

Nos. 19-1434, 19-1452, 19-1458

---

---

In The  
**Supreme Court of the United States**

---

---

UNITED STATES OF AMERICA,  
*Petitioner,*

v.

ARTHREX, INC., *et al.*,  
*Respondents.*

SMITH & NEPHEW, INC., *et al.*,  
*Petitioners,*

v.

ARTHREX, INC., *et al.*,  
*Respondents.*

ARTHREX, INC.,  
*Petitioner,*

v.

SMITH & NEPHEW, INC., *et al.*,  
*Respondents.*

---

---

**On Writs Of Certiorari To The  
United States Court Of Appeals  
For The Federal Circuit**

---

---

**BRIEF OF AMICI CURIAE ACUSHNET  
AND CLEVELAND GOLF IN SUPPORT OF  
PETITIONERS IN NOS. 19-1434 AND 19-1452**

---

---

PETER J. BRANN  
*(Counsel of Record)*  
DAVID SWETNAM-BURLAND  
STACY O. STITHAM  
BRANN & ISAACSON  
184 Main St., P.O. Box 3070  
Lewiston, ME 04243-3070  
(207) 786-3566  
pbrann@brannlaw.com  
*Attorneys for Amici Curiae*

## TABLE OF CONTENTS

	Page
Interest of <i>Amici Curiae</i> .....	1
Summary of Argument .....	3
Argument .....	5
The PTAB Conducts Specialized Agency Proceedings Subject to Substantial Constraints that Improve Patent Quality and Limit Unnecessary and Counterproductive Litigation .....	5
A. The PTAB Conducts Specialized Agency Proceedings Subject to Substantial Constraint by the USPTO Director .....	5
B. The PTAB Resolves Matters More Efficiently, Economically, and Effectively than Federal Patent Litigation .....	10
C. The PTAB Shares Features with Many Other Federal Government Boards and Adjudicators, and so the Decision Here Could Have Major Implications.....	18
Conclusion.....	20

## TABLE OF AUTHORITIES

	Page
CASES	
<i>Cuozzo Speed Techs., LLC v. Lee</i> , 136 S. Ct. 2131 (2016).....	6, 7, 8
<i>In re Global Holdings, LLC</i> , 927 F.3d 1373 (Fed. Cir. 2019) .....	9
<i>Mathews v. Eldridge</i> , 424 U.S. 319 (1976).....	18
<i>Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC</i> , 138 S. Ct. 1365 (2018) .....	9
<i>SAS Institute, Inc. v. Iancu</i> , 138 S. Ct. 1348 (2018).....	7
<i>Thryv, Inc v. Click-to-Call Techs., LP</i> , 140 S. Ct. 1367 (2020).....	5, 6, 10
<i>Uniloc 2017 LLC v. Hulu, LLC</i> , 966 F.3d 1295 (Fed. Cir. 2020) .....	9
STATUTES	
5 U.S.C. §§ 554-557 .....	18
35 U.S.C. § 2(a)(1) .....	5
35 U.S.C. § 3(a)(1) .....	5, 7
35 U.S.C. § 3(b)(1) .....	7
35 U.S.C. § 3(b)(2)(A) .....	7
35 U.S.C. § 6(a).....	7, 8
35 U.S.C. § 6(c) .....	7, 8
35 U.S.C. § 102 .....	6
35 U.S.C. § 103 .....	6

## TABLE OF AUTHORITIES—Continued

	Page
35 U.S.C. § 111(a).....	6
35 U.S.C. § 131 .....	6
35 U.S.C. § 134 .....	6
35 U.S.C. § 311(a).....	6
35 U.S.C. § 311(b).....	6
35 U.S.C. § 311(c) .....	6
35 U.S.C. § 314(d).....	6
35 U.S.C. § 315(b).....	6
35 U.S.C. § 316(a)(5) .....	7
35 U.S.C. § 316(a)(10) .....	8
35 U.S.C. § 316(a)(11) .....	7, 12
35 U.S.C. § 317(a).....	8
35 U.S.C. § 318(a).....	8
35 U.S.C. § 318(b).....	9
35 U.S.C. § 319 .....	9
Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011).....	5
 RULES	
37 C.F.R. § 42.51 .....	7
37 C.F.R. § 42.70(a).....	8
37 C.F.R. § 42.71(d).....	8
37 C.F.R. § 42.108(c) .....	6

## TABLE OF AUTHORITIES—Continued

	Page
Patent Trial and Appeal Board, Standard Operating Procedure 1 (Rev. 15), § III.M (expanded panels) ( <i>available at</i> <a href="https://www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf">https://www.uspto.gov/sites/default/files/documents/SOP%201%20R15%20FINAL.pdf</a> ) .....	8
Patent Trial and Appeal Board, Standard Operating Procedure 2 (Rev. 10), § II.B ( <i>available at</i> <a href="https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf">https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf</a> ) .....	9
Patent Trial and Appeal Board, Standard Operating Procedure 2 § II.C ( <i>available at</i> <a href="https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf">https://www.uspto.gov/sites/default/files/documents/SOP2%20R10%20FINAL.pdf</a> ) .....	9
S. Ct. R. 37.2(a) .....	1
S. Ct. R. 37.6.....	1
 MISCELLANEOUS	
America Invents Act Blog, <i>Federal Circuit PTAB Appeal Statistics Through April 30, 2020</i> (May 29, 2020) ( <i>available at</i> <a href="https://www.finnegan.com/en/insights/blogs/america-invents-act/federal-circuit-ptab-appeal-statistics-through-april-30-2020.html">https://www.finnegan.com/en/insights/blogs/america-invents-act/federal-circuit-ptab-appeal-statistics-through-april-30-2020.html</a> ) .....	17
American Intellectual Property Law Association, <i>2019 Report of the Economic Survey</i> .....	13
Henry J. Friendly, <i>Some Kind of Hearing</i> , 123 U. Pa. L. Rev. 1267 (1975) .....	18

## TABLE OF AUTHORITIES—Continued

	Page
Kent Barnett and Russell Wheeler, <i>Non-ALJ Adjudicators in Federal Agencies: Status, Selection, Oversight, and Removal</i> , 53 Ga. L. Rev. 1 (2018).....	19
M. Andrew Holtman, <i>et al.</i> , <i>Explain Yourself: Federal Circuit Review of PTAB Decisions under the APA</i> , 18 Chi.-Kent J. Intell. Prop. 142 (2019).....	7
Michael Frakes and Melissa Waterman, <i>Patent Trial and Appeal Board Consistency-Enhancing Function</i> , 104 Iowa L. Rev. 2417 (2019) .....	17
Patent Office, <i>Appeal and Interference Statistics</i> (Oct. 31, 2020) ( <i>available at</i> <a href="https://www.uspto.gov/sites/default/files/documents/appeal_and_interference_statistics_oct2020.pdf">https://www.uspto.gov/sites/default/files/documents/appeal_and_interference_statistics_oct2020.pdf</a> ).....	10, 11
Patent Office, <i>Trial Statistics: IPR, PGR, CBM</i> (Sept. 2020) ( <i>available at</i> <a href="https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf">https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf</a> ).....	11
Patent Office, <i>U.S. Patent Statistics Chart: Calendar Years 1963-2019</i> ( <i>available at</i> <a href="https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm">https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm</a> ).....	12
Patent Office, <i>USPTO Recognizes Patents on Golf-Related Inventions as Masters Tournament Opens</i> (Apr. 24, 2002) ( <i>available at</i> <a href="https://www.uspto.gov/about-us/news-updates/uspto-recognizes-patents-golf-related-inventions-masters-tournament-opens">https://www.uspto.gov/about-us/news-updates/uspto-recognizes-patents-golf-related-inventions-masters-tournament-opens</a> ) .....	2

## TABLE OF AUTHORITIES—Continued

	Page
PwC, <i>Patent Litigation Survey</i> (May 2018) (available at <a href="https://www.pwc.com/us/en/services/forensics/library/patent-litigation-study.html">https://www.pwc.com/us/en/services/forensics/library/patent-litigation-study.html</a> ) .....	12
Rachel C. Hughey & Joseph W. Dubis, <i>Navigating Post-Grant Proceedings: What Two Years of Federal Circuit Decisions and the Supreme Court’s Cuozzo Decision Tell Us About Post-Grant Proceedings Before the PTAB</i> , 64-FEB Fed. Law 70 (Jan./Feb. 2017).....	16
Robert P. Merges, <i>As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform</i> , 14 Berkeley Tech. L.J. 577 (1999).....	16
Rochelle Cooper Dreyfuss, <i>Nonobviousness: A Comment on Three Learned Papers</i> , 12 Lewis & Clark L. Rev. 431 (2008).....	15
Sean B. Seymore, <i>Patent Asymmetries</i> , 49 U.C. Davis L. Rev. 963 (Feb. 2016).....	14
Shawn P. Miller, <i>Where’s the Innovation: An Analysis of the Quantity and Qualities of Anticipated and Obvious Patents</i> , 18 Va. J.L. & Tech. 1 (Fall 2013) .....	16
Stephen Yelderman, <i>The Value of Accuracy in the Patent System</i> , 84 U. Chi. L. Rev. 1217 (2017) .....	14
U.S. Gov’t Accountability Off., GAO-16-883T, <i>Patent Office Has Opportunities to Further Improve Application Review and Patent Quality</i> (2016) (available at <a href="http://www.gao.gov/assets/680/679830.pdf">http://www.gao.gov/assets/680/679830.pdf</a> ) .....	15

**INTEREST OF *AMICI CURIAE*\***

Two of America’s most prominent golf equipment manufacturers, Acushnet Company, and Roger Cleveland Golf Company, Inc., submit this *amicus curiae* brief in support of a simple proposition—the congressional legislation “designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs” works. A critical component of this more efficient and streamlined patent system is the United States Patent and Trademark Office (USPTO or Patent Office) Patent Trial and Appeal Board (PTAB or Board).

*Amici* collectively have obtained thousands of patents that are critical building blocks undergirding their varied businesses. The Patent Office has highlighted the numerous patents underlying every aspect of a game of golf:

Golf is one of America’s most popular sports, and those who play it for fun or for fortune spend countless hours of time and money trying to improve their games. The thousands of patents on golf-related inventions are

---

\* Pursuant to S. Ct. R. 37.6, counsel for *amici curiae* represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than the *amici curiae* or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to S. Ct. R. 37.2(a), counsel represent that all parties have given blanket consent to the filing of *amicus curiae* briefs in support of petitioners, respondents, or neither party, all of which have been docketed by the Clerk.



testament to that. In the past five years alone, more than 8,000 patents have been granted on golf-related equipment and gadgets. More than 1,400 of these are associated with golf clubs. . . . Nearly 1,000 more patents are related to golf balls. . . .

Patent Office, *USPTO Recognizes Patents on Golf-Related Inventions as Masters Tournament Opens* (Apr. 24, 2002) (available at <https://www.uspto.gov/about-us/news-updates/uspto-recognizes-patents-golf-related-inventions-masters-tournament-opens>) (ellipses added).

Although this case concerns the role of the Board in reviewing previously-issued patents, the bulk of the Board's caseload constitutes appeals from the refusal of patent examiners to grant patent applications. Like many would-be inventors, on occasion *Amici* have had their patent applications rejected, and *Amici* have appealed those rejections to the Board. The ability to appeal patent rejections to the Board is important to *Amici* and to a fully functioning patent system.

In addition to knowing the value of obtaining patents to protect important innovations, *Amici* also know the cost of defending against baseless assertions of infringement of patents that should never have been issued in the first place. They are frequent targets of resource-draining, "hold-up" patent litigation by non-practicing entities seeking settlements that cost substantially less than invalidating low-grade patents in federal court.

Thus, *Amici* also have filed petitions seeking less expensive *inter partes* review (IPR) by the Board of previously-issued patents. *Amici* have found first-hand that the IPR process succeeds in its purpose to cancel weak and invalid patents expeditiously and economically. *Amici* seek to bring this experience and perspective to the Court in this case.



### SUMMARY OF ARGUMENT

*Amici* submit this brief to make three points. *First*, the Court correctly characterized the Board proceedings as akin to specialized agency proceedings, as opposed to conventional litigation. The Board is composed of individuals with technical expertise and experience who take a second look at patent rejections and grants by patent examiners. Under the governing statutes and regulations, the Board’s actions are closely cabined and subject to considerable constraints by the USPTO Director.

*Second*, the Board resolves matters more expeditiously, economically, and effectively than federal court litigation. Contrary to the caricature of critics, the Board is not a “death squad” intent on killing patents—today, it often declines to initiate an IPR. Furthermore, in over one-third of the appeals from patent rejections, it overturns the rejection, while in over 20% of the IPRs, it affirms the challenged patent claims. And the Board reaches its nuanced decisions in much less time than a federal lawsuit—usually about a

year—and at much less cost than a federal lawsuit—a few hundred thousand, instead of millions, of dollars.

But the acid test is whether the Board resolves these matters correctly. Here, the evidence supports the conclusion that it does. The Board's decisions are affirmed, often summarily, by the Federal Circuit about 80% of the time. Also, a recent study of nearly 4 million patent applications concluded that the Board's decisions are also contributing to greater uniformity and consistency among patent examiners. The Board is making good on the promise to improve patent quality.

*Third*, the arguments in this case possibly extend far beyond the fate of the Patent Trial and Appeal Board. There are over 10,000 people scattered across 27 agencies in the federal government who conduct adjudications that share characteristics with the Board proceedings. This includes over 8,000 patent examiners who make the initial decision whether to grant or reject a patent application. There could be serious collateral damage if the Court strikes down this specialized agency proceeding that, to repeat, works expeditiously, economically, and effectively.



## ARGUMENT

### **The PTAB Conducts Specialized Agency Proceedings Subject to Substantial Constraints that Improve Patent Quality and Limit Unnecessary and Counterproductive Litigation.**

The Patent Trial and Appeal Board was created by the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011). “The legislation is designed to establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” *Thryv, Inc v. Click-to-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020) (quoting H.R. Rep. No. 112–98, pt. 1 at 40). Before turning to whether the Board accomplishes that objective, we consider the Board’s structure and procedures and the constraints within which it operates.

#### **A. The PTAB Conducts Specialized Agency Proceedings Subject to Substantial Constraint by the USPTO Director.**

The USPTO, “subject to the policy direction of the Secretary of Commerce” (Secretary), “is responsible for the granting and issuing of patents.” 35 U.S.C. § 2(a)(1). The “powers and duties” of the USPTO are “vested” in the Director of the USPTO, “who shall be appointed by the President, by and with the advice and consent of the Senate.” *Id.* § 3(a)(1). “The Director shall be a person who has a professional background and experience in patent or trademark law.” *Id.*

“An inventor obtains a patent by applying to the Patent Office.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2136 (2016); *see* 35 U.S.C. § 111(a). “A patent examiner with expertise in the relevant field reviews an applicant’s patent claims, considers the prior art, and determines whether each claim meets the applicable patent law requirements.” *Cuozzo*, 136 S. Ct. at 2136-37 (citations omitted); *see* 35 U.S.C. § 131.

If the patent application is finally rejected by the patent examiner, *i.e.*, the Patent Office, the disappointed applicant can appeal to the Board. 35 U.S.C. § 134. If, on the other hand, the patent is issued, any “person who is not the owner of a patent” may file a petition seeking *inter partes* review by the Board of the patent’s validity. *Id.* § 311(a). The petition generally must be filed at least nine months after the patent is issued, *id.* § 311(c), but within a year after the petitioner has been sued for infringement by the patent owner. *Id.* § 315(b); *see also Thryv*, 140 S. Ct. at 1370 (Director’s determination of timeliness is final and nonappealable). The petitioner may only challenge the patent’s validity on the grounds of novelty and obviousness and then “only on the basis of prior art consisting of patents or printed publications.” 35 U.S.C. § 311(b); *see id.* §§ 102, 103. The Director has discretion whether to institute *inter partes* review, *see Cuozzo*, 136 S. Ct. at 2140; *cf.* 37 C.F.R. § 42.108(c) (Director delegated discretion to Board), and the Director’s decision is “final and nonappealable.” 35 U.S.C. § 314(d).

For any administrative appeal from a patent rejection, and any derivation proceeding, post-grant review

(PGR), covered business method review (CBM), or IPR, the matter is considered by the three members of the Board, who are designated by the Director. *Id.* § 6(c). As established by Congress, *id.* § 6(a), the Board consists of the Director; the Deputy Director (appointed by the Secretary, *id.* § 3(b)(1)); the Commissioners of Patent and Trademarks (appointed by the Secretary, *id.* § 3(b)(2)(A)); and administrative patent judges (APJs) (appointed by the Secretary, in consultation with the Director, *id.* § 6(a)). Each Board member is required to have specialized expertise and experience. *See id.* §§ 3(a)(1), 3(b)(1), 3(b)(2)(A), 6(a). In other words, technocrats within the agency chosen by the Director conduct a second review of a patent examiner’s decision to reject or grant a patent.

Although the Court has said that Board review “mimics civil litigation,” *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348, 1352 (2018), in “significant respects, *inter partes* review is less like a judicial proceeding and more like a specialized agency proceeding.” *Cuozzo*, 136 S. Ct. at 2143. The Board generally must complete its review within a year, although it may extend that deadline for six months for good cause. 35 U.S.C. § 316(a)(11). Although the statute allows for some discovery, *see id.* § 316(a)(5); 37 C.F.R. § 42.51, in actuality, very little discovery occurs because the petitioner has already submitted the prior art it wants to rely upon. *See* M. Andrew Holtman, *et al.*, *Explain Yourself: Federal Circuit Review of PTAB Decisions under the APA*, 18 Chi.-Kent J. Intell. Prop. 142, 144 (2019). Similarly, although these proceedings occur before the Patent

*Trial* and Appeals Board, *see* 35 U.S.C. § 6(a), in actuality, the parties receive at most an oral argument following written submissions. *Id.* § 316(a)(10); 37 C.F.R. § 42.70(a). In short, the “trial” before the Board in an IPR largely consists of written arguments concerning the written prior art that the patent examiner allegedly should have considered in the first place before deciding whether to grant the challenged patent. *See also Cuozzo*, 136 S. Ct. at 2144 (“The name and accompanying procedures suggest that the proceeding offers a second look at an earlier administrative grant of a patent.”).

If the petitioner drops out of the proceeding without a written settlement, either before the Board or on appeal, the Patent Office, under the direction of the Director, may continue the *inter partes* review or appeal. 35 U.S.C. § 317(a). Stated differently, the Director can not only designate the Board members, which could include the Director, but can decide in certain circumstances whether to pursue the IPR before that designated Board.

After the Board issues its written decision concerning the patentability of any challenged claim, *id.* § 318(a), any dissatisfied party can seek rehearing. *Id.* § 6(c); 37 C.F.R. § 42.71(d). Although it may raise other issues in another case, for purposes of the Appointments Clause in this case, it should be noted that the Director can expand the size of the Board to rehear the challenge. *See* PTAB, Standard Operating Procedure 1 (Rev. 15), § III.M (expanded panels) (*available at* <https://www.uspto.gov/sites/default/files/documents/SOP>

20120R1520FINAL.pdf); cf. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1381 (2018) (Gorsuch, J., dissenting) (“If they (somehow) reach a result he does not like, the Director can add more members to the panel—including himself—and order the case reheard.”). The Director also has created a three-member Precedential Opinion Panel (Panel), which includes the Director or designee, see PTAB, Standard Operating Procedure 2 (Rev. 10), § II.B (available at <https://www.uspto.gov/sites/default/files/documents/SOP220R1020FINAL.pdf>), and the Director has discretion to convene the Panel to determine if a PTAB opinion should be designated as precedential governing future Board proceedings. *Id.* § II.C.

Finally, PTAB decisions are not self-executing. Once the time to appeal has expired, or an appeal has been “terminated,” the Director will issue a certificate cancelling or confirming the patent’s claims in accordance with the unappealed PTAB decision or the Federal Circuit ruling. 35 U.S.C. § 318(b). If an appeal is filed, *id.* § 319, the Federal Circuit reviews the Board’s legal conclusions *de novo* and its factual findings for substantial evidence. See *In re Global Holdings, LLC*, 927 F.3d 1373, 1376 (Fed. Cir. 2019) (appeal following Board affirmation of patent rejection); *Uniloc 2017 LLC v. Hulu, LLC*, 966 F.3d 1295, 1300 (Fed. Cir. 2020) (appeal following IPR). We agree, therefore, with the United States and other petitioners that given these numerous constraints, Board members should be considered “inferior officers” under the Appointments



Clause. We turn our focus to the efficacy of this system, the structure of which has well served the purpose for its creation.

**B. The PTAB Resolves Matters More Efficiently, Economically, and Effectively than Federal Patent Litigation.**

Statistics support the conclusion that the PTAB actually does accomplish the stated goal of “a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” *Thryv*, 140 S. Ct. at 1374 (quotation omitted). We consider first the statistics concerning the number and outcome of Board proceedings; then compare the efficiency and cost of Board proceedings to federal patent litigation; and finally, consider the evidence that the Board not only is correctly resolving these matters, but its actions are improving patent quality.

**PTAB Statistics.** The vast majority of matters before the Board are appeals of patent rejections. Since the Board began operation in 2012, the number of pending appeals each year has ranged from a high of 25,527 in FY 2014 to a low of 7,506 in FY 2020, with an annual average of 15,044. *See* Patent Office, *Appeal and Interference Statistics*, at 3 (Oct. 31, 2020) (*available at* [https://www.uspto.gov/sites/default/files/documents/appeal\\_and\\_interference\\_statistics\\_oct2020.pdf](https://www.uspto.gov/sites/default/files/documents/appeal_and_interference_statistics_oct2020.pdf)). Currently, the PTAB decides the average appeal 13.4 months after filing. *Id.* at 4. In terms of results, the

Board currently reverses the examiner's rejections in 34.6% of the appeals, affirms the examiner in 53.5% of the appeals, and reaches a mixed or other outcome in the remaining appeals. *Id.* at 6. With over one-third of patent rejection appeals succeeding, the PTAB is scarcely the “death squad” portrayed by some critics.

Since it began operation in 2012, the Board has considered 12,147 matters involving some form of post-grant proceedings, with 93%, or 11,299, constituting *inter partes* review. Patent Office, *Trial Statistics: IPR, PGR, CBM*, at 3 (Sept. 2020) (*available at* [https://www.uspto.gov/sites/default/files/documents/trial\\_statistics\\_20200930.pdf](https://www.uspto.gov/sites/default/files/documents/trial_statistics_20200930.pdf)). These post-grant proceedings, therefore, are approximately 10% of the matters considered by the Board. We note that the institution rate has declined from 87% when the program first began to 56% today. *Id.* at 6. In concluded proceedings, the Director has denied institution of review in 3,340, or 33%, of the petitions, and the parties have settled in 2,863, or 29%, of the petitions either before or after institution of review. *Id.* at 11. In the 3,414, or 28%, of the petitions that proceeded to a final written PTAB decision, *id.* at 10, the outcomes are not monolithic—in 673 matters, or 20%, the PTAB found all claims were patentable; in 2,114 matters, or 62%, the PTAB found all claims were unpatentable; and in the remaining 627 matters, or 18%, the PTAB reached a mixed result. *Id.* From *Amici's* perspective, these statistics buttress the conclusion that the Board is carefully weighing whether the petitions are likely to be meritorious, and then weeding out weak and invalid patents.

Although thousands of matters being handled by the Board may sound significant, it is a proverbial drop in the bucket of overall patent grants. Since 2012, the USPTO has issued over 2,400,000 patents. *See* Patent Office, *U.S. Patent Statistics Chart: Calendar Years 1963-2019* (available at [https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us\\_stat.htm](https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm)). That the Board finally concluded that some or all patent claims should be cancelled in fewer than 3,000 petitions pales in comparison to the number of patent applications processed by the USPTO.

**PTAB Cost and Efficiency.** Board proceedings are both quicker and less expensive than federal court patent litigation. As noted above, the Board is statutorily obligated to resolve an IPR within a year, subject to a six-month enlargement for good cause. 35 U.S.C. § 316(a)(11). This contrasts favorably to the average 2.5 years it took pre-pandemic for a patent case to get to trial (as opposed to final disposition). PwC, *Patent Litigation Survey*, at 4 (May 2018) (available at <https://www.pwc.com/us/en/services/forensics/library/patent-litigation-study.html>).

In its regular surveys, the American Intellectual Property Law Association (AIPLA) routinely confirms that it costs substantially less to resolve validity issues before the Board than federal court. To be sure, it is not inexpensive to prosecute an IPR before the PTAB. According to the most recent survey, the median cost for pursuing an IPR involving electrical or computer patents was \$105,000 through filing a petition; \$275,000 through the end of motion practice; \$325,000 through

a PTAB hearing; and \$450,000 through appeal to the Federal Circuit. AIPLA, *2019 Report of the Economic Survey*, at 52. Meanwhile, the median cost for pursuing an IPR involving mechanical patents similarly was \$100,000 through filing a petition; \$238,000 through the end of motion practice; \$300,000 through a PTAB hearing; and \$400,000 through appeal to the Federal Circuit. *Id.*

These costs begin to look reasonable, however, when compared to the cost of federal patent litigation. The costs of defending a substantial patent infringement lawsuit are multiples of the cost of proceeding before the PTAB. When there was less than \$1 million at risk, the median costs of patent litigation were: \$250,000 through discovery, motion practice, and claim construction; and \$700,000 through pre- and post-trial and appeal. *Id.* at 50. When there was \$1-\$10 million at risk, the median costs were: \$600,000 through discovery, motion practice, and claim construction; and \$1,500,000 through pre- and post-trial and appeal. *Id.* When there was \$10-\$25 million at risk, the median costs were: \$1,225,000 through discovery, motion practice, and claim construction; and \$2,700,000 through pre- and post-trial and appeal. Finally, when there was more than \$25 million at risk, the median costs were: \$2,375,000 through discovery, motion practice, and claim construction; and \$4,000,000 through pre- and post-trial and appeal. *Id.* In short, Board proceedings are substantially speedier and cheaper than federal patent litigation.

**PTAB Quality.** It would not matter that Board proceedings were more efficient and cost-effective than federal court litigation if the Board regularly failed to reach the right result. Because the Federal Circuit—the specialized court responsible for patent appeals—routinely affirms the Board’s written decisions, we should have confidence that the Board is properly resolving these matters. Additionally, the Board now has an eight-year track record to assess, and academic research is beginning to show that the Board’s actions are, in fact, improving patent quality. Before considering these indications that the Board for the most part is “getting it right,” we briefly consider the reason why the Board was established in the first place, namely, that the prior system was producing too many low-quality patents.

One systemic problem with U.S. patent procedure is that the pre-issuance examination process is tilted, both by design and circumstance, in favor of the issuance of patents. The procedure for obtaining a patent is a one-sided affair, involving only an applicant seeking a patent and a Patent Office examiner. “The initial examination step is hurried, *ex parte*, and comparatively cursory.” Stephen Yelderman, *The Value of Accuracy in the Patent System*, 84 U. Chi. L. Rev. 1217, 1281 (2017). The applicant is presumed to be entitled to a patent unless the examiner can show otherwise. See Sean B. Seymore, *Patent Asymmetries*, 49 U.C. Davis L. Rev. 963, 977 (Feb. 2016) (“Thus, the burden of proving unpatentability rests with the PTO.”).

Patent examiners are overworked, with “notoriously little time to think through the relationship between the known prior art and the advance claimed” by the applicant. Rochelle Cooper Dreyfuss, *Nonobviousness: A Comment on Three Learned Papers*, 12 Lewis & Clark L. Rev. 431, 434 (2008); *see also* U.S. Gov’t Accountability Off., GAO-16-883T, *Patent Office Has Opportunities to Further Improve Application Review and Patent Quality*, 3–6 (2016) (“GAO Report”) (*available at* <http://www.gao.gov/assets/680/679830.pdf>) (at least two-thirds of patent examiners report that they have less time than they need to complete a thorough examination of each application). The GAO Report further found that patent examiners complained about excessive prior art references requiring review, difficulties locating prior art, frequent applications containing unclear or ill-defined terms, and 90% of all patent applications containing excessively broad claim language. *See id.* at 3-8. And, in the case of some technologies, including the golf club field, some of the best prior art—old printed catalogs, other non-patent literature, and prior art golf clubs—is not available to the examiner.

The result is a system with a built-in incentive structure that promotes the allowance of questionable patents; and this system tends to generate a vicious cycle in which an increasing number of applications are filed, which increases the workload of the examiners, which leads to the grant of more patents, which leads to a further increase in the number of applications, and so on. *See* Dreyfuss, *supra*, 12 Lewis & Clark

L. Rev. at 434; Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 Berkeley Tech. L.J. 577, 590 (1999). One study analyzing patents granted between 2000 and 2010 prior to the enactment of the AIA found that as many as 28% of all issued patents would be wholly or partly invalidated on grounds of anticipation or obviousness if litigated. See Shawn P. Miller, *Where's the Innovation: An Analysis of the Quantity and Qualities of Anticipated and Obvious Patents*, 18 Va. J.L. & Tech. 1, 52 (Fall 2013).

Enter the PTAB, enacted as an integral part of the AIA in 2011 to improve patent quality and reduce unnecessary litigation. The statistics above demonstrate that the Board is scarcely a “killing field” for patents as it takes a nuanced approach—overturning some patent rejections and affirming some patent grants, as well as reaching the opposite conclusion. But, the question remains: Has it reached the right conclusion? The Federal Circuit thinks so.

One study assessing the early results found that the Federal Circuit affirmed the Board's decision in IPRs approximately 80% of the time, and the court summarily affirmed the Board's decision without opinion approximately 57% of the time. Rachel C. Hughey & Joseph W. Dubis, *Navigating Post-Grant Proceedings: What Two Years of Federal Circuit Decisions and the Supreme Court's Cuozzo Decision Tell Us About Post-Grant Proceedings Before the PTAB*, 64-FEB Fed. Law 70, 72 (Jan./Feb. 2017). That trend has continued.

Through April 30, 2020, the Federal Circuit had affirmed the Board's decisions in IPRs on every issue approximately 72% of the time, and had partially affirmed the Board's decisions approximately 10% of the time. AIA Blog, *Federal Circuit PTAB Appeal Statistics Through April 30, 2020* (May 29, 2020) (available at <https://www.finnegan.com/en/insights/blogs/america-invents-act/federal-circuit-ptab-appeal-statistics-through-april-30-2020.html>). Underscoring the conclusion that the Federal Circuit often thinks that the Board reached the right outcome for the right reasons, the court summarily affirmed the Board's IPR decisions without opinion nearly 47% of the time. *Id.* The court responsible for policing America's patent system has concluded that the PTAB usually strikes the right balance.

The PTAB has also had a positive effect on USPTO patent examinations, making the results more uniform and predictable. With over 8,000 patent examiners, there are bound to be significant variations in the extent to which patent examiners grant or deny patent applications. See Michael Frakes and Melissa Waterman, *Patent Trial and Appeal Board Consistency-Enhancing Function*, 104 Iowa L. Rev. 2417, 2418 (2019). After studying over 3.9 million utility patent applications, and the effect of PTAB appeals or review on patent examiners whose decisions had been appealed or reviewed, see *id.* at 2432, the authors found that the "PTAB is bringing more consistency to patent examiner decision-making." *Id.* at 2444.



The bottom line is that the PTAB largely achieves its objectives. It is more efficient, economical, and effective than federal patent litigation, and it regularly reaches the right result, while improving patent quality and consistency.

**C. The PTAB Shares Features with Many Other Federal Government Boards and Adjudicators, and so the Decision Here Could Have Major Implications.**

We add this coda—the PTAB shares structures and attributes with numerous other boards and adjudicators scattered throughout the federal government. Thus, a decision to invalidate the PTAB under the Appointments Clause could have much broader consequences than simply eliminating a tightly constrained, second-tier review of the decision to grant or deny a patent.

Since at least the 1970s, it has been understood that while due process requires some kind of hearing before administrative agencies when important property interests are at stake, due process is a flexible concept and thus one size does not fit all. *See Mathews v. Eldridge*, 424 U.S. 319, 335 (1976); Henry J. Friendly, *Some Kind of Hearing*, 123 U. Pa. L. Rev. 1267 (1975). It is not surprising, therefore, that while some federal agencies have adopted the model of the administrative law judge (ALJ) under the Administrative Procedure Act (APA), *see* 5 U.S.C. §§ 554-557, many more have

taken a different path, adopting and rejecting various aspects of the APA model.

In 2017, the Administrative Conference of the United States commissioned a report on the use of ALJs and what the authors referred to as “non-ALJs.” Kent Barnett and Russell Wheeler, *Non-ALJ Adjudicators in Federal Agencies: Status, Selection, Oversight, and Removal*, 53 Ga. L. Rev. 1, 6 (2018). The report concluded that “[f]ederal administrative adjudication dwarfs federal judicial adjudication in volume and variety.” *Id.* at 5 (footnote omitted and brackets added). In contrast to the nearly 2,000 ALJs conducting adjudications under the APA, the report found that most administrative proceedings were conducted instead by over 10,000 adjudicators who are not ALJs dispersed throughout the federal government. *Id.*

These non-ALJs included 7,856 patent examiners and 275 administrative patent judges. *Id.* at 32. As this report implies, many of the points that the court below made about APJs apply with equal force to patent examiners who act as non-ALJs to make decisions to grant or deny patents potentially worth millions or billions of dollars. The remaining 2,700 non-ALJs work for 26 other federal agencies. *Id.* at 36. The report compares and contrasts the different non-ALJs on numerous grounds. *See id.* at 8-11, 31-84. For present purposes, it is sufficient to note that a decision in this case could have a large ripple effect throughout the federal government. *Amici* urge the Court not to cast that stone.



**CONCLUSION**

*Amici Curiae* respectfully submit that the Court should reverse the holding of the Federal Circuit.

Respectfully submitted,

PETER J. BRANN

*(Counsel of Record)*

DAVID SWETNAM-BURLAND

STACY O. STITHAM

BRANN & ISAACSON

184 Main St., P.O. Box 3070

Lewiston, ME 04243-3070

(207) 786-3566

pbrann@brannlaw.com

*Attorneys for Amici Curiae*

December 1, 2020