

February 1, 2023

The Honorable Katherine Vidal
Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office
600 Dulany Street
Alexandria, Virginia 22314

RE: Comments of ACT | The App Association on the United States Patent and Trademark Office's *Initiatives to Ensure the Robustness and Reliability of Patent Rights* [Docket No.: PTO-P-2022-0025]

Dear Director Vidal:

ACT | The App Association (the App Association) provides response to the United States Patent and Trademark Office (USPTO) request for comments (RFC) on the United States Patent and Trademark Office Initiatives to Ensure the Robustness and Reliability of Patent Rights.¹ The App Association is a policy trade association for the small business technology developer community. Our members are entrepreneurs, innovators, and independent developers within the global app ecosystem that engage with verticals across every industry. We work with and for our members to promote a policy environment that rewards and inspires innovation while providing resources that help them raise capital, create jobs, and continue to build incredible technology. App developers like our members also play a critical role in developing entertainment products such as streaming video platforms, video games, and other content portals that rely on intellectual property protections. The value of the ecosystem the App Association represents—which we call the app ecosystem—is approximately \$1.7 trillion and is responsible for 5.9 million American jobs, while serving as a key driver of the \$8 trillion internet of things (IoT) revolution.²

The app ecosystem's success, reliant on continued innovation and investment in connected devices and interfaces, hinges on the sufficiency of key legal frameworks. Patents allow small business innovators to protect their investments in innovation, attract venture capital, and establish and maintain a competitive position in the marketplace. As more devices throughout the consumer and enterprise spheres become connected to the internet — often referred to as the internet of things — App Association members' innovations will remain the interface for communicating with these devices.³ Because small business viability directly correlates to fairness and predictability in the patent system, a thorough patent prosecution process can diminish unscrupulous efforts by bad actors to exploit the system and undercut innovation.

¹ 87 FR 66282.

² The App Association, State of the U.S. App Economy 2020, 7th Ed., <https://actonline.org/wp-content/uploads/2020-App-economy-Report.pdf>.

³ Morgan Reed, Comments of ACT | The App Association to the National Telecommunications and Information Administration regarding The Benefits, Challenges, and Potential Roles for the Government in Fostering the Advancement of the Internet of Things, ACT | The App Association (June 2, 2016), <http://actonline.org/wpcontent/uploads/NTIAComments-on-IoT-Regulations.pdf>.

Below, the App Association provides responses to various questions posed by the USPTO in its RFC:

I. Patent Examiners Should Be Searching Non-Patent Literature as a Source of Prior Art Not Currently Available Through the Patent End-To-End Search System (Question #1)

The USPTO should enable patent examiners to search non-patent literature, such as academic publications, research reports, and independent research databases (i.e., Portal by Unified Patent). Non-patent literature may include standard-setting organization (SSO) documents and databases. For example, examiners should be able to access documentation on technical standards and databases that identify standard-essential patents (SEPs) covering a particular standard. Predominant SSOs include the European Telecom Standards Institute (ETSI), the Institute of Electrical and Electronics Engineers (IEEE), and 3rd Generation Partnership Project (3GPP).

II. The USPTO Should Maintain That Applicants Be Detailed in Their Patent Applications and Provide Any Limitations, Changes, or Restrictions That Are Consistent with the Promotion of the Efficiency of the Patent System (Questions #2 and #4)

Requiring detailed patent applications will contribute to more scrutiny of patent applications and the issuance of high-quality patents. While patent applicants should already be obligated to submit comprehensive patent applications and we do not make comment of the specific requirements highlighted in question 2 of the RFC, a stronger emphasis on such requirements will only positively impact the patent prosecution process. Such requirements, however, should not be perceived as a substitute for thorough examination of patent claims and sufficient patent support. Similarly, while we do not make comment on the specific limits, changes, and restrictions discussed in question 4 of the RFC, we encourage any modifications to the patent prosecution process that will contribute to the issuance of high-quality patents. We caution that significant changes to the patent prosecution process often impact applicants with limited resources and experiences. The USPTO should ensure that any changes in the patent application requirements are publicly clarified to improve transparency.

III. The USPTO Should Abolish the Request for Continued Examination Practice to Achieve the Aims of Fostering Innovation, Competition, and Access to Information, and Include Internal Process Changes to Increase Examination Scrutiny Enabled by a Mandatory Final Application (Question #3)

The USPTO should eliminate the Request for Continued Examination (RCE) practice from the patent prosecution process and, instead, encourage higher scrutiny of patent applications by examiners to improve the quality of issued patents. RCE practice provides applicants with the ability to amend their patent claim after a final rejection has been made, which threatens the patent system's goal in streamlining the examination process and issuing strong patents. From a startup costs perspective, the ability for applicants to receive patents on potentially over-broad claims discourages innovation for fear of being harassed by abusers who frivolously and routinely assert infringement claims in litigation in order to monetize their patents and control entry to critical technology and science-based markets. The App Association encourages the

USPTO to make updates to the patent system that expands access to the system, safeguards against the issuance or enforcement of low-quality patents, and prevents abusive patent litigation and behavior, reducing risks for all entrepreneurs. The efficiency of the U.S. patent system largely hinges on the reliable and equitable guidance and procedures implemented by USPTO. Bad actors often exploit the lack of clarity in the patent system in order to monetize invalid or low-quality patents. Small business innovators who operate with minimal resources are significantly disadvantaged from this form of systematic patent abuse.

Therefore, the USPTO can decrease competition asymmetries, reduce application costs, and promote innovation by removing RCE practice and focusing on detailed examination of patent applications. A high-quality patent is clear, narrow, and within the scope of prior art. Small innovators, who cannot waste the time, labor, and cost of prolonged patent examination are less likely to engage in RCE practice. It is more likely that larger entities that seek to extend the scope of their claim beyond their original intent are actively filing RCEs. In turn, identified abusers of the patent system, such as non-practicing entities (NPEs) that operate to assert acquired patent portfolios in order to monetize patents are enabled by RCE practices to assert broad claims against alleged infringers. Removing RCE practice and forcing applicants to define, clarify, and finalize their intended claim early on will reduce the ability for abusers to doctor broad claims by pushing examiners to concede to claims as a means of stopping time-consuming RCE filings. These proposed changes will allow applicants and examiners to understand the expectations and boundaries of the patent prosecution process.

We recommend that the USPTO further arrange a system of engagement between Patent Trial and Appeal Board (PTAB) administrative law judges (ALJs) and examiners in order to continuously educate examiners on the post-issuance harms that can be prevented on the backend during patent prosecution. For example, a focus on issuing clear and narrowly defined patents will reduce the ability for damaging precedent similar to *NHK-Fintiv*⁴ from entering the PTAB or federal courts. *NHK-Fintiv* enabled PTAB judges to deny institution of *inter partes* review (IPR) based on how close a parallel district court proceeding was to completion and provided a non-exclusive list of factors for the PTAB to consider when determining whether to deny institution of IPR proceedings in light of parallel district court litigation. None of these factors included assessing the validity of the patent claim itself. While Director Kathi Vidal has since issued a guidance memorandum⁵ on interim procedures for discretionary denials in PTAB post-grant proceedings, unwinding the damaging precedent set (*NHK-Fintiv*), such attempts to game the U.S. patent system are preventable when low-quality patent applications are properly rejected.

IV. Limiting Terminal Disclaimers from the Patent Prosecution Process Will Improve Patent Quality (Questions #6 and #7)

While we do not comment on the use of terminal disclaimers in all circumstances, we believe that some situations require the restriction of terminal disclaimers to assure patent quality. Such situations include terminal disclaimers under 37 CFR 1.321(d), allowing applicants to hold

⁴ See *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, Case IPR2018-00752, Paper 8 (Sept. 12, 2018) (designated precedential May 7, 2019); see *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (PTAB Mar. 20, 2020) (designated precedential May 5, 2020).

⁵ See

https://www.uspto.gov/sites/default/files/documents/interim_proc_discretionary_denials_aia_parallel_district_court_litigation_memo_20220621.pdf.

obvious adaptations of the same patent. Terminal disclaimers allowed in instances where applicants can simultaneously hold patents that are obvious variations of each other provide applicants with a way to go around the double patenting rule.⁶ Terminal disclaimers in this instance also enable NPE abuse in litigation by insulating them from American Invents Act (AIA) post-grant proceedings, including IPR. NPEs initiate a majority of the abusive and frivolous patent infringement suits in the United States⁷ and it has recently been revealed that many NPE suits are financially backed by unnamed investors hidden through shell corporations or wealth funds that may have a real interest in the outcome of litigation.⁸ Small businesses who endure NPE abuse often lack the resources to continuously defend themselves against infringement suits and are likely to see financial setbacks or an end-of-life scenario as a result.

We remind the USPTO of the importance of the IPR process. When enacting the AIA in 2011, Congress sought “to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.”⁹ Congress also recognized “a growing sense that questionable patents [were] too easily obtained and are too difficult to challenge.”¹⁰ Small businesses, the main drivers of the U.S. economy, were at the core of Congress’ decision to enact the AIA, especially the IPR process. IPR provides a more affordable and efficient recourse for businesses of all sizes to exercise their rights – whether defending the validity of their granted patent or challenging a granted patent. Since its creation, IPR, administered by PTAB, has largely worked as intended and has reduced unnecessary litigation, saving \$2.3 billion in just the first five years.¹¹ The IPR process allows App Association members to have a fair and dispassionate tribunal to first assess whether the patent used against them was properly reviewed and issued. Our members have limited resources for litigation, and the IPR process successfully provides a much-needed alternative for these small businesses that do not have the ability to withstand years of expensive federal court patent litigation that can easily cost millions of dollars. Patent litigants often rely on the fact that many of these small businesses do not have the capital to fight a case and use that to their advantage to force them into licensing arrangements accompanied with terms greatly benefiting the litigant. IPRs protect our members from some of the financial and temporal burdens associated with proceedings in front of Article III tribunals.

Therefore, terminal disclaimers that enable obvious variations of a patent should be prohibited. In instances where terminal disclaimers are not restricted, they should be viewed as an admission of obviousness and if one of the patents are invalidated so too should all variations of that patent.

V. The USPTO Should Allow a Second Look by a Team of Patent Quality Specialists at the End of the Patent Prosecution Process, Which Should Include Special

⁶ See <https://www.uspto.gov/web/offices/pac/mpep/s804.html> (“If two or more independent and distinct inventions are claimed in one application, the Director may require the application to be restricted to one of the inventions.”)

⁷ Love, Brian J. and Lefouili, Yassine and Helmers, Christian, *Do Standard-Essential Patent Owners Behave Opportunistically? Evidence from U.S. District Court Dockets* (November 8, 2020), 17, https://www.tse-fr.eu/sites/default/files/TSE/documents/doc/wp/2020/wp_tse_1160.pdf.

⁸ See *In re Nimitz Technologies LLC*, No. 23-103 (Fed. Cir. 2022).

⁹ H. R. Rep. No. 112-98, pt. 1, p. 40 (2011).

¹⁰ *Id.* at p. 39 (2011).

¹¹ See, e.g., Josh Landau, *Inter Partes Review: Five Years, Over \$2 Billion Saved*, PATENT PROGRESS (Sept. 14, 2017).

Emphasis on Whether the Claims Satisfy the Written Description, Enablement, and Definiteness Requirements of 35 U.S.C. §112, and Whether the Claims Cover the Same Invention as a Related Application (Question #8)

A patent applicant should have the opportunity to request a second look from a panel after the examiner has made a final decision on issuance. An examiner who is thoroughly trained and acquires the skills and knowledge to rigorously investigate a patent application should not be interrupted by a panel review until the examiner makes a final rejection. Once a decision is made, it would be in the interest of the patent system to permit the applicant to request a second look to assess patent quality, which should include assessing if the patent claim satisfies 35 U.S.C. §112. A thorough examination of §112 will require the patent applicant to memorialize the intended categorization of their claim and prohibit them from contradicting that categorization post-issuance. If a panel review is implemented in the patent examination process, we implore the USPTO to define a clear and predictable framework from which the panel must operate, including its abilities and limitations.

VI. Second or Subsequent Patent Issuance Can Be Prevented by Improved Training and a Time Extension on Patent Examination Rather Than Heightened Examination Requirements for Continuation Patents (Question #9)

A patent examination process that enables the issuance of quality patents requires high scrutiny by a well-trained examiner for all parts of the examination process. Therefore, if a heightened requirement is necessary for the examination of a patent application, it should be implemented across all filings in the process.

In collaboration with expanded sources of prior art we identified in question 1 of the RFC, we believe better training and guidance is needed to help patent examiners appropriately grant patents, consistent with the law. Overall diminished patent quality and doubt around the validity of several existing patents limits the ability of patent owners to make full use of their patents and makes it harder for independent inventors to avoid litigation when making use of abstract ideas. The potential cost of a lawsuit means that even when a patent that is likely found invalid is asserted, a small business innovator's only option is to accede to the patent owner's demands. Inconsistency in the application of required tests has decreased U.S. competitiveness by opening the U.S. system to frivolous patent litigation and reducing access to means for efficient resolution.

The App Association calls on the USPTO to consider ways to improve its technical training of patent examiners. Today, the Patent Examiner Technical Training Program (PETTP) remains the USPTO's effort to train patent examiners on technical (as opposed to legal) matters. While we commend the USPTO for building a successful training program utilizing skilled volunteers that work to provide the technical training necessary for examiners to do their jobs, we urge for a more formalized and curriculum-based approach to examiner training, akin to the proven legal training programs the USPTO provides to all its examiners. Further, the PETTP's subject matter should be constantly updated to keep pace with technological advances (*e.g.*, today's PETTP omits key emerging technologies such as artificial intelligence). Similarly, the Manual of Patent Examining Procedure (MPEP) should incorporate a variety of defined elements and procedures that contribute to approaching patent quality issues.

VII. The USPTO Should Set Benchmark Time Restrictions for The Filing of Continuation Applications (Question #10)

The USPTO should set time limits without creating a defined timeframe for continuation applications to be filed. While continuation applications can perpetuate abuse of the patent system, we appreciate the complexities of the patent examination process and the lack of experience that some innovators have with filing patent applications. Therefore, continuation applications provide artificial support for innovators who unintentionally did not encapsulate the full scope of the patent claim in their original application. Benchmark guidance is much more equitable than strict time restrictions on continuation applications. This system will support a transparent examination process.

VIII. To Ensure the Efficiency and Predictability of the Patent System, USPTO Should Include the Actual Cost of Obtaining a Patent in the Up-Front Fees Reflected in the Fee-Setting Authority and Maintain Fees for Continuation Applications Consistent with Initial Filing Fees (Question #11)

Innovators, including App Association members, need predictable costs in order to efficiently allocate resources for acquiring protection for their inventions. The USPTO's effort to reflect the actual cost of obtaining a patent in the up-front fees would greatly improve the ability for patent applicants to anticipate their investment into patent protection. The ability to see up-front fees would also likely ensure that patent applicants strongly consider their likelihood in obtaining a patent. We do not recommend that the fees for continuation applications increase above initial filing fees. Although higher fees for continuation applications would deter applicants from continuation, a better solution would be higher scrutiny throughout the examination process and the removal of RCE practice, as we explain in our answer to question 3 of the RFC. While small innovators do not routinely file continuation applications, they may require such an application due to their lack of resources and experiences with the patent prosecution process.

IX. Conclusion

The App Association appreciates the opportunity to provide comments to USPTO's initiatives to ensure the robustness and reliability of patent rights. We encourage the USPTO to continue to align effort to improve the efficiency, reliability, and predictability of the patent system with the promotion of patent quality.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brian Scarpelli', with a stylized, cursive script.

Brian Scarpelli
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