the patent owner's attorney fees or expenses before the PTAB or district court; and any stake any party has in the outcome of the AIA proceeding or any parallel proceedings on the challenged claims)." 88 Fed. Reg. at 24,517.

II. The “Compelling Merits” Standard

I also suggest that the “compelling merits” standard, proposed in connection with discretionary denials, is problematic. *See* 88 Fed. Reg. at 24,504. While the apparent objective is to provide further guidance on discretionary denials, adding another layer with a new standard will lead to less certainty in the Board’s case law.

The Office appears to intend the “compelling merits” standard to be an exception to when discretionary denial is appropriate. But my concern is that, with the large number of cases where discretionary denial might apply, the “compelling merits” test might become the effective standard for institution, effectively nullifying *Fintiv*, which has been beneficial. That outcome appears inconsistent with the statute—and would open the door to unnecessary litigation about whether any final rules that the Office might promulgate are contrary to the AIA.

III. *Sotera* Declarations

I encourage the USPTO to propose a rule that would require a *Sotera* stipulation from a petitioner when there is a parallel proceeding in district court or the International Trade Commission. Such a rule could promote efficiency and fairness by minimizing the likelihood that the same issues are being litigated in different tribunals under different standards. If carefully written, such a rule would allow a petitioner to bring a validity challenge in the petitioner’s preferred forum without imposing unnecessary harm on that patent owner.

Another possible benefit would be a clear, bright-line rule. Proposing rules that are clear and easily administrable will improve AIA post-grant proceedings by minimizing disputes and reducing expenses associated with litigating issues that do not directly address the merits of a patent.

IV. Prior Adjudication

When a district court or the ITC has upheld a patent’s validity, a petition should be discretionally denied. If a petition has already been granted, the AIA proceeding should be terminated to allow the district court and ITC (and any appeal) to resolve the dispute between the parties. Post-grant AIA proceedings were not intended to give parties second bites at the apple. The USPTO can and should implement a rule that closes a loophole that enables infringers to avoid otherwise valid judgments of district courts and the ITC—and even the Federal Circuit.

Sincerely,

/Paul R. Michel/

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