



The Coalition for 21st Century Patent Reform

21C Comments: Restoring the America Invents Act

The Coalition for 21st Century Patent Reform (“21C”) is a diverse coalition of American manufacturers who rely on patents to protect their invention. 21C members develop and manufacture products protected by patents, license patents to and from others in furtherance of their business activities, and, when necessary, assert their patents against infringers and/or defend against patents asserted against them. 21C believes that a strong U.S. patent system is necessary to the health, prosperity, and long term success of our country. Government sponsored research alone is simply not enough. The availability of high-quality, reliable U.S. patent protection is a necessary part of our innovation ecosystem. Our patent system needs to effectively stimulate U.S. based private sector funding so that inventors will develop their ideas into the new products here. As such, U.S. innovation policy is a bi-partisan priority deserving the immediate attention of all three branches of our government. If done right, patent reform will fuel the investment, economic development, and job growth that is needed to secure our country and maintain its technological leadership.

21C was a strong supporter of the American Invents Act, and would favor legislation that is intended to completely fulfill its vision. To this end, 21C has proposed that Congress, the USPTO, and the courts focus their attentions on the following priorities¹:

- 1. Codify the USPTO’s recent reforms and other improvements relating to inter partes review proceedings to create the fair balance Congress originally intended.*
- 2. Ensure that our patent system secures inventors exclusive rights to their discoveries for limited times by: (a) making injunctions reasonably available to stop continuing U.S. patent infringement, (b) limiting prior art as the AIA intended to publicly accessible information, and (c) providing patentees a reasonable expectation of quiet title to their granted patents.*
- 3. Restore patent eligibility to its traditional scope by closing judicially-created loopholes that deny some of our best biotechnology and software inventions the patent protection they deserve.*
- 4. Restore the right of patent owners to sue infringers in their home districts.*
- 5. Restore the right of U.S. manufacturers to use their U.S. patents to sue unlicensed foreign imports by reversing the Supreme Court Decision in Lexmark.*

¹ See 21C Agenda for Patent Reform in the 117th Congress - PDF

While as currently proposed the “Restoring the America Invents Act,” does not, with a few minor exceptions, contain provisions to advance these objectives, 21C understands that further work is in progress to improve this proposed legislation to attract broader stakeholder support. While there are some procedural provisions of the currently proposed legislation that 21C could likely support, 21C is concerned that a substantial number of provisions of the current version of the Restoring the America Invents act would unfairly tilt IPR and PGR proceedings further in favor of petitioners.² In this regard, 21C offers the following comments relating to current provisions that we see as problematic, with the hope that 21C can help in identifying additions and changes that could improve its chances of enactment.

At the outset, 21C is concerned that the currently proposed legislation would expand the class of those who could file IPR and PGR decisions to include Government agencies, and enlarge the grounds upon which an IPR or PGR could be based, while largely eliminating the Director’s discretion to deny institution of IPR or PGR petitions (except for cases in which substantially the same prior art or arguments have been previously presented to the Office). The AIA’s careful cabining of the scope of PGR and IPR proceedings, and the protections offered to patentees through the Director’s discretion to deny institution, were fundamental to the bipartisan compromise that led to the passage of the AIA, and should not now be disturbed.

The proposed act would further compound challenges caused by parallel IPR proceedings by limiting the considerations that may be considered by a court in deciding whether to stay the civil action in view of pending IPR or PGR proceedings, and by authorizing interlocutory appeals of denials of stays of such cases which would not only exacerbate existing inefficiencies and delays caused by parallel IPR proceedings but create more work for the already overburdened Federal Circuit.

Particularly concerning is the unprecedented expansion of IPRs and PGRs to allow Section 102, 103 and statutory or obviousness type double patenting challenges solely on the basis of admissions in the patent specification, drawings, or claims, which by definition have already been previously considered by the USPTO during the original examination.

While the proposed legislation grapples with the problem of responding to the unconstitutionality of the IPR and PGR processes (due to the lack of review of its decisions by a principal officer of the United States), 21C has long been of the view that this problem should be fixed by undoing the AIA’s amendment to 35 USC 146 that created the problem in the first place. Instead, as explained in the attached 21C paper³, decisions in IPRs and PGRs should be treated the same way USPTO decisions in patent interferences have long been treated, by

² See “Sovereign Immunity and the Intellectual Property System,” November 7, 2017, Statement of Philip S Johnson, available at:

<https://republicans-judiciary.house.gov/wp-content/uploads/2017/10/Testimony-Johnson.pdf>

³ See 21C Proposal to Fix Arthrex Unconstitutionality Problem – PDF

allowing first instance, de novo appeals of final board decisions to the district courts (whose judges are principal officers of the United States).

Providing the Director of the USPTO the discretion to deny IPR and PGR petitions was a major feature of the America Invents Act that was strongly supported by inventors and other stakeholders to prevent misuse of the proceedings and to protect inventors from excessive costs. The *Fintiv* and *General Plastic* decisions, which this legislation is designed to reverse, represent both fair and reasonable approaches to identifying those considerations that could merit petition denial even in cases where the threshold showing has otherwise been met.

By delaying the application of an estoppel against a losing petitioner until the completion of an appeal to the Federal Circuit (a period of a year or more), “second bite at the apple” invalidity challenges in the district courts will be authorized which are fundamentally unfair to patentees, and will drive up and delay ongoing patent enforcement litigation.

The proposed legislation also attempts to create a likely-unconstitutional presumption of an “injury in fact,” in an attempt to authorize petitioner appeals where such petitioners otherwise would lack standing (See proposed amendments to Sections 319 & 329). But Congress lacks the authority to expand the constitutional requirements for jurisdiction in the courts, so this provision is likely to create a great deal of fruitless litigation.

The real purpose of this provision seems to be to give petitioners who cannot show that they meet the “injury in fact” requirement a free pass to pursue further attacks on the patent by lifting the estoppel that would otherwise apply as a result of the petitioner’s loss before the PTAB:

(2) ESTOPPEL – If a court finds that a party lacks standing to bring an appeal described in subsection (a) under article II of the Constitution of the United States, that party shall not be estopped under section 315(e) with respect to the underlying inter partes review.

This approach moves the system in the wrong direction. IPRs and PGRs should be made available only to those who are injured in fact by the existence of unpatentable claims, not to mercenaries who are not injured in fact, but who, under the proposed legislation, could repeatedly attack patents without any fear of ever being estopped from doing so in future proceedings.

Of additional concern, the proposed legislation reverses the burden of proving patentability of substitute claims in IPR and PGR proceedings by placing that burden on the patentee. Yet because such a substitute claim is required to be narrower than the scope of the claim it replaces (which itself is entitled to a presumption of validity), so too should the narrower substitute claim. Instead, Sections 316(e) and 326(e) which specify that the petitioner “shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence,” should continue to apply to substitute claims. Similarly, where claims have been

successfully amended in reexamination in reissue or reexamination, the proposed legislation would compound ongoing litigation by subjecting the asserted patent to additional IPR petitions that could be brought well after the one year time bar for doing so has expired.

If this proposed legislation is to live up to its name, there are other provisions that should be considered in order to ensure that the AIA lives up to its promise.⁴ Among them would be the reversal of the Supreme Court's *Helsinn* decision that incorrectly determined that a confidential sale that was not "in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention," was nonetheless available to invalidate a later filed patent.⁵ Further improvements would be to place a duty of candor and full disclosure on petitioners, so that petitioners who are aware of evidence adverse to their contentions, such as that relating to the objective indicia of non-obviousness, would need to disclose that evidence along with their petitions (as originally recommended by the three major patent bar associations).

21C would like to see meaningful reform advanced to improve the reliability of patent protection available to American inventors, and looks forward to working together with interested legislative staffers and stakeholders to achieve this end.

The Coalition for 21st Century Patent Reform represents 18 diverse industry sectors and includes many of the nation's leading manufacturers and researchers. The coalition's steering committee, which is chaired by Philip S. Johnson, includes 3M, Bristol Myers Squibb, Eli Lilly, General Electric, Johnson & Johnson, Procter & Gamble, and Raytheon Technologies

⁴ Johnson, "A Look back at the Legislative Origins of IPRs," IP Watchdog, available at:

<https://www.ipwatchdog.com/2017/09/20/look-back-legislative-origin-iprs/id=88075/> ;

Johnson, "The America Invents Act on Its Fifth Anniversary: A Promise Thus Far Only Partially Fulfilled," IP Watchdog, available at:

<https://www.ipwatchdog.com/2016/09/15/aia-promise-partially-fulfilled/id=72680/>

⁵ *Helsinn Healthcare S. A. v. Teva Pharms. United States, Inc.*, 139 S. Ct. 628 (2019)