

Chairman Tillis - STRONGER Patents Act Hearing

Questions for Professor Tom Cotter, Mr. Joshua Landau, and Mr. Dan Lang

1. What would be the impact on litigation rates if the proposed changes to IPR in the *STRONGER Patents Act* were enacted by statute?

Response: Litigation rates would most likely increase and return to pre-America Invents Act (AIA) levels. The AIA established inter partes review as a low cost, more efficient method for challenging patents in an adversarial procedure. The prospect of invalidation in the PTAB has become a meaningful deterrent to suing on weak patents. The STRONGER Patents Act essentially guts those reforms. The proposed change to the standard of review and the “one and done” approach to multiple petitions will make the IPR procedure far less effective. The business model of asserting weak patents would be reenergized leading to more wasteful lawsuits if the IPR provisions in the STRONGER Act were enacted.

2. The PTO has released a lot of data about how IPR is working. When I look at the data, I see a pretty balanced system. 40% of the time last year, the PTO did not even pursue the request to look at the patent by instituting the petition. And when it does take a closer look, a lot of times the patent survives. How can that data be squared with allegations that IPR needs a major statutory overhaul?

Response: As your question implies, I do not believe that the PTO data supports the allegations that a major statutory overhaul is necessary. As noted in my written testimony, the IPR system indeed has been a huge success and has been faster and less expensive than litigation in district court. The data you cite indicates that since its inception, the PTAB has carefully evaluated institution requests. Moreover, PTAB’s decisions to invalidate patents or uphold them have been fully upheld on appeal more than 74% of the time which suggests further that the system is working and does not require major adjustment.¹

No system is perfect, and statistics may not be a comfort to someone who has lost a valuable patent in PTAB proceedings. Director Iancu has made several changes to address perceptions about the PTAB’s fairness. This is the right approach to dealing with criticism of the PTAB rather than fundamental statutory changes.

3. Shouldn’t we take time to understand the cumulative impact of those changes before considering others?

¹ David C. Seastrunk, Daniel F. Klodowski, Elliot C. Cook, Federal Circuit PTAB Appeal Statistics Through March 15, 2019, Finnegan AIA Blog (April 18, 2019) <https://www.finnegan.com/en/insights/blogs/america-invents-act/Federal-Circuit-PTAB-Appeal-Statistics-Through-March-15-2019.html> (last visited Oct. 15, 2019)

Response: Yes. Congress responded to criticisms of the prior reexamination process and intentionally required the PTO and its Director to establish rules governing the new adversarial process.

4. The PTO Director has significant discretion in setting guidelines for the institution of IPR petitions and he has certainly used it to the benefit of patent owners. Why is any action by Congress needed here?

Response: As more fully explained below, I believe that the more prudent path for Congress is to allow this relatively new but thoughtfully designed process to continue to evolve. The PTO is authorized and instructed to insure the process provides fairness to all participants and shields patent owners from harassment. The Director and PTO stakeholders should continue to address any issues that arise as Congress contemplated in the AIA less than a decade ago.

5. Do any of the panelists believe Congress should consider codifying the Director's administrative actions as a starting point?

Response: Taking a wait-and-see approach to analyze and digest the results of the Director's recent administrative actions is a better option than rushing to codify the actions.

By statute, the USPTO and its Director are provided with specific but broad powers to establish and effectuate procedures and regulations related to the grant and issuance of US patents.² These procedures and regulations are consistently fine-tuned to strengthen our patent system. Within this statutory framework, Director Andrei Iancu has promulgated numerous administrative actions and proposals, including iterative measures to improve post-grant proceedings. But the Director only began his role in 2018, and most of his actions are very recent. As I explained in my testimony, actions including the standard for handling multiple petitions³, the claim interpretation standard in post-grant proceedings⁴, and the new pilot program concerning amendments in post-grant proceedings⁵ were all initiated less than a year ago. Some passage of time is required for the results of these initiatives to be studied by the USPTO, alongside feedback from applicants, practitioners, and other interested public parties. A rush to codify any administrative actions or directives would hamstring Director Iancu and future Directors from making

² *See, e.g.*, 35 U.S.C. §§ 2-3.

³ USPTO, Trial Practice Guide Update (July 2019), <https://www.uspto.gov/sites/default/files/documents/trial-practiceguide-update3.pdf> (last accessed on Sept. 26, 2019)

⁴ Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 FR 51340 (effective Nov. 13, 2018)

⁵ Notice Regarding a New Pilot Program Concerning Motion To Amend Practice and Procedures in Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board, 84 FR 9497 (effective Mar. 15, 2019)

remedial measures and works against the statutory framework underpinning the USPTO.

6. For a company, a competitor using your technology could end up in lost market share and a real harm to your business. Prior to *eBay*, injunctions were granted at a very high rate. How does the post-*eBay* grant rate compare? Can companies still protect against competitors taking their technology?

Response: This hypothetical example was reality not too long ago for Cisco, and our experience demonstrates that competitors and practicing entities can ably protect their business post-*eBay*. In 2014, we filed suit in district court and in the International Trade Commission against an abusive infringer. While we were confident that that we were on course to win at the district court and obtain an injunction applying the four *eBay* factors, we ultimately settled the dispute prior to trial. Cisco would have of course benefited from the presumptions of irreparable harm and inadequate remedies at law, but the patent system should be balanced, and not unfairly favor any party.

Entities, including competitors, can still successfully seek injunctions in a post-*eBay* world. Professor Thomas Cotter and Mr. Joshua Landau both testified to permanent injunction statistics and respectively noted that that prevailing patent owners seeking injunctive relief were granted permanent injunctions in 75% of cases post-*eBay*⁶, and that the grant rate declined only slightly for contested decisions after the 2006 Supreme Court ruling.⁷ What should be emphasized is that *eBay* helped competitors and operating companies return to a more balanced position when facing threats from non-practicing entities (NPEs). That is, *eBay* reduced NPEs' unfair negotiation leverage resulting from the mere prospect of automatic injunctions facing operating companies.

7. I understand that the *eBay* decision returned patent law to an equitable test for injunctions. How does that compare to other areas of law?

Response: The Supreme Court in *eBay* explained that finding irreparable harm is part of the “traditional test” for determining whether to grant permanent injunctive relief to prevailing plaintiffs, and that this test equally applies to disputes arising under the Patent Act.⁸ In other words, patent law is not unique compared to other areas of law. Courts have routinely found that the same to be true in other aspects of intellectual property law including:

⁶ Written Testimony of Professor Thomas F. Cotter before the Senate Committee on the Judiciary, Subcommittee on Intellectual Property (September 11, 2019) at 1, FN3.

⁷ Written Testimony of Joshua Landau before the Senate Committee on the Judiciary, Subcommittee on Intellectual Property (September 11, 2019) at 9.

⁸ 547 U.S. at 390.

- Copyright – “presuming irreparable harm in a copyright infringement case is inconsistent with, and disapproved by, the Supreme Court's opinions in *eBay*,”⁹
- Trademark and Lanham Act – “Because a presumption of irreparable harm deviates from the traditional principles of equity, which require a movant to demonstrate irreparable harm, we hold that there is no presumption of irreparable harm afforded to parties seeking injunctive relief in Lanham Act cases;”¹⁰ and
- Trade secret – a reading “that a presumption of irreparable harm automatically arises upon the determination that a trade secret has been misappropriated ... is not correct.”¹¹

Thus, another concern with S. 2082 is that it will incongruently treat patent injunctions versus other areas of intellectual property law.

8. The number of petitions that are ultimately successful, in whole or in part, during PTAB proceedings suggests that a number of “bad patents” that should never have been issued in the first place *are issued* by the USPTO. That suggests to me that we should explore ways to improve the patent examination process. What suggestions do you have for how Congress can make the patent examination process stronger? Absent congressional action, are there any administrative changes Director Iancu can take to improve the patent examination process?

Response: Congress can explore the following legislative measures to continue to support the USPTO:

1. Revise Section 112(f) to limit the scope of all functional claims to their disclosed embodiments and not just claims that use words like “means”
2. Revise Section 112(a) to require that the specification as originally filed clearly shows possession of the full scope of the invention for any claim whether it be of the originally filed claim or one found in a continuation
3. Authorizing the USPTO to more steeply discount the filings of individual inventors and small entities to thereby allow greater increases in fees to

⁹ Flexible Lifeline Sys. v. Precision Lift, Inc., 654 F.3d 989, 998 (9th Cir. 2011); see also Salinger v. Colting, 607 F.3d 68 (2nd Cir. 2010) (similar holding).

¹⁰ Ferring Pharm., Inc. v. Watson Pharm., Inc., 765 F.3d 205, 216 (3d Cir. 2014); see also Herb Reed Enters., LLC v. Fla. Entm't Mgmt., 736 F.3d 1239, 1249 (9th Cir. 2013) (similar holding)

¹¹ Faiveley Transp. Malmo AB v. Wabtec Corp., 559 F.3d 110, 118 (2d Cir. 2009)

support more examination time, quality review, and state of the art search tools while protecting broad access to the patent system.

Even with more legislative and administrative support, it is inevitable that some “bad patents” will issue given the high volume of patent applications and human error. Combined with the millions of US patents previously issued still with years of pendency, it is therefore very important that we keep in place our re-examination system so parties can adequately and fairly counter groundless threats and sham litigations.

**Dan Lang –
Innovation in America: How Congress
can make our patent system STRONGER
Questions for the Record
Submitted September 18, 2019**

QUESTIONS FROM SENATOR COONS

1. Your testimony suggests that injunctive relief is appropriate only in the context of disputes between large competitors. I am concerned, however, about independent inventors without the means to commercialize their inventions, job-creating startups who already face significant barriers to entry against established market players, and universities who rarely commercialize their own inventions. Why should they be denied the possibility of injunctive relief, particularly in the context of patent claims that include a statutory “right to exclude”?

Response: The *eBay*¹ decision does not restrict injunctions to large competitors either in intent or effect. It treats patent holders like other types of plaintiffs who are seeking the extraordinary remedy of an injunction. The four-factor test does not exclude the possibility of an injunction for a job-creating startup for example, but rather restricts injunctions to situations where they are an appropriate remedy for the harm suffered due to infringement. The standard for granting an injunction to a startup patent holder is no more or less restrictive than it is for issuing one for a large established company which is the way it should be.

The framework set out by the *eBay* decision is not only faithful to the Constitution’s vision of patents as an early kind of industrial policy to encourage innovation, but also the right match for the 21st century innovation economy. The Framers understood that patents came with both costs and benefits and were careful to tie patents to “progress in science and the useful arts.”² The latest fruits of that progress include complex but ubiquitous products like smartphones, computers, and networking devices that implement thousands of ideas, many patentable but also many not. On the other hand, newfangled forms of “financial engineering” on the part of private equity firms and hedge funds promotes patent enforcement as an isolated business activity performed by specialized entities that, generally speaking, do not develop, make or market products.

In our current environment, the availability of automatic or presumptively granted injunctions often only serves to enhance the monetary reward to enforcing patents. A finding of infringement on a single patent risks interrupted sales of products or services that implement thousands of inventions. The inflated costs are borne by consumers and ironically by businesses that themselves innovate to bring products to market. The four-factor test of *eBay* is not only correct under general principles of remedies law but also the right way to apply the Constitution’s vision of patent policy to the 21st century economy.

¹ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 126 S. Ct. 1837, 164 L. Ed. 2d 641 (2006)

² U.S. Const. art. I, § 8, cl. 8

2. Do you agree with Chief Justice Roberts' observation that our country's "long tradition [of granting injunctions for ongoing infringement of valid patents is not surprising, given the difficulty of protecting a right to exclude through monetary remedies that allow an infringer to *use* an invention against the patentee's wishes"?

Response: In his concurrence in *eBay*, Justice Kennedy (joined by Justices Souter, Breyer, and Stevens) responded very effectively to Chief Justice Roberts' description of past practice by focusing instead on how the patent system should work in the innovation economy that was already blooming in 2006 and is now in full flower. "In cases now arising trial courts should bear in mind that in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases."³ Justice Kennedy realized that the flexible four-factor standard would be a necessity in the new environment. He understood then that a non-practicing entity asserting a patent against a complex product was not the kind of situation that had made injunctions the norm in the past.

No doubt many of the patent infringement suits of the past between competitors of all sizes would qualify for injunctive relief under today's *eBay* 4-factor test. But an entity like Uniloc (that I discussed in my testimony) that acquires and enforces patents at scale with private equity backing is a poor fit for the previous rigid injunction regime. Justice Kennedy's concurrence pointed out that "for these firms, an injunction, and the potentially serious sanctions arising from its violation, can be employed as a bargaining tool to charge exorbitant fees to companies that seek to buy licenses to practice the patent."⁴

Justice Kennedy also well understood how patent enforcement would change in practice as products became more complex with the rise of information technology. "When the patented invention is but a small component of the product the companies seek to produce and the threat of an injunction is employed simply for undue leverage in negotiations, legal damages may well be sufficient to compensate for the infringement and an injunction may not serve the public interest."⁵ Awarding injunctions without regard to these realities will indeed impose tremendous costs on consumers and innovators while rewarding financial manipulators who are well-positioned to master the new rules of the game.

3. Do you agree that the lack of meaningful access to injunctive relief and the cost of defending patent claims against abusive serial *inter partes* review petitions have weakened patent owners' ability to enforce valid patent claims against infringers, particularly when infringers

³ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396, 126 S. Ct. 1837, 1842, 164 L. Ed. 2d 641 (2006)

⁴ *Id.*

⁵ *Id.* at 396-97

can afford the risk of future royalty liability and meanwhile continue to infringe, erode patent owners' market share, and divert patent owner resources to expensive litigation?

Response: I would reject the dual premises of the question. Access to injunctive relief is available where it is the appropriate remedy to the harm of infringement. There is no credible evidence that shows that abusive serial inter partes reviews are widespread. As the history of the America Invents Act showed, significant changes to patent law require broad consensus. Achieving consensus on further changes will require a shared understanding of how the patent system in fact operates today and where improvements are even needed.

Injunctive relief remains available and in fact remains quite prevalent as reflected in the testimony of Professor Cotter. Indeed, the question specifically mentions the harm of eroded market share, the situation most likely to lead to an injunction. An accused infringer may of course continue to litigate against a competitor plaintiff but the calculus of settlement will have to reflect the risk of interrupted sales. Sophisticated customers of an accused infringer will inevitably raise pointed questions about continuity of supply. This leverage continues to be a reality under *eBay*.

However, even in situations, such as enforcement by a non-practicing entity, where injunctions now are unlikely, there are real risks posed to an accused infringer who continues to defend against a well-founded assertion of a patent that represents a meaningful advance over the prior art. Damages may be trebled for willful infringement.⁶ The Supreme Court's *Halo*⁷ decision in 2016, significantly lowered the standard for willful patent infringement, eased the burden of proof from clear and convincing evidence to a preponderance of the evidence, and gave district courts wide berth to impose treble damages. Similarly, the Court's 2014 decision in *Octane Fitness*⁸ rejected the Federal Circuit's "rigid" standard and provided the prevailing party with more flexibility in seeking attorneys' fees. Since these landmark decisions, litigants have filed on average over 70% more motions for willful patent infringement and attorneys' fees than in the previous four years, respectively.⁹ Fighting on when defeat is likely in the end is a very expensive strategy when one factors in the costs of enhanced damages and legal fees.

The claims of widespread abusive serial petitions seem to be based on anecdotes unsupported by data. As a threshold matter, the IPR process is not to blame if multiple defendants attempt their own challenges to a patent's validity. Patent challengers have always been able to do this in district court. As of a mid-2017 USPTO study, 87.2% of patents that had been challenged in the PTAB were subject to no more than two petitions.¹⁰ Since that time, the

⁶ 35 U.S.C. § 284

⁷ *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016)

⁸ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014)

⁹ Statistics gathered from Docket Navigator for motions under 35 U.S.C. §§ 284 and 285

¹⁰ Ruschke, D. and Saindon, W. (2017). *An Analysis of Multiple Petitions in AIA Trials*. Chat with the Chief. [online] USPTO. Available at:

USPTO has taken significant steps to curb whatever abuse there may have been in precedential PTAB decisions like *General Plastics*¹¹ and *Valve*.¹² Also, under the new Trial Practice Guide, the PTAB now requires a justification for serial petitions.¹³ Seriatim challenges by a single petitioner or even a coordinated group of petitioners are now unlikely to be instituted unless there is a persuasive rationale for their necessity. I do not see either the *eBay* decision or the IPR procedure as meaningful obstacles to good faith enforcement of valid patents against infringers.

4. PTAB trials were created to provide an efficient second look at patentability, but I continue to hear disturbing stories of patent owners subject to costly repeated attacks on the same patent claims, even after those claims have survived validity challenges in district courts and prior PTAB trials. How is it efficient for the PTAB to repeatedly reevaluate patent claims, even after an examiner, courts, and PTAB panels have found them patentable? Do you at least agree that each petitioner should include all patentability arguments in a single petition?

Response: I agree that the PTAB was created to provide an efficient second look at patentability. The IPR system created by the America Invents Act reflects a painstaking compromise to balance diverse interests. The procedure is restricted to validity challenges based on prior patents and printed publications and does not permit challenges based on other types of prior art or based on sections 101 and 112 of the Patent Act. Anticipating that operating a fair IPR process would require learning and iterative adjustment of rules and procedures, Congress left the USPTO considerable discretion in shaping institution criteria.

In my view, the PTAB is performing very well at the mission assigned to it by Congress. Based on the kind of data that I mentioned in the answer to my previous question, repeated attacks have been rare. Under Director Andrei Iancu, there have been rule changes to limit abusive petitions, revised claim construction standards, and there is also a new pilot program to facilitate amendments by patent owners. Director Iancu is sensibly pausing substantial new changes to PTAB rules to give those already in effect a chance to play out.

I do not agree that it will always make sense for each petitioner to be limited to a single petition, any more than I would suggest that a patent owner should be limited to asserting a single claim. A petitioner may need to challenge numerous claims and address multiple feasible claim constructions while fitting the arguments of any one petition into a limited number of pages mandated by the USPTO. Under the estoppel provisions of the AIA, once a

https://www.uspto.gov/sites/default/files/documents/Chat_with_the_Chief_Boardside_Chat_Multiple_Petition_S_tudy_20171024.pdf [Accessed 14 Oct. 2019].

¹¹ *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, Case IPR2016-01357 (PTAB Sept. 6, 2017) (Paper 19)

¹² *Valve Corp. v. Elec. Scripting Prod., Inc.*, IPR2019-00084, Paper 11 (PTAB April 2, 2019)(first-time petitioner Valve Corp. was denied institution under the General Plastic factors, largely because another party (HTC) had already filed a similar IPR earlier)

¹³ USPTO, Trial Practice Guide Update (July 2019), <https://www.uspto.gov/sites/default/files/documents/trial-practice-guide-update3.pdf> (last accessed on Sept. 9, 2019)

petition is instituted, any argument that was not raised in IPR is no longer available in litigation. A hard and fast rule mandating a single petition does not address the range of circumstances that may arise or the potential devastating consequences to the challenger, or quite frankly, the public. On the other hand, the USPTO has the authority to define rules to limit truly abusive petitions and uses it.

5. PTAB trials were also created as an alternative to district court litigation, but nothing prevents patent challengers from pursuing attacks in both forums, and these challenges are adjudicated according to different standards of proof and – until recently – different claim construction standards. Furthermore, the lack of a standing requirement at the PTAB has enabled unforeseen abuses by, for example, hedge funds seeking to manipulate stock prices of petitions seeking to harass competitors. Why should infringers be permitted to attack issued patent claims in both forums, and why should the PTAB not apply the same standards as district courts for evaluating challenges to issued patent claims?

Response: The AIA in fact already greatly limits the ability of challengers to pursue validity challenges in multiple fora. Once a lawsuit has been filed, a defendant must bring any IPR challenge within a year. A challenger cannot pursue a declaratory judgment challenge in parallel with an IPR challenge to the same patent. Strict estoppel provisions prevent IPR challengers from pursuing any argument that could have been made in an IPR petition in later district court litigation.

The lack of a standing requirement is in fact a reasonable response to a very real “tragedy of the commons” problem with patent quality. An invalid patent can cause diffuse harm across an entire industry in litigation risk and uncertainty about the need to avoid infringement. But for any one potential challenger, the cost of pursuing an IPR proceeding may be more than the benefit in avoided risk and reduced uncertainty. Organizations such as Unified Patents and RPX can aggregate funds from many affected businesses to challenge invalid patents that would otherwise remain unchallenged. Creating a new standing requirement would undermine an important mechanism for improving patent quality.

I agree that hedge funds should not be able to file IPRs for the purpose of manipulating a patent owner’s stock price. However, this business model was apparently unsuccessful and did not continue. If it were to reemerge, the solutions would lie in securities law. It would not be sensible to restructure the IPR system to address this unintended temporary phenomenon.

The difference in standards between the IPR procedure and district court makes sense when one considers that the IPR procedure was based on an understanding of widespread concerns with patent quality. Using a “clear and convincing evidence” standard would block the USPTO from effectively revisiting what were in fact erroneous decisions to grant patents in the first place. Given the limited resources and time available to US patent examiners, such deference to their work does not make sense when it is being revisited by expert Administrative Patent Judges.

If Congress were to someday want to rationalize validity determinations among different fora without enabling abusive patent enforcement or harming patent quality, a different approach would be required. The IPR procedure should be expanded to encompass all types of prior art and grounds of invalidity including sections 101 and 112. This would make it more likely that validity would be assessed entirely at the USPTO rather than in district court. Congress could also consider having district courts move to a “preponderance of the evidence” standard for invalidity determinations to reflect the realities of initial patent examination.

Questions for the Record for Dan Lang From Senator Mazie K. Hirono

1. 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.”

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?

Response: When patent owners suffer the loss of market share to competitors, injunctions may be appropriate or even necessary to address the competitive harm and monetary remedies may indeed be inadequate as Chief Justice Roberts (joined by Justice Ginsburg) suggested in his concurrence.¹ Non-practicing entities (NPE) however, do not seek to maintain exclusivity but rather to maximize their royalty income. Where the only damage is the loss of royalties, injunctions are unnecessary to protect the interests of the patent owner. The prospect of treble damages for willful infringement and wasted legal fees are a sufficient goad to an accused infringer to settle a meritorious claim by a non-practicing entity. Justice Kennedy’s concurrence (joined by Justices Stevens, Souter, and Breyer) recognized the disruption caused to consumers and business when non-practicing entities seek and obtain injunctions only for the purpose of leverage.²

The constitutional purpose of the patent system is “to promote the progress of science and useful arts” and not to maximize the leverage of patent owners.³ Injunctions for even minor patents can impose tremendous costs. To avoid the risks of interrupted sales and expensive redesign, accused infringers will be motivated to pay royalties far in excess of the actual value of the invention. Patent royalties should reflect the value added by the invention rather than the benefit of avoiding an injunction. Presumptive injunctions thus reward gamesmanship in asserting patents of questionable value rather than innovation.

2. 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

¹ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 395, 126 S. Ct. 1837, 1841, 164 L. Ed. 2d 641 (2006)

² *Id.* at 396-97

³ U.S. Const. art. I, § 8, cl. 8

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.

I came across some articles that quoted an executive at one of your competitors as saying that Cisco was “behaving very much like a patent troll.”

- a. Do you consider Cisco to be or behave like a patent troll?**
- b. Do you believe that the United States has a patent troll problem?**
- c. What is your definition of a patent troll?**
- d. Would universities, businesses, and small inventors that put in the time and effort to invent fit within your definition?**

Response: The rise of patent assertion entities⁴ (PAE) and the costs they have imposed on the public is an ongoing reality rather than a myth. In 2018, 47% of all patent litigation was brought by NPEs.⁵ Indeed, PAEs continue to impose costs on small businesses and even non-profits. Consider for example, the lawsuit brought recently by Rothschild Patent Imaging LLC against the GNOME Foundation which provides an open source desktop Linux environment.⁶ The suit alleges infringement of a patent that purports to cover the process of receiving photo images, filtering based on criteria, and then forwarding the images using wireless technology. Rothschild Patent Imaging LLC is one of a family of patent monetization vehicles controlled by a single parent entity. The patent seems to be of questionable validity but the costs of defending against it will be very real.

However, at Cisco we have not used the term “troll” in our policy advocacy. I do not have a definition of “troll,” but I do not think one is necessary because legal standards should not depend on value judgments about the asserting entity. We recognize that there is a diversity of business models for intellectual property. Our perspective reflects our experiences in both enforcing patents and in defending against infringement allegations. An invalid patent should not be enforceable whether it is in the hands of large company, a university, or a patent monetization business. The equitable factors of *eBay* should be applied to every successful patent plaintiff to identify the appropriate remedy whether it be an injunction or

⁴ A patent assertion entity is a subset of NPEs and is distinguished by the Federal Trade Commission by its predatory monetization motives. While some NPEs seek to develop or transfer their technology, a PAE “primarily acquires patents and seeks to generate revenue by asserting them against accused infringers.” [Patent Assertion Entity Activity: An FTC Study, Federal Trade Commission](#) (Oct. 2016), p. 15.

⁵ Howard, D. and Wexler, J. (2019). *Patent Litigation and Marketplace Report Public Excerpt*. RPX Corporation, p.4. Available at: <http://www.rpxcorp.com/wp-content/uploads/sites/6/2019/04/RPX-2018-Patent-Litigation-and-Marketplace-Report-Public-Excerpt-042419.pdf> [Accessed 14 Oct. 2019].

⁶ See Landau, J. (2019). Mythical Troll Attacks GNOME. [Blog] *Patent Progress*. Available at: <https://www.patentprogress.org/2019/09/26/mythical-troll-attacks-gnome/> [Accessed 14 Oct. 2019].

monetary damages that addresses the harm. Contrary to the belief of some, we call for neutral standards in patent law and not for special harsh treatment for patent owners who meet the criteria of disfavored categories.

3. 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?

Response: Mark Chandler’s blog post⁷ focused on the important role that IPR plays in addressing the problematic assertion of weak patents. Demand letters are only one component of abusive patent assertion. Indeed, in our experience the vast majority of patent assertions begin with service of a complaint with no prior correspondence. Many states have already adopted their own laws to protect against abusive demand letters. The STRONGER Act would unfortunately preempt these laws.

Moreover, addressing abusive demand letters is no substitute for IPR which does not “weaken patent rights” but rather helps assure that only valid patents are successfully asserted. Mr. Chandler’s blog post recognized that the procedure was controversial even with the pharmaceutical industry that had supported it earlier. But the way to broaden acceptance of IPR is to evolve its procedures rather than to undermine it. And in the long run, assuring that examination is done right the first time by improving the quality of searching is one of the best ways to protect patent owners from losing their patents to validity challenges in either the PTO or the courts.

⁷ Chandler, M. (2018). Cisco General Counsel Calls for IPR Improvements to Protect Patentholders. [Blog] *Cisco Blog: Executive Platform*. Available at: <https://blogs.cisco.com/news/cisco-general-counsel-calls-for-ipr-improvements-to-protect-patentholders> [Accessed 14 Oct. 2019].