

UNITED STATES PATENT AND TRADEMARK OFFICE

BEFORE THE OFFICE OF THE UNDERSECRETARY AND DIRECTOR OF
THE UNITED STATES PATENT AND TRADEMARK OFFICE

OPENSKY INDUSTRIES, LLC,
PATENT QUALITY ASSURANCE, LLC, and
INTEL CORPORATION,
Petitioners,

v.

VLSI TECHNOLOGY LLC
Patent Owner.

IPR2021-01064
U.S. Patent No. 7,725,759 B2
IPR2021-01229
U.S. Patent No. 7,523,373 B2

Before KATHERINE K. VIDAL, *Under Secretary of Commerce for Intellectual
Property and Director of the United States Patent and Trademark Office.*

**AMICUS BRIEF OF
PUBLIC INTEREST PATENT LAW INSTITUTE
IN SUPPORT OF NO PARTY**

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INTEREST OF AMICUS CURIAE

Amicus Public Interest Patent Law Institute (“PIPLI”)¹ is a nonprofit, nonpartisan organization dedicated to ensuring the patent system promotes innovation and access for the benefit of all members of the public.

Most Americans depend on access to patented technology, but do not own, assert, or profit directly from patents—such as, research scientists, doctors, farmers, small business owners, and patients. As a result, these constituencies do not participate in the institutions that shape patent law—primarily, the U.S. Patent and Trademark Office (“USPTO”) and federal courts—even though these institutions concretely affect their lives and livelihoods. This lack of participation makes it more difficult for the patent system to strike a balance that fairly and effectively encourages investment in innovation and expands public access to knowledge.

PIPLI’s mission is to improve the patent system’s ability to strike this balance. In service of this mission, PIPLI provides pro bono counseling and legal assistance to individuals, nonprofits, and small businesses affected by the patent system; conducts research and educational outreach; and submits comments and amicus briefs on matters of patent law and policy to the USPTO, government agencies, standard-setting organizations, and federal courts.

¹ No counsel for any party authored this brief in whole or in part, and no entity or person, aside from *amicus curiae*, made any monetary contribution intended to fund the preparation or submission of this brief.

INTRODUCTION AND SUMMARY OF ARGUMENT

Meritorious petitions for inter partes and post-grant review empower the USPTO to advance the goals of the patent system and the America Invents Act (“AIA”): promoting innovation and improving patent quality.

The public depends on the USPTO to grant meritorious review petitions whenever it has the capacity to conduct the proceedings they seek. Invalid patents unduly restrict innovation, competition, and access to knowledge. Eliminating them gives the public more freedom to use existing technology as well as to develop and commercialize new advances. Sustaining challenged patents clarifies their scope and strengthens public confidence in their validity. Petitions that establish a likelihood of invalidity warrant review and benefit the public regardless of their outcome.

The conduct of the parties to a particular proceeding should rarely, if ever, prevent the USPTO from instituting review of a petition whose merits satisfy the AIA’s requirements. If a party engages in misconduct, it may be appropriate for the USPTO, or other authorities, to impose punishment on that party, but not on the public. Because denying meritorious petitions hurts the public as much as, if not more than, the petitioners that can afford to file them, denials must not be used as punishment. The public should not pay for the misconduct of others by continuing to bear the costs of patents that should not exist.

Denying meritorious petitions thwarts the AIA’s goals by protecting rather

than eliminating low quality patents as well as by eroding public confidence in the patent system. Now more than ever, the public's confidence needs to be restored.

The preliminary results of an ongoing investigation by the Government Accountability Office ("GAO") confirms what some observers have feared in recent years: that the former USPTO Director was controlling the conduct and outcome of decisions attributed the Patent and Trial Appeal Board ("PTAB"). The GAO's preliminary report shows that the former Director's control was pervasive, imperceptible, and in some cases, created an appearance of impropriety.

The USPTO under its current leadership has already made commendable progress towards restoring the public's confidence. We trust that will continue. But the GAO's report crystallizes the need for reform of the PTAB's decision-making processes. Those reforms must be made before the PTAB imposes sanctions based on judgments about propriety rather than patentability. That is especially true of sanctions that could harm the public, as denials of meritorious petitions would.

First and foremost, the USPTO must take steps to make the PTAB's decision-making processes trustworthy, fair, and transparent enough for the public to notice should future directors try to reverse course.

ARGUMENT

I. Meritorious Patent Challenges Serve the Goals of the USPTO and AIA.

When deciding how to assess and respond to misconduct in inter partes or post-grant review proceedings, the impact on the public must be the dominant consideration. Conduct that helps increase patent quality, protect the public from harm, and restore public confidence in the patent system advances the goals of the AIA and patent system. Such conduct cannot constitute abuse of the AIA or patent system, even if it frustrates, inconveniences, or offends private parties.

A. The Patent System's Objective Is to Benefit the Public.

The Constitution authorizes Congress “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Constitution, Art. I, Sec. 8, Cl. 8. Pursuant to this authority, Congress established the USPTO, and “tasked it with ‘the granting and issuing of patents.’” *Return Mail, Inc. v. U.S. Postal Serv.*, 139 S. Ct. 1853, 1859 (2019) (citation omitted). In so doing, Congress gave the USPTO responsibility for achieving the Constitution’s objective.

That objective is to promote scientific and technological progress for the public’s benefit; it is not to grant patents for the benefit of private interests. This principle is beyond cavil: “It is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or

advantage; the benefit to the public or community at large was another and doubtless the primary object in granting and securing that monopoly.” *Kendall v. Winsor*, 62 U.S. 322, 327–28 (1858). In other words, patents may be granted to private entities, but their “primary object” is the “benefit to the public” they provide. *Id.*

B. The Public’s Interest in Patent Quality Is Paramount

The patent system’s ability to benefit the public depends on the quality of granted patents. When patents cover novel and non-obvious inventions, the public benefits from immediate access to knowledge it would not otherwise have as well as the right to commercialize that knowledge after the patent expires. But when patents claim existing or obvious developments, their owners get the right to prevent the public from using knowledge that was available without contributing anything.

As the Supreme Court has explained, “[t]he far-reaching social and economic consequences of a patent, . . . give the public a paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.” *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 815 (1945). Because of these far-reaching consequences, “[i]t is as important to the public that competition should not be repressed by worthless patents, as that the patentee of a really valuable invention should be protected in his monopoly.” *Pope Mfg. Co. v. Gormully*, 144 U.S. 224, 234 (1892).

The Constitution’s authors recognized the importance of protecting the public

from improvidently granted patents. For example, James Madison warned of “the danger being very great that the good resulting from the operation of the [patent] monopoly . . . will be overbalanced by the *evil* effect of the precedent; and it being not impossible that the monopoly itself . . . may produce more evil than good.” James Madison, Detached Memoranda (ca. 31 January 1820), *Founders Online*, NAT’L ARCHIVES, <https://founders.archives.gov/documents/Madison/04-01-02-0549>.

Similarly, Thomas Jefferson emphasized “the difficulty of drawing a line between the things which are worth to the public the embarrassment of an exclusive patent, and those which are not” as well as the need to draw such lines because “the exclusive right to invention [i]s given not of natural right, but for the benefit of society.” Letter from Thomas Jefferson to Isaac MacPherson (Aug. 13, 1813), reprinted in THOMAS JEFFERSON, WRITINGS (Library of America, 1984), at 1286, available at: https://press-pubs.uchicago.edu/founders/documents/a1_8_8s12.html.

C. Improving Patent Quality is the AIA’s Overriding Goal.

Congress enacted the AIA to improve patent quality, alleviate harm invalid patents were causing, and restore the public’s confidence in the validity of patents that rightly exist. *See* Order Setting Schedule for Director Review, *Patent Quality Assurance, LLC v. VLSI Tech., LLC*, IPR2021-01229, Paper 35 (July 7, 2022) at 7 (“Congress gave the USPTO ‘significant power to revisit and revise earlier patent grants’ as a mechanism ‘to improve patent quality and restore confidence in the

presumption of validity that comes with issued patents.”) (quoting *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 272 (2016) (citation omitted).

Inter partes and post-grant review proceedings were specifically designed to improve patent quality by making it possible “to weed out bad patent claims efficiently,” and thus address “concern[s] about overpatenting and its diminishment of competition.” *Thryv, Inc v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020) (citation omitted); *see also Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1374 (2018) (“[T]he Board’s inter partes review protects ‘the public’s paramount interest in seeing that patent monopolies are kept within their legitimate scope[.]’” (quoting *Cuozzo*, 579 U.S. at 279) (quoting *Precision Instruments*, 324 U.S. at 815)).

Inter partes and post-grant review proceedings are the AIA’s primary mechanisms for achieving its objective—improving patent quality by eliminating wrongly granted patents. Congress created these mechanisms to help the patent system achieve its goal—promoting innovation for the public’s benefit. That is why AIA proceedings are so essential to the patent system and thus to the public.

II. The PTAB Should Decide to Institute a Petition Based on its Merit.

A. People Need Not Be Blameless to Enforce Laws Benefiting the Public.

Those seeking to challenge patents are generally permitted to do so even if their conduct is improper or even reprehensible in other respects or contexts. *See, e.g., Precision*, 324 U.S. at 816 (refusing to enforce patent and contract claims

against a defendant whose conduct was “reprehensible” because “[t]he public policy against the assertion and enforcement of patent claims infected with fraud and perjury is too great to be overridden by such a consideration”); *Lear v. Adkins*, 395 U.S. 653, 670–71 (1969) (refusing to enforce contract provision barring patent challenges because “[l]icensees may often be the only individuals with enough economic incentive to challenge the patentability of an inventor's discovery,” and “[i]f they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification.”).

So are people who seek to enforce laws in a manner that produces the public benefits Congress intended the law to produce. *See, e.g., St. Paul Guardian Ins. Co. v. Johnson*, 884 F.2d 881, 883 (5th Cir. 1989) (insurance company could not avoid liability for violating the False Credit Reporting on the ground that the claim it was investigating when the violations occurred was fraudulent); *Sec. & Exch. Comm'n v. Gulf & W. Indus., Inc.*, 502 F. Supp. 343, 348 (D.D.C. 1980) (Improper conduct during an investigation did not preclude the SEC from obtaining an injunction because “the doctrine of unclean hands . . . may not be invoked against a governmental agency which is attempting to enforce a congressional mandate in the public interest.”) (citation omitted).

B. The AIA Consistently Prioritizes Patentability Determinations.

The AIA empowers the PTAB to take “a second look at an earlier

administrative grant of a patent.” *Cuozzo*, 579 U.S. at 279. Although a petitioner is the catalyst for a proceeding, once commenced, its outcome does not depend on their conduct. A petitioner “need not remain in the proceeding” for it to reach a final decision; “rather, the Patent Office may continue to conduct an inter partes review even after the adverse party has settled.” *Id.* (citing 35 U.S.C. § 317(a)). Because review proceedings do not even depend on the participation of petitioners, they should not depend on the propriety of their conduct.

If Congress intended to impose such conditions, it could have done so explicitly, as it did when imposing other requirements. *See, e.g.*, 35 U.S.C. § 315(b) (prohibiting the institution of a petition if it “is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement”).

Congress’s decision not to impose such conditions is consistent with the AIA’s overall statutory design, which “prioritize[s] patentability” over other issues. *Thryv*, 140 S. Ct. at 1374. As the Supreme Court explained in upholding the unappealability of the PTAB’s decisions on whether petitions are timely: “It is unsurprising that a statutory scheme so consistently elevating resolution of patentability above a petitioner’s compliance with § 315(b) would exclude § 315(b) appeals, thereby preserving the Board’s adjudication of the merits.” *Id.*

The same is true of the absence of statutory requirements concerning the

propriety of a petitioner's conduct: it is unsurprising that a "statutory scheme so consistently elevating resolution of patentability issues," *id.*, would exclude issues unrelated to patentability from the PTAB's decision to institute review.

C. The PTAB's Institution Decisions Should Focus on Patentability.

In *Thryv*, the Supreme Court relied heavily on the AIA's objective of improving patent quality to uphold the USPTO's unreviewable authority over institution decisions. It explained that allowing appeals of issues unrelated to patentability, such as timeliness, "would tug against that objective, wasting the resources spent resolving patentability and leaving bad patents enforceable." *Id.* at 1374. Beyond wasting resources, such appeals would undermine the AIA's ability to improve patent quality: "because a patent owner would need to appeal on § 315(b) untimeliness grounds only if she could not prevail on patentability, § 315(b) appeals would operate to save bad patent claims." *Id.* In other words, the importance of the AIA's objective—eliminating invalid patent claims—justifies the USPTO's unreviewable authority over institution decisions.

When the PTAB makes institution decisions based on issues unrelated to patentability, it drifts further from the AIA's objective as well as the justification for prohibiting appeals of its institution decisions. The AIA gives the USPTO wide latitude over institution decisions, but that power is premised on patentability being their primary concern. If institution decisions focus on issues to patentability, such

as the propriety of a party's conduct or character, the implications of denying parties any right to appeal will be drastically different from those the Supreme Court has yet considered. A successful appeal of a decision about whether a party's conduct is or is not reprehensible enough to justify or preclude review would operate to save the party's reputation, not just patent claims that should not exist.

To be sure, if private parties engage in misconduct—for example, by providing false testimony—the USPTO should impose sanctions or make referrals to authorities that can do so. But those sanctions should not foreclose review of invalidity arguments and evidence that have merit. Decisions to institute must prioritize the resolution of well-founded patent challenges. Nothing in the AIA suggests such decisions should hinge on subjective considerations instead.

III. Public Trust in the PTAB's Processes Must Be Restored.

Expanding the scope of institution decisions beyond patentability is especially concerning in light of changes to the PTAB's decision-making policies and processes over the past five years. While the public has known about some of those change, it did not know the full extent or effect of their use (and did not know about others at all) until the GAO's recent release of preliminary results from its ongoing investigation into the USPTO's oversight of the PTAB. *See* U.S. GOV'T. ACCOUNTABILITY OFFICE, *Patent and Trial Appeal Board: Preliminary Observations on Oversight of Judicial Decision-making*, July 21, 2022,

<https://www.gao.gov/assets/gao-22-106121.pdf> (“GAO Report”).

While the GAO Report does not reflect perspectives of the USPTO’s current leadership, it raises serious concerns about the PTAB’s vulnerability to abuse. These concerns are corrosive of the public’s confidence in the PTAB’s decision-making. Before its institution decisions include subjective assessments of party conduct, the USPTO must take steps to restore the public’s trust in the accuracy, impartiality, and integrity of the PTAB’s decisions.

A. The Revised SOPs Give the USPTO Director Near-Absolute Power.

Before the GAO’s report, the public was aware of—and concerned about—certain changes made to the USPTO’s Standard Operating Procedures (“SOPs”) that increased the USPTO Director’s power while diminishing the transparency of processes underlying the PTAB’s decisions.

The USPTO published revisions to SOP1 and SOP2 on September 21, 2018. *See USPTO, Revisions to standard operating procedures: paneling and precedential decisions*, <https://www.uspto.gov/patents/ptab/procedures/revisions-standard-operating> (Sept. 21, 2018). The public did not receive notice or an opportunity to comment on these changes before their publication.²

² It is not clear if changes to other SOPs were also made or how many SOPs exist. The USPTO’s website only provides SOPs 1, 2, and 9, but it provided two others in response to a FOIA request. *See David Boundy, The PTAB Is Not an Article III Court, Part 3*, AIPLA QUARTERLY JOURNAL, Vol. 47, No. 1 (Winter 2019) at 25, n.63 (“What and where are SOPs 3 through 8? In preparing this article, I requested them by FOIA; the PTO provided only SOP’s 4 and 5.”).

Revised SOP1 nominally delegates authority over panel assignments to the Chief Judge of the PTAB. *See* PTAB, SOP1 (Rev. 15), <https://www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf> (“The Director’s authority under 35 U.S.C. § 6(c) to designate panels has been delegated to the Chief Judge.”). The practical effect of this designation, however, is unclear because SOP1 also says the Director has the right to designate panels unilaterally and unconditionally without being limited by the rest of SOP1: “The delegated authority is non-exclusive and the Director expressly retains his or her own statutory authority to designate panels. This SOP does not limit the authority of the Director to designate, de-designate, or otherwise alter in any way at any time, panels in his or her sole discretion without regard to the procedures set forth herein.” *Id.* at 1–2. In other words, SOP1 delegates authority only to re-assert the Director’s absolute power.

Revised SOP2 similarly makes a nominal delegation of authority to a Precedential Opinion Panel (“POP”) to designate PTAB decisions informative or precedential. *See* PTAB, SOP2 (Rev. 10) at 1, https://www.uspto.gov/sites/default/files/documents/SOP2_R10_FINAL.pdf. Designating decisions precedential makes them prospectively binding on the public and PTAB judges alike. *See id.* (“Unless otherwise designated, Precedential Opinion Panel decisions will set forth binding agency authority.”). The power to designate

precedents thus conveys the power to give PTAB decisions the force of law.

SOP2 makes the Director a member of the POP, gives the Director sole authority to select a POP's members, and requires the Director to approve the designation of any precedential decision. *Id.* at 4. But, like SOP1, it goes further, authorizing the Director to designate decisions precedential unilaterally, unconditionally, and without limits. According to SOP2: "This SOP does not limit the authority of the Director to designate or de-designate decisions as precedential or informative, or to convene a Precedential Opinion Panel to review a matter, in his or her sole discretion without regard to the procedures set forth herein." *Id.* at 1.

Neither SOP1 nor SOP2 requires the Director to provide public notice or make any record of when, how, or by whom designations of panels or precedents are made. As a result, they give the Director power over the course, outcome, and force of PTAB decisions while obscuring the Director's use of that power by describing procedures which the Director is free to disregard without any notice to the public.

B. The USPTO's Position on Directorial Control of the PTAB.

The USPTO has affirmatively argued that the Director can control PTAB decisions, albeit without pointing specifically to the revised SOPs. Indeed, this was the crux of its argument that PTAB judges should be classified as inferior rather than principal officers. The Supreme Court summarized the USPTO's position:

[T]he Director, according to the Government, could manipulate the composition of the PTAB panel that acts on [a] rehearing petition. For

one thing, he could ‘stack’ the original panel to rehear the case with additional APJs assumed to be more amenable to his preferences. . . . For another, he could assemble an entirely new panel consisting of himself and two other officers appointed by the Secretary—in practice, the Commissioner for Patents and the APJ presently designated as Chief Judge—to decide whether to overturn a decision and reach a different outcome binding on future panels. . . . *The Government insists that the Director, by handpicking (and, if necessary, re-picking) Board members, can indirectly influence the course of inter partes review.*

U.S. v. Arthrex, 141 S. Ct. 1970, 1981 (2021) (internal citations omitted) (emphasis added). The USPTO’s own arguments demonstrate that the Director can “influence the course of inter partes review” behind the scenes. *Id.*

The Supreme Court did not consider this imperceptible influence a solution to constitutional issues arising from the PTAB’s authority to cancel granted patents. *See id.* (“That is not the solution. It is the problem.”). The problem, according to the Court, is that this indirect influence obscures the public’s view of who the real decisionmaker is. If the public does not know who is responsible for an agency’s decisions, it cannot hold the decisionmaker accountable through political processes.

As the Court explained:

Even if the Director succeeds in procuring his preferred outcome, such machinations blur the lines of accountability demanded by the Appointments Clause. The parties are left with neither an impartial decision by a panel of experts nor a transparent decision for which a politically accountable officer must take responsibility. And the public can only wonder “on whom the blame or the punishment of a pernicious measure, or series of pernicious measures ought really to fall.”

Id. at 1982 (quoting *The Federalist* No. 70, at 476 (A. Hamilton) (C. Rossiter ed.

1961)). This describes the problem the revised SOPs create: they blur the lines of accountability so that the public is “left with neither an impartial decision by a panel of experts nor a transparent decision for which a politically accountable officer must take responsibility.” *Id.*

As a result, “the public can only wonder ‘on whom the blame or the punishment of a pernicious measure, or series of pernicious measures ought really to fall.’” *Id.* *Arthrex* described, but did not solve, this problem. The Director now has the formal power to review final decisions on patentability as well as the power to shape decisions imperceptibly as before.

C. The GAO Report Reveals New Information about the Former USPTO Director’s Control over the PTAB.

In response to the USPTO’s arguments in *Arthrex* about the Director’s control of the PTAB, congressional representatives from both political parties asked the GAO to investigate the USPTO’s oversight of the PTAB. *See* Letter from Reps. Issa and Johnson to Gene L. Dodaro, Comptroller General of the United States, Gov’t Accountability Office, June 2, 2021, [https://hankjohnson.house.gov/sites/hankjohnson.house.gov/files/documents/GAO Investigation Request Final.pdf](https://hankjohnson.house.gov/sites/hankjohnson.house.gov/files/documents/GAO%20Investigation%20Request%20Final.pdf).

The GAO recently released a report describing the preliminary results of its investigation. The results are primarily based on responses to surveys the GAO sent to all PTAB judges serving as non-management or lead judges as of September 2021.

Of the 234 survey recipients, 204 judges (87%) responded. GAO Report at 2–3.

Importantly, the judges’ responses “reflect their perspectives as of February 2022, and are not inclusive of changes in agency procedure or policy that occurred after this date.” *Id.* at 13 n.39. Moreover, many of those changes—“including the introduction and formalization of Management Review [of PTAB decisions], the Precedential decision process for designating decisions as precedential, [and] the codification of panel changes and expansions”—were established over the preceding 5 years. *Id.* at 13 n.40. For most of the time the Report covers, the USPTO Director was Andrei Iancu, who served from February 8, 2018 to January 19, 2021.³

The GAO report identifies a range of practices the former Director employed to dictate the outcomes and rationales of PTAB decisions, including (1) communicating changes directly to judges and threatening to remove them from panels if they did not comply, *id.* at 17,⁴ (2) removing, replacing, or adding judges to panels to alter or influence a decision’s outcome or rationale, *id.* at 21, and (3) rewriting panel opinions in whole or part, *id.* at 20.

³ See USPTO, *Andrei Iancu Begins Role as New Director of United States Patent and Trademark Office*, Feb. 8, 2018, <https://www.uspto.gov/about-us/news-updates/andrei-iancu-begins-role-new-director-united-states-patent-and-trademark> and Dennis Crouch, *Director Andrei Iancu has stepped-down as PTO Director*, PATENTLYO, Jan. 19, 2021, <https://patentlyo.com/patent/2021/01/director-andrei-stepped.html>.

⁴ Threats of removal had particular force between between October 2019 and January 2021 because the Supreme Court had not yet overtured the Federal Circuit’s *Arthrex* decision, which eliminated PTAB judges’ employee protections, subjecting them to termination “at will” by the Director. GAO Report at 17, n.44. The GAO concluded that the loss of these protections “likely caused some additional perceived ‘coercion’ or concerns from judges.” *Id.*

The public did not appreciate the pervasive use of these practices or the full extent of their effect on the independence of PTAB judges before the GAO released its preliminary report. For example, 75% of responding judges said that “oversight practiced by USPTO directors⁵ and PTAB management has had an effect on their independence,” with nearly 25% reporting a “large effect on their independence.” *Id.* at 13. Multiple judges reported that “on at least one occasion within their own cases, a director or PTAB management . . . directly influenced the outcome of a particular AIA proceeding or ex-parte appeal.” *Id.* at 20. Another said that “consideration of management’s wishes is at least a factor in all panel deliberations, and is sometimes the dominant factor.” *Id.* at 16.

The GAO report explains the public’s ignorance: the USPTO generally did not inform parties or the public about the use of these practices (or others like them). *See, e.g., id.* at 20 (“Many judges . . . noted in cases where there is pressure from PTAB management to change or modify an aspect of their decision, or when management rewrites parts of decision for the panel, there would be no record that

⁵ Although the GAO report refers obliquely to “USPTO directors,” only one person other than Andrei Iancu could have served as USPTO Director between 2017 and 2022 in a non-acting or interim capacity—Michelle Lee, who formally resigned early in June 2017. Joe Mullin, *USPTO Director Michelle Lee has resigned without warning*, ARS TECHNICA, June 6, 2017, <https://arstechnica.com/tech-policy/2017/06/uspto-director-michelle-lee-has-resigned-without-warning/>. But the identity of the USPTO Director was unclear as early as January 2017. *See* Joe Mullin, *At US Patent Office, a mystery lingers: Who’s in charge?*, ARS TECHNICA, Mar. 3, 2017, <https://arstechnica.com/tech-policy/2017/03/at-us-patent-office-a-mystery-lingers-whos-in-charge/> (“Leadership at the USPTO has been unclear since the Trump administration transitioned into power in January.”).

an issued opinion was management’s rather than the three-judge panel.”).

In some cases, the USPTO apparently not only withheld, but misrepresented information about decision-making processes. For example, when panels were changed “to remove judges that did not agree with a decision or had decided not to follow agency policy, statutes, or case law,” the GAO reported “that parties in the proceedings would be informed that the reason for the panel change was because the judge was unavailable.” *Id.* at 11 & n.34.

The GAO singled out one category of decisions as particularly vulnerable to directorial control: those involving the application of a “decision designated precedential in 2020, outlin[ing] several factors that a PTAB judge should consider when deciding whether to deny institution of an *inter partes* review petition if there is a potentially parallel district court proceeding.” *Id.* at 15.⁶ Although the decision seemingly provided judges with discretion to considers those factors, some told the GAO that “comments received during Management Review, influenced or dictated which factors should be given more weight thus driving the judges’ decision on instituting an *inter partes* review.” *Id.*

D. The Former Director’s Control over *Fintiv*’s Application Raises Questions about Prior Denials of Challenges to VLSI’s Patents.

This evidence of directorial control on PTAB decisions applying is

⁶ Although the GAO Report does not identify the decision by name, the substance and date identify it as *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (Mar. 20, 2020) (designated precedential May 5, 2020).

particularly concerning in light of circumstances surrounding prior PTAB decisions denying review of the patents at issue in this proceeding.

On March 20, 2020, the decision in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper No. 11 (Mar. 20, 2020) issued, setting forth a multifactor test for denying petitions based on parallel district court proceedings. At that time, IPR petitions, filed by Intel, challenging the patents at issue here were pending. *See* Decision Denying Institution, *Intel Corp. v. VLSI Tech., LLC*, IPR2020-00106, Paper 17 (May 5, 2020) (U.S. Patent No.7,725,759) (“May 5 Denial”) and Decision Denying Institution, *Intel Corp. v. VLSI Tech., LLC*, IPR2020-00158, Paper 16 (May 20, 2020) (U.S. Patent No. 7,523,373) (“May 20 Denial”).

On March 26, six days after *Fintiv* issued, the PTAB judges considering Intel’s challenges to VLSI’s patents held a telephonic hearing with party counsel to discuss the pending petitions and related district court proceedings. *See* Hr’ng Tr., *Intel Corp. v. VLSI Tech., LLC*, IPR2020-00158 (Mar. 26, 2020). A court had scheduled three trials involving different configurations of challenged patents for the same day. *Id.* at 29.

Near the end of the conference, one judge directed the parties’ attention to the “extremely recent” *Fintiv* decision:

I want to raise a fairly recent decision by the Board — I shouldn't say fairly, it's extremely recent, and I want everybody to write this down. . . . I would like to suggest that the parties, starting with petitioner, to the extent petitioner feels it is relevant, to address the factors that are

discussed in, it's Apple versus Fintiv, I believe is the way you pronounce the patent owner's name, it is IPR2020-00019, Paper No. 11, and it was issued just last week on March 20 of 2020.

Id. at 44–46.

Clearly, the judge did not expect the parties to know about the case. He explained he would give the parties additional pages for supplemental briefing because “I’m springing a new case on everybody with this Apple case and pointing to things there that you may not have been thinking about” *Id.* at 53. The judge did not say why he was springing this new case on the parties or suggesting they address it. Nor is the reason for doing so apparent. *Fintiv* was not designated precedential or about to be; more than a month would pass before its designation.

On May 5, the same day *Fintiv* was designated precedential, a decision denying one of Intel’s petitions issued. The decision relied heavily on *Fintiv*, effectively treating it as precedential, but not citing it as such. *See* May 5 Denial at 5. About two weeks later, on May 20, another decision denying review issued. It was substantially the same as the May 5 decision, except that it also cited *Fintiv*’s precedential designation. *See* May 20 Denial at 6.

The judge’s decision to call the parties’ attention to *Fintiv* in the March 26 hearing and the panel’s decision to rely on it in the May 5 Denial strongly indicate they knew or had reason to know in advance that *Fintiv* would be designated precedential or should be treated as such. The public record does not indicate what

that was. Based on the GAO Report’s evidence of directorial control over the PTAB’s application of *Fintiv* to discretionary denial decisions in particular, it is reasonable to infer some kind of influence was exerted behind the scenes.

But the public cannot know with certainty what took place. It can only wonder what led these judges to recognize *Fintiv*’s significance so soon after its release.

E. The Former Director’s Return to the Partnership of VLSI’s Counsel Raises Questions About his Role in Prior *Fintiv* Denials.

The public does know what happened after the May 5 and May 20 Denials. The parties went to trial on the unreviewed patents, VLSI won, and the court awarded it over \$2 billion in damages. *See* Final Judgment, *VLSI Tech. LLC v. Intel Corp.*, No.6:21-CV-057-ADA (W.D. Tex. Apr. 21, 2022), Dkt. No. 702, at *2 (awarding \$1.5 billion in damages for U.S. Patent No. 7,523,373 and \$675 million in damages for U.S. Patent No. 7,725,759).

Because the PTAB recently instituted review of these patents, it will eventually become clear if this award is an undeserved windfall or a reasonable royalty, but either way, VLSI will benefit. So will the law firm that represented it in the Texas trial—Irell & Manella.⁷

As noted above, *see supra*, note 5, Andrei Iancu was the only non-acting

⁷ *See, e.g.*, William Nakayama, *Goldsea Titan of Tech Trials* (Interview of Morgan Chu, Irell & Manella), ASIAN AM. DAILY, <https://goldsea.com/Personalities2/Chumorgan/chumorgan6.html>, at 6 (“[O]bviously if you’re doing well for your clients and you’re doing great services and achieving wonderful results, it helps one not only on a short-term basis but on a longterm basis as well.”).

USPTO Director during most (if not all) of the time period the GAO report covers. Former Director Iancu is a partner of Irell & Manella—as he was before holding office. See Irell & Manella, *Irell Welcomes Back Former USPTO Director Andrei Iancu* (April 2021), <https://www.irell.com/newsroom-news-981> (“Effective April 1, 2021, Iancu rejoins Irell as a partner . . .”). The public does not know if former Director Iancu has or will receive financial benefits directly from VLSI’s fees, but if he is an equity partner,⁸ he is entitled to a share of the firm’s profits.

The former Director may not have affected the PTAB’s application of *Fintiv* in the May 5 and May 20 Denials whatsoever. The public would have reason to trust that was so if the former Director publicly disclosed his intervention in PTAB proceedings and/or openly recused himself from those involving his former (and future) partners’ clients.

Instead, the public has the GAO’s evidence of previously undisclosed directorial influence on PTAB decisions, especially those applying *Fintiv*, see GAO Report at 15, and the former Director’s return to a partnership that such a decision concretely benefited. At the very least, the lack of transparency about directorial intervention allows an appearance of impropriety to arise in these circumstances.

⁸ David Parnell, *Andrei Iancu Of Irell & Manella, On Generating High Revenue Per Lawyer*, FORBES, Mar. 29, 2017, <https://www.forbes.com/sites/davidparnell/2017/03/29/andrei-iancu-of-irell-manella-on-generating-high-revenue-per-lawyer/?sh=6c10621e4aa7> (“We have only equity partners.”).

F. The USPTO Can Restore the Public’s Trust by Enhancing the Transparency and Independence of PTAB Decision-making Processes.

The fact that the PTAB has instituted review of VLSI’s patents strongly indicates that proceedings taking place now are free from any improper influence of the past. That is a huge step in the right direction. But additional steps must be taken, publicly, to ensure that the PTAB operates either independently and impartially or transparently under clear lines of directorial control.

For centuries, the public has relied on USPTO personnel to make decisions based on their expertise, experience, and ethics. The former Director’s conduct has shaken, but cannot erase, the trust the USPTO earned through its important and honorable work. We know the USPTO can make the PTAB’s decision-making processes more clear, consistent, and trustworthy; we expect these changes will improve the patent system too.

CONCLUSION

PIPLI respectfully urges the USPTO to continue granting meritorious review petitions and to continue making the PTAB more transparent, independent, and fair. We are grateful to the current Director and all USPTO personnel for their efforts to make the patent system more accessible, effective, and equitable for everyone.

Respectfully submitted,

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