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### 5D Patent Law Session. PTAB

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Brian Scarpelli

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Session 5D

**Emily C. & John E. Hansen Intellectual Property Institute**

**TWENTY-NINTH ANNUAL CONFERENCE  
INTERNATIONAL INTELLECTUAL PROPERTY  
LAW & POLICY**

*Friday, April 22, 2022 – 12:00 p.m.*

**SESSION 5: Patent Law  
5D. PTAB**

***Moderator:***

**John B. Pegram**

Fish & Richardson, P.C., New York

***Speakers:***

**Adam Mossoff**

Antonin Scalia Law School, George Mason University, Arlington

***Leviathan and Innovation: The Administrative State Assimilates the Patent System***

**Patricia Martone**

NYU Law Engelberg Center on Innovation Law & Policy, New York

***The USPTO's Resistance to Following the Arthrex Decision Imperils the Constitutionality of All AIA Review Decisions***

**Brian Scarpelli**

ACT | The App Association, Washington, D.C.

***Small Business Tech Perspectives on PTAB and Discretionary Denial Developments***

***Panelists:***

**George E. Badenoch**

Hunton Andrews Kurth LLP, New York

**Brian P. Murphy**

Haug Partners LLP, New York

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## Session 5D

JOHN B. PEGRAM: This is the PTAB session. I am going to make a very brief preamble before the speakers, and in a couple of minutes I'm going to ask Brian Murphy to give us a recent announcement that's relevant. First of all, I just wanted to say, by way of introduction, that in Christian churches we sometimes say, "The Lord giveth, the Lord take it away. Blessed be the name of the Lord." But in the US Patent sphere at least, many would not say, "Blessed be the name of our Supreme Court," or, "Blessed be the name of our Federal Circuit," or particularly relevant today, "Blessed be the name of the PTAB."

Fortunately, today, we have some people who are very experienced and knowledgeable regarding the PTAB, starting with Adam Mossoff, who is at the George Mason University. Patricia Martone, who, after a career as a patent litigator, is now a Fellow with New York University School of Law. Brian Scarpelli, who is with ACT, The App Association, and panelists, George Badenoch, and Brian Murphy, also experienced patent litigators and experienced in the PTAB.

At this time, I would like Brian Murphy to tell us about today's announcement from the USPTO.

BRIAN P. MURPHY: All right, thank you, John. Good afternoon. This morning at 9:20 AM, the USPTO issued a timely press release. The press release explains Director Vidal's plan for handling director reviews of PTAB final written decisions. This is particularly timely in the wake of the Supreme Court's June 2021 Arthrex decision. The press release is a perfect setup for Pat Martone's presentation on this topic today. Briefly, the USPTO now has two websites, and you can use those websites to check, one, updates on the directors' review process itself, which is going to be shortly under review.

Two, you can also check updates on the status of director review in any particular case of interest. I checked them earlier. It looks like the PTO has put together a thorough spreadsheet of all director review requests that have been made today, and so you can check that for status. The essence of the press release, and I know Pat will be speaking to this, is that the director, Director Vidal will continue to review PTAB final written decisions under the current interim process, while the office concurrently engages in formal notice and comment rulemaking so that they can hear from all stakeholders on what the final process should look like.

In addition, I note Director Vidal also provided some very specific guidance on what issues, in particular, would be of greatest interest for director review if you are a litigant before the PTAB, and so, I refer you to the PTAB website for further details, but that's the essence of this morning's press release.

JOHN B. PEGRAM: With that, I think it's time to move on. Adam, would you start your presentation?

ADAM MOSSOFF: Certainly. It's a real pleasure to be here, and especially with all of these other very distinguished panelists. We're looking forward to our conversation this morning. I am not using PowerPoint. I am a follower, as I like to say, of Lord Acton's lesser-known dictum, if power corrupts, PowerPoint corrupts absolutely. You'll just have to listen to me talk for a few minutes. My remarks are about the broad institutional impact that the PTAB

represents and the potentially negative impacts that that has, ultimately, on the US innovation economy, in terms of patents as one of the primary drivers of the innovation economy.

Historically, patents have represented reliable and effective property rights. This was a somewhat unique approach originally by the United States. Contrary to other countries that took a view of patents as economic regulatory entitlements and advanced economic policy, the US took a different approach and approached this from a core of a private law on private right approach. Interpreting patents largely through property doctrines, and enforcing them through contracts, and tort doctrines, and through Article III courts. The PTAB really represented a massive change to that historical approach that the United States had, just descriptively.

There's, you can either agree with that, that approach should be made or not, but the fact of the matter is, represents a significant approach. The PTAB really presented a significant and interesting challenge to the courts, to the Supreme Court because it was set up very differently than many other administrative agencies and tribunals, in the sense of, it was set up to decide largely legal questions, but it was set up as an agency tribunal. It was very much like what I referred to in past talks as a platypus. It had elements of an administrative law beaver with elements of an Article III court doc.

I was somewhat pleased in the oral argument to see Justice Gorsuch, and Justice Sotomayor, and others referring to the PTAB as a strange doc, that was their term for it, as they struggled with this. You can see the fact that the Supreme Court has decided now six cases that have arisen out of the PTAB in the past six years, you would be very hard-pressed to find Supreme Court deciding that many cases arising out of any single agency, let alone an agency tribunal in the entire history of the United States.

Arthrex, which was the last case that was decided by the US Supreme Court, I think really represents the final resolution by the Supreme Court that we are going to treat the PTAB like we treat other administrative agencies and other administrative tribunals, in the sense that this is part of the administrative state. This is, we're going to apply to it the discretionary decision-making norms and the types of expectations through the Administrative Procedures Act, that we've applied to other agencies like the SEC, the FDA, the OSHA, and so on, and so on, throughout the large, modern administrative state.

This really represents a really significant change. I think we're going to get some of the very interesting discussions, some of the doctrinal details that have arisen out of this at this unique nexus of constitutional law, administrative law, and patent law, from Patricia, and George, and Brian, and others. What I really want to identify is that this represents a significant change in so far as the operating norms of the administrative state is discretionary policy decision making.

The SEC, and the FDA, and the FTC, they change their operating norms, and their substantive doctrines based upon changes in administration because that's the whole point of the administrative state is that it's supposed to be implementing the policy of the current executive branch administration that has

office. This is not something that has happened in United States. Historically, patent doctrine and patent policies have not changed every four years, given a change in presidential election. Yet, this is what we've been witnessing now at the PTAB as we've had changes from the Obama administration, the Trump administration.

Now we're probably going to have expected changes under Kathi Vidal, under the Biden administration. This really undermines, in two significant ways, these reliable and effective property rights that served as a basis to drive the US innovation economy. One is that it unsettles property rights. It just creates uncertainty. The patent owners will not know what to expect. You might say, "Yes, but four years, even eight years is a pretty long time," but remember, we're talking about time horizons for R&D investments by companies in the biopharmaceutical sector, and the foundational enterprise systems and foundational technologies in the high tech sector that are decade-plus investments.

They need to have some confidence and certainty that the patents that they're obtaining now will be enforceable under the same terms and standards that they're expecting that they're making their investments now. Secondly, another way that this undermines patents as a driver to the US innovation economy, as an institutional matter, as an economic matter is it opens up the patent system now to extensive, for lack of a better term, lobbying, and interest group influence decision making that hadn't existed before.

You don't have people lobbying Article III courts, but you do have people lobbying the executive branch and lobbying the USPTO, in particular now, to change rules and change positions. Companies that have massive amounts of money, and access to the halls of government, and levels of government power, traditionally, in the administrative state more broadly, and in the government generally, have the ones that have access to this. We've seen this in the PTAB. Even though the rhetoric and the narrative about the creation of the PTAB was for individual inventors, the mom and pops were being tormented by abusive patent trolls.

In fact, what we have is the massive multinational corporations, and especially in the high-tech space, are the dominant users of the PTAB. Just, in 30 seconds, I would say, I will conclude 30 seconds and say, 82 of all of the PTAB filings in 2021, and this wasn't a radical change from 2020, came from five companies, Samsung, Apple, Google, Intel, and Microsoft. Then the next ones, Unified Patents, Comcast, Cisco, LG.

This is not an institution that is being defined in securing individual inventors, and startups, and things of the sort. This is an institution that is now being defined by large companies who have the access, and the ability, and the power to use it to their interests, and in favor of their business models. Sorry. Okay.

JOHN B. PEGRAM: Adam, in 30 seconds or less, what would you do?

ADAM MOSSOFF: All right, 30 seconds. Some proposals are to eliminate the PTAB. Return us back to the Article III system that we had. I am of the mind that I don't think the Article III system was necessarily malfunctioning in any fundamental way. The problems that people complained about it, weren't

problems unique to the patent system. They were unique to Article III litigation. Alternatively, reform it. Stronger Patent Act at least imposes guardrails on the procedures and processes at the PTAB that would help provide more certainty and stability to the system.

JOHN B. PEGRAM: Thank you. I'm going to go to George next. George?

GEORGE E. BADENOCH: Sure. I don't really disagree with a lot of what Adam said. I'm going to throw out a different opinion just to provoke discussion because that's what Hugh wants us to do in these sessions. Don't you think it's true that this is different because the substantive law under which patents are going to be evaluated, both as to infringement and as to validity, is not changing here? That is not something subject to discretion or is going to change with administrations unless congress changes the law. What's changing is the venue in which an important issue is decided.

I don't know whether the change of venue is that much greater than it was between say, totally different courts or totally different juries under the court system. You've simply changed where validity is going to be decided, and therefore, it's not all that discretionary. Putting aside for a moment, subject dear to my heart, the discretionary denials and refusals to consider your case and so on that the PTAB can also [crosstalk]--

JOHN B. PEGRAM: We'll get back to that. Brian Scarpelli, do you want to jump in, and just say something for 30 seconds or 40 seconds now?

BRIAN SCARPELLI: Sure. Hello, everyone. Glad to be here. I'm Brian Scarpelli. Really appreciate it. On that particular topic, yes, the discretionary denial topic is an area of concern, at least from my perspective. I think over the last few years, in particular, during the last administration, there's a pretty rapidly growing string of discretionary denials from PTAB, where the PTO is ignoring the statutory deadline allowing an IPR to be brought within one year after service of the complaint.

They basically have substituted in its own policy preference and directed discretionary denial of timely filed IPR petitions when a district court docketed an earlier trial date in a parallel infringement suit.

JOHN B. PEGRAM: Good point.

BRIAN SCARPELLI: That's a 30-second summary, I guess, of the complaint.

JOHN B. PEGRAM: Right. Brian Murphy, can you make it to 30 seconds?

BRIAN P. MURPHY: I'll try, John. First, Adam raises a lot of great points. As a former PTAB judge, I have an institutional bias, so take it with a grain of salt. A couple of points. In terms of what George said, the venue has changed in the significant way for determining validity or what the statute calls patentability determinations, which is now the PTAB. I'd like to think, and based on empirical evidence, the PTAB judges have done a good job. They've certainly done as good a job as most district courts, if not better, and the Federal Circuit affirmance rates are empirical data that support that.

That's one. Two, I have witnessed firsthand, what Adam talks about in terms of the big firm lobbying efforts of the PTAB specifically. It is not always

easy to put that out of your mind as an objective decision-maker. What the PTAB judges always talk about internally is we call balls and strikes. We issue public decisions. They're lengthy, they're detailed. Most of the time, they're affirmed, but they go up to the Federal Circuit. When the PTAB gets something wrong, the Federal Circuit is certainly not shy about letting us know that, and the PTAB responds to that.

I think they've reacted appropriately. Last point, yes, every administration has their wish list for the PTAB it seems. That's unfortunate, but that's the way it is. Director Iancu made a couple of changes that I actually liked. He came in, the first thing he did was change the claim construction standard in IPRs to the district court Phillips standard. 90% of these cases have co-pending district court litigation. That was long overdue, low-hanging fruit. Nobody has talked about it ever since, so it must be good. He also--

JOHN B. PEGRAM: Thank you.

BRIAN P. MURPHY: Okay, sorry. Thanks, John.

JOHN B. PEGRAM: Our time for discussion has just expired. Pat, I did not mean to cut you off with no chance to discuss. On the other hand, if you want to put your slides up, we'll hear from you, and I'll give you a little more time in the next discussion. Thank you.

PATRICIA MARTONE: Yes, here we go. Thank you. It's wonderful to be here again. I'm actually not going to use my slides in the interest of time. They are on this website if people would like to look at it and see some points made in more detail. I had two comments as a threshold to respond to Adam, which really relate to my talk. First, at some point, procedure becomes substance. For example, the absence of the presumption of validity makes this a very different proceeding than an Article III court. Second, I find the amount of lobbying very disturbing.

I think the issues surrounding the PTAB and the patent office to be much too politicized. I would like to see a return to less politics and more focus on innovation. With that said as a prelude, the USPTO's application of Arthrex is symptomatic of what has gone wrong in the patent office. There's been a discussion of Arthrex already. We know that the Supreme Court said, in effect that "We're going to sustain AIA proceedings, but we're going to have one requirement." All that was needed was a procedure for review by the director. That's all that was needed.

The problem was, there was no properly appointed USPTO director. You had Drew Hirshfeld, Commissioner of Patents, who was performing the functions of a director but never approved by the President or the Senate. For some reason that I do not understand, this could have all been solved by the appointment of an acting director, which could have been done in a couple of days. That's not what happened. Instead, Commissioner Hirschfeld reviewed the PTAB decisions that he was asked to review. One of them was adverse to Arthrex, and so, not surprisingly, Arthrex has gone back to the Federal Circuit complaining that he did not have the necessary constitutional authority to conduct the review.

There was an oral argument on March 30th, and I tend to agree with the Arthrex arguments. Chief Judge Moore challenged the USPTO because what they were really arguing were nits in my view.



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First, the USPTO said the Federal Vacancies Reform Act didn't apply. But that's the mechanism by which acting directors can be appointed. Second, the USPTO said that the agency had its own succession plan issued by Michelle Lee in 2016. Finally, the USPTO argued that the functions of the USPTO were too important to disrupt. I would like to suggest, from a rule of law perspective, that arguing that "we are too busy and too important to comply with a Supreme Court ruling" can't be a proper agency response to a Supreme Court decision. I understand the concerns about what's going on with the PTAB, but the USPTO is an agency, and it has to function like an agency, like all the other federal agencies. Already we see an undermining, in my view, of the respect for the USPTO, both in the courts and in the public. Because PTAB proceedings are already very controversial, we don't need another problem that people can fight over, like they're fighting now. We see, as Adam mentioned, that even in the Supreme Court argument at Arthrex, Justices of the the Supreme Court describing the functioning of the USPTO, as a real break from traditional federal administrative agencies.. This is not helpful for getting appropriate judicial respect for the USPTO. . The way forward I believe is exactly what Director Vidal plans on doing--- a real rulemaking procedure.

I actually think reviews should be suspended while they do this rulemaking, and I'll come back to that in a second. It's very important to have, one, not the fighting that usually takes place about whether the USPTO really has to rulemaking, and can we do the minimum possible, but a real rulemaking which focuses on transparency and stakeholder confidence in the ultimate decision. We need to have this procedure, and the economic impact of PTAB decisions is far too important to have casual rules that are not well thought out.

I think reviews should be suspended because there are some very important issues here. One of them is which, of all of the decisions of Commissioner Hirshfeld can be reviewed? Can they all be reviewed again? I think they should be. They should be subject to review. Not only that, what about the 10 years of unconstitutional decisions we've had? Are we just going to look the other way, and say, "Oh, it's too late."? The Supreme Court didn't give us any guidance on that.

The problem here is that once again, the term for review is only 12 months, which can be extended to 18 months for these decisions. Now, every time the patent office keeps trying to fit into the time frame by narrowing what it's doing, people don't like that. There was a dispute over whether we should have amendments to claims. Now we can have amendments. There was the SAS decision, which said that the PTAB would have to institute on every claim. Now there has to be time for a director review. I really wonder whether the result of this process shouldn't be going back to congress for more guidance.

Those are my thoughts. Thank you.

JOHN B. PEGRAM: Thank you very much, Pat. Those are interesting thoughts. I would suggest and ask you, didn't the people who failed to raise the constitutional issue in the past 10 years, essentially waive that right? It seems to me, as I recall, that if you don't raise the issue, you can't raise it later.

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PATRICIA MARTONE: I did look into this last year. There's a question about that. The Supreme Court might have given us guidance about whether issues in the past could be reviewed even if a party didn't raise it. I think that where people will wind up is that if it was not raised then there can be no review. , But there were more than 100 PTAB decisions that were stayed during the time of the Arthrex ruling. What happens to them? There are all these different pockets. Now, we're going to have some guidance from the Federal Circuit about whether Arthrex has to be redone because there's going to be a decision in that case and maybe that'll help us out.

JOHN PEGRAM: I want to call the attention of our audience to the fact that they can submit questions in the question and answer box on the screen. I have not seen any questions to date, and we'll probably take them up in general discussion. I think Brian Scarpelli, were you raising your hand?

BRIAN SCARPELLI: Yes.

JOHN B. PEGRAM: You can have up to a minute.

BRIAN SCARPELLI: Sure, thanks. Yes, I know I jumped in there to provide us little specificity about one particular concern that I have with some recent trends in how the PTAB process has been changed, but I do think I'm going to break here with the crowd. For some years, the IPR did work as intended. The goal from congress was to establish a more efficient and streamlined patent system that will improve quality, and limit unnecessary and counterproductive litigation costs. I think, looking back, the IPR has worked as intended and has been successful in reducing unnecessary litigation.

There is no statistic I have seen or that compels me, no matter how it can be twisted, that requiring litigation in a federal court is somehow more efficient or cost-effective than using a streamlined process like the PTAB. I don't have your slide. I think, John, you had, in an email, shared a slide about the decreasing number of institution rates, which is concerning to me. Just, in my day job working for a trade association, I'm dealing primarily with small businesses, and there are many beneficiaries in this community.

JOHN B. PEGRAM: We've only got about a minute or two more. Do any of the other three of you want to respond to anything or follow up on what Pat has said? Adam.

ADAM MOSSOFF: I overspoke before, so I'm deferring to George and Brian if they want to jump in.

BRIAN P. MURPHY: Okay. Go ahead, George.

GEORGE E. BADENOCH: I'll just jump in quickly, and say that Pat, I agree that the things need reform and that one of the reforms, and this will have to be by Congress, one of the reforms should be to make the law absolutely the same. It should be a question of a different venue when you say procedure becomes law because the burden of proof is different, and things like that, absolutely I agree with that. That has to change. The business about having different claim constructions was even more absurd. For a while, we had the Federal Circuit affirming inconsistent decisions in everything.

That clearly has to change. It should just be a different venue with a different procedure and not different law that's applied to determine the result.

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BRIAN P. MURPHY: I was just going to add, John, I agree with Pat to the extent, the PTO, there was an unforced error. Having Commissioner Hirshfeld appointed as an acting director could have been done very efficiently, and we'd have avoided this whole discussion, but it didn't happen. Director Vidal is doing the right thing. Because parties want speed in decision-making, she's choosing to do it concurrently. I don't have a problem with that as long as the rulemaking is done quickly, efficiently, and parties know what the current process is.

JOHN B. PEGRAM: We do have a question from an anonymous attendee. "Wouldn't stronger ethical rules rather lobbying, curb some of the perceived abuses discussed relating to PTAB lobbying?" Pat, do you have a comment?

PATRICIA MARTONE: I think it would be great if we can eliminate a lot of lobbying, but I think that's beyond my pay grade at this discussion.

JOHN B. PEGRAM: Anyone else in 20 seconds? Adam?

ADAM MOSSOFF: It's not direct lobbying of cases, it's the procedures, it's the serial petitioning, which plagues the PTAB from the beginning if 30 petitions, 40 petitions, 50 petitions filed against the same patent owner. It's the changes in claim construction rules. It's the lack of presumption of validity. It's everything else that has created this sense of a lack of following a basic rule of law, norms, and respect for due process. That's the concern. The lobbying is being done either at the higher level of the Department of Commerce or of the director itself.

JOHN B. PEGRAM: Okay. It's time for us to move on to the presentation by Brian Scarpelli. The clock is going to get set for six minutes, Brian. You're on.

BRIAN SCARPELLI: Okay. I may repeat myself a little bit here, but hey, why not? Yes, thank you very much. I think the perspective that I'm bringing here is a little different, but I caution against the blanket equating of holding a patent with innovation. Certainly, having a patent can be a factor, but the fact that somebody holds a patent does not mean that they innovate. The creation of the PTAB, the motivation was, yes, to benefit small businesses, and more generally to help remove patents from the system that should not have been awarded, and which are frequently leveraged by patent assertion entities, or patent trolls, or whatever you want to call them.

That's a systemic problem that Congress set out to address in the creation of the PTAB. I do think that, until some of the recent changes, one of which I mentioned earlier, it has been operating quite successfully. It estimates about saving \$2.3 billion over five years and other things like that. Again, I should mention I'm concerned with the significant drop-off in institution rates. I do think that that is due to some of the procedural changes that the last PTO director made.

From my perspective on the Arthrex issues, and the timely development that we heard of earlier, the organization I work for was part of a broad amicus brief that did support that administrative patent judges are intended to be inferior officers and that a severability analysis is faithful to congressional intent. We're pleased with the Arthrex decision because now we can move on, and that's certainly what I've done. In practice, I don't think the PTAB is going anywhere anytime soon at least. For that reason, I really think it's very commendable that so

rapidly, the new PTO Director, Kathi Vidal, has made the announcement we heard earlier about the process for director review.

A little bit more specificity on the changes over the law over the last couple of years I'm concerned with also is related to amending the rules to eliminate the presumption in favor of the petitioner and the shifting of burdens. And I'm concerned with the growing string of discretionary denials, which has, to me, quite clearly welcomed in gamesmanship in district court setting dates for trial, which the actual trial occurs much later. I think that steering these disputes away from the congressionally-intended PTAB process does increase costs and does raise barriers, particularly for organizations, companies strapped.

I think that there should be a priority at the PTO to reduce the burdens for even engaging in IPR, which would, I think, increase small business availability to the process. An analysis of the trial dates that I was looking at, in a lot of these cases, show that, for example, 100% of the cases in Delaware, 70% of the cases in the Western District in Texas, for example, were, in fact, delayed past the initial trial date. Yet that date was used to justify the discretionary denial of the PTAB proceeding. To me, that's gamesmanship of the process and is concerning.

The latest numbers I saw, there's a public post from Unified Patents about how often, and in how many pages the PTAB is considered Fintiv rule in 2021 institution decisions, and it's half of all of them. I think the bottom line for me is that patentability issues are not being decided more quickly or more efficiently by district courts, and federal district court litigation is very prohibitively expensive, more so than an inner partner's review. That's a certainty 10 times more according to some estimates. With some recommendations, I think that a renewed prioritization for patent quality would be excellent to see from the PTO director.

We've even fired off a welcome letter with some recommendations on this front. Things like improved training for examiners, I think would go a long way. Looking for a course correction here on some of the changes made that I mentioned before, to the PTAB's process, I think that's important. Further, I think the open call for input that they're about to initiate, for example, for this appeal process, is commendable. The PTO can and should welcome views from any and all impacted stakeholders.

I think it aligns well with the administration's priorities as well, about reducing disparities and things like that, especially as we see more and more information about how certain entrepreneurs and underserved communities have greater difficulty in accessing capital, and other things like that. That's the overview for me. Thanks.

JOHN B. PEGRAM: Thank you very much, Brian. Following up on that, I'd just like a show of hands, I think I know where Brian Scarpelli is, but how many people believe that stays in district courts, pending PTAB review, is a good idea? One. How many think it's a bad idea generally?

BRIAN P. MURPHY: I think it's case-specific, John. I can't take a view either way. It depends.

ADAM MOSSOFF: Yes, [crosstalk]

BRIAN P. MURPHY: Can I give you an example? Can I give you one example?

JOHN B. PEGRAM: Sure.

BRIAN P. MURPHY: All right. Look, I represented big pharma for many, many years. They have Hatch-Waxman litigation. For the last 40 years, they've proceeded under a very specific statutory and regulatory FDA framework to resolve generic versus branded drug disputes. In my opinion, that should not be subject to a stay. District court judges almost never grant a stay in Hatch-Waxman cases, whether there's an IPR pending or not. I would also take that one step further and say, I don't know why the pharmaceutical industry shouldn't get an exemption for Hatch-Waxman cases, an exemption from IPR proceedings.

They have a 30-month statutory clock. District courts can't stay those cases. They're going to make an invalidity decision. What you're faced with in that industry is co-pending litigation that's almost never going to be stayed. It adds to, rather than detracts from the efficiency that was intended by the IPR process.

JOHN B. PEGRAM: Thank you, very helpful. Adam.

ADAM MOSSOFF: Brian, look, you can make generalized statements about, "Oh, the system is working efficiently," but things are always comparative context institutionally. You're comparing, all institutions have costs, so you can't just assert, "Oh, the PTAB is working efficiently, and so we should be promoting that." I would just like to point out that, as I mentioned, the top five fillers of PTAB petitions have trillions of dollars in market cap. The sixth top filler of PTAB petitions is Unified Patents. Accepting Unified Patents' studies about how awesome the PTAB is working is a bit like accepting Twitter, Facebook, and Google statements about how awesome their content moderation policies are working.

We should be very suspicious and skeptical of claims of people who have a direct interest and have shown a direct interest by their use of the PTAB, by how awesome they think the PTAB is working. The same companies, by the way, that want to have their cake and eat it too. In SAS Institute, everyone like, "Oh, the PTAB has to have discretion. They have to have discretion as to choosing which claims to Institute an IPR petition on. You can't impose upon them a strict rule." Oh, but now then, when Iancu gave them discretion to deny an IPR, "No, no, no. Now, you can't have discretion."

The exact same companies that argued for no discretion in SAS Institute are now arguing that you can't have discretion on discretionary denials. I would even argue that the whole point about discretionary denials is smoke and mirrors. The reality is the actual numbers of discretionary denials has utterly collapsed because, in September, the USPTO got a letter from some Congress, some senators. They got another letter from a very pro-patent Senator in November, Senator Tillis, saying, "We're concerned about this."

Every lawyer practicing before the PTAB knows this, that the number of discretionary denials has actually gone down. Anyone complaining that this is a continuing problem already does not have the actual empirical facts that support that.

JOHN B. PEGRAM: Before we go on to the general discussion, and we're going to come back to some of this, Brian Scarpelli, of course, was speaking from

a point of view, at least in part, of the smaller entities, and the people that don't have those big budgets. I'm wondering, does anybody else on this panel want to comment from the point of view of small parties?

ADAM MOSSOFF: Again, it's always symmetrical. Are there some small parties who file PTAB petitions? Of course, but are there also some small inventors, and small entities, and universities, and startups that have been dragged before the PTAB by large multinational corporations that are exploiting the PTAB's imposition of additional costs, delay in time, and other costs to strategically impose upon them the ability to engage in predatory infringement? Certainly. If you're going to claim that we have to follow the evidence, then you need an empirical study that compares the two of them.

Because for every small entity that Brian can point to that has been saved from a patent troll, and by the way, I would love to hear some examples of that, I can point to small inventors who've had their inventions wiped out by the PTAB, or been attacked by it. Like Josh Malone, the inventor of a Bunch O' Balloons, who was completely exploited by the PTAB, and explicitly so. He has gathered a tremendous list of numbers of individual inventors who've been dragged before the PTAB and have had their individual inventions either wiped out, or their patents wiped out, or they've been dragged through a significant amount of litigation costs, such that they even suffered the effects of predatory infringement practices.

BRIAN SCARPELLI: Yes. I'm not really compelled by the fact that the top five participants in challenging patents are big tech companies. There's some element here of politicization of the issue going on by dropping in "big tech" when that is immaterial to the functionality of the PTAB.

ADAM MOSSOFF: It's a fact.

BRIAN SCARPELLI: I don't think that needs to be a part of this. I'm not the person who's here to claim that the PTAB is awesome, that the PTAB is perfect. Certainly, it can be improved, and we're on record talking about that in a whole bunch of different ways like many other people. The ultimate purpose of it is to, I think, give a course correction to the patent system in removing bad patents from the system. Whether they're owned by a large organization or a small organization.

ADAM MOSSOFF: That's a great point, Brian, and I accept.

BRIAN SCARPELLI: Hasn't it been doing that?

ADAM MOSSOFF: I would love to know an empirical study, not from Unified Patents, that shows that. [crosstalk]

BRIAN SCARPELLI: Hold on, the status from Unified Patents that I'm mentioning is what I saw in a blog post that's like an objective--

ADAM MOSSOFF: No, the Unified Patents just added up some stuff.

BRIAN SCARPELLI: Yes, it is. It's an objective capturing of how many times Fintiv has been talked about in a PTAB decision. I'm not sure how that's biased.

ADAM MOSSOFF: We weren't talking about discretionary denials, we're talking about quality of patents. By the way, I'll emphasize this again, if you go back, I was on the Hill during the debate over the AIA. There were no startups on

the Hill arguing that we need a PTAB. It was Cisco, it was Google, it was Facebook, it was Apple. This is just well known. They said, "We need the PTAB." Part of their narrative for the PTAB was, A, the small individual parties need IT because of MPHJ, the classic go-to example of a bad patent troll. The other argument was this quality issue, that, " Oh well, the patent office is issuing bad quality patents."

The one study that everyone was pointing to for that has been utterly debunked since then. The one study that showed that there was a quality problem at the patent office, the patent office rubber-stamping patents, has been thoroughly and massively debunked in the scholarly literature, as being not a valid study. In fact, what has been shown is that the actual USPTO has higher than 50% rejection rates in a lot of the art units.

JOHN B. PEGRAM: Adam, I want to move on.

ADAM MOSSOFF: Yes.

JOHN B. PEGRAM: I just would mention, in passing, that we've been talking about the small entity patent owners. I have been involved in three different petitions filed by relatively small companies where there had been discussions between the parties, and the real issue was whether or not the patents were valid in advance of, or in parallel with district court litigation. The PTAB went different directions in the different cases, but it did resolve the issue, and the parties did not have the burden, in any of the three cases I'm thinking of, of going through an entire litigation.

There is that. Nobody has made an empirical study. Kudos to former professor, Moore, now in the Federal Circuit, because when she was at George Mason, she was willing to do empirical studies. I asked a couple of other prominent professors, including one that Patricia and I both know at NYU, "Why aren't there more empirical studies?" She said to me, "John, it's too much work."

What I'd like to turn our attention to, because we are in the general discussion now, is some discussion has been made of Congress.

Congress, in the past, tended to like patent legislation because a consensus could be reached, but my impression is not now. I would like to poll us in 10 seconds or less from each of you, how likely is it that you believe that Congress will do something positive regarding the PTAB in the next two years or four years? Starting with you, Patricia.

PATRICIA MARTONE: Four years? Maybe, but they're diametrically opposed pieces of legislation right now. I just think that the country is so politicized, and these have become so politicized that I'm not sure that we can really make any progress. We keep talking about large companies, but I think the point is that there are one group of large companies that love patents, and those are the big pharma and biologics, et cetera, and another group, the technology companies that don't like patents because they interfere with their ability to use other people's inventions.

I think it's all about your business model, and those forces have become as politicized as Republicans and Democrats have. While I see that, ideally, I think there could be legislation, but we have to overcome this intense politicization of this issue.

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JOHN B. PEGRAM: Brian Scarpelli?

BRIAN SCARPELLI: The chances of litigation in the next two to four years? That's a really tough one.

JOHN B. PEGRAM: Legislation.

BRIAN SCARPELLI: Legislation, right. Yes.

PATRICIA MARTONE: Legislation, that's right

JOHN B. PEGRAM: I think litigation is very high.

BRIAN SCARPELLI: Yes. I think I always say slim because I don't count on Congress to do anything helpful or timely. Sorry to Congress, but I do think it's healthy for these topics to be discussed and debated, and that surely will occur, but, yes, that's the extent of the prediction I'm able to make.

JOHN B. PEGRAM: George Badenoch.

GEORGE E. BADENOCH: I'll say one thing for the tech companies, which have been maligned here, I'm wondering whether or not anyone has compared the amount of money they spent lobbying for PTAB, with the amount of money they had to shell out to patent trolls in the many years before the PTAB. My guess is it would be a lot. I think, Pat, in fairness, in many, many cases, it's not because they understood they were using anyone else's invention. It's rather because they had existing products in the market. Somebody who, following the Lemelson whatever, is filing a bunch of continuations, writes claims on them.

They get some claim on a chip in a part of a light beam or something, and out of the blue, they get sued. They're totally blindsided by the suit. Because they have an existing product in the market, the leverage against them is extremely high. In those situations, I can understand where they would want a better system for challenging patents. Now, that said, this does need reform. I'm the first to agree that there are problems both from the challenger's standpoint and from the patent owner's standpoint, with the way PTAB is operating right now. Certainly, the minimum, you should have a standing requirement.

The idea that a UPC or any other roving patent challenger can run around and not create an estoppel that affects anybody if they lose incidentally, and just add to the serial filing, that's clearly not fair to the patent owner. Neither is serial filing by many, many other parties. I'll stop.

JOHN B. PEGRAM: We do have two questions that I'm going to get to in a minute. Brian Murphy, if you just want to take a minute or less.

BRIAN P. MURPHY: Yes. I agree with the notion that we have diametrically opposed legislation currently pending Congress, so I think nothing is going to happen. I also hope nothing happens because I don't think anything good is going to come out of what's pending. I do think strong director, policy review, and Director Vidal, I think, is well on her way to showing leadership, is going to solve some of these problems just like Director Iancu, I think, essentially has solved the serial petition problem with the Consolidated Trial Practice Guide. You basically can't do that anymore.

I think if you allow the PTAB, under strong director leadership, to do what they do best, I think it's going to be fine. I think legislation, at least in the current environment, is not likely to help. That's where I'm at.

JOHN B. PEGRAM: Adam?



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ADAM MOSSOFF: It's hard to predict, as everyone has said. There's opposing legislation, stronger Patent Act, build in structural requirements for due process and basic rule of law norms, restoring the America Invents Act, remove estoppel, remove standing requirement, it empowers and grows the PTAB even more. The fact of the matter is, if you're going to create a government agency, the government agency is going to create costs. Create anything, it's going to have cost to it, and especially an agency. You need to hard-bake into them, if you're going to have them, basic, substantive, and procedural requirements.

If you don't, you're going to have discretionary decision-making. While having good strong leadership from a USPTO director is excellent, whether David Kappos, or whether Kathi Vidal or Andrei Iancu, one strong leader on one position will be a strong leader on another position, four years, eight years later. You're still opening yourself up to discretionary decision-making and changes in the policies and procedures. That's exactly a recipe for disaster. When you're talking about not just biopharma, but in the high-tech space, there are numerous businesses models rely on patents.

If you're investing billions of dollars to create 5G or 6G enterprise software systems, and security systems, and things of that sort, you need the patent system. That's a business model that relies on it, especially if you're upstream in the value chain, and you're licensing your products.

JOHN PEGRAM: Thank you. Josh Landau has one comment and one question. I'll read the comment first. He says, "Also, the reason the top five PTAB challengers are who they are, is because they're also the top litigation targets." I think that's a fair enough comment. I also ask the question--

ADAM MOSSOFF: Not true.

JOHN B. PEGRAM: Well--

ADAM MOSSOFF: It's not true. In fact, I published some statistics on this just a couple of years ago. The FAANG companies have actually seen reduced litigation in the past five years or six years. You can go to my IP watchdog article, and look at this.

JOHN B. PEGRAM: Adam?

ADAM MOSSOFF: Yes.

JOHN B. PEGRAM: I would say, in terms of actual litigations, you're probably statistically correct. However, Josh does have a point, these companies, and I have represented companies who get all kinds of threats. Also, the existence of the PTAB provides a good place to push back here without undergoing the cost of litigation. Josh also asked the question, "Is that list of small inventors at the PTAB available publicly?"

I guess somebody here did refer to a list, and if you know where it is, please speak up. Otherwise, we're on warning that we're in our last two minutes now. With that in mind, just in terms of balancing time a little bit, I'm going to ask George Badenoch to take 30 seconds or so now.

GEORGE E. BADENOCH: All right, 30 seconds. I would suggest that you do have some reform here. As a New York lawyer, I can't comment on the likelihood Congress does anything, but I would suggest you have a standing requirement, you get rid of discretionary denials, but have some more time

flexibility, and you have some kind of a multi-district proceeding that gives the patent owner some sort of right to put other people on notice. Then everyone would have to join the same proceeding so that the patent owner would not end up subject to 25 proceedings because his patent goes against 25 people or something like that. Done.

JOHN B. PEGRAM: Brian Murphy.

BRIAN P. MURPHY: I want to come back to a point that both George and Patricia made earlier, and that's the difference in the burden of proof, between district court invalidity challenges and PTAB invalidity challenges. So everyone is clear, the petitioner who's challenging the validity of patent claim at the PTAB has the burden of proof, but it's by a preponderance of the evidence. It's not by clear and convincing evidence, which is a defendant's burden in district court. There also is no Section 282 presumption of validity at the PTAB because you're before an administrative agency that's taking a second look at a previously issued patent under this procedure.

If there's going to be legislation, that's where I would focus my attention.

JOHN PEGRAM: Brian Scarpelli.

BRIAN SCARPELLI: This is just 30 seconds closing, right? Okay, thanks. Glad to be part of this. As you all can see, there are a variety of opinions and views. I think, to me, the Arthrex decision has settled the law and I've personally moved on. I think that the PTAB does serve a valuable purpose. It's not perfect. Of course, it can be improved and fixed, and there's lots of ideas on that, but I think that there are some important agency-level changes that the new director can make right now, and should make to improve that process, in some ways, to restore it to when it was more effective. Thanks.

JOHN B. PEGRAM: We're going to try Adam and finally Patricia, to see if they can hit 30 seconds. Adam.

ADAM MOSSOFF: I'm going to actually give my time to Patricia because I've spoken a lot.

PATRICIA MARTONE: This discussion, to me, shows that while I've never been a fan of the PTAB, I think we have to accept it's here to stay. Therefore, we have to make it as good as possible. We also have to accept this whole issue about discretionary denials. To me, administrative agencies have discretion. The patent office has a huge issue in dealing with the statutory timeframe of the completion of decisions when they also have to and should include the ability to amend claims. They need to accept a petition on all asserted claims, and now a review process. We should bear in mind that they have to have some discretion.

JOHN B. PEGRAM: I want to thank you all today. I think we have cast a great burden on Kathi Vidal in our discussions today. I would only briefly mention that she used to be my boss. She was head of the litigation group when she was at Fish & Richardson. I know her well, and I know her dedication, and I'm very hopeful. In light of the way things are, we're depending on you, Kathi. Thank you very much, everybody.