February 5, 2019

Walter G. Copan, Ph.D.
Under Secretary of Commerce for Standards and Technology
Director, National Institute of Standards and Technology
100 Bureau Drive
Gaithersburg, MD 20899

Dear Under Secretary Copan,

Internet Association applauds the National Institute of Standards and Technology (NIST) for publishing its draft green paper on the Return on Investment Initiative for Unleashing American Innovation. We share NIST's goal of increasing innovation in the U.S. economy, and we appreciate the opportunity to provide additional comments to those we provided with other associations in a separate submission.

Internet Association's mission is to foster innovation, promote economic growth, and empower people through the free and open internet. The internet creates unprecedented benefits for society, and as the voice of the world's leading internet companies, we ensure stakeholders understand these benefits. Internet Association represents the interests of leading internet companies,[1] whose commitment to innovation is core to their success.

The draft green paper contains a section devoted to the implementation of the Leahy-Smith America Invents Act (AIA) entitled "What We Heard: America Invents Act." The green paper indicates that the feedback received on the AIA will be transmitted to the U.S. Patent and Trademark Office (USPTO). Unfortunately, the current draft reflects only the views of those critical of the implementation of the AIA. In these comments we hope to provide the perspective shared by a broad range of stakeholders, including many in the tech community that the AIA has been a great success and is not in need of significant changes. Specifically, we will address the success of the AIA's inter partes review (IPR) process and the positive impact of *Alice Corp. v. CLS Bank International* on subject matter eligibility and patent quality. We hope these views will be included in your green paper and transmitted to the USPTO.

Congress passed the AIA in 2011 because of a demonstrated and serious concern that the issuance of many invalid patents had harmed innovation, driven wasteful litigation, and eroded public confidence in the patent system. The USPTO has successfully implemented the congressional plan laid out in the AIA. Current Patent Trial and Appeal Board (PTAB) proceedings, including IPR, provide an effective and fair mechanism for administrative review

[1] "Our Members." Internet Association. Accessed February 01, 2019. https://internetassociation.org/our-members/.

of the patentability of patent claims post-issuance. These proceedings are now an essential tool for addressing the assertion of low-quality patents and improving general patent quality. The agency has implemented a mechanism for public challenges to patentability that is faster than the prior system of inter partes reexamination, more flexible than the court system, and ultimately more workable and efficient for patent owners and patent challengers than any prior mechanism.

Despite complaints from some quarters, the AIA proceedings have *not* been slanted against patent owners. The statistics published by the USPTO demonstrate this point. There were over 300,000 patents issued FY18.[2] In contrast, there were only 1,521 petitions for IPR filed in FY18, and the PTAB instituted a full proceeding on only 60% of those petitions.[3] Only 16.6% of all petitions filed since the enactment of AIA have resulted in Final Decision holding all instituted claims unpatentable.

In addition, appellate review of PTAB decisions demonstrate their accuracy. At the Federal Circuit, AIA decisions have been affirmed in full in more than 74% of all cases, while being reversed or vacated in full in under 13% of such cases.[4] This high affirmance rate further reflects the PTO's fair implementation of the congressional mandate in the AIA.

AIA implementation has improved the overall health of the patent system by removing problematic, low-quality patents while having no impact on the vast majority of patents. Changes to PTAB procedures should not diminish that achievement, which provides a significant benefit to innovation in the high-tech industry. Indeed, any revision of PTAB procedures should be done cautiously and in view of this great success.

Another success for the patent community was the Supreme Court's 2014 decision in *Alice*. This decision was a crucial step toward invalidating overbroad, non-technical patent claims, which are often the basis of abusive patent litigation. Broad claims often tie up the use of abstract ideas, granting a monopoly where no investment in R&D or other technological contribution has been made to society. When asserted, these patents tax companies that made the investment to develop and bring new products and services to market. In *Alice*, the Supreme Court clarified that patent claims that recite a non-technical abstract idea are not eligible for a patent simply because they describe using a computer or the internet.

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[2] Crouch, Dennis. "Patent Grants." Patently-O. July 31, 2018. Accessed February 01, 2019. https://patentlyo.com/patent/2018/07/patent-grants-2.html.
[3] *Trial Statistics IPR, PGR, CBM - Patent Trial and Appeal Board September 2018*. PDF. United States Patent and Trademark Office, September 30, 2018. https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180930a.pdf.
[4] Seastrunk, David C., Daniel F. Klodowski, and Elliot C. Cook. "Federal Circuit PTAB Appeal Statistics – September 15, 2018." Finnegan, Henderson, Farabow, Garrett & Dunner, LLP. October 17, 2018. Accessed February 1, 2019. https://www.finnegan.com/en/insights/blogs/america-invents-act/federal-circuit-ptab-appeal-statistics-september-15-2018.html.

The effect of *Alice* and subsequent cases has been significant in preventing vague business method patents from weakening innovative markets. In fact, the large majority of the increase in Section 101 rejections since *Alice* is fueled by rejected business method patents.[5] These are exactly the patents the Supreme Court intended to invalidate: those without any technical improvements or innovations.

As the courts apply *Alice* to invalidate many low-quality, non-technical patent claims, judicial decisions have proven themselves a viable pathway for refining and clarifying the scope of patent-eligible subject matter.[6] The USPTO has also recently released updated guidance on the application of Section 101 in light of *Alice*. The ongoing work of the courts and the USPTO and the success of *Alice* in preventing low-quality non-technical patents precludes any need for significant reform or legislative action at this time.

We thank you for your efforts to explore ways to increase innovation. We support your goal and are grateful for the opportunity to comment. We ask that you include in the final green paper a more complete description of the views on AIA implementation. The internet economy suffers when low-quality patents are permitted to create waste, fuel litigation, and prevent innovation. The effect of IPR and *Alice* has been to increase patent quality and reduce harmful behavior, and no significant changes should be made to either at this time.

Internet Association would be happy to discuss these or any other patent-related issues with you going forward should NIST consider future engagement in this area.

[5] Landau, Josh. "Increase In § 101 Rejections Due Almost Entirely To Rejected Business Methods." Patent Progress. December 06, 2018. Accessed February 01, 2019. https://www.patentprogress.org/2018/12/06/increase-in-§-101-rejections-due-almost-entirely-to-rejected-business-methods/.

[6] See *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327 (Fed. Cir. 2016) (software claims directed to a specific improvement to the way computers operate is patentable) and *McRO, Inc. dba Planet Blue v. Bandai Namco Games America Inc.*, 120 USPQ2d 1091 (Fed. Cir. 2016) (software claims directed to a technological improvement over existing software animation techniques were patent eligible).