

Andrei Iancu, Director
United States Patent & Trademark Office
600 Dulany Street
Alexandria, VA 22314
PTAB Reform – Urgent Request on Behalf of VirnetX

7/9/2018

Dear Director, Iancu:

VirnetX Holding Corporation is an Internet security software and technology company with patented technology for secure communications including Standards Essential 4G LTE security. The Company's software and technology solutions, including its secure domain name registry and Gabriel Connection Technology™, are designed to facilitate secure communications and to create a secure environment for real-time communication applications such as instant messaging, VoIP, smart phones, eReaders and video conferencing. The Company's patent portfolio includes over 115 U.S. and international patents and over 50 pending applications.

Since the American Invents Act we have experienced abusive, serial attacks on our patents designed to eliminate our company assets and drive us out of business. **To date we have 79 PTAB/IPR actions!** Each action costs **\$500,000** to defend, even though these same patents have been deemed 'NOT INVALID' in 6 Federal District jury trials and 1x in the CAFC. The deep pockets of the big corporations who have pirated our obviously important technology have been found to be egregiously willful yet still trying to claim that they should not be guilty because they 'believed' that the patents were invalid?

Please note that VirnetX staff are listed as the Inventors on our patents. This patented technology was created on a DOD project for the CIA for secure communication including the need to be in stealth mode for our soldiers in the field.

Furthermore, we believe that the AIA/PTAB/IPR have greatly diminished the value of our patents by limiting the ability to monetize them within their grant period. Calling their validity into question diminishes the opportunity to license or develop products with potential licensees or strategic partners. Returning patents to their **"productivity life"** should also be a consideration of Patent Reform.

Allowing large corporations to use this type of unfair advantage against small businesses to devalue these very important patents is unconscionable. We fight every day to keep our shareholders from believing the immense rumor mill used by the huge networks to convince people that our patents are invalid and that we are just patent trolls looking to capitalize on the poor abused huge corporations. In the meantime, the clock continues to tick down on the 'life' of patents and is just another way to cast doubt on the worth of patents.

We, like so many patent owners believe that if the patent office were to reinstate patent life it would be a major deterrent for the horrific misuse of the intent of congress when voting for the AIA. The AIA is a complete opposite reason that our forefathers created the patent office in the first place. Patent ownership had a clear message then. Reinstating patent life would make the pirates think again about using this gamesmanship to prolong the outcome and run out the clock. The longer this uncertainty goes on we see more and more big corporations using our technology because, "they can!"

The implementation of the PTAB under the America Invents Act has severely destabilized our patent rights and that is now paralyzing our innovation culture and businesses. We hope that your increasing

attention to this situation will go a long way toward restoring confidence in patent rights – the promised exclusivity in exchange for publicly disclosing our inventions so others can build upon them. The stable and predictable patent rights provided often are the only collateral we have to back investment to commercialize our inventions.

The PTAB is finding 85% of issued patents to be defective, in stark opposition to the Office of Patent Quality Assurance, which indicates a defect rate of 6-8%. A recent report shows that of 1,582 patents reaching a final written decision, 1,343 resulted in one or more claims being held invalid. An additional 3,055 patents have been subject to PTAB petitions but have not received a final written decision. These 3,055 patents are in limbo, along with the other 3 million patents in force and at risk of unlimited post grant reconsiderations.

Post Grant Review (“PGR”) trends are indistinguishable. Since the only patents eligible for PGR were examined completely under the America Invents Act, that means patents examined under First-to-File, Enhanced Patent Quality Initiative, and current case law still do not pass PTAB muster. The problem is not the examination but rather it is PTAB procedures

This data is consistent with our personal experience. Few of the inventors can raise the \$500K needed to mount a legal defense of patents in the PTAB! We implore you to consider the reforms that follow.

The decision to institute a PTAB proceeding must be performed by an objective independent panel, which includes members unassociated with the PTAB. The decision to institute PTAB review cannot be made by the same PTAB judges who conduct the trial. The current system encourages institution because PTAB judges must review a sufficient number of patents to remain employed (i.e., satisfy their production quota). This also biases the decision to invalidate the patent because it is not likely for a person to institute a PTAB review by declaring the patent is more likely than not to be invalid, and then find the patent valid. This is a well-known psychological bias called “anchoring.”

For institution, PTAB must require identification of a substantial new question (SNQ) of patentability.

If the prior art of the petition is cumulative to or the same as the art considered in examination, then the petition must demonstrate a clear error in the examination. Absent a clear error, challenges must give deference to the original determination of patentability by the examiner and deny the petition. While acknowledging Congressional intent to elevate the standard for review above SNQ, the PTAB regularly institutes review where there is not even a hint of SNQ.

Apply the Phillips standard of claim construction used in Article III courts. Applying BRI (“broadest reasonable interpretation”), as is now the case, to an issued patent is incorrect and harmful because that is same standard used during examination. Inspection prior to issuance necessarily must be stricter than inspection after issuance. This is a basic premise of quality control (6 sigma, TQM, lean, etc.). If the original examination is not done to a tighter standard than what is desired for the final product, then the final product is doomed to a high failure rate. More importantly, a patent claim can only be permitted to have a single scope, regardless of the adjudication venue. The patent owner, the public, and any accused infringer must all have notice and be able to rely on fixed metes and bounds in order for the patent to serve any useful purpose.

Defer to prior constructions, absent clear error. Often an accused infringer will seek a broad construction for purposes of invalidating a patent and a narrow construction for purposes of arguing non-infringement. This is not fair. If a court or the PTAB has previously adopted a construction of the

same term in the context of the same or essentially the same specification, this construction must be adopted by the PTAB.

Seek to confirm the invention. *“A patent shall be presumed valid.”* PTAB must draw all inferences in favor of preserving the patent. Claims should be construed to uphold the patent, not to invalidate it. If the patent owner proposes a reasonable construction in light of the specification, the PTAB should adopt this construction. A construction that reads on the prior art should not be favored when a more reasonable construction is available. This serves the purpose of preserving the exclusive right to the invention while giving notice to the public that the patent owner disclaims any alternate constructions.

Limit petitioners to a single petition per patent – eliminate SERIAL patent filings. Filing multiple petitions is a way of circumventing word limits imposed on petitioners when filing against the same patent. This practice significantly increases the cost of defending against a PTAB review and pushes that increased cost on the party least able to afford it. Petitioners must narrow their arguments to their best grounds in a single petition.

Limit Petitions to a Single Ground per Claim. Throwing hundreds of combinations of prior art at a patent to see what sticks is grossly unfair to patent owners who must allocate their word limits legal resources to guess which grounds are of concern to the PTAB. Petitioners must be required to choose their best prior art and statutory ground for challenging each claim. PTAB is intended to address poor quality patents, not a weapon to destroy properly examined patents by procedural gamesmanship.

Require detailed declaration of real party of interest, including disclosure of all business relationships, memberships, and discussions with third parties that may benefit from the filing of the petition.

Deny seemingly organized petitions by multiple parties, whether filed simultaneously in concert or filed serially. The patent owner must be protected from multiple petitions, which drive up the cost and difficulty of mounting a successful defense. The PTAB must facilitate consolidating all interests in challenging the validity of a single patent into a single petition.

Deny petitions duplicative of district court proceedings. Post grant reviews are intended to be an alternative to district court proceedings, not a second bite at the apple. If a district court action is pending and not stayed involving the same parties and claims, the petition should be denied to conserve resources. If a district court stays such an action, that is a signal to the PTO that the agency expertise is desired, and the Director should proceed to consider the petition.

Allow live testimony and broad discovery similar to Federal Rules of Civil Procedure to aid in identification of the real parties of interest, and to allow patent owners to put on comprehensive evidence of objective indicia of non-obviousness, which assists the PTAB in correcting for hindsight bias. Requiring the patent owner to have or develop knowledge a priori of the evidence that will exonerate his patent rights and to obtain it within 90 days under current rules is a grossly unfair and raises serious questions of due process. Obviousness is not a cut and dry question and a full evidentiary record must be developed and weighed in order to determine that an issued patent claim “would have been obvious” at the time of filing.

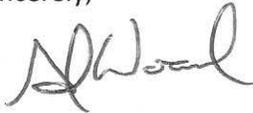
A patent cannot secure investment and encourage the risk-taking necessary for startup up companies with technologies that can only be protected by patents if that patent is not reliable. An unreliable

patent system therefore cannot promote progress in the useful arts and science as required by the U.S. Constitution. It cannot create new jobs nor propel economic growth.

Current PTAB processes are laying waste to investment in patents and early-stage startups which is undermining confidence in the patent system overall. We submit the proposed reforms herein would help the agency to do its part to increase the reliability of the patent grant.

Thank you for your patent reform efforts/initiatives and be assured that we strongly support these endeavors!

Sincerely,

A handwritten signature in black ink, appearing to read "G Wood", written in a cursive style.

Gregory Wood
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