

**Bradley N. Ditty –
Innovation in America: How Congress
can make our patent system STRONGER
Questions for the Record
Submitted September 18, 2019**

QUESTIONS FROM SENATOR COONS

1. During the hearing, Mr. Landau testified that venture capital and technology investments have thrived in the years since the Supreme Court’s *eBay* decision and the implementation of the post-grant reviews provided by the America Invents Act. Your testimony painted a different picture. How do you reconcile these conflicting narratives?

Mr. Landau’s data is not a reliable indicator of the effect that the *eBay* decision and the institution of IPRs have had on technology investment incentives in the United States, particularly by research companies, startups, universities, and independent inventors. Although Mr. Landau suggests in his written statement that corporate R&D spending in ICT industries has increased since the *eBay* decision, his data obfuscates the impact of the *eBay* decision on key subsectors. Moreover, Mr. Landau failed to show that R&D spending would not have increased even more if injunctive relief were more readily available to patent holders. Nor does Mr. Landau account for the fact that there may have been a differential impact on the investment incentives of research institutions and smaller inventors as compared to R&D spending by large manufacturing companies.

In fact, Mr. Landau’s statement actually supports my testimony that the effects of the *eBay* decision have had a particularly detrimental effect on research companies such as InterDigital. Mr. Landau lauds the fact that the *eBay* decision “did not significantly reduce the ability of operating companies to secure injunctions against competitors who unfairly use their technology but *primarily reduced the grant rate of injunctions for non-competing entities.*”¹ Mr. Landau apparently believes that patent holders that are non-practicing entities should be treated as second-class citizens under the patent laws. However, non-practicing entities – defined by the Federal Trade Commission as “patent owners that primarily seek to develop and transfer technology.”² – are important drivers of America’s technological leadership, investing substantial time, resources and capital to engage in risky R&D activities with the hope that they will be rewarded for their

¹ Statement of Joshua Landau, “Innovation in America: How Congress can make our patent system STRONGER”, September 11, 2019, at 4 [emphasis added].

² See, FED. TRADE COMM’N, THE EVOLVING IP MARKETPLACE: ALIGNING PATENT NOTICE AND REMEDIES WITH COMPETITION (2011) at 8 n 5.
<https://www.ftc.gov/sites/default/files/documents/reports/evolving-ip-marketplace-aligning-patent-notice-and-remedies-competition-report-federal-trade/110307patentreport.pdf>.

successful innovations by obtaining fair and adequate compensation for the use of their patented technologies.

It is exactly the point made by Mr. Landau – that the *eBay* decision has had a discriminatory and detrimental impact on the ability of research companies, startups, universities, and independent inventors to obtain injunctive relief, even against opportunistic, unwilling licensees, with the concomitant adverse effects on the incentives of these innovative contributors to America’s technological landscape – that warrants enactment of the STRONGER Patents Act.

2. Some have characterized the STRONGER Patents Act as providing for “automatic” injunctions, rather than rebuttable presumptions on certain factors influencing injunction decisions. Do you agree? Would courts still be free to consider, for example, the public interest and competing hardships when deciding whether to grant equitable relief?

I do not agree that the STRONGER Patents Act would provide for “automatic” injunctions. The Act’s presumptions would extend only to two of the four injunctive relief factors: irreparable harm and inadequacy of remedies at law. Courts would still be required to consider the other two factors that address the public interest and the balance of hardships. District courts would have discretion to grant or deny injunctions based on consideration of these two factors. The STRONGER Patents Act would restore the “right to exclude” conferred by patents as intended by statute (35 U.S.C. § 153(a)(1)) by treating patents as a property right, infringement of which can be presumed to lead to irreparable harm and inadequacy of damages. As explained in my testimony, the Act would also remedy the unintended consequence of *eBay* that has led to categorical denials of injunctions to non-manufacturing patent owners like universities, research firms, and independent inventors.

3. During the hearing, Prof. Cotter suggested that injunctive relief is not necessary in most cases of patent infringement, and that monetary damages should instead suffice for patent owners who are not direct competitors to those found to engage in ongoing infringement of valid patent claims. Please explain why the possibility of securing an injunction promotes innovation and efficient dispute resolution, particularly in the context of research companies, startups, universities, and independent inventors.

Licensee “hold-out” and reverse patent hold-up pose a significant threat to the competitive environment in downstream markets, to the climate for continued investment in R&D (particularly by technology companies such as InterDigital), and ultimately to the innovation ecosystem that has provided huge benefits to consumers and the global economy. Companies like InterDigital that engage in significant research efforts aimed at developing technologies for the next generation of standards incur tremendous sunk costs as well as significant risks that their research efforts will not lead to fair and adequate returns on their successful innovations. Investment in research

begins many years before a standard is adopted, and even after adoption it is usually several more years before the first products implementing that standard are brought to market and technology owners begin to receive royalty payments for the use of their patents. For example, InterDigital started work at least 10 years ago on concepts and features that it hoped would become part of a 5G standard, knowing that 5G products might not be introduced on the market for a decade or more. The significant sunk costs incurred by InterDigital in research investments many years before a standard is adopted make it a ripe target of opportunistic patent hold-out by licensees who seek to obtain and profit from valuable and necessary technology for below its fair market value.

For such opportunistic standards implementers, in the absence of a real possibility that they will be subject to an injunction on the continued manufacture and sale of infringing products, there is a strong incentive to delay taking a license for as long as possible, not only to take advantage of the weak position of technology owners who have incurred significant sunk costs, but also to gain a competitive advantage vis-à-vis their competitors who may have already entered into license agreements. These opportunistic companies, often incorporated and headquartered outside of the United States, recognize that they can take advantage of inadequacies in the legal system that allow them to engage in such delays with little adverse consequence, understanding that post *eBay*, even after a full adjudication, it is very unlikely that they will face an injunction. Thus, they have little incentive to enter into a license agreement to pay royalties for the standard essential patents that their products necessarily infringe, knowing that even if they are sued for patent infringement they will almost certainly only face infringement damages that are no more than the fair, reasonable and non-discriminatory (FRAND) royalty that they would otherwise have been required to pay had they negotiated in good faith and entered into a patent a license agreement.

U.S. International Trade Commission Administrative Law Judge Theodore R. Essex noted these concerns regarding the hold-out strategy deployed by the respondents in *In the Matter of Certain Wireless Devices With 3G and/or 4G Capabilities and Components Thereof*, Inv. No. 337-TA-868³

“[These Respondents] also are able to shift the risk involved in patent negotiation to the patent holder. By not paying for a FRAND license and negotiating in advance of the use of the IPR, they force the patent holder to take legal action. In this action, the patent owner can lose the IPR they believe they have, but if the patent holder wins they gets (sic) no more than a FRAND solution, that is, what they should have gotten under the agreement in the first place. There is no risk to the exploiter of the technology in not taking a license before they exhaust their litigation options if the only risk to them for violating the agreement is to pay a FRAND based royalty or fee. This puts the risks of loss entirely on the

³ Initial Determination *In the Matter of Certain Wireless Devices With 3G and/or 4G Capabilities and Components Thereof*, Inv. No. 337-TA-868 (pp.113-114)

side of the patent holder, and encourages patent hold-out, which is as unsettling to a fair solution as any patent hold up might be" (emphasis added).⁴

Faced with a hold-out strategy, the possibility of obtaining an injunction against an unwilling licensee is one of the only effective means by which research companies, startups, universities, and independent inventors can bring such an actor to the negotiating table and ensure that they are fairly compensated for the use of their innovations. The imposition by lower courts of extraordinary hurdles for obtaining injunctive relief against unwilling, opportunistic prospective licensees in the wake of the *eBay* decision has had particularly significant adverse effects on the return on investments in innovation borne by SEP holders. This has created an even more challenging environment for innovators to invest in research that would otherwise benefit standards development and ultimately the consumer. SEP holders, and particularly non-practicing entities such as research companies, startups, universities, and independent inventors, need to be able to seek injunctive relief against those prospective licensees that prove unwilling to negotiate and secure licenses in good faith.

A realistic potential of injunctive relief *for all patent holders* against infringers of valid patents provides a level playing field that encourages all parties to behave reasonably and to attempt to resolve disputes in good faith. Such an environment reduces the incentive for infringers to prolong disputes in an attempt to “wait out” the patent holder knowing that, even after being found to infringe one or more patents they will be required, at worst, only to provide compensation for infringement at some indeterminate point in the future. Timely negotiated resolutions benefit both parties – allowing the implementer to continue commercial activities with certainty that it is authorized by the patent holder and will not be subject to adverse remedies, while the patent holder is provided fair compensation that may be invested in further innovations, rather than on enforcement efforts against the infringing implementer.

It is crucial for the Congress to take measures to support the rights of research companies, startups, universities, and independent inventors to reasonably seek injunctive remedies against those companies that attempt to game the patent system.

4. PTAB trials were created to provide an efficient alternative to district court litigation, but PTAB challenges are adjudicated according to different standards of proof and – until recently – different claim construction standards than those applied in district courts. Furthermore, the lack of a standing requirement at the PTAB has enabled unforeseen abuses by, for example, hedge funds seeking to manipulate stock prices or petitioners seeking to

⁴ Although raised in the context of a potential exclusion order in an ITC proceeding, ALJ Essex’s concerns equally apply to hold-out in the absence of any risk of injunctive relief from a district court.

harass competitors. To what extent would the STRONGER Patents Act’s harmonization of these proceedings restore confidence in the U.S. patent system?

Regarding the issue of differing standards between the PTAB and district courts, I welcome the STRONGER Patents Act’s codification that the PTAB construe claims according to their “plain and ordinary meaning” and require “clear and convincing evidence” to overcome the presumption of validity. Such harmonization of the PTAB and district courts will restore confidence in the U.S. patent system by encouraging more consistent treatment of patents across separate venues. Proceedings before the PTAB should provide outcomes that are fair, efficient, and cost effective for both parties—not merely a forum in which petitioners expect a greater probability of invalidation than in district court. I believe the amendments in the STRONGER Patents Act are a prerequisite to achieving these long-pursued objectives.

I support codifying the PTAB’s use of “plain and ordinary meaning” for claim construction for at least the following reasons. First, Congress intended the PTAB to serve as an alternative forum for adjudicating patent validity, and that function historically and inherently requires each patent claim to be judged by its actual meaning. In the adjudication context, the actual meaning of the claim—the “meaning that the term would have to a person of ordinary skill in the art . . . at the time of the invention”—has long governed questions of both patent validity and infringement.⁵ During examination of a patent application, in contrast, the USPTO’s patent examiners give claims an artificial “broadest reasonable interpretation” (BRI) to facilitate patent prosecution in a collaborative process where applicants are allowed to amend claims freely and frequently as well as propose new claims.⁶ And while this broader standard is appropriate during the examination process, application of the BRI standard in a post-grant validity determination is not.

Second, prior to the USPTO’s rule change, patentees often were compelled to defend their patent rights in two alternative adjudicative forums under two different and conflicting claim construction standards. As the Federal Circuit recognized at that time, under the USPTO’s rule, “it is possible to have two different forums construing the same term in the same patent in a dispute involving the same parties but using different standards.”⁷ Thus, it is possible that the district court and the PTAB, though considering identical claims and prior art, will adopt different constructions and reach inconsistent conclusions on patent validity. This divergence has created uncertainty about the validity of patent rights, encouraging forum shopping and fostering duplicative strategic

⁵ See *Phillips*, 415 F.3d at 1313.

⁶ *In re Rambus, Inc.*, 753 F.3d 1253, 1255-56 (Fed. Cir. 2014).

⁷ *PPC Broadband, Inc. v. Corning Optical Commc’ns RF, LLC*, 815 F.3d 747, 756 (Fed. Cir. 2016) (recognizing potential disparity in outcomes between different fora).

litigation to the significant disadvantage of patent holders. As noted in my written testimony, there have been multiple incidents of patentees obtaining jury verdicts of patent infringement and validity in a district court under their claims' actual meanings only to be met with subsequent PTAB decisions finding the same claims invalid under the BRI standard.

Notwithstanding the USPTO's harmonization of claim construction standards, still remaining is a lesser presumption of validity at the PTAB that undercuts the stronger presumption in district court proceedings.⁸ In a district court action, an accused infringer may overcome the statutory presumption of validity only by proving that the claims, as correctly construed, are invalid over prior art "by clear and convincing evidence."⁹ By contrast, during trial proceedings at the PTAB, a petitioner need only prove that the claims are invalid "by a preponderance of the evidence."¹⁰

Like the inefficiencies presented by divergent claim construction standards, this distinction emboldens accused infringers to gain a second bite at the apple by raising validity challenges in both forums. And, solely on the basis of the burden of proof, a panel of administrative judges may disregard a trial court's decision to uphold a patent on novelty or obviousness grounds.¹¹ These asymmetric standards discourage both the courts and administrative judges from relying on claim interpretations and invalidity findings handed down in parallel proceedings.¹²

The current design is inefficient and prone to inconsistencies. The harmonization of burden of proof and claim construction offered by the STRONGER Patents Act is a much-needed improvement and would enhance confidence in the U.S. patent system.

Regarding the issue of standing, a standing requirement for parties who raise challenges through trial proceedings at the PTAB would be a welcome improvement. Without a standing requirement to petition for *inter partes* review, for example, the door is left open for harassing and extortionate attacks against patent owners. Instances of such abuse are well-documented and, undoubtedly, are an unintended consequence of the AIA. While the PTAB retains some discretion to deny institution of these proceedings when

⁸ § 282(a).

⁹ *Microsoft Corp. v. i4i Ltd.P'ship*, 131 S. Ct. 2238, 2242 (2011).

¹⁰ § 316(e).

¹¹ *See, e.g., Novartis AG v. Noven Pharms., Inc.*, 853 F.3d 1289, 1293-94 (Fed. Cir. 2017) (holding PTAB is not bound by district courts' findings of validity, even when evaluating such decisions on identical evidence).

¹² *See id.*

inequities arise,¹³ 35 U.S.C. §§ 311 and 321 remain clear that simply “a person who is not the owner of a patent” may seek review of “the patent.” The proposed standing requirements, in addition to the proposed changes defining which parties are “real parties in interest,” should help limit gamesmanship at the hands of abusive petitioners.

¹³ See, e.g., *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (P.T.A.B. Sept. 6, 2017)

**Questions for the Record for Bradley N. Ditty
From Senator Mazie Hirono**

1. Over the past decade or so, we've seen a number of efforts to weaken patent rights in this country from the Supreme Court's *eBay* decision to the American Invents Act to the growing exceptions to patent eligible subject matter.

- a. **What has the weakening of patent rights meant to innovative companies like yours?**

InterDigital's unique role as a public company focused on research allows it to consistently develop key technological advances, invest in research and development, enhance the strength of U.S. intellectual property, and support highly skilled jobs in the U.S. economy.

InterDigital's ability to do so, including in key areas such as 5G, is challenged by uncertainty in the patent system, an erosion of the fundamental constitutional right of limited exclusivity for patented inventions, incentives for prolonging disputes, inconsistent standards by which granted patents are reviewed, and venues viewed as clearly favorable or unfavorable simply based on whether a party is a patent holder or an accused infringer.

These factors have created a patent environment that is imbalanced in favor of infringers and ripe for abuse by those with least respect for patent rights. American innovation from companies like InterDigital has become more susceptible to unauthorized use, where fair compensation for innovation is indefinitely delayed and, in some cases, never realized. This environment is bad for U.S. innovation and bad for its users that do respect patent rights, as they are commercially disadvantaged by those actors that have little intention of fairly compensating innovators.

- b. **What aspects of the STRONGER Patents Act do you see as most important to incentivizing innovation in the United States?**

The STRONGER Patents Act's restoration of patents as property rights is particularly important to incentivize innovation in the United States and, along with the Act's other provisions, assist in balancing the interests of innovators and implementers.

Applied today, *eBay v. MercExchange*¹ and its progeny irreparably harm research companies, universities, independent inventors, and others who, for legitimate reasons, do not manufacture their inventions. For such innovators, absent a realistic possibility of securing injunctive relief, necessary patent enforcement efforts become a matter of “pay now or pay later.” In this type of regime, many infringers, including those having the least respect for intellectual property rights, will opt to “pay later,” if indeed they pay at all.

In addition to not incentivizing innovation, the current implicit presumption against injunctive relief for certain patent holders creates an improper incentive for infringers of valid patents to prolong litigation in order to delay payment to patent holders for use of their inventions.² Today’s post-*eBay* precedent breeds “efficient infringement,” where an infringer persists in unlawfully using another’s technology because it is cheaper to defend an action for recovery than to enter a licensing arrangement.³ This unfairly denies appropriate rewards to innovators and may create inequity among users of the invention that actually respect patent rights by entering into a license agreement with the patent holder.⁴

¹ 126 S. Ct. 1837 (2006).

² See generally, Paul M. Janicke, *Implementing the “Adequate Remedy at Law” for Ongoing Patent Infringement After eBay v. MercExchange*, 51 IDEA 163, 187-88 (2011) (arguing that, absent additional measures to compensate a patent owner, failing to grant injunctive relief negatively affects patent owners’ ability to recover). The author asserts it is imprecise to classify courts’ denials of injunctive relief as “compulsory licensure,” which is proper under certain circumstances. Rather, denying injunctive relief amounts to condonation of illegal activity:

[T]he courts have drifted into thinking a suitable remedy can be a judicially issued compulsory license that converts unlawful activities into licensed ones, with court set periodic royalty-style payments, whether or not the patent owner wants such a result. However, unjoined infringement bears little similarity to fully licensed transactions. The sole similarity to the world of licensing is that an entity who does not own the patent is operating commercially within the scope of the patent and no court has told that entity to stop doing so . . . Suffice it to say that it is clearly wrong to conflate avoidance of an injunction on the one hand with being licensed to commit illegal acts on the other. A court, even when refusing a permanent injunction, has no such magical power to convert unlawful activity into lawful conduct.

Id. at 187-89.

³ See Joe Nocera, Opinion, *The Patent Troll Smokescreen*, N.Y. TIMES, Oct. 23, 2015, https://www.nytimes.com/2015/10/24/opinion/the-patent-troll-smokescreen.html?_r=0. For further explanation of the meaning of the term “efficient infringement,” see Adam Mossoff, & Bhamati Viswanathan, *Explaining Efficient Infringement*, CTR. FOR THE PROT. OF INTELL. PROP. (May 11, 2017), <https://cpip.gmu.edu/2017/05/11/explaining-efficient-infringement/>.

⁴ See e.g., *Voda v. Cordis Corp.*, No. CIV-03-1512-L, 2006 U.S. Dist. LEXIS 63623, WL 2570614, at *3-11 (W.D. Okla. Sept. 5, 2006), *aff’d*, 536 F.3d 1311 (Fed. Cir. 2008) (concluding injunction was not warranted). While enhanced damages, attorney’s fees, and interest all may moderate the risk to patent holders, in many cases only enhanced damages meaningfully raises the costs of continuing to infringe. Because of the uncertainty of an award of enhanced damages, many infringers may favor that risk over negotiating earlier payment to the owner of a valid patent. See Kimberly A. Moore, *Empirical Statistics on Willful Patent Infringement*, 14 F. CIR. B.J. 227, 237 n.30 (2004) (finding wide variation in proportion of cases where treble damages were awarded, based on whether the

The STRONGER Patents Act’s restoration of patents as a property right is not only important to incentivize innovation but is equally important to eliminate economic incentives for infringing valid patents.

2. Many people may not fully appreciate that a patent does not actually allow an inventor to practice her invention. For example, if someone invents a new drug and gets a patent on it, she may not be able to sell that drug unless it is ultimately approved by the Food and Drug Administration.

What a patent does allow is for the patent owner to prevent others from practicing her invention. But, since the Supreme Court’s decision in *eBay*, it has become increasingly difficult for a patent holder to get an injunction and enforce this right.

Your company has made many key innovations in the communications space.

Why it is so important to restore the pre-*eBay* presumption that upon a finding of infringement an injunction will issue to stop that infringement?

The STRONGER Patents Act’s restoration of patents as property rights is important and necessary to balance the interests of innovators and implementers.

As stated above, *eBay* and its progeny irreparably harm research companies, universities, independent inventors, and others who do not manufacture their inventions for legitimate reasons by effectively making their patent enforcement efforts into a simple question for infringers of whether they should “pay now or pay later.” Subsequent to the *eBay* decision, patentees have seen a statistically significant decrease in the proportion of permanent injunctions granted overall.⁵ The effect of *eBay* and later cases, in some instances, has been to strip value from hard-earned intellectual property and grant constructive licenses to willful infringers.⁶ A nearly categorical denial of injunctive

issue was tried by a judge or by jury). For instance, a 2004 study indicated that plaintiffs were awarded full treble damages in only 8.7% of cases. *Id.*

⁵ See Christopher R. Seaman, *Permanent Injunctions in Patent Litigation After eBay: An Empirical Study*, 101 IOWA L. REV. 1949, 1983 (2016). This study indicates that between 2006 and 2013, patentees secured permanent injunctions in 72.5% of cases; the author notes that this figure continues to drop. *Id.* The post-*eBay* drop is noteworthy: previously, “courts granted patentees injunctions 95% of the time after finding infringement.” Lily Lim & Sarah E. Craven, *Injunctions Enjoined; Remedies Restructured*, 25 SANTA CLARA COMPUTER & HIGH TECH. L.J. 787, 798 (2009).

⁶ See, Paul R. Michel & Matthew F. Dowd, *Understanding the Errors of eBay*, 2 THE CRITERION J. ON INNOVATION 21, 28 (2017). The authors note

relief to NPEs is at odds with Supreme Court precedent interpreting longstanding principles of equity⁷ and “incongruent with the patent right” as a whole.⁸ Nowhere in Article I nor Title 35 is a patent’s exclusive right “conditioned on its owner practicing the patent to make a product.”⁹

In *eBay*, the Supreme Court held the presumption that an injunction should issue to a victorious patent owner is inappropriate, and a plaintiff must first satisfy a four-part injunction test.¹⁰ To succeed, a patent owner must prove:

(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.¹¹

I support the STRONGER Patents Act’s proposed codification that, upon findings of validity and infringement, the first and second prongs of the permanent injunction analysis are presumptively fulfilled. By addressing only the first two prongs of the four-part test, the remaining third and fourth prongs remain in place for courts to consider, thereby maintaining an appropriate balance for determining injunctive relief. We trust these changes will reserve sufficient discretion to grant relief in the courts and avoid “plac[ing] courts in the license-drafting and license-administration business.”¹² Moreover, these changes properly honor the Court’s guidance that uncompromising imperatives to award or deny injunctive relief should not be upheld.¹³

Codification of the STRONGER Patents Act’s restoration of patents as property rights will incentivize innovation, balance the interests of

[p]atent values, as measured by public sales, plummeted during the last ten years compared to the ten-year period preceding *eBay*. This result decreases the value of intellectual property because it undermines the enforceability of the exclusive right and it makes it more expensive to obtain a remedy for adjudged infringement.

Id.

⁷ See *eBay*, 126 S. Ct. at 1840-41 (noting “[a] categorical rule is also in tension with *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 28 S. Ct. 748 (1908), which rejected the contention that a court of equity has no jurisdiction to grant injunctive relief to a patent holder who has unreasonably declined to use the patent.”).

⁸ See Michel & Dowd, *supra* note 6 at 29.

⁹ *Id.*

¹⁰ 126 S. Ct. at 1839.

¹¹ *Id.*

¹² Janicke, *supra* note 2 at 165-66.

¹³ 126 S. Ct. at 1840 (holding District Court and Court of Appeals “departed in . . . opposite direction[s] from the four-factor test” by prescribing general rules by which to grant or deny injunctions).

innovators and implementers, and assist in curtailing the current incentives to efficient infringement of valid patents.

3. In *eBay*, Chief Justice John Roberts drafted a concurring opinion noting “the difficulty of protecting a right to exclude through monetary remedies that allow an infringer to use an invention against the patentee’s wishes.” While he ultimately supported the Court’s decision to do away with the presumption of injunctive relief, he advised courts to follow the “long tradition” of issuing injunctions in patent cases rather than “writing on an entirely clean slate.”

Data suggests that courts have not followed the Chief Justice’s suggestion. A 2017 study issued by the Hoover Institution Working Group on Intellectual Property, Innovation, and Prosperity found that “the *eBay* decision has reduced, rather dramatically, both the level at which injunctive relief is sought in patent cases and the rate at which they are granted.”

- a. **Do you agree with Chief Justice Roberts’s statement that monetary damages do not necessarily adequately protect a patent owner’s right to exclude? Why or why not?**

Yes, I agree with this statement made by Chief Justice Roberts. When monetary damages are employed as a remedy instead of injunctions, the patent owner has no ability to prevent infringers from exploiting the invention. A rule that nearly always requires monetary damages rather than injunctions effectively subjects patent owners to a compulsory licensing regime instead of granting them a right to exclude.

Failure to adequately protect a patent owner's right to exclude also leads to licensee "hold-out" and reverse patent hold-up, which pose a significant threat to the competitive environment in downstream markets, to the climate for continued investment in R&D (particularly by technology companies such as InterDigital), and ultimately to the innovation ecosystem that has provided huge benefits to consumers and the global economy. Companies like InterDigital that engage in significant research efforts aimed at developing technologies for technology standards incur tremendous sunk costs as well as significant risks. Investment in research begins many years before a standard is adopted, and even after adoption it is usually several more years before the first products implementing that standard are brought to market and technology owners begin to receive royalty payments. The significant sunk costs in research investments many years before a standard is adopted make companies like InterDigital a ripe target for opportunistic patent hold-out by licensees who seek to obtain and profit from valuable and necessary technology for below its fair market value.

For such opportunistic standards implementers, in the absence of a real possibility that they will be subject to an injunction, there is a strong incentive to delay taking a license for as long as possible. This allows them not only to take advantage of the weak position of patent owners who have incurred significant sunk costs, but also to gain a competitive advantage vis-à-vis their competitors who have already entered into license agreements. These opportunistic companies, often incorporated and headquartered outside of the United States, recognize that they can take advantage of inadequacies in the legal system that allow them to engage in such delays with little adverse consequence, understanding that post *eBay*, even after a full adjudication, it is very unlikely that they will face an injunction. Thus, they have little incentive to enter in a license agreement to pay royalties even for standards-essential patents (SEPs) that their products necessarily infringe. If they are sued for patent infringement, they know they will almost certainly only face damages that are no more than the fair, reasonable and non-discriminatory (FRAND) royalty that they would otherwise have paid in a negotiated license agreement.

Faced with this type of hold-out strategy, the possibility of obtaining an injunction against an unwilling licensee is one of the only effective means by which research companies, startups, universities, and independent inventors can bring such an actor to the negotiating table to obtain fair compensation for the use of their innovations. The imposition by lower courts of extraordinary hurdles for obtaining injunctive relief against unwilling licensees in the wake of the *eBay*

decision has had particularly significant adverse effects on the remuneration of the SEP holders. This has created an even more challenging environment for innovators to invest in research that would otherwise benefit standards development and ultimately the consumer.

A realistic potential of injunctive relief *for all patent holders* against infringers of valid patents provides a level playing field that encourages all parties to behave reasonably and to attempt to resolve disputes in good faith. Such an environment reduces the incentive for infringers to prolong disputes in an attempt to “wait out” the patent holder knowing that, even after being found to infringe one or more patents they will be required, at worst, only to provide compensation for infringement at some indeterminate point in the future. Timely negotiated resolutions benefit both parties – allowing the implementer to continue commercial activities with certainty that it is authorized by the patent holder and will not be subject to adverse remedies, while the patent holder is provided fair compensation that may be invested in further innovations, rather than on enforcement efforts against the infringing implementer.

It is crucial for the Congress to take measures to support the rights of research companies, startups, universities, and independent inventors to reasonably seek injunctive remedies against those companies that attempt to game the patent system.

b. Please describe the difficulty patent owner’s face in trying to get an injunction.

The case law that has developed since *eBay* has made it especially difficult for non-manufacturing patent owners to obtain injunctions. Courts frequently assume that a patent owner that does not compete in a product market with an infringer cannot show the factors of irreparable harm or inadequacy of damages remedies. This leads to an inequitable result where non-manufacturing patent owners face difficulties in obtaining injunctions that manufacturing companies do not experience. This imbalance negatively affects research organizations, small start-ups, universities and individual inventors. Patents should have equal remedies available regardless of the market position of the patent owner.

Because lower courts have read *eBay* to prohibit injunctions in most circumstances, patent owners like InterDigital face increased difficulties in enforcing their patents. Eliminating this important remedy encourages infringement and decreases return on R&D investment, which in turn decreases incentives to innovate.

4. The America Invents Act introduced inter partes reviews, which allow parties to challenge issued patents before the Patent and Trademark Office. These proceedings were billed as a cheaper, faster alternative to district court litigation.

A study published last year in the American Bar Association's intellectual property law magazine, *Landslide*, found that IPRs have not lived up to their promise. While in isolation an IPR is generally faster and cheaper than district court litigation, IPRs frequently run in parallel to validity challenges in district court. As a result, many patent holders are forced to take on the added expense of defending their patents before the PTO while still defending those same patents in the district court. For some small inventors, this additional expense makes it impossible to enforce their rights.

I know the Patent Office has taken certain steps to minimize the amount of duplicative challenges to issued patents, both before the PTAB and between the PTAB and district courts. The STRONGER Patents Act goes further—among other things by strengthening the estoppel provisions associated with IPRs.

Do these provisions go far enough to ensure that patent owners are not forced to defend their patents on multiple fronts?

Unfortunately, InterDigital has first-hand experience defending its patent rights in two alternative adjudicative forums under two different and conflicting claim construction standards.

In 2013, after years of attempting to negotiate a patent license with ZTE, a leading Chinese cellphone manufacturer, InterDigital brought an action for infringement of U.S. Patent No. 8,380,244 ('244 patent) against ZTE Corporation and ZTE (USA) Inc. (jointly, "ZTE"). The result was a jury verdict finding the asserted '244 patent claims infringed and not invalid and a district court judgment in favor of InterDigital.¹⁴

During the proceedings, and exactly one year from the date of the complaint, ZTE filed an IPR petition challenging the '244 patent. Nearly a year after the jury verdict for InterDigital, the PTAB ruled the

¹⁴ *InterDigital Commc'n. Inc. v. ZTE Corp.*, No. 1:13-cv-00009-RGA, ECF No. 431 at 4, 7 (D. Del.); *id.* ECF No. 456.

asserted patent claims were invalid as obvious in light of the same prior art that the jury had considered and rejected.¹⁵ In doing so, the PTAB applied what it found to be the “broadest reasonable interpretation” of the claims—expressly acknowledging that it was applying a different and broader claim construction standard than the district court had applied.¹⁶

On appeal, the Federal Circuit affirmed the PTAB ruling except with respect to one of the challenged claims, which was remanded for further proceedings. The PTAB again held the remaining claim invalid in March 2018, and yet again, the PTAB’s decision is under review at the Federal Circuit. Given that InterDigital first attempted to defend its rights in the ’244 patent nearly seven years ago—and secured a judgment against ZTE less than two years later—this case is illustrative of the undue delay and waste of resources caused by the former regime that applied the “broadest reasonable interpretation.”¹⁷

The PTAB’s prior use of the BRI standard degraded the substantive rights of inventors in ways Congress could not have intended. When a patent is given its “broadest” possible interpretation, it is far more likely to read on prior art.¹⁸ Application of this standard thus invalidates legitimate patents that would survive if judged based upon the actual meaning of a patent’s claims and undermines the statutory presumption of validity that attaches to issued patents.¹⁹

Moreover, construing claims under the BRI standard creates a deadly Catch-22 for patentees because, while the PTAB (applying that artificially broad standard) is more likely to find a patent invalid, the district court (applying the correct, potentially narrower construction) is less likely to find the patent infringed. This “heads-you-win/tails-I-lose” dynamic is unfair, illogical, and contrary to a core principle of patent law that the same claim construction must be used for infringement and validity.

When the PTAB was established as an alternative forum for adjudicating patent validity, the intent was not to relegate district

¹⁵ *ZTE Corp. v. InterDigital Tech. Corp.*, IPR2014-00525, Paper 48, 2014 WL 10405879 (P.T.A.B. Sept. 14, 2015) (correct date of decision noted on PTAB public electronic docket).

¹⁶ *Id.* at 10-13 & n.4, 2014 WL 10405879, at *6-8 & n.4.

¹⁷ I also support the STRONGER Patents Act’s provision of priority for federal court validity determinations to eliminate repetitive proceedings. This change will ensure that patent owners need not engage in redundant litigation, and that they can remain confident in valid district court judgments.

¹⁸ See 35 U.S.C. §§ 102, 103 (claims invalid if anticipated by or obvious in light of prior art).

¹⁹ See *id.* § 282(a).

courts to providing advisory opinions on validity and infringement based on what the claims *actually* mean as a mere warm-up to an invalidity ruling by the PTAB based on what the claims *might* mean. Yet, this is precisely what occurred under the USPTO's earlier claim construction standard. The PTAB frequently disregarded the claim construction of a district court or the Federal Circuit because it was not the "broadest reasonable interpretation" of the claims.²⁰ In such cases, the PTAB's use of the BRI fostered uncertainty and created an inefficient and imbalanced two-track system for adjudication of patent rights.²¹

Like the inefficiencies presented by divergent claim construction standards, divergent standards for the burden of proof regarding validity proves problematic by emboldening accused infringers to gain a second bite at the apple by raising validity challenges in both forums. And, solely on the basis of the burden of proof, a panel of administrative judges may disregard a trial court's decision to uphold a patent on novelty or obviousness grounds.²² These asymmetric standards discourage both the courts and administrative judges from relying on claim interpretations and invalidity findings handed down in parallel proceedings.²³ The resulting redundancy essentially forces parties to advance the same arguments twice and wastes the already constrained resources of the judiciary and USPTO.

Congressional action is needed to resolve these shortcomings of the AIA. Amendments to § 316(e) and § 326(e) that apply the presumption of validity set forth in § 282(a) and align the burden of proof for invalidation at the PTAB with that of Article III courts will encourage more consistent treatment of patents across separate venues.

²⁰ See, e.g., *Seagate Tech. (US) Holdings, Inc. v. Enova Tech. Corp.*, IPR2014-00683, Paper 47 at 13-14, 2015 WL 5170256, at *9 (P.T.A.B. Sept. 2, 2015); *Google Inc. v. ContentGuard Holdings, Inc.*, CBM2015-00040, Paper 9 at 20-21, 2015 WL 3920037, at *12 (P.T.A.B. June 24, 2015); *Microsoft Corp. v. VirnetX Inc.*, IPR2014-00612, -00613, -00614, Paper 9 at 6-13, 2014 WL 5320530, at *4-8 (P.T.A.B. Oct. 15, 2014), *modified on rehearing on other grounds*, Paper 12, 2014 WL 5840667 (P.T.A.B. Oct. 30, 2014).

²¹ See e.g., Professors of Law and Economics, Response to the Proposed "Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board" at 3 (June 9, 2018), <https://www.uspto.gov/sites/default/files/documents/comment-professors-of-law.pdf>. ("Under the current system, construing the same claims multiple times can drag out validity disputes, forcing parties to spend more on needless litigation and undermining the efficiency goals of the AIA trial proceedings.")

²² See, e.g., *Novartis AG v. Noven Pharms., Inc.*, 853 F.3d 1289, 1293-94 (Fed. Cir. 2017) (holding PTAB is not bound by district courts' findings of validity, even when evaluating such decisions on identical evidence).

²³ See *id.*

Proceedings before the PTAB should provide outcomes that are fair, efficient, and cost effective for both parties—not merely a forum in which petitioners expect a greater probability of invalidation than in district court. The amendments in the STRONGER Patents Act are a prerequisite to achieving these long-pursued objectives.

5. The Patent Office undertook a study to determine the extent to which patents face multiple IPR petitions. It found that 15% of patents that have been challenged in an IPR face two or more petitions; 16% of multiple petitions are filed after the PTAB already decided to institute the first IPR; and approximately 5% of multiple petitions face multiple rounds of institution. These statistics suggest that a patent is never safe from further review by the Patent Office, no matter how many times it has been upheld.

I see this as a real problem. Those accused of infringing a patent should not be able to avoid liability by undertaking a war of attrition against what oftentimes is a smaller, less well-funded patent owner.

Do you believe that the problem of multiple petitions is a real one? If so, does the STRONGER Patents Acts fix this problem? Why or why not?

Section 102(f) of the STRONGER Patents Act introduces practical and effective provisions to limit the current potential for abusive serial challenges to a patent before the PTAB. Statistics like the ones provided by the USPTO suggest that multiple challenges to patents are more than a hypothetical risk. It is appropriate and warranted to limit challenges to the same patent in the interest of judicial and administrative efficiency and to promote predictability and certainty for patent holders.

6. A big driver behind the America Invents Act was a narrative that American businesses were under attack by so-called “patent trolls.” What exactly falls within the definition of “patent troll” seems to have evolved over time. The term is frequently applied to entities that buy supposedly “bad patents” and extort money from small businesses by threatening them with litigation. But it’s also been applied to universities that seek to enforce patents covering the inventions their researchers and big companies that invented the subject matter covered by their patents and sell products that embody those inventions.

We should not be disparaging the universities, companies, and small inventors that are doing the hard work of innovation. We should be encouraging them and incentivizing them to continue this work.

a. Do you believe that the United States has a patent troll problem?

- b. **What is your definition of a patent troll?**
- c. **Would universities, businesses, and small inventors that put in the time and effort to invent fit within your definition?**

Although I do not have a definition of a so-called “patent troll,” and have not been persuaded that the United States has a “patent troll problem,” I am clear that universities, companies and small inventors that commit time, resources and capital to engage in risky R&D activities and that seek to be rewarded for their successful innovations by obtaining fair and adequate compensation for the use of their patented technologies are not “patent trolls.” The Federal Trade Commission refers to these innovators as “non-practicing entities” (NPEs) – “patent owners that primarily seek to develop and transfer technology.”²⁴ NPEs are not “patent trolls” but rather are important drivers of America’s technological leadership and should be encouraged and rewarded. I completely agree that we should rebuff efforts to apply disparaging labels on the universities, companies and small inventors that have been doing the important and hard work of innovation.

- 7. In a blog post last year, Cisco General Counsel Mark Chandler praised inter partes reviews, saying “[t]he new tool has been a boon for the victims of shake down tactics to extract value from weak patents.”

It seems as though if there are entities misusing patents to “shake down” businesses, we should be going after that bad conduct, not weakening the patent system.

That is exactly what the STRONGER Patents Act does. It treats the sending of abusive demand letters as an unfair and deceptive practice and gives the Federal Trade Commission the authority to crack down on these practices.

Do you agree that it is better to give the Federal Trade Commission the authority to stop abuses of the patent system rather than weakening patent rights across the board by subjecting them to repeated review by the Patent Office? Why or why not?

²⁴ See, FED. TRADE COMM’N, THE EVOLVING IP MARKETPLACE: ALIGNING PATENT NOTICE AND REMEDIES WITH COMPETITION (2011) at 8 n 5.
<https://www.ftc.gov/sites/default/files/documents/reports/evolving-ip-marketplace-aligning-patent-notice-and-remedies-competition-report-federal-trade/110307patentreport.pdf>.

I support treating the sending of abusive demand letters as an unfair and deceptive practice and giving the Federal Trade Commission the authority to address these practices. Weakening patent rights across the board has the negative consequence of penalizing all patent owners and does not specifically target bad faith patent assertion tactics. The Federal Trade Commission has specialized expertise in combatting unfair and deceptive business practices, and will be able to recognize and investigate abusive behavior where it occurs. Instead of subjecting all patent owners to repeated reviews by the Patent Office, the STRONGER Patents Act provides a more efficient and tailored solution to the problem of bad faith “shake down” tactics that may be employed by patent assertion entities.