June 17, 2024

Via Electronic Submission
The Honorable Katherine K. Vidal
Under Secretary of Commerce for Intellectual Property and Director
of the United States Patent and Trademark Office
600 Dulany Street
Alexandria, VA 22314

Re: Docket No. PTO-P-2024-0014, Rules Governing Director Review of Patent Trial and Appeal Board Decisions

Dear Director Vidal,

The Council for Innovation Promotion (C4IP) appreciates the opportunity to submit comments in response to the notice of proposed rulemaking issued on April 16, 2024, entitled *Rules Governing Director Review of Patent Trial and Appeal Board Decisions* (Docket No. PTO-P-2024-0014).

C4IP is a bipartisan coalition dedicated to promoting strong and effective intellectual property rights that drive innovation, boost economic competitiveness, and improve lives everywhere. Founded and chaired by former directors of the U.S. Patent and Trademark Office from previous Democratic and Republican administrations whose board also includes retired judges from the Court of Appeals for the Federal Circuit, our nonprofit organization aims to be a valued partner to those considering policies impacting America's intellectual property system.

The Office's notice proposes to codify an extensive Director Review process under which parties would have the option of routinely seeking review of institution decisions and final written decisions in post-grant proceedings before the Patent Trial and Appeal Board (PTAB or Board). This NPRM aims to comply with the Supreme Court's mandate in *United States v. Arthrex, Inc.* that the Director, rather than a panel of three administrative patent judges (APJs), must have the final responsibility for invalidating issued patents.[1] While the need to comply with *Arthrex* is beyond dispute, C4IP is concerned that the Office's proposal contemplates significantly more personal and regular Director involvement in individual PTAB

[1] 594 U.S. 1, 23-25 (2021).

cases than is required, threatening to make adjudication of patent validity appear as if it depends on political favor rather than merit.

As the Supreme Court succinctly put it, "Billions of dollars can turn on a Board decision."[2] Per the Supreme Court, a decision of this magnitude must have a clear line of political accountability running from the President to a Presidentially-appointed, Senate-confirmed officer. Yet placing that responsibility within the hands of a single political appointee could easily prove Justice Gorsuch's worry that "when an independent Judiciary gives ground to bureaucrats in the adjudication of cases, the losers will often prove the unpopular and vulnerable" and that the PTAB and its decisions on whether to revoke patents will turn upon politics rather than substance.[3]

Although the holding in *Arthrex* might allow for that undesirable outcome, it does not require it. Good governance principles, in fact, counsel that political appointees would best satisfy the demands of their accountability by shielding the resolution of apolitical individual, private disputes from political interference, to the extent possible. The *Arthrex* court set forth a roadmap for achieving this sort of insulation, making clear that "the Director need not review every decision of the PTAB. What matters is that the Director *have the discretion* to review decisions rendered by APJs." (emphasis added).[4]

This Supreme Court guidance illuminates a simpler, less problematic approach to Director Review. Namely, the Director could retain supervisory oversight of the PTAB without inviting regular appeals for her to intervene personally. Instead, she could completely delegate the Director Review function to its own office. Following the reasoning in *Arthrex*, this delegation would be consistent with the many other instances in which the Director has statutory responsibility but has delegated it to other parts of the Office, including the examination and issuance of patents, and aspects of patent examination such as restriction requirements and extensions of patent term due to Office or regulatory delay.[5] The Federal Circuit has already affirmed that parties do not have a right to personal rehearing by the Director in the context of PTAB institution decisions, where the statute has always placed

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[2] *Id.* at 6.

[3] Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC, 584 U.S. 325, 348 (Gorsuch, J., dissenting) ("Powerful interests are capable of amassing armies of lobbyists and lawyers to influence (and even capture) politically accountable bureaucracies. But what about everyone else?").

[4] *Arthrex*, 594 U.S. at 27.

[5] 35 U.S.C. §§ 131 (patent examination) ("*The Director* shall cause an examination to be made of the application and the alleged new invention; and if on such examination it appears that the applicant is entitled to a patent under the law, *the Director* shall issue a patent therefor.") (emphasis added); 132(a) (rejections) ("Whenever, on examination, any claim for a patent is rejected, or any objection or requirement made, *the Director* shall notify the applicant thereof, stating the reasons for such rejection, or objection or requirement . . . . ") (emphasis added); 121 (divisional applications) ("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.") (emphasis added); 154(b)(3)(B) (patent term adjustment); 156(e) (patent term extension).

responsibility with the Director, who has always delegated it to the PTAB.[6] It is also in line with the Director's supervision of the TTAB.[7] There is not currently any formal mechanism for a party to seek personal Director review of a final TTAB decision, and per the Federal Circuit, none is needed.[8]

Notwithstanding the ample precedent for this more appropriate approach to supervising the PTAB, the Office proposes a significant departure from historic practice. These changes will foreseeably result in a number of problems:

(1) Overly politicizing patents to the detriment of incentivizing innovation. In the U.S. system, patents incentivize innovation through the grant of a patent, which gives the inventor exclusive rights for a limited time and can also be used as a vehicle to attract and secure investment for additional research and development. The twenty-year term of a patent reflects that the path from conception to saleable commercial product or service can be long and unpredictable. This is why the patent system works optimally when the patent itself is a point of stability during this development process.

But when a patent's likelihood of being reviewed and revoked by the Office is seen as being tied to the individual in charge at any given moment more than to the merits of the underlying invention, patents will be perceived "as little more than feudal favors"[9] instead of hard-earned property rights revokable only with due process following a consistent application of the rule of law. This shift in perception is especially unavoidable when the individual is a political appointee who is expected to follow the President's policy direction and lacks the lifetime tenure and salary protection of a federal judge.

Yet, although the structure of the PTAB requires Executive branch political oversight, it remains within the Executive branch's discretion to decline regular review of individual decisions by the political appointee herself, and defer instead to the more constant judgement of career personnel (usually working in panels of three). Routine, invited review of PTAB decisions is a policy choice, not a constitutional requirement. And, unfortunately, it is one that will make the patent system more political and erratic than it has to be and weaker than it should be.

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[6] In re Palo Alto Networks, Inc., 44 F.4th 1369, 1377 (Fed. Cir. 2022) ("We conclude that the delegation of authority as to whether to institute IPR and PGR proceedings to the Board and the Director's policy refusing to accept party requests for Director rehearing of decisions not to institute do not violate the Appointments Clause.").
[7] 15 U.S.C. § 1068; *see also* Trademark Modernization Act of 2020, Pub. L. 116-260 (2020), Div. Q, Title II, Subtitle B, § 288(a) (similarly amending 15 U.S.C. §§ 1070 and 1092 to give the Director clear authority to modify TTAB decisions); *Piano Factory*, 11 F.4th at 1372-1373.
[8] *Piano Factory*, 11 F.4th at 1374.
[9] *Oil States*, 584 U.S. at 350 (Gorsuch, J., dissenting) ("Patents began as little more than feudal favors. The Crown both issued and revoked them.") (internal citation omitted).

(2) A loss of confidence in the patent system stemming from the incompatibility of the Director's public, policy-driven role with being regularly petitioned to overturn career-official decisions in private disputes. A fundamental aspect of the rule of law is the presence of a neutral arbiter, which signals that the decisionmaker has no predisposition to particular parties or interests. This neutrality, in turn, helps to maintain respect for and adherence to decisions, even if a party is on the losing side.

However, a systemic problem is presented by the public role of the Director when, added to it are regular requests to overturn PTAB decisions in individual private disputes between private parties. The Director, although a statutory member of the Board, does not have the day-to-day schedule of a judge. The Director is the voice of the Office, frequently speaking on the Administration's policy priorities, publishing blogs and social media, and talking to the press, among other activities. The Director also is the key conduit to the public, often meeting formally and informally with stakeholders to hear their feedback and explain the Office's positions.

It is hard to square this active public engagement with the regular adjudication of private disputes. This is especially true when the Director, as a political appointee, changes the outcomes of cases or second-guesses the factual determinations of the APJs who heard directly from expert witnesses and the parties. This type of regular intervention in private disputes stands in contrast to the Director articulating the proper interpretation of the law or policy guidance for APJs to follow -- even in the context of a specific case -- if the subsequent application is left to career officials. Issuing such guidance is in line with the public role the Director plays in advocating for intellectual property policy more generally, as well as with the need for the Director to ensure consistency of practice across cases.

Having the Director regularly decide outcomes in specific cases is also likely to seem biased and inconsistent given the frequent change in Directors, frequent vacancy of the Director position, and varied backgrounds and interests of the Director. Unlike career personnel, the tenure of Directors is limited to just a few years at best. In addition, there are very few required qualifications for the Director, and the Director's ability and interest to resolve such private disputes will vary over time. Having the validity of specific patents ultimately turn on the happenstance of the individual who might happen to hold the seat results in an unpredictable patent system.

Governing Executive branch ethics standards for avoiding appearances of conflicts will further exacerbate the issue.[10] These standards could be interpreted broadly to

[10] Dep't of Commerce, *Appearances of Bias: A Word About Ethics* (2021), https://www.commerce.gov/sites/default/files/appearances_of_bias-awae-2021.pdf.

require, for example, that a Director coming from a large law firm potentially could not become involved in any case for which that law firm had had a client in the past two years -- a rule that would seem to severely limit which cases a Director could personally review, leading to its own perceptions of bias given that such cases might be seen as insulated from review in ways that others are not.[11]

The result of the proposed rule, if adopted, will be that Director Review decisions become more unpredictable and will frequently appear to have some degree of bias that would be unacceptable in other forums, leading to a patent system that seems like a random system of special favors rather than a reliable and predictable system based on merit.

(3) Undue distraction of the Director from her myriad other responsibilities. No one reasonably expects the Director to personally review each grant of a patent although the statutory responsibility is assigned to her. The impossibility of this task, notwithstanding the Director's ultimate accountability, is why there are over 8,000 patent examiners, a rigorous system of examiner education, an internal review process and system of quality control, a dedicated Office of Petitions, and an internal appellate process for rejected applications.

While the numbers of PTAB post-grant proceedings are magnitudes of order lower than patent applications, the decisions are often complex and span many pages. The drain on the Director's time to become personally engaged in even a percentage of these cases should not be ignored. The process of Director Review outlined in the NPRM, for example, suggests that even though there will be an administrative apparatus designed to give recommendations to the Director, she will personally consider and decide to act on each request in addition to discharging her authority to act *sua sponte*.

Meanwhile, there is the entire trademarks business unit of the Office, including the Trademark Trial and Appeal Board, whose contested cases are no less significant than the PTAB's. Fraudsters posing as the Office trying to collect trademark fees remains a problem, as does the number of trademark registrations being filed with fraudulent specimens.[12] Especially concerning is the historically long period of time

[11] The Director has established a process for delegating responsibility where there is a conflict of interest. Katherine K. Vidal, Under Secretary of Commerce for Intellectual Property and Director of the U.S. Patent and Trademark Office, *Procedures for Recusal to Avoid Conflicts of Interest and Delegations of Authority* (Apr. 20, 2022), https://www.uspto.gov/sites/default/files/documents/Director-Memorandum-on-Recusal-Procedures.pdf. But it is unclear how many conflicts the Director has, and accordingly, how often delegation might be required. If frequent, it would seem to undermine the point of having a system designed to escalate decisions for regular review to the Director herself.

[12] Tim Lince, *Spoofed: USPTO Warns of Fraudulent Phone Calls That Impersonate Agency Staff*, World Trademark Review (Feb. 2, 2023), https://www.worldtrademarkreview.com/article/spoofed-uspto-warns-of-fraudulent-phone-calls-impersonate-agency-staff; Barton Beebe and Jeanne C. Fromer, *Fake Trademark Specimens: Empirical Analysis*, 120 Columbia L. Rev. Forum 217 (2020),

currently needed to obtain a trademark registration; as recently as fiscal year 2019, the entire process took an average of 9.3 months, but now, the Office is just starting to look at applications around the eight-month mark.[13] This delay has led one practitioner to remark that for clients in the rapidly evolving tech space, "By the time the mark registers, some of our clients' businesses have changed dramatically."[14]

On the patents side, the average pendency until a patent applicant receives a first Office action on the merits has increased from 14.7 months in fiscal year 2019 to 20.5 months in fiscal year 2023 -- six-and-a-half months beyond the statutory limit of 14 months, after which the Office could have to adjust patent term to account for Office delay.[15] The backlog of unexamined patent applications is also over 240,000 more than it was just six years ago.[16] These operational slowdowns directly impact inventors and small businesses who need the certainty now of a patent grant to grow their enterprises. Failure to finally and immediately stanch the burgeoning backlog and delay could ultimately take years to correct.

All of these are difficult issues that demand leadership attention, among, no doubt, many others. Any single aspect of the Office's operations that consumes the Director's time necessarily comes at the expense of others, and with other critical operations at stake, the Director's focus should not be disproportionately on PTAB.

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https://columbialawreview.org/wp-content/uploads/2020/11/Beebe-Fromer-Fake_Trademark_Specimens-an_Empirical_Analysis.pdf.

[13] *Compare* USPTO, *FY2019 Performance and Accountability Report* 2, https://www.uspto.gov/sites/default/files/documents/USPTOFY19PAR.pdf [hereinafter "FY 2019 PAR"] *with* USPTO, *Trademark Processing Wait Times* (showing that, as of June 16, 2024, the USPTO is examining new applications submitted between Oct. 17, 2023-Oct. 31, 2023), https://www.uspto.gov/trademarks/application-timeline; *see also* Josh Gerben, *Trademark Gridlock: Why the USPTO is Processing Trademarks at a Historically Slow Rate*, The Trademark Blog, https://www.gerbenlaw.com/blog/trademark-gridlock-why-the-uspto-is-processing-trademarks-at-a-historically-slow-rate/ (last visited June 16, 2024).

[14] Sienna Bentley, *How to Turn Unprecedented USPTO Pendency Times Into a Win*, World Trademark Review (June 19, 2023) (Another practitioner "worries for clients' enforcement efforts – which can be seriously hampered by delays in registration"), https://www.worldtrademarkreview.com/article/how-turn-unprecedented-uspto-pendency-times-win.

[15] *Compare* USPTO, Fiscal Year (FY) 2023 Workload Tables, Table 4 ("Patent Pendency Statistics"), https://www.uspto.gov/sites/default/files/documents/USPTOFY23WorkloadTables.xlsx *with* FY2019 PAR, *supra* note 15, at 2, https://www.uspto.gov/sites/default/files/documents/USPTOFY19PAR.pdf; 35 U.S.C. § 154(b)(1)(A)(i) (14 month target).

[16] Steve Brachmann, *Asian Tech Dominance, Examination Backlogs Highlight IFI CLAIMS' Annual Patent Reports*, IPWatchdog (Jan. 10, 2024), https://ipwatchdog.com/2024/01/10/asian-tech-dominance-examination-backlogs-highlight-ifi-claims-annual-patent-reports/id=171794/; USPTO, *Patents Production, Unexamined Inventory and Filings Data April 2024* (showing a backlog of 783,130 applications), https://www.uspto.gov/dashboard/patents/production-unexamined-filing.html; *compare with USPTO Director Looks to Decrease Patent Backlog by Improving Workforce Efficiency*, Federal News Network (June 12, 2018) (estimating the current backlog at 540,000 applications), https://federalnewsnetwork.com/workforce/2018/06/an-inventor-himself-new-pto-director-prepares-to-sign-nations-10-millionth-patent/.

In light of these concerns, C4IP submits that the Office should rescind its proposed rules package. Instead, C4IP proposes that the Director should rarely, if ever, intervene in individual cases but should instead entirely delegate her review authority, similar to how petitions to the Director are handled, for example, during examination.[17] This would discharge the Director's personal responsibility and complement the already-existing rehearing process within the PTAB itself.

Such a delegated review process could likewise apprise the Director of emerging post-grant proceeding policy issues so that she could prospectively issue clarifying guidance or other policy changes. Review, including *sua sponte* review of specific decisions, should normally come from the delegatee Office reviewing on behalf of the Director. Except as needed to set broader policy and direction for the Office, personal review by the Director would not normally be needed, and should be reserved for rare, truly exceptional cases whose perceived defects could not be adequately corrected by the delegatee Office, upon rehearing by the PTAB, or appellate review at the Federal Circuit. Personal review by the Director -- or even consideration of review -- of run-of-the-mill PTAB cases simply should not happen.

This alternative approach would comply with *Arthrex* while dramatically reducing the incipient over-politicization of PTAB. Instead of reviewing individual cases, the Director's focus would instead properly be on setting overall PTAB policy and priorities. This role for the Director would be in line with her historic role in overseeing other Office operations, would better balance her many responsibilities, and would preserve the consistency of the patent system.

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C4IP again thanks the USPTO for the opportunity to comment on this proposal and would be pleased to provide any further input that may be requested.

Sincerely,

Frank Cullen
Executive Director
Council for Innovation Promotion (C4IP)

[17] *See* USPTO, *Office of Petitions*, https://www.uspto.gov/about-us/organizational-offices/office-commissioner-patents/petitions (last visited June 16, 2024).