

December 2, 2025

The Honorable John A. Squires
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 Notice of Proposed Rulemaking: Rules of Practice for Inter Partes Review (Docket No. PTO-P-2025-0025)

Dear Director Squires:

ACT | The App Association represents small U.S. software and connected technology firms that develop new products across consumer and enterprise use cases, enabling the rise of the internet of things (IoT). Today, the domestic ecosystem we represent—the app economy—is valued at \$1.8 trillion and is responsible for 6.1 million American jobs. For our members, a robust, accessible, and efficient *inter partes* review (IPR) process at the Patent Trial and Appeal Board (PTAB) is not merely a procedural detail; it is a critical tool for preserving competition, deterring abusive litigation, and ensuring that innovation is not stifled by weak patents.

The USPTO’s recent Notice of Proposed Rulemaking (NPRM) would effectively dismantle the IPR system as a meaningful check on patent quality.¹ Non-practicing entities (NPEs) or patent trolls, which produce no products and are often funded by foreign entities seeking to burden U.S. competitors, will be the primary beneficiaries. These rules shield their low-quality patents from efficient PTAB review, allowing them to extract higher settlements from operating companies, including startups and small and medium-sized businesses. Critically, the proposed rules create insurmountable barriers that will drastically reduce the number of IPR challenges filed and litigated at the PTAB, forcing cases into slower, more costly venues. The ultimate losers will be American innovators and the U.S. economy.

The USPTO Did Not Adequately Assess Rulemaking Considerations for the Proposed Rules

A. The Proposed Rules are “Economically Significant” Under Executive Order 12866 and Require Review by OIRA

ACT is concerned that the USPTO has not adequately assessed the full economic impact of these proposals. The rules are clearly “economically significant” under Executive Order 12866 and would, if enacted, impose significant costs on the U.S. economy, stifle innovation, and harm American small businesses.

The current IPR process, established by the Leahy-Smith America Invents Act (AIA), increases the likelihood of settlement in parallel proceedings and provides a faster, less costly alternative to

¹ Revision to Rules of Practice Before the Patent Trial and Appeal Board, 90 Fed. Reg. 48,335 (proposed Oct. 17, 2025) (hereinafter *Revision to PTAB Rules*).

district court litigation.² A recent analysis found that both the filing of an IPR petition and the PTAB's decision to review or deny a petition increases the likelihood of settlement of district court litigation, confirming that an IPR complements litigation, as Congress hoped at the time of its creation.³

Another key advantage of the IPR system is its expedited timeline. The process is bound by strict statutory deadlines, compelling the PTAB to conclude proceedings with a final written decision within 18 to 24 months.⁴ This efficient, expert forum not only provides quicker certainty for all parties but also conserves valuable judicial resources by resolving complex patent validity questions outside the non-specialized district courts.⁵ This stands in stark contrast to district court litigation, where it takes, on average, two and a half years to get to trial, with final judgments taking even longer.⁶ Even in one of the fastest districts—the Western District of Texas—the median time to trial is approximately two years.⁷

The cost disparity is equally stark. According to the American Intellectual Property Law Association (AIPLA), in 2022 the median cost for an IPR through appeal is approximately \$500,000 for electrical, computer, and mechanical patents.⁸ In contrast, district court litigation is more expensive, with median costs ranging from \$600,000 for lower-stakes cases to a staggering \$3.6 million when more than \$25 million is at risk.⁹ These litigation costs can be devastating for a small business and increase even more when facing a NPE.¹⁰ By providing a more affordable alternative, the PTAB directly reduces the financial barrier for small businesses to defend themselves against invalid patent assertions.

² Christian Helmers & Brian Love, Patent Validity and Litigation, Evidence from U.S. Inter Partes Review, 66 J. OF L. & ECON. 1, 22 (2020) (last revised July 2025) (finding that “that both events—the filing of an IPR petition and the PTAB’s subsequent decision to institute or deny the petition—increase the likelihood of settlement.”); Kevin J. Hickey & Christopher T. Zirpoli, *The Patent Trial and Appeal Board and Inter Partes Review*, CONG. RSCH. SERV. (May 28, 2024), <https://www.congress.gov/crs-product/R48016> (“The administrative procedures are more streamlined than civil litigation, with average legal costs typically in the hundreds of thousands of dollars (as opposed to millions).”).

³ Helmers & Love, *supra* note 3, at 22, 24.

⁴ 35 U.S.C. §§ 314(b), 316(a)(11).

⁵ An academic study found that patent validity rulings at the PTAB are affirmed on appeal to the U.S. Court of Appeals to the Federal Circuit significantly more often than those from district courts—in fact, district courts are reversed 2.5 times more frequently. The study concludes that this higher rate of affirmation is due to the PTAB judges' technical expertise. In fact, when the PTAB is reversed, it is typically for being too favorable to patent owners. Matthew G. Sipe, *Experts, Generalists, Laypeople—and the Federal Circuit*, 32 HARV. J.L. & TECH. 576 (2019).

⁶ Jason E. Stach & Jeffery A. Freeman, District Court or the PTO: Choosing Where to Litigate Patent Invalidity, FINNEGAN (Mar. 2014), <https://www.finnegan.com/en/insights/articles/district-court-or-the-pto-choosing-where-to-litigate-patent.html>.

⁷ Angela Morris, *How Top US Patent Courts Compare on Median Time-To-Trial Statistics*, IAM (June 27, 2022), <https://www.iam-media.com/article/how-top-us-patent-courts-compare-median-time-trial-statistics>.

⁸ AIPLA, REPORT OF THE ECONOMIC SURVEY 2023 at 61 (Oct. 2023).

⁹ *Id.* at 63.

¹⁰ *Id.* at 62 (reporting the median cost of defending a patent infringement suit against an NPE as \$750,000 for lower-stakes cases and \$3.875 million when over \$25 million is at risk).

The cost savings created by the PTAB have generated substantial economic benefits. An independent analysis by the Perryman Group quantified these benefits from 2014–2019.¹¹

- **Direct Cost Savings:** The PTAB process saved an estimated **\$2.644 billion in direct litigation costs**, averaging about **\$262,200 per case**.
 - **Direct Cost Savings due to IPRs, specifically:**
 - \$1.676 billion when an IPR resulted in a stay in litigation; and
 - \$121.231 million when an IPR was conducted parallel to district court proceedings.
- **Broad Economic Gains:** These savings, representing a net gain in efficiency, circulated through the economy, leading to:
 - An increase of \$2.95 billion in U.S. gross product.
 - \$1.41 billion in personal income.
 - Nearly 13,500 job-years of employment.
- **Sector-Specific Impact:** The manufacturing sector, a cornerstone of the U.S. economy, saw the largest gains, with an estimated increase of \$1.41 billion in gross product and more than 5,100 job-years.

The proposed changes would reverse these gains and could, in fact, reduce the amount of research and development (R&D) spending and patent filings from the tech industry.¹² By making the IPR process more difficult and less predictable, the rules would embolden the assertion of low-quality patents, forcing small companies to choose between costly settlements or even more costly district court litigation.

Given the substantial costs and far-reaching economic consequences detailed above, the proposed rules clearly meet the threshold for “economically significant” actions. The USPTO must therefore submit these rules to OIRA for the rigorous review required by Executive Order 12866.

B. The Proposed Rules Do Not Meet the Threshold for Certification Under the Regulatory Flexibility Act

Similarly, ACT strongly disagrees with the USPTO’s analysis and certification under the Regulatory Flexibility Act (RFA) that the changes “will not have a significant economic impact on a substantial number of small entities.”¹³ The RFA requires that certifications be supported by “a statement of factual basis”—meaning agencies must identify which small entities will be

¹¹ *An Assessment of the Impact of the America Invents Act and the Patent Trial and Appeal Board on the US Economy*, PERRYMAN GRP. (June 25, 2020), <https://www.perrymangroup.com/publications/report/an-assessment-of-the-impact-of-the-american-invents-act-and-patent-trial-and-appeal-board-on-the-us-economy/>.

¹² Christian Helmers & Brian J. Love, *Patent Law Reform and Innovation: An Empirical Assessment of the Last 20 Years*, 79 INT’L REV. OF L. & ECON. 1, 20 (2023) (last revised July 2025) (finding a positive association between the availability of PTAB proceedings (starting in 2012) and both R&D expenditures and patent filings by firms that innovate in tech classes where PTAB has been most active.)

¹³ *Revision to PTAB Rules* at 48339.

affected by a rule, obtain adequate economic data, and analyze the likely economic implications.¹⁴ A record an agency builds to support a decision under the RFA is subject to judicial review and must quantify both the number of entities affected and the magnitude of impacts.¹⁵ Absent reliable, entity-specific data on small petitioners and patent owners in IPRs, as opposed to generic applicant proxies, an agency cannot credibly determine whether a substantial number of small entities will face significant economic effects. This data gap is precisely what the Small Business Administration instructs should trigger an Initial Regulatory Flexibility Analysis (IRFA) rather than certification.

The USPTO's certification is fundamentally flawed and relies on a series of unsupported assumptions and mischaracterizations of the PTAB's role. In fact, the agency's own reasoning and data, when properly examined, lead to the opposite conclusion.

First, the certification incorrectly suggests that the rule's impact must be assessed by weighing the net negative impact on small entity patent owners versus petitioners, when it should be evaluated as a whole. The fact that 30 percent of patents challenged in IPRs are owned by small entities is, by itself, a clear indicator that a "substantial number of small entities" are profoundly affected by the PTAB system. Any rule that alters their access to this forum has a direct and significant economic impact on them, even if, as the PTO argues, the impact is positive.¹⁶

For a small entity petitioner, denying or limiting this pathway forces them into the exponentially more expensive district court litigation, an outcome that is unequivocally a "significant economic impact."¹⁷ The fact that the USPTO estimates that approximately 25 percent of PTAB filers are small entities is itself evidence of the system's profound economic significance. Just because the USPTO estimates that the percentage of small entity petitioners is lower than the percentage of small entity patent owners at the PTAB does not mean those statistics cancel each other out. The USPTO cannot claim a rule affecting this system is insignificant simply because it believes the rule might help one group of small entities more than it harms another. The agency is ignoring the stark reality that a negative impact on a smaller group is not canceled out by a hypothetical positive impact on another.

Second, the certification justifies the rule by claiming it will reduce costs by "limiting the avenues for serial and parallel patentability challenges." However, this premise is undermined by the USPTO's own data. An internal USPTO study shows that most patents face a single petition and that multiple petitions have declined and are instituted only under certain circumstances,

¹⁴ Regulatory Flexibility Act, 5 U.S.C. §§ 601–612 (1980) (hereinafter *RFA*).

¹⁵ *Id.* at §§ 601, 607.

¹⁶ U.S. Small Bus. Admin. Off. Of Advoc., A Guide for Government Agencies How to Comply with the Regulatory Flexibility Act n.70 (Aug. 2017), available at <https://advocacy.sba.gov/wp-content/uploads/2019/07/How-to-Comply-with-the-RFA-WEB.pdf> ("Legislative history, however, makes it clear that Congress intended that regulatory flexibility analyses also address "beneficial" impacts. Therefore, an agency cannot certify a proposed rule if the economic impact will be significant but positive").

¹⁷ See *supra* Section A "The Proposed Rules are 'Economically Significant' under Executive Order 12866 and need to be reviewed by OIRA."

indicating limited incremental benefit from further restrictions.¹⁸ A rule designed to solve a non-existent problem cannot logically be said to have "no significant economic impact."

Additionally, dismissing the rule as "largely procedural" and the new stipulation requirement as a "minimal additional cost" is a severe underestimation of its impact. A rule that governs when the PTAB will institute a review is not a mere procedural formality; it is a gatekeeping function with profound substantive consequences. It directly determines whether a small entity can access a cost-effective alternative to litigation. Similarly, the required stipulation is not a simple filing. It is a complex litigation decision that forces a petitioner to make strategic concessions in parallel district court proceedings. For a small entity, the cost of navigating this legal risk is far from "minimal"; it requires significant legal analysis and could weaken its position in co-pending litigation, leading to greater overall expense.

The USPTO's certification fails on its own terms. There is no factual basis for its determination.¹⁹ The agency acknowledges that a substantial portion of PTAB participants are small entities but then dismisses the rule's impact by incorrectly focusing on the petitioner/patent owner distinction, relies on a justification (preventing serial petitions) that its own data refutes, and underestimates the true economic and strategic burden the new rules impose.

By restricting access to the PTAB, this rule will have a significant negative economic impact on small entity petitioners who rely on it as a defense, while creating a false sense of security for small entity patent owners. The high level of small entity participation is clear evidence of economic significance, and the rule change directly alters the economic calculus for this substantial number of entities. Therefore, a full Regulatory Flexibility Act analysis is not only warranted but required.

The Proposed Rules Would Block Access to the PTAB, Harming Small Businesses and Empowering Patent Trolls

A. § 42.108(d) Stipulation: A Punitive Measure that Unfairly Advantages Patent Owners

The mandatory stipulation, which forces a petitioner to forfeit all §102 and §103 grounds in district court merely for seeking an IPR, is a punitive measure that unfairly advantages patent owners and neuters a defendant's ability to mount a full defense. This coercive trap will be aggressively exploited by bad actors, including foreign-based entities that use U.S. patents to tax American innovation without contributing to the U.S. economy, thereby harming our businesses and global competitiveness.

¹⁸ *USPTO releases updated study of multiple petitions for AIA proceedings at the PTAB*, USPTO (July 6, 2023), <https://www.uspto.gov/subscription-center/2023/uspto-releases-updated-study-multiple-petitions-aia-proceedings-ptab> (concluding that in FY22 "90% of all challenged patents involved only one or two petitions filed by any challenger, and 72% were challenged only once.").

¹⁹ U.S. Small Bus. Admin. Off. Of Advoc., *A Guide for Government Agencies How to Comply with the Regulatory Flexibility Act 11* (Aug. 2017), available at <https://advocacy.sba.gov/wp-content/uploads/2019/07/How-to-Comply-with-the-RFA-WEB.pdf> ("The certification must include a statement providing the *factual basis* for this determination").

This rule creates an impossible choice for defendants in an infringement action. They must either (1) forgo the efficient, expert-led IPR process or (2) abandon their primary litigation defenses in district court. This gives patent owners overwhelming leverage to force unjust settlements, as the risk of losing all prior art arguments in court is too great for most defendants to bear.

Congress already created a balanced estoppel regime, which applies only after a final written decision.²⁰ This proposed stipulation moves the estoppel trigger to the institution stage, effectively punishing a petitioner for merely filing a petition that meets the statutory threshold. It perverts the AIA's intent, turning a review process into a waiver of fundamental litigation rights.

B. § 42.108(e) Bar on Challenging Claims Found Valid in Prior Proceedings: Grants Unjustified Immunity and Invites Gamesmanship

Furthermore, the bars on re-challenging “vetted” claims and on parallel proceedings would render vast swathes of patents unreviewable, granting them unjustified immunity after a single, non-final, potentially flawed decision. This “one-and-done” rule is profoundly unfair as it binds all future challengers to the result of prior litigation that may have been inadequate, poorly litigated, or the product of strategic gamesmanship.

The rule presumes that a single proceeding, whether at the USPTO or in district court, provides a definitive and correct assessment of a patent's validity. This ignores reality. A prior case may have been settled by a resource-constrained defendant before a robust defense could be mounted or litigated by a party that lacked the specific prior art or technical expertise to properly challenge the patent. A claim that survived a prior IPR based on one combination of prior art does not mean it is valid in light of different, more relevant art presented by a new challenger. This rule would grant patents a dangerous and unwarranted presumption of invincibility after just one challenge.

Critically, the rule actively invites strategic gamesmanship by patent owners. A patent owner could bring an initial suit against a less sophisticated or resource-constrained entity, not for a significant payout, but with the primary goal of securing a favorable validity determination to create an immunizing “vetted” record.

This directly empowers patent trolls, who often target their first victims carefully—selecting small, vulnerable companies that lack the resources to fight. Trolls then use an initial victory as a shield against future, more capable challengers, forcing all subsequent defendants to relitigate the same issues in the more expensive and less expert district court forum. Notably, district court rulings are reversed on appeal far more frequently than PTAB decisions.²¹ This proposal directly undermines the AIA's goal of providing an efficient administrative alternative.

²⁰ 35 U.S.C. § 315(e)(1).

²¹ Dan Bagatell, *Fed. Circ. Patent Decisions in 2024: An Empirical Review*, Law360 (Jan 8, 2025), <https://www.law360.com/articles/2280249/fed-circ-patent-decisions-in-2024-an-empirical-review> (In 2024, 73% of district court appeals were affirmed by the Federal Circuit versus 86% of PTAB appeals.).

C. § 42.108(f) Bar on Parallel Litigation: Denials Based on Unreliable Court Dates

The bar on parallel proceedings would result in denials based on unreliable trial court dates, which are frequently subject to change and delay.

District court trial dates are notoriously subject to change and delay. Basing an institution decision on a district court's often-optimistic schedule is fundamentally unsound. A denial under this rule could strand a petitioner for years, with the district court date continually pushed back, while they are simultaneously barred from pursuing the IPR. This creates the very delay and inefficiency the rule purports to solve.

This procedural uncertainty is a powerful weapon for patent trolls. A troll can easily make strategic representations to a district court to secure an early trial date on paper, use that date to secure a denial of an IPR petition under this rule, and then allow the district court case to be delayed indefinitely. The petitioner is then barred from the PTAB and stuck in protracted, expensive district court litigation. This tactic will be particularly devastating for small and medium-sized U.S. businesses that operate on tight budgets and cannot afford years of legal uncertainty, making them easy targets for settlement shakedowns.

§ 42.108(g) Institution in Extraordinary Circumstances: An Illusory Exception

The "extraordinary circumstances" exception is illusory and fails to mitigate the damage of the other provisions. By explicitly excluding the most common and legitimate reasons for a new challenge—such as new prior art or new evidence—the rule ensures that the exception will rarely, if ever, apply. This confirms that the primary goal of these rules is not to manage discretion but to categorically deny access to the PTAB for a broad category of patents.

We encourage the USPTO to withdraw these proposed rules in their entirety. The agency should undertake a new and reoriented approach that focuses on patent quality and maintain the IPR process as a tool to identify and eliminate invalid patents that should never have been issued. Making these changes will boost both the functioning of, and confidence in, the U.S. patent system, sparking innovation and removing the financial burden of litigation. Without those overbearing risks, small businesses can focus on their actual business. The USPTO has the power to prioritize patent quality through IPRs, and we request that it use that power to preserve the system as Congress intended.

Respectfully submitted,



Brian Scarpelli
Senior Global Policy Counsel

Amanda Guilardi
Intellectual Property Policy Associate

ACT | The App Association
1401 K St NW (Ste 501)
Washington, DC 20005