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Director Lee's remarks at IAM paint a PTAB patent owners simply do not recognize

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USPTO Director Michelle Lee.

Yesterday, USPTO Director Michelle Lee spoke at the *IAM Patent Law and Policy Conference* in Washington, DC. A full copy of her prepared remarks is available on the USPTO website.

As I was reading through Lee's remarks I became rather disenchanted. Frankly, the way Lee talks about the Patent Trial and Appeal Board (PTAB) makes me wonder whether she is referring to the same entity that I commonly refer to as the PTAB. Indeed, Lee's remarks come across as if leprechauns are dancing across a magical rainbow in search of unicorns being ridden by fairies. It is a fiction that I am just not familiar with; a fiction that patent owners simply do not recognize to be true.

With this in mind I thought the best way to provide my thoughts and comments would be in the format of comments from the peanut gallery, or perhaps as a patent law equivalent to *Mystery Science Theater 3000*, which I do from time to time. In order to differentiate my thoughts/comments from Lee's prepared remarks, my comments are italicized, colored, indented and tagged with the IPWatchdog logo. I will also focus my comments on one paragraph in particular.

LEE: These PTAB proceedings have proven a valuable check on patent quality, particularly in the later part of a patent's lifecycle. At this point, it makes sense to bring greater resources to bear if there are questions about a patent's validity.

MY TAKE: If the PTAB has been a valuable check on patent quality then it is about time the Office admit the obvious — patent examination quality is extremely poor! Patent Quality initiatives continue to focus on what patent practitioners and applicants must do to improve their quality, but the Office seems largely disinterested in admitting that there are patent examiners that game the system, that ignore rulings from the Federal Circuit, ignore the dictates from senior management, that tell applicants they will never issue their patent regardless of how the claims are amended. There are numerous patent examiners that speak English as a second language and stories of low language skill is on the rise once again. If the PTAB is a check on patent quality it has to be because patent examiners are doing a poor job. How else can you explain the extraordinarily high rate at which petitions are instituted and claims lost?

LEE: The economics are different at the beginning of a patent's lifecycle. The value of a patent is often not fully known at time of filing perhaps due to the nascency of the technology, industry and/or market, and the time and resources afforded during examination are typically limited. Innovation isn't served if the USPTO only strives to issue very expensive "bullet-proof" patents after many years of examination.

MY TAKE: I'm sorry, but this is insulting. It is perfectly fine and true to recognize that at the beginning of an invention's lifecycle it is not known whether it will be a million dollar invention, a billion dollar invention, or a complete flop. But to then say that innovation isn't served if patents are only issued after many years of examination reeks of being so hopelessly out of touch. In certain areas of the Patent Office it is not at all unusual for applicants to be awarded 10 years of additional patent term; term that is awarded as the result of Patent Office delay. Getting any patent takes years, getting a worthwhile patent in a commercially viable market segment takes many years, if not a decade or longer. NEWSFLASH: Innovation is already not being served because many innovators do not obtain a patent for extraordinary and unreasonable lengths of time. It is almost as if patent examiners fight a war of attrition against applicants, who are treated like the enemy.

LEE: Extensive time and expense would mean that innovators would file too few patent applications, given finite budgets.

MY TAKE: As already mentioned, applicants are already forced to wait for extensive and unreasonable lengths of time. Further, obtaining a patent is not free. There are fees charged by the Patent Office and then attorneys' fees necessary to prepare and prosecute a patent application. Thanks to Congress, the Supreme Court and the Federal Circuit, the requirements for what goes into a patent application only continues to grow. So innovators are required to spend many tens of thousands of dollars just to get a patent. Then if the patent they get winds up being commercially valuable they will need to spend many hundreds of thousands of dollars (if not $1 million or more) defending the patent in a post grant proceeding of one kind or another, usually an inter partes review.

LEE: If over time the industry and the market determine that a piece of patented technology is valuable and the public believes it is not valid under current law then there is an economic incentive to expend greater resources to test the validity of the patent. And a panel of technically trained judges steeped in patent law is well-suited to perform this double-check quickly and efficiently.

MY TAKE: Perform a "double-check quickly and efficiently"? Well that doesn't sound so bad, if only it were true. First, there is nothing easy about a post grant proceeding. The rules are stacked against the patent owner from the beginning. For example, although the statute says the patent owner has a right to amend the PTAB almost never allows amendments because they interpret the statute to mean the patent owner has a right to ask for an amendment, which they can then summarily deny. That rule is just emblematic of the types of rules in what is a process that is so thoroughly one-sided that it stretches the imagination to come up with a plausible argument as to how patent owners are not being deprived of due process as their valuable property rights are being stripped away. A process is constitutionally infirm when it sacrifices procedural fairness in the name of efficiency, as do the PTAB processes.

LEE: In short, to best incentivize innovation, the USPTO needs to issue IP rights that are as certain, reliable and affordable as they can reasonably be, and offer post-grant proceedings that quickly, accurately and cost-effectively test the validity of patents, proven to be of economic importance, if questions of validity arise. With all of that said, it is essential that these post-grant proceedings are properly calibrated so that they provide a quality check but do not bar deserving patentees from enforcing their patent rights. It's why a number of the protections in the AIA are so important, such as restrictions on timing of challenges, thresholds petitioners must meet for institution, and strict estoppel provisions.

MY TAKE: This sounds wonderful, but it ignores reality. The PTAB can and does institute challenges on less than all of the claims sought to be challenged, and even with respect to those claims that are instituted the PTAB is not required to address all of those claims in a final written decision. This is critical to understand because there is only estoppel with respect to claims that have been subject to a final

written decision. So if the PTAB doesn't institute, or even if they do but then ignore the claims in the final written decision, there is no estoppel. With respect to time limits on bringing an inter partes review, that is really quite disingenuous since a patent can be challenged in an IPR proceeding at virtually any time. The only caveat is that the time to challenge is limited to a year after a charge of infringement has been made. But even if someone were to miss that one year that doesn't mean the patent can't be challenged, of course someone else could challenge the patent. And who exactly is missing the one-year deadline to file after there has been a claim of infringement levied? No one, or virtually no one unless they mistakenly relied upon the catastrophic power failure being declared a national holiday by Director Lee.

LEE: It's also why the agency is committed to revising our rules as many times as needed so these proceedings are as fair and effective as possible within our Congressional mandate. It's why it is critical, within this framework, the USPTO issue the very best quality patents possible.

MY TAKE: Revising the rules will only make a difference if there is also a change in philosophy at the Patent Office. Unfortunately, during the second term of the Obama Administration patent applicants and patent owners have largely been viewed as the enemy. Innovators are asked to wait unreasonably long periods of time, spend many tens of thousands of dollars to obtain a patent, only to find themselves spending many hundreds of thousands of dollars in front of a Board that is so out of touch they cannot begin to see the fundamental unfairness of the process. At the same time the political leaders at the Patent Office defend the entity that is the PTAB as if it is some Marvel hero — a Captain America of patents. Stripping patent owners of patent rights without even a modicum of procedural fairness is more villain than hero. Subjecting patent owners to repeated and harassing challenges despite having the statutory authority as Director to step in and say "enough" is unjust. Pretending that the PTAB is some kind of champion of the patent system is incredulous when the entity has without explanation and after repeatedly denying institution suddenly changed its mind.

Quality patents is a worthwhile objective, but harassing patent owners and enabling efficient infringers is hardly an acceptable way of achieving that laudable goal.