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June 19, 2023

Ms. Katherine K. Vidal,

Robert Schmidt
Kevin Burns
Co-Chairmen

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

Jere Glover
Executive Director

<https://www.federalregister.gov/documents/2023/04/21/2023-08239/changes-under-consideration-to-discretionary-institution-practices-petition-word-count-limits-and>

Larry Nannis
Treasurer

Re: Modifications to the rules of practice for inter partes review (IPR) and post-grant review (PGR) proceedings before the Patent Trial and Appeal Board (PTAB). Docket No. PTO-P-2020-0022.

Matt Oristano
Mid-Atlantic
Regional Chair

Ash Thakker
Southeast
Regional Chair

Dear Ms. Vidal,

Mary Delahunty
Southwest
Regional Chair

The Small Business Technology Council (SBTC) is pleased to submit comments on the above-captioned Request for Comments on the PTO’s proposed changes to 37 CFR. SBTC is the nation’s largest association of small, technology-based companies in diverse fields. We are a council of the National Small Business Association (www.NSBA.biz) which is the nation’s first small-business advocacy organization. NSBA is a staunchly nonpartisan organization with 65,000 members in every state and every industry in the U.S. SBTC advocates on behalf of the 6000 firms who participate in the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs.

Russ Farmer
Mountain
Regional Chair

Michael Browne
Pacific
Regional Chair

Roy Keller
State Liaison

SBIR/STTR firms have created over 20 percent of America’s major innovations, despite receiving less than 5% percent of Federal R&D funding.¹ SBIR/STTR firms generate as many patents as all universities combined, and they produce 16 times more patents per employee than large patenting firms. It is also highly likely that SBIR/STTR companies as a group are the major licensee of university created technology.

Paul Donovan
Michael Squillante
NIH Committee
Co-Chairs

Ash Thakker
Phase III Committee
Chair

Small business innovation has a substantial positive impact on employment and American prosperity. The Federal Reserve found that patents are the number one indicator of regional wealth.² Being a high patenting community means the difference of \$8,600 in household income.³

Russ Farmer
DCAA Committee
Chair

Jonathan Kaplan
Patent Committee
Chair

Technology-focused small businesses contribute new technology, competitive strength and high-quality job vitality to the American economy. Such businesses depend on strong and predictable patent rights to survive. Patent regulations that increase uncertainty and add unnecessary costs stifle innovation and add anti-competitive barriers to entry against such high-tech small businesses and their new technologies, while protecting the market share and power of large companies and incumbent technologies. These small innovative



companies take substantial risk to power the American economy. Without the foundation of stable, accessible, and defensible patent rights, small business simply cannot obtain the return-on-investment necessary to justify those risks and secure capital.

In the USPTO's proposed changes shown at the above referenced website, and on the following Federal Register pages, the USPTO proposes the following changes to 37 CFR. SBTC has the following comments.

Page 24505. Fees

Allowing large, well-resourced corporations to pay additional fees to add more words and "pile-on" the challenges to invalidate a patent holder's rights gives a significant disadvantage to smaller companies. Therefore, SBTC objects to further expanding the ability of mega corporations eliminating competition from small companies. However, we would be in favor of significantly increasing the cost of instituting IPRs or PGRs to \$100,000 or even much more. As the purpose of these proceedings is to "eliminate bad patents," then it appears that the examiners need more training to reduce the number of "bad patents." These extra fees should then be spent on providing examiners more training and providing them more time and resources to reduce the number of examination errors.

Page 24509 <https://www.federalregister.gov/d/2023-08239/p-65> The USPTO will evaluate a proposal under some circumstances to deny institution of an IPR or PGR against a patent owner when they have a gross income of less than eight times three times the median household income for that preceding calendar year (or currently $8 \times (3 \times \$71,000) = 8 \times \$213,000$ or about \$1,704,000).

Comment: SBTC certainly believes this is step in the right direction. However, for firms that participate in the SBIR program, that is about equivalent to having one Phase II SBIR, clearly a new emerging company (in need of patent protection). We would suggest that any company that has filed for the subject patent under a small entity fee structure or filed for any patent during the past two years under a small entity fee structure be protected from the double jeopardy of having to defend themselves in both the PTAB and in district court and have PTAB institution denied. A current sales volume of about \$1.7 million is clearly way too small for being "under-resourced." If a dollar amount is required, a figure of more than ten times that amount (\$17M of sales) would still be under-resourced to fight off potential infringers in both the PTAB and in district court.



Page 24510. Prior Adjudications and Serial Petitions.

Comment: The SBTC believes that the regulations for the institution of all IPRs and PGRs should not be instituted against small entities. This is clearly inflicting a double jeopardy penalty on small companies ill equipped to defend themselves, thus depriving America of the new inventions these small businesses are starting to bring to market. PTAB trials for small companies should be eliminated in all circumstances, but certainly in those cases where there are prior adjudications or serial petitions.

Page 24511. Prior Art and the determination of prior art.

Comment: SBTC posits the prior position that patents issued by the USPTO are presumed valid. Certainly, the PTO continues to have faith in its examination corps, as does SBTC. SBTC agrees with the PTO statement that “It will not be considered material error if reasonable minds can disagree regarding the purported treatment of the art or arguments.”

Page 24512. Parallel Petitions

Comment: SBTC agrees with the statement “the Office finds it unlikely that circumstances will arise in which three or more petitions filed by a petitioner with respect to a particular patent will be appropriate.” However, SBTC believes that only in the rare conditions outlined in the Federal Register should a second petition ever be granted and that a third petition should not be ever considered against a small or micro-entity.

Page 24515. Parallel IPR and District Court Proceedings

Comment: SBTC believes that the emphasis should not be on when to not invoke its discretion to deny institution of an IPR, but the presumptive effect for small and micro-entities should be when to deny institution. Once again, anything the PTO can do to simultaneously reduce both the burden on the PTAB to not duplicate the efforts of the district court as well as to reduce costs to the small and micro-entity patent holders would benefit the American economy. Modifying the PTAB rules to reduce the numbers of cases that are instituted will increase the number of existing enforceable patents and allow American small businesses to enforce their intellectual property and grow their businesses.

Page 24516. <https://www.federalregister.gov/d/2023-08239/p-133>. Fintiv.



Comment: Eliminating Fintiv factors 1 and 5 is encouraged if Fintiv factor 1 is presumed that the trial will not be stayed, and that justice will not be delayed, and thus not denied at the district court. This will rule in favor of not initiating an IPR and reduce double jeopardy for the patent holder. Eliminating Fintiv factor 5 should have the presumption that whoever is the applicant is trying to invalidate the patent, which is antithetical to the interest of the patent holder, both at the PTAB and at the district court.

Page 24517. <https://www.federalregister.gov/d/2023-08239/p-142> Multiple challenges.

Comment: SBTC believes there should be no multiple challenges allowed for small and micro-entities.

Page 24517. <https://www.federalregister.gov/d/2023-08239/p-143> Separate Briefing for Discretionary Denial.

Comment: While although SBTC believes that except under exceptional circumstances, ALL small and micro-entity petitions should be denied as a matter of fairness, having the ability to object with a 10-page request and a 5-page response is a better alternative to institution.

Page 24518. Settlement Agreements.

Comment: STBC believes the Settlement Agreements should not be required to be published and that the parties may request that they remain confidential and be sealed.

Overall, SBTC cannot support any dilution, weakening, or confusion of patent rights, by the Government invalidating an SBIR/STTR company's patent rights, and worse, remove those rights and allow others to use the hard-earned work of SBIR/STTR companies. By allowing large corporations to step in and start practicing the inventions of SBIR/STTR companies, this would frequently mean the SBIR/STTR company can no longer even non-exclusively practice the invention due to the large company's market power. This is the worst of all worlds because the Government can take away not only the invention, but all the investment the company has made in further developing the invention. This will have a tremendous chilling effect on new technology development in America. It will further degrade and accelerate America's fall from #1 to #11 in innovation.⁴ Further, the United States fell from its long-standing position as number one to number twelve in Patent Strength,⁵ behind countries such as France, Sweden, Japan, Great Britain, and Singapore⁶ and any changes that weaken patents will make this worse.



Proposed changes that strengthen the AIA will make America poorer and less competitive. Furthermore, over time, it will degrade the health of Americans and the world by reducing the number of new drugs and medical devices in the future if new proposed regulations discourage investment in new technologies.

SBTC is pleased to continue its support of the USPTO and the strengthening of patent rights, particularly for small businesses and individual inventors. Please feel free to contact me with any questions at rschmidt@GLNeuroTech.com or on my cell phone at 216-374-7237.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert N. Schmidt", is written over a light blue horizontal line.

Robert N. Schmidt
Co-Chair
Small Business Technology Council
Patent Attorney (USPTO #30,889)
Professional Engineer (Ohio, #40,821)

References:

¹ Testimony before the Senate Small Business and Entrepreneurship Committee, May 15, 2019, Small Business Technology Council (SBTC), Jere Glover, Executive Director Robert N. Schmidt, Kevin Burns, & Alec Orban, <https://sbtc.org/wp-content/uploads/2019/05/Jere-Glover-Testimony-5-24-Revised.pdf>

² Federal Reserve Bank of Cleveland, "Altered States: A Perspective on 75 Years of State Income Growth," *Annual Report 2005*. For more detail, see Paul Bauer, Mark Schweitzer, Scott Shane, *State Growth Empirics: The Long-Term Determinants of State Income Growth*, Working Paper 06-06, Federal Reserve Bank of Cleveland, May 2006, <https://www.clevelandfed.org/newsroom-and-events/publications/annual-reports/ar-2005-perspective-on-75-years-of-state-income-growth/ar-200502-altered-states-essay.aspx> by Bauer *et. al.*

³ Patenting Prosperity: Invention and Economic Performance in the United States and its Metropolitan Areas Jonathan Rothwell, José Lobo, Deborah Strumsky, and Mark Muro. At \$4,300 per worker, that is \$8,600/year for a two worker household. <https://www.brookings.edu/wp-content/uploads/2016/06/patenting-prosperity-rothwell.pdf> page 15.

⁴ Germany Breaks Korea's Six-Year Streak as Most Innovative Nation, Michelle Jamrisco and Wei Lu, January 18, 2020, <https://www.bloomberg.com/news/articles/2020-01-18/germany-breaks-korea-s-six-year-streak-as-most-innovative-nation>.

⁵ Germany Breaks Korea's Six-Year Streak as Most Innovative Nation, Michelle Jamrisco and Wei Lu, January 18, 2020, <https://www.bloomberg.com/news/articles/2020-01-18/germany-breaks-korea-s-six-year-streak-as-most-innovative-nation>.

⁶ US Chamber International IP Index, Sixth Edition, February 2018, Figure XI: Scores, Category 1: Patents, Related Rights, and Limitations. https://www.uschamber.com/sites/default/files/023331_gipc_ip_index_2018_opt.pdf.