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Via Federal eRulemaking Portal at www.regulations.gov, Docket No. PTO-P-2020-0022

Attention: The Honorable Katherine K. Vidal
Under Secretary of Commerce for Intellectual Property and Director of the United States Patent
and Trademark Office

Red Hat, Inc.'s Comments in Response to "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. 24503 (April 21, 2023)

Red Hat appreciates the opportunity that the United States Patent and Trademark Office ("PTO") has provided for stakeholders to submit comments in response to the PTO's 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 (the "Proposed Rulemaking"). Red Hat is a U.S.-based software company that creates and markets open source software products, including the widely-used Red Hat Enterprise Linux operating system. Red Hat has participated in a number of trial proceedings under the America Invents Act ("AIA") and maintains a close interest in issues of U.S. patent policy and practice.

Red Hat supports the strong, streamlined regime that Congress implemented through the AIA to seek to reduce the deadweight costs that invalid patents pose to U.S. industry and the economy. At the same time, Red Hat understands there are circumstances where the goal of removing improvidently granted patents from the field must be balanced against the fairness concerns of patentees participating in AIA proceedings. Red Hat appreciates the PTO's transparency in using the Proposed Rulemaking to publicize its initial thinking on this subject and to engage with stakeholders.

Red Hat offers the following comments on specific aspects of the Proposed Rulemaking.

Limitations on Nonmarket Competitors—Petitions Filed by Certain For-Profit Entities

As a preliminary matter, Red Hat is concerned that the proposed rules seeking to restrict petitions by "certain for-profit entities" exceed the PTO's rulemaking authority. On its face, the AIA broadly allows any "person who is not the owner of a patent" to file a petition for *inter partes* review. 35 U.S.C. § 311(a). Moreover, the legislative history indicates that Congress previously considered adding statutory "standing" requirements for challenging patents in post-grant proceedings before the PTO (including in reform legislation introduced prior to the AIA), but Congress ultimately elected not to impose any such limitations in the AIA. Given the plain statutory language and history, Red Hat believes a legislative amendment would be required to introduce the proposed standing requirements.

Red Hat also is mindful that the intent and policy behind the AIA was to create a streamlined, broadly available, and cost-effective path for eliminating invalid patents from the patent system. In general, Red Hat is concerned that restricting access to AIA review in the manner contemplated by the Proposed Rulemaking will have the foreseeable and contrary result of leaving more invalid patents in the system, putting U.S.-based manufacturers at a competitive disadvantage. While Red Hat appreciates the proposed rule's goal of curbing the potential for abusive filings, Red Hat believes the PTO could satisfy that goal without resorting to broadly prohibiting entire categories of petitioners.

Regarding the specific proposed rules for “for-profit entities”—and assuming for the sake of argument that the PTO has the authority to categorically restrict petitions by certain entities—Red Hat recommends that standing not be limited to entities that have actually been sued or otherwise directly threatened with infringement. At a minimum, as the Proposed Rulemaking raises for consideration, the PTO should also allow petitions by entities that have a reasonable apprehension of suit (e.g., where the patentee has accused similarly situated entities or other parties using the same technology). This approach would still advance the PTO’s goal of avoiding challenges by “non-competitive entities,” but would help ensure that entities with a genuine interest in a patent dispute may seek resolution through an AIA proceeding even if the patentee has strategically refrained from targeting them.

Red Hat also believes a “reasonable apprehension of suit” standard would sufficiently avoid challenges by non-competitive entities, without requiring the PTO to determine whether the petitioner “is practicing ... in the field of the challenged patent with a product or service on the market or with a product or service in which the party has invested to bring to market.” That inquiry (which appears to resemble the domestic industry requirement in International Trade Commission investigations, but applied to the opposite party) seemingly exceeds the PTO’s core expertise. Red Hat is concerned that the required fact-finding would undercut the AIA’s purpose of providing a less expensive alternative to district court litigation.

“Substantial Relationship” / Serial Petitions

Red Hat similarly is concerned that the proposal to determine whether a petitioner has a broadly defined “substantial relationship” with another entity will unduly complicate the institution analysis and is unnecessary in view of the AIA’s existing provisions for determining privies and real parties-in-interest. For example, in the context of the proposed rule regarding serial petitions, Red Hat is concerned that the vaguely defined “substantial relationship” standard may unfairly bar a manufacturer from bringing a subsequent petition where a patentee strategically targeted the manufacturer’s customer (rather than the manufacturer itself) based on the manufacturer’s product and the customer elected to bring a petition. This proposed standard is likely to increase patentees’ incentive to game the system by bringing assertions against the least-resourced potential targets, with the goal of “working up the chain” of potential targets and seeking to reduce the options that later demand recipients have to try to defend themselves.

“Compelling Merits”

Red Hat appreciates that the Proposed Rulemaking contemplates including a carve-out provision to create standing even when the other proposed requirements are not met. In Red Hat’s view, however, the proposed “heightened standard of demonstrating compelling merits” is not appropriate, because this heightened threshold would ostensibly require petitioners to satisfy a higher burden at the institution stage than they ultimately would need to meet in order to prevail in an instituted review under the AIA’s plainly defined preponderance of the evidence standard.

Micro and Small Entities: Protecting Under-Resourced Inventors and Petitioners

As with the other proposals discussed above, Red Hat is concerned by the lack of any identified statutory authority for the proposed rule limiting review of patents owned by “small” entities. While the AIA has certain provisions directed to qualifying “micro-entities,” the statute does not contemplate limiting what patents may be reviewed based on the patentee’s characteristics or the patent’s ownership.



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Red Hat also is concerned that the proposed preferential treatment for “small” patentees will inevitably encourage gamesmanship by entities seeking to shield their patents from review. Like the question of whether a petitioner is practicing in the field of the patent, the question of whether a patentee is a legitimate “small” entity—as opposed to the result of an attempt to creatively structure the patent’s ownership to qualify for this exemption—is likely to require extensive fact-finding that is beyond the PTO’s core purview. This inquiry similarly threatens to undermine the AIA’s goal of providing a streamlined, cost-effective review process.

In addition, to a significant degree, the proposed exemption for smaller patentees appears to be a solution in search of a problem, as less-resourced entities should prefer the AIA review process as an alternative to more expensive district court litigation.

In any event, to the extent the PTO seeks to protect patentees by considering their means as part of the institution decision, Red Hat recommends that the PTO also consider whether “smaller” patentees have nevertheless engaged in abusive behavior or gamesmanship—such as by indiscriminately targeting potential licensees or by portraying themselves as “small entities” when they are, in fact, backed by larger investors, litigation funders, or contingency-fee counsel.

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Thank you again for this opportunity to comment on the Proposed Rulemaking. Please note that the absence of comments by Red Hat on other aspects of the Proposed Rulemaking does not indicate that Red Hat supports or opposes those proposals.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "DBP", written in a cursive style.

David B. Perry
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Red Hat, Inc.