Questions for Ms. Abigail Rives
Submitted by Senator Patrick Leahy
October 26, 2021

1. **My bill with Ranking Member Tillis—the Pride in Patent Ownership Act—requires recording the ultimate parent company of a patent owner.**

    a. **Why might a small business owner, concerned about her business, benefit from knowing the ultimate parent company when she looks at a U.S. patent?**

There are a number of reasons a startup or small business owner would benefit from knowing the parent company that owns a U.S. patent. This type of information can, e.g., reduce transaction costs and improve the market for patent licensing, equip startups with information to respond to (even frivolous or abusive) patent assertion, and discourage abusive practices.

First, if a startup founder wants to license patented technology, she needs to know who to ask for a license. That process is most efficient (and affordable) if she can quickly find accurate ownership information. (The flip of this is also true. If a startup owns a patent and someone else wants to take a license or launch a partnership, the startup benefits when others can find them.)

Second, for a startup accused of infringement, knowing who ultimately owns the asserted patent can be critical in shaping the company's response. When a company receives a demand letter or is sued for infringement, it needs to assess things like validity, infringement, and licensing—and knowing who owns the patent helps in those assessments. For example, the startup might not infringe because it has a license from the patent owner's parent, or one of the startup's customers or suppliers might have a license that covers the startup's activities. Separately, a startup accused of infringing one patent might want to look up the parent company's patent portfolios and request a broader license that encompasses a few related technologies.

Knowing who owns a patent can also help startups accused of infringement respond efficiently and strategically. If the ultimate parent company has a well-documented history of asserting invalid patents against other small businesses, then the startup might devote a bit of time and money scrutinizing validity. A startup might want to know if the ultimate parent company has invested in the startup's competitors. And if the parent company is suing lots of small businesses at the same time, there might be ways for the accused startup to defend itself in coordination with others or ways to leverage state laws against abusive assertion.[1]

[1] *E.g.*, 9 V.S.A. § 4197(b)(8) (defining bad faith assertion, in part, by looking to whether "[t]he person or its subsidiaries or affiliates have previously filed or threatened to file one or more lawsuits based on the same or similar claim of patent infringement").

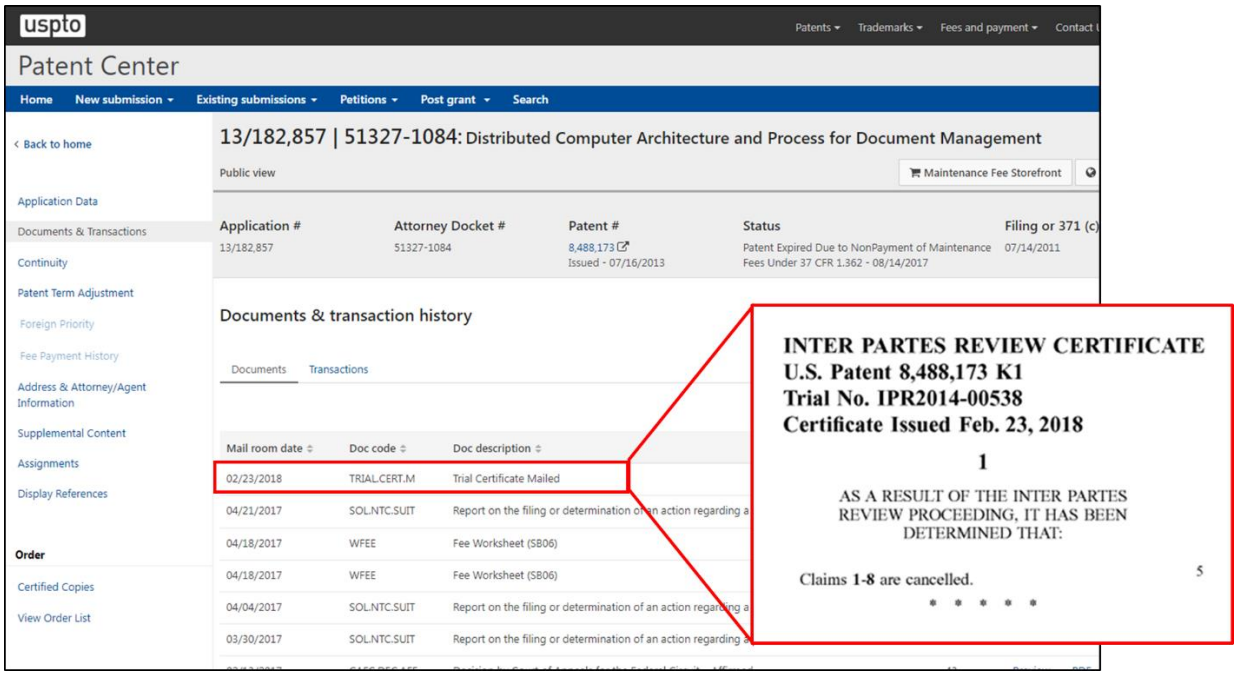
Third, hiding patent ownership enables abusive patent practices, and by bringing more transparency into the patent system it will help reduce the amount of frivolous and meritless patent assertion against U.S. startups.[2]

b. Are there other pieces of information, such as who has an exclusive license to the patent, or who stands to benefit from asserting the patent, that you would like to know when you look at a U.S. patent?

The Pride in Patent Ownership Act would make a valuable contribution, increasing transparency in the U.S. patent system so that startups, small businesses, and the public could more readily determine who owns patents. Additional information—for example, information that implicates validity, standing to sue, licenses, and litigation funding—can also be valuable; although, encouraging or mandating disclosure of some information should be balanced against competing interests.

First, a more user-friendly catalog of patent invalidity determinations would be helpful—where someone searching for a patent could also see court or Patent Trial and Appeal Board (PTAB) decisions on validity. Right now, information about invalidity can be spread out across, e.g., PACER,[3] court websites,[4] a PTAB decisions portal,[5] and private or subscription-based sources. But this information could be included in U.S. Patent and Trademark Office (USPTO) databases, like Patent Center,[6] so that when you searched for a given patent you would see whether any of its claims had been canceled. Right now, when you search Patent Center, there is a Documents & Transactions section where you can find PDFs noting whether claims were canceled through a PTAB proceeding.[7] For example:

[2] *See generally* Rives Testimony at 3-7.
[3] Public Access to Court Electronic Records, https://pacer.uscourts.gov/ (last visited Sept. 1, 2022).
[4] *E.g.*, Opinions & Orders, U.S. Court of Appeals for the Federal Circuit, http://cafc.uscourts.gov/home/case-information/opinions-orders/ (last visited Sept. 5, 2022).
[5] PTAB Decisions, USPTO, https://developer.uspto.gov/ptab-web/#/search/decisions (last visited Sept. 1, 2022).
[6] Patent Center, USPTO, https://patentcenter.uspto.gov/ (last visited Sept. 1, 2022).
[7] For example, I recently searched Patent Center for a handful of patents to see what information was available. For U.S. Patent No. 8,488,173, one of the patents (then an application) asserted by MPHJ in demand letters, Ricoh, Xerox, and Lexmark filed IPR2014-00538 challenging all claims of the patent. The PTAB held those claims were anticipated and obvious, and there is an IPR certificate in Patent Center recording that result. *See, e.g.*, Joe Mullin, *Patent Trolls Want $1,000—for Using Scanners*, ArsTechnica (Jan. 2, 2013), https://arstechnica.com/tech-policy/2013/01/patent-trolls-want-1000-for-using-scanners/ (providing a copy of a demand letter). Similar information about the results of an IPR is available in Patent Center for, e.g., U.S. Patent No. 6,225,901.

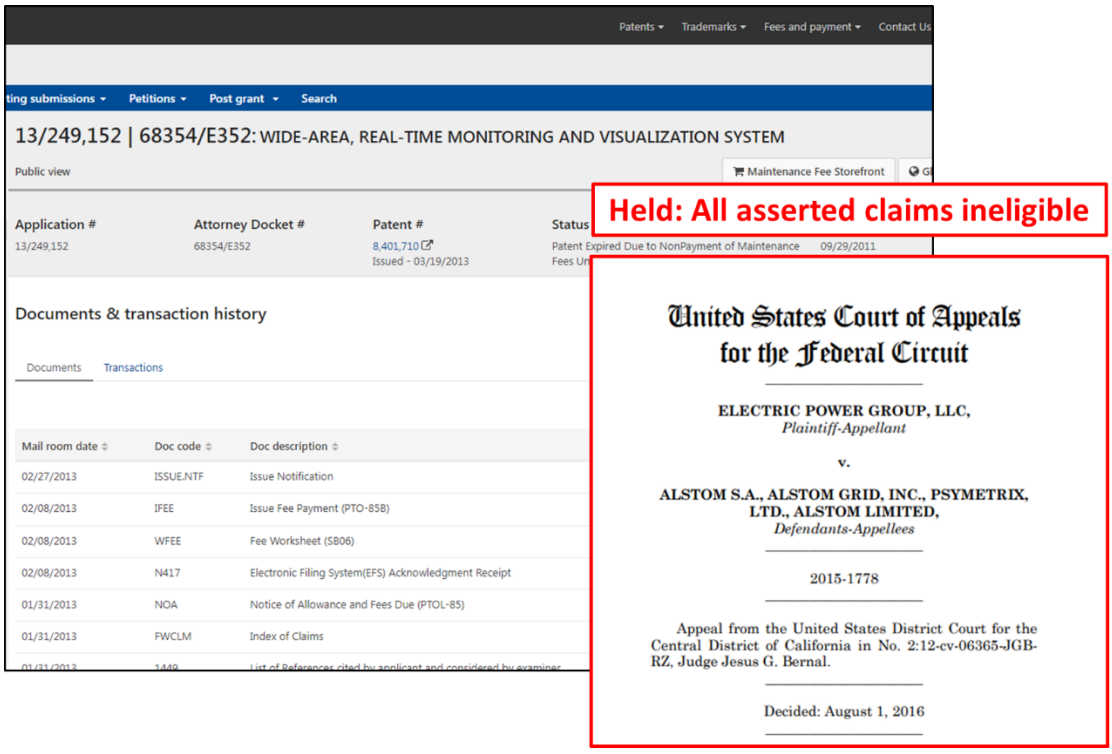


But that type of validity information might not be in Patent Center, especially if claims were held invalid or ineligible in court. I know courts are to submit reports to USPTO about the filing or determinations in a patent suit,[8] but in my experience that information is only sometimes available in Patent Center and the ultimate outcome of a lawsuit is often not apparent.[9] More consistent reporting and display of this information would help everyone know whether a patent is still valid and which of its claims are still in force.

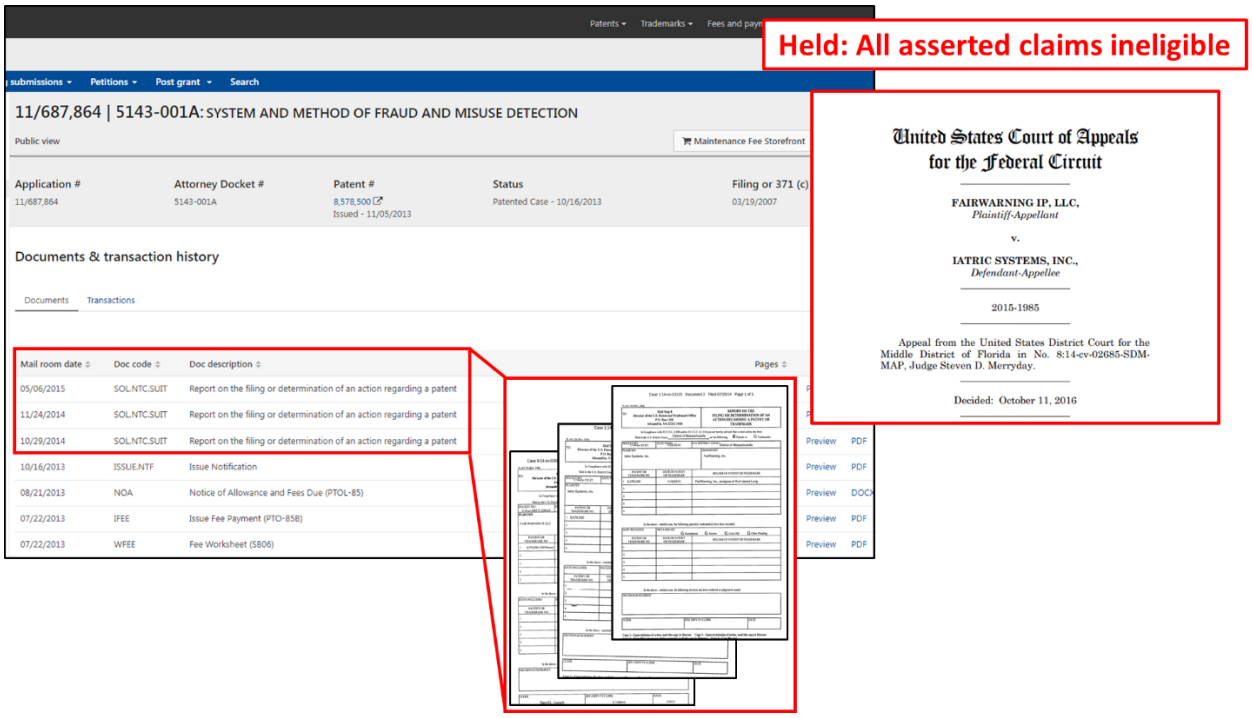
[8] 35 U.S.C. § 290.

[9] For example, I recently searched Patent Center for a handful of patents to see what information was available. For U.S. Patent No. 8,401,710, there were no reports about the filing of suits and no reference to the fact that claims were held ineligible, as affirmed in *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350 (Fed. Cir. 2016). The database search did report that the '710 patent expired due to nonpayment of maintenance fees in 2021. For U.S. Patent No. 8,578,500, I found 3 reports about the filing of suits, but none of those mentioned how claims of the patent were held ineligible, as affirmed in *FairWarning IP, LLC v. Iatric Sys., Inc.*, 839 F.3d 1089 (Fed. Cir. 2016).

Example 1: *Electric Power Group, LLC v. Alstom S.A.*



Example 2: *FairWarning IP, LLC v. Iatric Systems, Inc.*



Second, information that implicates a patent owner's standing to sue is critical in every suit. A company can own a patent but not have standing to assert it. For example, if a company granted a security interest in its patent portfolio, it may sacrifice standing to sue for infringement.[10] Both parties and the court need to know whether the plaintiff has standing, and everyone benefits when discrepancies are resolved expeditiously. Otherwise, parties and courts can waste months—or years—on costly litigation and discovery.[11] To my knowledge, many entities already record security interests with the USPTO, but when some patent owners try to conceal this information it can fuel abuse of the system and drive-up wasteful legal spending. Encouraging more transparency about these interests would provide useful information to litigants and the public.

Third, information about patent licenses can be important in assessing things like infringement liability, standing, and valuation. For example, the details of a license can tell an accused infringer if its work is actually authorized because a business partner took a license that covers the alleged infringement.[12] Licensing agreements can also create or defeat standing to assert patents or recover damages. For example, exclusive licensees may have standing to sue,[13] while a licensee's failure to mark (and contractual obligations around marking) can dictate damages for infringement.[14] Licenses can also tell us about the actual and purported value of a patent—which can be important not just in litigation, not just to accused infringers, but to the broader public. Indeed, in a case where Uniloc lacked standing to sue (and standing hinged on the amount it earned through license agreements), Judge Alsup recently reflected:

> Because [a patentee's] rights flow directly from this government-conferred power to exclude, the public in turn has a strong interest in knowing the full extent of the terms and conditions involved in [the patentee's] exercise of its patent rights and in seeing the extent to which [the patentee's] exercise of the government grant affects commerce.

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[10] *See, e.g.*, Richard M. Assmus et al., *Value and Risk Considerations for Intellectual Property Collateral*, Am. Bar Assoc. (July 6, 2022), https://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2021-22/june-july/value-and-risk-considerations-intellectual-property-collateral/ (discussing language in security agreements that could transfer ownership to a lender); *see also id.* at n.24 (discussing cases where Uniloc lacked standing because it failed to meet revenue targets in an agreement with Fortress Credit Co., which triggered Fortress's rights to sublicense the patents in question and thereby deprived Uniloc of exclusive rights in the patent necessary for standing).

[11] *See, e.g.*, *id.* at n.24 (citing cases).

[12] *See, e.g.*, *TransCore, LP v. Elec. Transaction Consultants Corp.*, 563 F.3d 1271 (Fed. Cir. 2009) (finding implied license to accused infringer where patent owner granted its supplier rights to sell).

[13] *E.g.*, John Haynes & Lindsay C. Church, *Drafting Exclusive Patent Licenses and Standing Considerations*, Bloomberg Law (Feb. 13, 2018), https://news.bloomberglaw.com/ip-law/drafting-exclusive-patent-licenses-and-standing-considerations; John C. Paul et al., *Exclusive Licensee Without All Substantial Rights Can Independently Sue Patent Owner for Infringement*, Finnegan (Apr. 12, 2016), https://www.finnegan.com/en/insights/articles/exclusive-licensee-without-all-substantial-rights-can.html.

[14] *E.g.*, Philippe J.C. Signore, *Patentees must Exercise Reasonable Efforts to Ensure that Licensees are Complying with the Marking Statute*, Oblon (Dec. 12, 2017), https://www.oblon.com/publications/patentees-must-exercise-reasonable-efforts-to-ensure-that-licensees-are-complying-with-the-marking-statute.

> The impact of a patent on commerce is an important consideration of public interest. One consideration is the issue of marking by licensees. Another is recognition of the validity (or not) of the inventions. Another is in setting a reasonable royalty. In the latter context, patent holders tend to demand in litigation a vastly bloated figure in "reasonably royalties" compared to what they have earned in actual licenses of the same or comparable patents. There is a public need to police this litigation gimmick via more public access. We should never forget that every license has force and effect only because, in the first place, a patent constitutes a public grant of exclusive rights.[15]

And:

> The public has an interest in inspecting the valuation of the patent rights revealed by Uniloc's transactions, particularly given secrecy so often plays to the patentee's advantage in forcing bloated royalties. It may even be that disclosure of prior patent licenses better illuminates parties' positions, offering up-front cost evaluations of potentially infringing conduct and driving license values to a more accurate representation of the technological value of the patent. In addition, the patent license values here may inform reasonable royalties in other courts.[16]

That said, there are also countervailing reasons that parties might want to maintain certain patent licensing details as confidential business information. Deciding if, when, and how patent licenses are publicly disclosed (and subject to what redactions) requires balancing the value of disclosure with legitimate desires for secrecy.

Fourth, there is a growing need for better information about who is paying for, controlling, and reaping financial benefits from patent litigation. This helps parties and courts, for example, to understand conflicts of interest, investigate standing, and approach settlement.[17] Importantly, too, when wealthy entities can provide financial backing for patent assertion without revealing their identity, it fuels some problematic practices in the patent system.[18] Knowing more about litigation finance is valuable, although this might not be the sort of information that is registered with the USPTO, and instead disclosed at the time of and in the context of litigation or assertion.

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[15] *Uniloc 2017 LLC v. Apple Inc.*, No. C 18-00360 WHA, 2019 WL 2009318, at *1 (N.D. Cal. May 7, 2019), *aff'd in part, vacated in part, remanded*, 964 F.3d 1351 (Fed. Cir. 2020).

[16] *Uniloc USA, Inc. v. Apple, Inc.*, 508 F. Supp. 3d 550, 555 (N.D. Cal. 2020), *vacated and remanded*, 25 F.4th 1018 (Fed. Cir. 2022). *See also Uniloc USA, Inc. v. Apple, Inc.*, 508 F. Supp. 3d 550, 552 (N.D. Cal. 2020) (citing order concluding Uniloc lacked standing to sue); *Uniloc 2017 LLC v. Apple, Inc.*, 964 F.3d 1351, 1354-57 (Fed. Cir. 2020) (discussing procedural history).

[17] *E.g.*, Kevin M. Lewis, Cong. Res. Serv., LSB10145, *Following the Money: Should Federal Law Require Litigants to Disclose Litigation Funding Agreements?* (2018) (discussing history and perspectives on litigation finance and associated disclosures); Marla Decker, *Litigation Funding Disclosure in Delaware: An Emerging Standard?*, Above the Law (May 25, 2022), https://abovethelaw.com/2022/05/litigation-funding-disclosure-in-delaware-emerging-standard/ (similar).

[18] *E.g.*, Rives Testimony at 4-5.

2. The U.S. Patent and Trademark Office has long kept a register of interests in patents.

a. Have you tried to look up the patent portfolio owned by a particular company in that database? Is the database user-friendly?

Yes, I have used various USPTO databases to look up patent ownership data, and—while the databases are only as good as the data provided to the agency—the search tools for the assignment database are relatively user-friendly,[19] especially by comparison to recently retired USPTO search tools.[20] As a litigation associate, one of the first things I did when I started working on a new matter was research ownership information and chain of title for the relevant patents. Searching the assignment database works quite well; you can search by patent or application numbers, assignors, assignees, and correspondents, and—at least in much of my experience—the search returns results in a logical fashion where you can see a chronological history of patent ownership information and links to the underlying documents. This site works much better than Public PAIR—which was decades old and difficult to search for a number of reasons. Public PAIR was retired in July, and while I have less experience with the new Patent Center, so far that new tool shows a lot of improvements. Although I would encourage USPTO to always continue thinking about whether and how its tools can be improved and to continue to consult with all stakeholders—including startups—about ways to make the tools most valuable.

That said, the USPTO's search tools are only as good as the information in its databases. Improving the accuracy and timeliness of the data parties submit to USPTO, as proposed in the Pride in Patent Ownership Act, is critical to the utility of these tools.

b. Do you have ideas for ways to make that database more accessible to the public?

At the outset, I applaud USPTO's efforts to continuously improve search tools; in the time I have been searching for patent information the tools have improved a lot and I hope the agency will keep looking for ways to augment these valuable resources. The current assignment search works quite well, but here are a few suggestions policymakers could consider: (1) Prompt assignees to provide the company's legal registered name as well as any assumed or trade names (e.g., d/b/a names), and allow users to search for patents based on the owner's official company name or the commonly known names. (2) Similarly, expand search queries to return, e.g., common nicknames and middle initials. For example, someone searching for my name might type in "Abigail Amato Rives," "Abigail A Rives, "Abby Rives," or some other variation. A search tool works best if any of those entries returns information under all of those names. (3) Provide better linking between USPTO search tools. For example, provide links from the assignment search results to information about the same patent in Patent Center or PTAB proceedings database.

[19] Patent Assignment Search, USPTO, https://assignment.uspto.gov/patent/index.html#/patent/search (last visited Sept. 1, 2022).
[20] *Public PAIR to be Retired*, USPTO, https://www.uspto.gov/patents/public-pair-be-retired (last visited Sept. 1, 2022).

Senator Thom Tillis
Ranking Member, Senate Judiciary Committee, Subcommittee on Intellectual Property

Questions for the Record
Hearing: Pride in Patent Ownership: The Value of Knowing Who Owns a Patent – October 19, 2021

Abby Rives, Intellectual Property Counsel, Engine Advocacy

1. **Please share your thoughts on our bill, Pride in Patent Ownership**

The Pride in Patent Ownership Act is a timely and positive proposal to bring greater transparency to the U.S. patent system. It would, for example, reduce transaction costs and improve the market for patent licensing, equip startups with information to defend against frivolous or abusive patent assertion, and discourage abusive practices that draw money away from domestic innovation and economic growth.

2. **Are there any additional improvements we can make to the operative provisions of our bill? In other words, are there changes we can make that will make our bill function better while furthering our shared goal of transparency?**

I think the bill, as is, is a strong proposal and I would be glad to see Congress move forward with the current version. That said, I hope Congress, policymakers, and researchers will view this as a first step towards greater transparency, and that you continue to monitor the bill's implementation to assess whether it is working as intended and whether further measures are warranted. In the future, I would encourage Congress and policymakers to consider the following:

- Scope & timing: As detailed below,[1] there is a lot of information about a patent that could be disclosed for the benefit of innovation, competition, or economic growth—for example, certain funding arrangements or information about licenses. And it might be that information could be disclosed at the start of litigation instead of recorded with the U.S. Patent and Trademark Office (USPTO).
- Penalties: It may be that the bill's consequence for a failure to register—sacrificing increased damages under § 284—is not a strong enough incentive. I think the current proposal is logical, reasonable, and balanced. But some entities who depend on concealing patent ownership might decide to just forego willfulness arguments and keep hiding information from the public. If that happens, a further penalty may be warranted.

[1] *Infra* response to question 9.

3. **What are your views on requiring mandatory reporting of certain ownership interests at the USPTO?**

The Pride in Patent Ownership Act would create an incentive for patent owners to report timely, accurate information about who holds certain rights and interests in a patent. At this time, I think that is a good approach. Creating a different sort of mandate, with steeper penalties, might be necessary if this bill does not have the intended effect.[2]

4. **Would requiring the ultimate parent company for any patent to be part of the public record create value in the patent system? Why or why not?**

Yes, there are a number of reasons it would be valuable to record the ultimate parent company that owns a U.S. patent. This type of information can, e.g., reduce transaction costs and improve the market for patent licensing, equip startups with information to defend against frivolous or abusive patent assertion, and discourage those abusive practices.

First, if a startup founder wants to license patented technology, she needs to know who to ask for a license. That process is most efficient (and affordable) if she can quickly find accurate ownership information. (The flip of this is also true. If a startup owns a patent and someone else wants to take a license or launch a partnership, the startup benefits when others can find them.)

Second, for a startup accused of infringement, knowing who ultimately owns the asserted patent can be critical in shaping the company's response. When a company receives a demand letter or is sued for infringement, it needs to assess things like validity, infringement, and licensing—and knowing who owns the patent helps in those assessments. For example, the startup might not infringe because it has a license from the patent owner's parent, or one of the startup's customers or suppliers might have a license that covers the startup's activities. Separately, a startup accused of infringing one patent might want to look up the parent company's patent portfolios and request a broader license that encompasses a few related technologies.

Knowing who owns a patent can also help startups accused of infringement respond efficiently and strategically. If the ultimate parent company has a well-documented history of asserting invalid patents against other small businesses, then the startup might devote a bit of time and money scrutinizing validity. A startup might want to know if the ultimate parent company has invested in the startup's competitors. And if the parent company is suing lots of small businesses at the same time, there might be ways for the accused startup to defend itself in coordination with others or ways to leverage state laws against abusive assertion.[3]

[2] *See, e.g.*, *supra* response to question 2.
[3] *E.g.*, NC Gen Stat § 75-143(1)(8) (courts assess bad-faith assertion, in part, by looking to whether "[t]he person or its subsidiaries or affiliates have previously or concurrently filed or threatened to file one or more lawsuits based on the same or similar claim of patent infringement").

Third, hiding patent ownership enables abusive patent practices, and by bringing more transparency into the patent system it will help reduce the amount of frivolous and meritless patent assertion against U.S. startups.[4]

5. **Are there some interests that should be recorded, but not public?**

I cannot think of any at this time.

6. **Would the transparency provisions in this bill help reduce costly litigation so that companies can invest their resources into research and development and creating new jobs?**

Yes, it would.

7. **Would it matter if ownership records would have to be kept up to date at the patent office, but not disclosed publicly, or disclosed with certain restrictions, like registering an account?**

Patent law is supposed to serve the public,[5] and the default should be that recorded ownership information is publicly available. At this time, I cannot think of a good reason to restrict access to the database listing patent owners or require users to register for an account. The current USPTO database is open to search and that works well in my experience.

8. **How can we ensure that the compliance requirements this bill creates do not disproportionately burden independent inventors and small businesses?**

The Pride in Patent Ownership Act promises to reduce burdens, costs, and inefficiencies U.S. small businesses face due to a lack of transparency in the patent system, and it stands to alleviate harms caused by abusive assertion practices. And while companies, including startups, are accustomed to navigating legal and regulatory hurdles—including registering and disclosing business information[6]—Engine does hear from founders about unclear or onerous requirements that make their jobs harder. Startups in our network have not complained that recording patent assignments is burdensome, but as this bill seeks to encourage more timely and accurate recording, I appreciate your attention to making sure startups and small businesses have what they need to comply and be transparent.

In thinking about the compliance burdens associated with the Pride in Patent Ownership Act, it is important to remember that attorneys are routinely the correspondents on these submissions to

[4] *See generally* Rives Testimony at 3-7.
[5] *See, e.g.*, Abby Rives, Opinion, *Patents Impact Everyone. Our Policies Need to Reflect That*, Technical.ly (June 6, 2022), https://technical.ly/civic-news/engine-patent-quality-week-policy/.
[6] *E.g.*, *Register Your Business*, SBA.gov, https://www.sba.gov/business-guide/launch-your-business/register-your-business (last visited Sept. 7, 2022) (summarizing select federal and state business registrations).

the USPTO and the bill is encouraging patent owners to record agreements they already entered into. If a patent owner (of any size) is selling a patent, being acquired, creating a subsidiary company to hold certain patent rights, etc.—it has to draft, negotiate, and sign all the necessary contracts, and all of that happens before there is anything to record with the USPTO. The last step—uploading those documents with the USPTO—is not the hard part. In preparation for this hearing, I went through the steps of submitting a change of patent ownership on the USPTO's online portal and the process took less than seven minutes.[7]

To help startups and small businesses comply with the Pride in Patent Ownership Act, I would suggest education to attorneys to make sure they understand what has to be recorded and when. This should include education to the patent bar—including attorneys and any clinics that work with the Patent Pro Bono Program—and patent agents, so they know to submit the relevant information. This education should reach beyond the patent bar, though, and include attorneys and paralegals who do transactional work for startups and small businesses—like in-house counsel, those that handle mergers and acquisitions, technology transfer specialists, firms that routinely work with startups and small businesses, law clinics that work with entrepreneurs, general business pro bono clinics, or investors' counsel. Those individuals may handle agreements where patent rights are transferred and be best situated to record them.

Relatedly, here again, it is important that patent owners have clear and consistent definitions for what interests have to be recorded. Depending on what has to be recorded, the USPTO should also consider plain language FAQs for patent owners who do not have a counsel working with them on patent prosecution or transactions. Those FAQs could define the rights that have to be recorded, provide templates of forms, and direct readers to the Electronic Patent Assignment System (EPAS).

The USPTO could also send periodic reminders to patent owners encouraging them to register any change in ownership.

Finally, this is another area where a different bill—the Unleashing America's Innovators Act (S.2773)—could help, by creating more touch-points between the USPTO and innovation ecosystems across the country. If the USPTO has more direct connections with innovators, it can use those relationships to remind patent owners to record ownership interests.

9. Can you provide some specific examples of the various types of interests affecting patents that the USPTO should consider?

The Pride in Patent Ownership Act would make a valuable contribution, increasing transparency in the U.S. patent system so that startups, small businesses, and the public could more readily determine who owns patents. Additional information—for example, information that implicates

[7] *Patents Assignments: Change & Search Ownership*, USPTO, https://www.uspto.gov/patents/maintain/patents-assignments-change-search-ownership (last visited Sept. 5, 2022).

standing to sue, licenses, and litigation funding—can also be valuable; although, encouraging or mandating disclosure of some information should be balanced against competing interests.

First, at the very least, policymakers should consider recordation of patent ownership and assignments. And given the role shell companies currently play in frivolous or abusive patent assertion, recording parent companies would also help solve—or at least curtail—a very real problem in our patent system.[8]

Second, information that implicates a patent owner's standing to sue is critical in every suit. A company can own a patent but not have standing to assert it. For example, if a company granted a security interest in its patent portfolio, it may sacrifice standing to sue for infringement.[9] Both parties and the court need to know whether the plaintiff has standing, and everyone benefits when discrepancies are resolved expeditiously. Otherwise, parties and courts can waste months—or years—on costly litigation and discovery.[10] To my knowledge, many entities already record security interests with the USPTO, but when some patent owners try to conceal this information it can fuel abuse of the system and drive-up wasteful legal spending. Encouraging more transparency about these interests would provide useful information to litigants and the public.

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[9] *See, e.g.*, Richard M. Assmus et al., *Value and Risk Considerations for Intellectual Property Collateral*, Am. Bar Assoc. (July 6, 2022), https://www.americanbar.org/groups/intellectual_property_law/publications/landslide/2021-22/june-july/value-and-risk-considerations-intellectual-property-collateral/ (discussing language in security agreements that could transfer ownership to a lender); *see also id.* at n.24 (discussing cases where Uniloc lacked standing because it failed to meet revenue targets in an agreement with Fortress Credit Co., which triggered Fortress's rights to sublicense the patents in question and thereby deprived Uniloc of exclusive rights in the patent necessary for standing).

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[12] *E.g.*, John Haynes & Lindsay C. Church, *Drafting Exclusive Patent Licenses and Standing Considerations*, Bloomberg Law (Feb. 13, 2018), https://news.bloomberglaw.com/ip-law/drafting-exclusive-patent-licenses-and-standing-considerations; John C. Paul et al., *Exclusive Licensee Without All Substantial Rights Can Independently Sue Patent Owner for Infringement*, Finnegan (Apr. 12, 2016), https://www.finnegan.com/en/insights/articles/exclusive-licensee-without-all-substantial-rights-can.html.

[13] *E.g.*, Philippe J.C. Signore, *Patentees must Exercise Reasonable Efforts to Ensure that Licensees are Complying with the Marking Statute*, Oblon (Dec. 12, 2017), https://www.oblon.com/publications/patentees-must-exercise-reasonable-efforts-to-ensure-that-licensees-are-complying-with-the-marking-statute.

Indeed, in a case where Uniloc lacked standing to sue (and standing hinged on the amount it earned through license agreements), Judge Alsup recently reflected:

> Because [a patentee's] rights flow directly from this government-conferred power to exclude, the public in turn has a strong interest in knowing the full extent of the terms and conditions involved in [the patentee's] exercise of its patent rights and in seeing the extent to which [the patentee's] exercise of the government grant affects commerce.
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> The impact of a patent on commerce is an important consideration of public interest. One consideration is the issue of marking by licensees. Another is recognition of the validity (or not) of the inventions. Another is in setting a reasonable royalty. In the latter context, patent holders tend to demand in litigation a vastly bloated figure in "reasonably royalties" compared to what they have earned in actual licenses of the same or comparable patents. There is a public need to police this litigation gimmick via more public access. We should never forget that every license has force and effect only because, in the first place, a patent constitutes a public grant of exclusive rights.[14]

And:

> The public has an interest in inspecting the valuation of the patent rights revealed by Uniloc's transactions, particularly given secrecy so often plays to the patentee's advantage in forcing bloated royalties. It may even be that disclosure of prior patent licenses better illuminates parties' positions, offering up-front cost evaluations of potentially infringing conduct and driving license values to a more accurate representation of the technological value of the patent. In addition, the patent license values here may inform reasonable royalties in other courts.[15]

That said, there are also countervailing reasons that parties might want to maintain certain patent licensing details as confidential business information. Deciding if, when, and how patent licenses are publicly disclosed (and subject to what redactions) requires balancing the value of disclosure with legitimate desires for secrecy.

Fourth, there is a growing need for better information about who is paying for, controlling, and reaping financial benefits from patent litigation. This helps parties and courts, for example, to

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[14] *Uniloc 2017 LLC v. Apple Inc.*, No. C 18-00360 WHA, 2019 WL 2009318, at *1 (N.D. Cal. May 7, 2019), *aff'd in part, vacated in part, remanded*, 964 F.3d 1351 (Fed. Cir. 2020).

[15] *Uniloc USA, Inc. v. Apple, Inc.*, 508 F. Supp. 3d 550, 555 (N.D. Cal. 2020), *vacated and remanded*, 25 F.4th 1018 (Fed. Cir. 2022). *See also Uniloc USA, Inc. v. Apple, Inc.*, 508 F. Supp. 3d 550, 552 (N.D. Cal. 2020) (citing order concluding Uniloc lacked standing to sue); *Uniloc 2017 LLC v. Apple, Inc.*, 964 F.3d 1351, 1354-57 (Fed. Cir. 2020) (discussing procedural history).

understand conflicts of interest, investigate standing, and approach settlement.[16] Importantly, too, when wealthy entities can provide financial backing for patent assertion without revealing their identity, it fuels some problematic practices in the patent system.[17] Knowing more about litigation finance is valuable, although this might not be the sort of information that is registered with the USPTO, and instead disclosed at the time of and in the context of litigation or assertion.

10. Do you have any recommendations for how the USPTO can reduce errors in the recordation process?

The Pride in Patent Ownership Act would make a very valuable contribution of encouraging third parties to record timely, accurate information with the agency, so the bill itself would reduce errors in recordation. Beyond that, the agency should also ensure clear and consistent definitions for what needs to be recorded and continue to educate patent owners and attorneys.[18] However, I am not familiar enough with how the agency processes and organizes this information, on the back end, to provide suggestions in that regard.

[16] *E.g.*, Kevin M. Lewis, Cong. Res. Serv., LSB10145, *Following the Money: Should Federal Law Require Litigants to Disclose Litigation Funding Agreements?* (2018) (discussing history and perspectives on litigation finance and associated disclosures); Marla Decker, *Litigation Funding Disclosure in Delaware: An Emerging Standard?*, Above the Law (May 25, 2022), https://abovethelaw.com/2022/05/litigation-funding-disclosure-in-delaware-emerging-standard/ (similar).
[17] *E.g.*, Rives Testimony at 4-5.
[18] *Supra* response to question 8.

Senator Marsha Blackburn
Questions for the Record to Abigail Rives
IP Counsel, Engine

1. **Intellectual property theft continues to be a problem for our innovative industries. Is IP theft a major issue for your company and organization? What impact has it had on the businesses you represent?**

A prevalent concern Engine hears from high-tech startups revolves around how low-quality patents can deprive them of opportunities to innovate. For example, after one founder launched her product, established her company, and published several papers about her work, another person came behind her and filed a patent on the product.[1] That patent (which claims things already known and sold in the U.S.) puts the founder in a precarious situation—the costs of canceling the invalid claims are out of reach, but they create questions about whether the founder can continue her work.

2. **Does the current lack of transparency and inability to track U.S. patent ownership aid intellectual property theft by foreign entities such as China? If so, how would tracking patent ownership alleviate the issue?**

Given the territorial features of patent systems across the globe, tracking ownership of U.S. patents impacts innovation, manufacturing, and sales in this country. That ownership data would likely have less bearing on activities outside the U.S.

That said, in terms of the Pride in Patent Ownership Act, understanding foreign ownership of U.S. patents could alleviate related concerns. For example, during the hearing you asked about one company, Huawei, and its involvement in the U.S. patent system and the approximate number of patents it holds.[2] Without accurate recording of who owns U.S. patents, it is difficult—if not impossible—to know. But if this bill passes, and companies have an incentive to record ownership, then it would be easier to search for which patents (and how many patents) a company, including a foreign company, owns. This is especially important if you want to understand whether any foreign companies hold U.S. patents that are improperly standing in the way of domestic innovators and entrepreneurs.

[1] *What We Heard from Startups this Patent Quality Week*, Engine (June 10, 2022), https://www.engine.is/news/category/what-we-heard-from-startups-this-patent-quality-week; Jie Qi, *Crowdfunding Backer Patented my Project*, Patent Pandas (Nov. 29, 2018), https://patentpandas.org/stories/crowdfunding-backer-patented-my-project.

[2] *Pride in Patent Ownership: The Value of Knowing Who Owns a Patent, Hearing Before the Subcomm. On Intellectual Prop. Of the S. Comm. On the Judiciary*, 117th Congress at 1:09:39 (2021) (statement of Sen. Blackburn), https://www.judiciary.senate.gov/meetings/pride-in-patent-ownership-the-value-of-knowing-who-owns-a-patent.

A recent patent assertion illustrates how these issues can come up in practice. In 2019, Huawei asserted more than 200 patents against Verizon, seeking more than $1 billion in licensing fees.[3] If any of those Huawei patent claims were invalid—and some of them were[4]—or if the company could threaten Verizon with an injunction based on trivial or non-infringing features, that would only hurt domestic innovation and access to technology.[5]

Knowing more about patent ownership can also aid Congress in shaping innovation policy.[6] For example, when policymakers look to U.S. patent counts as a proxy for domestic innovation, they may be inadvertently attributing patents issued to foreign inventors and foreign companies as evidence of domestic R&D.[7] And that could lead to anomalous results, with policies proposed with an eye toward bolstering domestic R&D, but the end result is just increasing the number of patents issued to foreign inventors to reward R&D performed outside the U.S.

3. Previous efforts by the USPTO to establish ownership transparency rules have received some criticism about the cost and complexity of compliance and some privacy concerns. Does the Pride in Patent Ownership Act by Senators Leahy and Tillis address any of those concerns?

I was not directly involved in any of those previous efforts, but I am aware of certain past criticisms, and the Pride in Patent Ownership Act does address them.[8]

- Timing: Previous efforts have been criticized over the timing of disclosures.[9] For example, under one proposal patent owners would update ownership information when they pay maintenance fees, but that would create loopholes when ownership information might change (often) between payment of fees but never be recorded. Similarly, this proposal would have required patent owners to make updates when they paid fees, even if there had been no change in ownership.[10] Other proposals would have tied disclosure requirements to litigation, so that patent owners would only update information when

[3] Charles Duan, *Do Patents Protect National Security?*, Lawfare (July 12, 2019), https://www.lawfareblog.com/do-patents-protect-national-security.
[4] *E.g.*, *Verizon Bus. Network Servs. Inc. v. Huawei Techs. Co.*, IPR2020-01141, Paper 31 (Jan. 11, 2022); *Verizon Bus. Network Servs., Inc. v. Huawei Techs. Co.*, IPR2020-01079, Paper 33 (Jan. 11, 2022); *Verizon Bus. Network Servs. Inc. v. Huawei Techs. Co.*, IPR2020-01080, Paper 39 (Jan. 12, 2022).
[5] Based on the patent office's existing data, Huawei is among the six most active companies when it comes to applying for U.S. patents related to 5G. Mary Critharis et al., *Patenting Activity by Companies Developing 5G*, U.S. Pat. and Trademark Off. 3 (Feb. 2022), https://www.uspto.gov/sites/default/files/documents/USPTO-5G-PatentActivityReport-Feb2022.pdf.
[6] *See, e.g.*, Rives Testimony at 7.
[7] Abby Rives, *A Brief Case Study: The Shortcomings of Counting Patents by Country to Inform Patent Eligibility in the U.S.*, Medium (Oct. 12, 2021), https://engineadvocacyfoundation.medium.com/a-brief-case-study-in-policy-relevant-empirical-assessments-the-shortcomings-of-counting-patent-444acf13195f.
[8] *See generally, e.g.*, Nathan P. Anderson, Note, *Striking a Balance: The Pursuit of Transparent Patent Ownership*, 30 Berkeley Tech. L.J. 395 (2015) (summarizing select legislative and regulatory efforts to enhance transparency).
[9] *See, e.g.*, *id.* at 419-20, 426-27.
[10] *See, e.g.*, *id.*

they filed suit,[11] which missed pre-litigation benefits like improving the licensing market and addressing demand letter activity.

The Pride in Patent Ownership Act encourages parties to register information within 90 days of the relevant transaction, which avoids those concerns. It correlates the disclosure to the transfer of ownership—so the information can be useful in licensing, demand letter responses, and litigation—without inviting large gaps in the record. While there may be other information about patents that could be disclosed at other times, in my view the current bill addresses previous concerns about timing.

- Clear definitions: Inventors, patent owners, assignors, assignees, investors, and others involved in patent transfers need to know what to record with the U.S. Patent and Trademark Office (USPTO) and when. Previous efforts were criticized for vague definitions.[12] If the definitions are ambiguous, it creates uncertainty and expense. We do not want a startup to have to hire teams of lawyers just to assess whether a given transaction is the type that needs to be recorded. The Pride in Patent Ownership Act delegates the USPTO Director to finalize the ultimate definitions, and I am optimistic that she will embark on a thoughtful and deliberate process to hear from all stakeholders about what should be recorded and craft rules that provide businesses the certainty they need.

- Scope: Previous efforts to increase transparency have also been criticized for requiring parties to disclose not enough or too much information about patent ownership and control.[13] In my view, the Pride in Patent Ownership Act strikes a reasonable balance. There is certainly all kinds of information, beyond patent ownership and assignment, that would be useful for startups to know—for example, information about licenses and settlements, information about other financial interests in the patent, or information about who is providing financial support for and exercising control over patent litigation. Policymakers may want to revisit the question in several years to see if the bill is working as intended or whether patent owners should record more information at other times.

4. **There is an idea that a registry of patent ownership interests can benefit patent licensees by creating transparency about who owns what patents. Despite concerns about compliance and privacy, could tracking patent ownership information ease commerce and perhaps avoid some litigation over licenses and rights?**

Yes. Tracking patent ownership information can, e.g., reduce transaction costs and improve the market for patent licensing, equip startups with information to more efficiently respond to (even frivolous) accusations of infringement, curtail costly litigation and discovery over threshold

[11] *See, e.g., id.* at 430.
[12] *See, e.g., id.* at 414-15 (referring to terms in a previous rulemaking that were accused of being too vague).
[13] *See, e.g., id.* at 424-26.

questions of standing and licensing, and discourage abusive patent practices that drain resources from domestic innovation and the U.S. economy.