

Senate Judiciary Subcommittee on Intellectual Property  
June 22, 2021  
Protecting Real Innovations by Improving Patent Quality  
Testimony for Bridget Asay, Esq.

Good afternoon. My name is Bridget Asay and I'm an attorney practicing with the firm of Stris & Maher. Before joining Stris & Maher, I spent 18 years working for the Vermont Attorney General, and was appointed Vermont's first solicitor general. Thank you for the opportunity to testify today about a concrete example of the problems associated with low-quality patents.

In 2013, when I was working for then-Vermont Attorney General Bill Sorrell, our office received complaints from a number of small businesses, including two nonprofit agencies, that had received letters accusing them of patent infringement and referencing imminent litigation. One of these organizations operated on state and federal funding to bring home care to developmentally disabled Vermonters. Another provided fiscal agent services to Vermonters with disabilities to assist them with daily living tasks. We later learned that about 75 Vermont businesses and nonprofits had received these letters – and thousands more had been sent to businesses nationwide.

The infringement letters were sent under the names of a veritable alphabet soup of 40 different entities with names like BarMas, LLC; FanPar, LLC; HarNol, LLC, and JamVor, LLC. Regardless of name, the content was basically the same. A series of three escalating letters were sent to targeted businesses (although not all businesses received all three). The first letter listed four patents and a pending application, and said that the targeted businesses “likely” had infringing systems.

What were these patents and infringement claims about? Here's what the letter described as the basis for infringement: a typical office network, with a server, computers running Outlook, and a scanner that permitted scanning a document directly to an employee email address as a PDF attachment. Scanners with this functionality, as you'll recall, were common office equipment in 2013.

The targeted businesses were told that they should enter into a licensing agreement because they were “almost certainly” using a covered system. The letter suggested that “[m]any” businesses had obtained licenses. The “fair price” for a license, it said, was \$1000 per employee – meaning easily \$10,000 or more even for relatively small businesses.

Follow-up letters came from a law firm and threatened litigation. A number of the targeted businesses received a letter that included a copy of a legal complaint, and said that the company would sue if they did not receive a response within two weeks.

This didn't just happen in Vermont. These letters were sent to small businesses across the country. The FTC conducted an investigation involving MPHJ Technology Investments, LLC, the owner of the patents. There's an order reflecting a consent agreement that can be reviewed on the FTC's website. The FTC's complaint alleged that MPHJ's subsidiaries contacted over 16,000 small businesses. Further, the FTC alleged that MPHJ's subsidiaries sent follow up letters with

draft complaints to over 4800 businesses in all 50 states – sometimes sending out hundreds of those letters on the same day.<sup>1</sup>

These businesses weren't targeted because of any products they manufactured or sold. These were not software or tech companies. They didn't make scanners. And they weren't experienced in patent law. According to the FTC's complaint, MPHJ contacted companies with fewer than 100 employees in fields like building maintenance, lawn and garden services, and veterinary services.

Receiving a letter like this puts a small business in a very difficult position. They wouldn't know if the litigation threat was real. The amount of money demanded is significant – but probably a lot less than they would have to pay to defend a lawsuit. And patent law is a complex, specialized field. Lawyers that handle employment issues or real estate for small businesses don't give advice on patent infringement. Patent lawyers are expensive, and consulting with one might cost as much as paying for the license.

In May 2013, the Vermont Attorney General's Office filed a consumer protection lawsuit against MPHJ Technologies Investments, LLC. As is typical in consumer enforcement cases, the AG filed suit in state court. The complaint alleged straightforward consumer protection claims: that the letters sent to Vermont businesses and nonprofits were deceptive and constituted an unfair trade practice. The AG did not contest the validity of MPHJ's patents – that's a matter of federal law.

I was the lead attorney in that litigation until I left the AG's office in late 2016. I'd like to briefly describe the history of that litigation,<sup>2</sup> because it highlights the point I made earlier: most businesses cannot take on the risk of litigation in this area. The AG's office had three attorneys working on the case, which lasted for four years. It was filed in state court, removed to federal court, remanded to state court, appealed to the Federal Circuit, which upheld the remand; removed a second time to federal court, remanded a second time, and appealed a second time to the Federal Circuit, which again upheld the remand. MPHJ also filed a separate lawsuit against the Attorney General in federal court. The cases were settled in 2017. It took substantial resources to pursue this litigation – indeed, it was a lot for our office, which was small by national standards. A small business could not sustain that kind of litigation – the cost would be ruinous.

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<sup>1</sup> FTC documents may be reviewed here: <https://www.ftc.gov/enforcement/cases-proceedings/142-3003/mphj-technology-investments-llc-matter>.

<sup>2</sup> See, e.g., *Vermont v. MPHJ Tech. Invs., LLC*, 803 F.3d 635, 640 (Fed. Cir. 2015); *Vermont v. MPHJ Tech. Invs., LLC*, 763 F.3d 1350 (Fed. Cir. 2014); *MPHJ Tech. Invs., LLC v. Sorrell*, 108 F. Supp. 3d 231 (D. Vt. 2015).

As I mentioned, our litigation did not contest the patents, because that is not a consumer protection matter. There were, however, proceedings brought by large scanner companies like HP and Ricoh. I did some research preparing for today, looking specifically at the patent claims referenced in the letters. Of the five patents described there, I was able to find information about four – and for those four, the claims specifically referenced in the letters did not survive review.<sup>3</sup> But those legal proceedings continued at least until 2017—four years after Vermont businesses and nonprofits received these letters. It took HP, Xerox, and Ricoh to pursue those cases. A small nonprofit serving disabled Vermonters could never do that.

As Vermont’s example shows, there are real costs when low-quality patents are issued. I hope the Committee will consider concrete actions to improve patent quality.

Thank you for the opportunity to testify today.

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<sup>3</sup> The typical first letter referenced claims 12 and 15 of the ‘381 Patent. Those claims, and all but one claim of the ‘381 Patent were later invalidated, as noted in *HP Inc. v. MPHJ Tech. Invs., LLC*, 817 F.3d 1339, 1341 (Fed. Cir. 2016). That letter also referenced claims 1-5 of the ‘426 patent, as “illustrative” claims. Those claims were held unpatentable. *Ricoh Americas Corp. & Xerox Corp. v. MPHJ Tech. Invs. LLC.*, No. IPR2013-00302, 2014 WL 6617696, at \*1 (P.T.A.B. Nov. 19, 2014) (“For the reasons that follow, we determine that Petitioner has met its burden of proving, by a preponderance of the evidence, that claims 1-5 and 7-11 of the ‘426 Patent are unpatentable. Petitioner, however, has not demonstrated by a preponderance of the evidence that claim 6 of the ‘426 Patent is unpatentable.”). The letter also referenced a pending patent application, which issued as the ‘173 patent in July 2013, after Vermont filed its lawsuit. All claims in the ‘173 patent were invalidated, as affirmed by the Federal Circuit. *See MPHJ Tech. Invs., LLC v. Ricoh Americas Corp.*, 847 F.3d 1363, 1364 (Fed. Cir. 2017). Finally, the letter referenced claims 1, 8, and 15 of the ‘410 patent. Those claims were held unpatentable in 2015. *Ricoh Americas Corp., Xerox Corp., & Lexmark Int’l, Inc. v. MPHJ Tech. Invs., LLC*, No. IPR2014-00539, 2015 WL 4932669, at \*1 (P.T.A.B. Aug. 14, 2015) (“This Final Written Decision is issued pursuant to 35 U.S.C. § 318(a). We conclude for the reasons that follow that Petitioner has shown by a preponderance of the evidence that claims 1, 2, 4, 6-9, 11, 13-16, 18, 20-23, 25, 27, 28, 34, 35, 37, 39-42, 44, 46, and 47 of the ‘410 patent are unpatentable.”).