



UNITED STATES PATENT AND TRADEMARK OFFICE

UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND
DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

9/21/2022

The Honorable Mazie K. Hirono
Subcommittee on Intellectual Property
Committee on the Judiciary
United States Senate
109 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Thom Tillis
Ranking Member
Subcommittee on Intellectual Property
Committee on the Judiciary
United States Senate
113 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senators Hirono and Tillis:

Thank you again for your letter of April 27, 2022, raising concerns about abuses of the inter partes review (IPR) process. In my initial response letter of May 27, 2022, I emphasized that we are aligned in our goal to ensure that the IPR process—a process for challenging patents after they issue—“is not abused by parties filing petitions in bad faith and for reasons outside the intent of the America Invents Act.” I also noted that the United States Patent and Trademark Office (USPTO) is reviewing its related practices and procedures to make clear that abuses of the IPR process will not be tolerated.

As a follow-up to my initial response, I write now to provide more detailed information on the issues you raised in your letter.

Specifically, you asked about sanctions the USPTO can impose on parties that file IPR petitions in bad faith. The America Invents Act (AIA) provides broad authority for the Director of the USPTO to issue regulations “prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding.” 35 U.S.C. §§ 316(a)(6), 326(a)(6).

After the AIA was enacted, the USPTO issued a rule providing that the Patent Trial and Appeal Board (PTAB or Board) may impose sanctions against a party for misconduct. 37 CFR § 42.12. The rule broadly defines misconduct to include: (1) failing to comply with an applicable rule or order in the proceeding; (2) advancing a misleading or frivolous argument or request for relief; (3) misrepresenting a fact; (4) engaging in dilatory tactics; (5) abusing discovery; (6) abusing process; or (7) any other improper use of the proceeding, including actions that harass or cause an unnecessary delay or an unnecessary increase in the cost of the proceeding. *Id.* at § 42.12(a).

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The rule provides that sanctions may include one or more of the following: (1) an order holding facts to have been established in the proceeding; (2) an order expunging or precluding a party from filing a paper; (3) an order precluding a party from presenting or contesting a particular issue; (4) an order precluding a party from requesting, obtaining, or opposing discovery; (5) an order excluding evidence; (6) an order providing for compensatory expenses, including attorneys' fees; (7) an order requiring a terminal disclaimer of a patent term; or (8) a judgment in the trial or dismissal of the petition. *Id.* at § 42.12(b).

The Federal Circuit has held that rule 42.12(b) provides the PTAB with discretion to issue sanctions and does not limit the PTAB to the eight sanctions listed in that section, but rather “allows the Board to issue sanctions not explicitly provided in the regulation.” *Apple Inc. v. Voip-Pal.com, Inc.*, 976 F.3d 1316, 1323 (Fed. Cir. 2020). The PTAB itself has stated that a sanction selected by the Board “should bear a reasonable relationship to the severity of the violation.” *Apple Inc. v. Voip-Pal.com, Inc.*, IPR2016-01198, Paper 70 at 9 (PTAB Dec. 21, 2018) (granting in part and denying in part a motion for sanction). In addition, “a sanction should be selected to ensure compliance with the Board’s rules, deter others from such conduct, and, if appropriate, render whole the aggrieved party.” *Id.* at 9-10.

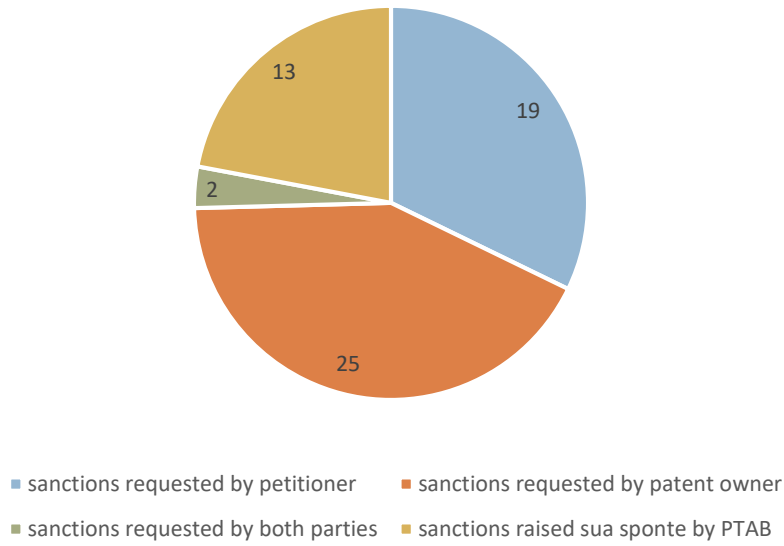
The USPTO can also sanction attorney misconduct through referral to the Office of Enrollment and Discipline (OED). During rulemaking, in response to a public comment that suggested the USPTO consider additional sanctions directed to an attorney and/or firm responsible for the misconduct, the USPTO responded that, if appropriate, the misconduct may be reported to the OED for consideration of a sanction directed to the attorney. 77 FR 48612, 48630 (Response to Comment 46) (Aug. 14, 2012). A referral to OED can result in formal USPTO disciplinary proceedings against an attorney and, when appropriate, referral of the attorney to state bar authorities.¹

Although we do not regularly track data on PTAB sanctions, we conducted an investigation to respond to your letter. Since the start of AIA proceedings, the PTAB has addressed sanctions in at least 59 AIA cases. In those cases, as shown below, petitioners requested sanctions in 19

¹ OED investigations are maintained as confidential under the Privacy Act of 1974. 5 U.S.C. § 552a. Decisions and orders in USPTO disciplinary proceedings are published on the USPTO website. 37 CFR § 11.59; <https://foiadocuments.uspto.gov/oed/>.

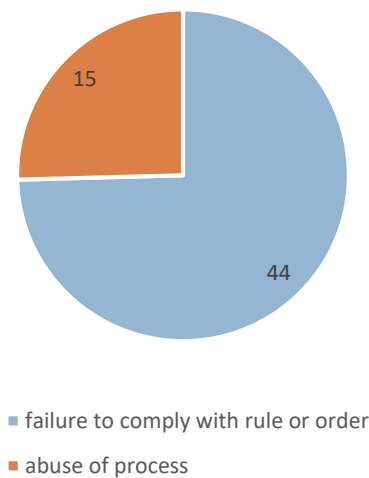
cases, patent owners requested sanctions in 25 cases, both parties requested sanctions in two cases, and the PTAB raised the issue of sanctions sua sponte in 13 cases.

Source of Sanctions Issues in AIA Cases
(Sept. 16, 2012 to June 30, 2022)



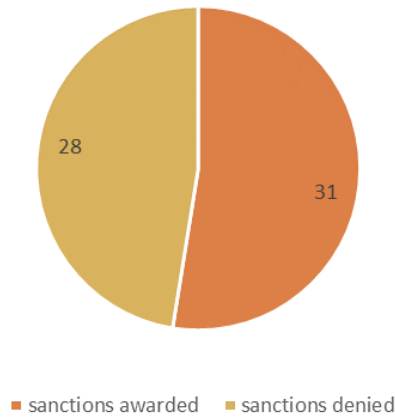
In those 59 cases, as shown below, sanction issues most often stemmed from an alleged failure of a party to comply with a rule or order, and less frequently from an alleged abuse of process.

Basis of Sanctions Issues in AIA
Cases
(Sept. 16, 2012 to June 30, 2022)



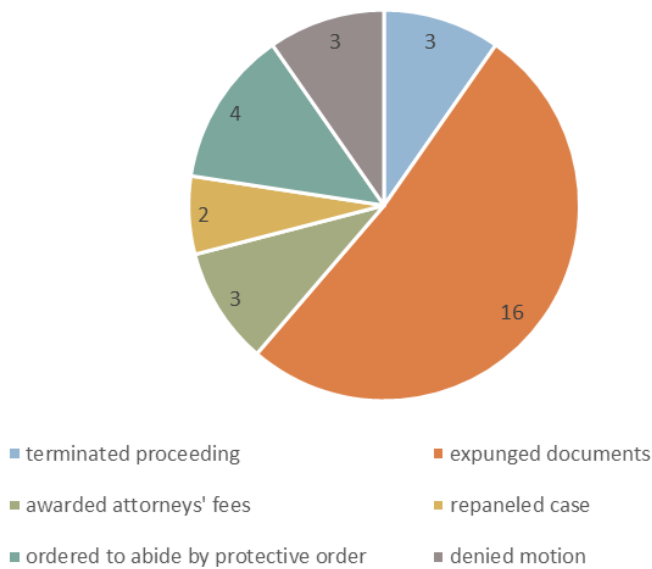
Of the 59 cases, the PTAB imposed sanctions in 31 of them.

Sanction Outcomes
in AIA Cases
(Sept. 16, 2012 to June 30, 2022)



The chart below shows the types of sanctions the PTAB imposed. The PTAB’s sanctions have included terminating proceedings, expunging documents from the record, repaneling cases, denying motions, ordering parties to abide by a protective order, and, in three related matters, awarding attorneys’ fees to the movant.

Types of Sanctions Awarded in AIA Cases
(Sept. 16, 2012 to June 30, 2022)



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As set forth above, the USPTO is able to address misconduct through various sanctions under its existing authority. In your letter, you inquired whether the USPTO needs any additional authorities to ensure that parties do not file IPR petitions in bad faith and for reasons outside the intent of the AIA, and I agree that question warrants further exploration. To that end, I plan to seek stakeholder input on this issue and look forward to working with you on this as we proceed.

Thank you for your continued engagement with the USPTO and on what Congress can do to help the USPTO ensure that it has the necessary authorities and resources to best perform its key role in securing the United States' position as a world leader in innovation.

Sincerely,



Kathi Vidal
Under Secretary of Commerce for
Intellectual Property and Director of the
United States Patent and Trademark Office