# Congress of the United States

Washington, DC 20515

December 5, 2016

Director Michelle K. Lee
U.S. Patent and Trademark Office
P.O. Box 1450
Alexandria, VA 22313-1450

Dear Director Lee:

We write to express our concern with the continued abuse of the *inter partes* review (IPR) system by financial speculators and other third parties with no legitimate interests in patented technology undergoing review. In particular, we are concerned with numerous recent attempts by hedge funds to short the stocks of targeted companies prior to IPR filing. We are also concerned that hedge funds are filing repeat petitions challenging certain patents, even though previous IPR petitions on the these patents had already been rejected by the U.S. Patent & Trademark Office (PTO). We respectfully request your prompt attention to this matter.

New York is home to a large and thriving bioscience industry, which is an important driver of the state's economy. According to a recent report, New York's bioscience industry employs over 76,000 workers, its research universities conduct $3.5 billion in bioscience research and development annually, and its inventors were issued 6,376 patents between 2009 and 2013 in bioscience-related technologies alone. Put simply, New York's companies and entrepreneurs depend on a strong and predictable system of intellectual property rights, and on a fair and reasonable system for adjudicating the validity of these rights, to attract investor capital and to commercialize their innovative technologies and lifesaving cures.

As you are aware, hedge funds and other financial speculators continue to use IPR proceedings for their enrichment, while also burdening the owners of valuable patents. With more than 50 such petitions having been filed, typically as part of a secret stock-shorting scheme or in an attempt to extort substantial payments from patent owners, these proceedings raise great concern. A particularly troubling aspect of this strategy is repeated instances of filing petitions challenging the same patent claims on grounds substantially identical to those previously denied institution in prior-filed petitions. In essence, this "try-again" practice affords hedge funds multiple bites at the apple, in which the PTO's reasons for denying an IPR petition are used as a how-to guide to filing another petition. We are also concerned this practice inspires collusion by parties who would otherwise be time-barred from bringing their own IPR because the PTO has been permitting such parties to join these hedge funds in their IPR. Furthermore, it is our understanding that the statute appears to foreclose that option. Allowing these open-ended challenges perpetuates such disputes rather than resolving them. They also undermine the investment-backed expectations of patent owners in "quiet title" in their intellectual property, depreciates the market value of their businesses, and harms their ability to advance their research and development programs.

The PTO enjoys broad authority under statute to prevent such abuses. First, under 35 U.S.C. 314(a), the PTO has general discretion to deny institution of petitions in cases where institution would not be in the interests of justice. Second, under Section 316(a), the PTO was directed to prescribe regulations regarding "abuse of process, or any other improper use of the proceeding, such as to harass" patent owners. Third, the PTO has express authority to deny institution of repeat petitions that are cumulative and which, if instituted, would otherwise violate the spirit and purpose of the IPR system. Specifically, under 35 U.S.C. § 325(d), the PTO has specific discretion to reject IPR petitions that contain the same or substantially the same arguments or evidence previously presented to the PTO. This discretion also permits the PTO to require repeat petitioners to explain why new art or arguments in a second or subsequent IPR petition could not have been presented earlier, and to reject such petitions absent good reason to allow a second bite at the apple. Indeed, on at least two occasions, the PTO has done just that, but in many other cases, it has inexplicably failed to do so.

We urge you to fully embrace your statutory discretion to curb abuse of the IPR system by hedge funds and other non-practicing, third party petitioners. Indeed, it is ironic that a system that was designed to address legitimate concerns about "patent trolls" who abuse their patent rights is now being used to attack patent owners for similarly illegitimate reasons – a form of reverse patent trolling. If left unaddressed, we believe these abuses risk upsetting the carefully crafted balance of procedures that were designed to ensure that the IPR system provides patent owners with a fair and predictable process for defending their intellectual property rights.

We thank you for your attention to this matter and look forward to working with you in the future to protect the integrity of the IPR system.

Sincerely,

Nydia M. Velázquez
Member of Congress

Chris Collins
Member of Congress

Louise Slaughter
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