

Statement of

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On Behalf of the Innovation Alliance

**Before the
Subcommittee on Intellectual Property**

**Committee on the Judiciary
United States Senate**

**Hearing on
The Support Technology and Research for Our Nation's Growth and
Economic Resilience (STRONGER) Patents Act**

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Chairman Tillis, Ranking Member Coons, and Members of the Subcommittee, thank you for holding this hearing on this important legislation and for inviting me to submit this statement for the record. My name is Brian Pomper, and I am the Executive Director of the Innovation Alliance, a coalition of research and development-based technology companies that believe that maintaining a strong patent system is critical to supporting innovative enterprises of all sizes.

Innovation Alliance member companies innovate across a wide range of industries, from audio compression (Dolby Laboratories, Inc.), to wireless communications (Qualcomm, Inc.), to currency counting and counterfeit detection equipment (Cummins Allison Corporation), to touch feedback or “haptic” technology (Immersion), to vehicle transmission and drive train technology (Fallbrook Technologies), to media content management (TiVo Corporation). What Innovation Alliance companies have in common is their commitment to innovation. Many Innovation Alliance companies earn some portion of their revenues from patent licensing.

The Innovation Alliance strongly supports the Support Technology and Research for Our Nation’s Growth and Economic Resilience (STRONGER) Patents Act, and thank Senators Coons, Cotton, Durbin, Kennedy, Hirono, and Cramer for introducing this bill. After decades of judicial, legislative, and administrative changes that have weakened the U.S. patent system, the STRONGER Patents Act would restore needed balance to the innovation ecosystem and ensure that U.S. inventors are not disadvantaged on the world stage. This legislation is vital to strengthening our patent system and ensuring that our most innovative inventors and businesses have the tools they need to innovate, create jobs, and grow our economy.

I. Strong Patent Protections Are Essential for U.S. Innovation and Economic Growth.

The U.S. patent system is the foundation of our innovation economy. It is the reason that U.S. technological leadership is envied worldwide. It grants inventors—whether they are individuals, start-ups, or established businesses—exclusive property rights in their inventions, in exchange for publicly disclosing the technical details of those inventions through required filings with the United States Patent and Trademark Office (“USPTO”). By rewarding innovation and enabling inventors to build upon each other’s ideas, this system is the driving force behind U.S. innovation leadership.

Strong intellectual property (“IP”) protections and a strong culture of innovation are vital to economic growth and job creation. According to the USPTO, IP-intensive industries account for \$6.6 trillion in economic activity annually—more than one third of the total U.S. GDP.¹ These industries also support 45.5 million jobs—approximately 30% of all employment in the United States.² Moreover, workers in these industries earn significantly more than workers in non-IP-intensive industries.³ The innovation economy thus represents not only an essential piece of the overall American economy, but provides an important source of quality job growth.

¹ Econ. & Stats. Admin. and U.S. Patent & Trademark Office, Intellectual Property and the U.S. Economy, at ii, (2016), <https://www.uspto.gov/sites/default/files/documents/IPandtheUSEconomySept2016.pdf>.

² *Id.*

³ *Id.*

Ensuring the continued strength of the innovation economy should therefore be a top economic priority for the United States.

Patents grant innovators exclusive property rights in their inventions for a limited period of time. Because they can be freely bought, sold, and licensed, patents give each innovator the ability to control the process by which his or her invention will be commercialized. This guarantee that each inventor can decide how his or her inventions are used is essential to maintaining high rates of innovation in the United States. Because the development of groundbreaking inventions entails significant initial investments of time and resources with no guarantee of success, innovators require the certainty that they will receive meaningful property rights in their successful inventions, which they can use to recoup their up-front investments and invest in further research and development (“R&D”).

Innovation in the technology-based industries the Innovation Alliance’s members represent frequently requires the expenditure of vast sums of money in R&D, testing, and development before an innovation can be commercialized. This process often takes years. Further, many R&D expenditures never yield successful inventions or inventions that can be commercialized. A strong patent system mitigates this risk-laden enterprise by allowing inventors to recoup their investment in successful inventions, thereby encouraging future investment in innovation. The patent system thus creates a virtuous circle in which the promise of monetary rewards for successful inventions encourages innovators to invest resources continuously in risky R&D ventures. Without this promise, the incentive to engage in resource-intensive innovation would be destroyed.

Additionally, the patent system plays a critical role in encouraging commercialization and follow-on innovation. By ensuring that patent rights can be bought, sold, or licensed, the patent system enables innovations to be brought to market in the most economically efficient ways possible. For example, many innovators may not be adept at commercializing their own innovations. Therefore, the ability to buy, sell, or license a patent freely in the same manner as any other piece of property encourages innovators to enlist the assistance of others who may have more experience bringing products to market. This ensures that new innovations are quickly and efficiently made available to consumers.

Likewise, the fact that the technical details of an invention must be publicly disclosed before a patent is issued ensures that the latest discoveries are quickly placed in the public domain. This, in turn, allows other innovators to examine the details of the most recent discoveries. With this information, other inventors can more easily improve upon or develop new applications for the latest innovations. Without the incentive for public disclosure that the patent system provides, innovators would have much less reason to disclose their inventions publicly and would be more likely to keep them as trade secrets. This would undermine the free exchange of information between inventors and delay the process of follow-on innovation, as it would take much longer for the technical details of new innovations to enter the public domain.

II. Several Recent Legislative, Judicial, and Administrative Actions Have Undermined Patent Rights.

Despite the critical role that patents play in the U.S. economy, patent rights have been in sharp decline in recent years, and many innovators now face substantial obstacles to defending their rights to their inventions against infringers. Several actions by Congress, administrative agencies, and federal courts have significantly weakened patent rights in the United States. Two of the most significant areas of change have been judicial decisions that have made it more difficult for patent holders to obtain injunctions against infringers, and a series of irregular and unfair tactics that infringers have used to challenge the validity of issued patents at the Patent Trial and Appeal Board (“PTAB”).⁴

An uncertain patent enforcement climate also disincentivizes investment in innovative businesses in the United States that rely on strong patents. In part as a result of this dynamic, venture capital funding has begun to flow toward investment opportunities outside of the United States. For example, in the 2018 Bloomberg Innovation Index, the United States fell out of the top ten most innovative countries for the first time since that Index began in 2013, a precipitous decline from its #1 ranking in 2013.⁵

A. *The eBay Decision and the Unavailability of Injunctions to Stop Infringement*

For decades, U.S. federal courts, recognizing the constitutional underpinnings of exclusive rights for patent holders, adhered to the well-established rule that the owner of a valid and infringed patent was entitled to a court-issued injunction to prevent any further infringement in the vast majority of cases. This changed in 2006 when the Supreme Court decided *eBay Inc. v. MercExchange, LLC*.⁶ In *eBay*, the Court upended this longstanding rule, holding that a patent holder is not automatically entitled to an injunction after a finding of infringement. Rather, the Court held that patent holders seeking an injunction must satisfy the traditional four-factor test for obtaining equitable relief. This test requires the patent holder to show that: (1) the patent holder has suffered an irreparable injury that requires an injunction to stop; (2) monetary damages and similar remedies are not enough to compensate the patent holder for the harms suffered; (3) balancing the interests of the parties, an injunction is warranted; and (4) that the public interest would not be disserved by the issuance of an injunction.

The *eBay* Court’s unanimous opinion rejected categorical rules about whether an injunction should or should not be granted. The Court, affirming its holding in the *Continental Paper Bag*

⁴ Global Intellectual Property Center, *The Roots of Innovation: U.S. Chamber International IP Index*, Fifth Edition, 117 (Feb. 2017), https://www.theglobalipcenter.com/wp-content/uploads/2017/02/GIPC_IP_Index_2017_Report.pdf.

⁵ See Michelle Jamrisko & Wei Lu, *The U.S. Drops Out of the Top 10 in Innovation Ranking*, Bloomberg (Jan. 22, 2018), <https://www.bloomberg.com/news/articles/2018-01-22/south-korea-tops-global-innovation-ranking-again-as-u-s-falls>.

⁶ 547 U.S. 388 (2006).

case,⁷ specifically clarified that inventors that license patents, rather than manufacture the inventions themselves, may obtain an injunction if the four-part test is satisfied.

Despite the language of *eBay* itself, lower courts have consistently misapplied *eBay* and effectively imposed a categorical rule *against* granting injunctions to inventors that license their patents. Specifically, lower courts have misapplied both the first and second prongs of the *eBay* test by routinely assuming that monetary damages are adequate to compensate such patent owners for use of their intellectual property, and that as a result, further infringement of the patent could not cause irreparable injury. They routinely deny injunctions based on these flawed assumptions.

The effects of *eBay* cannot be overstated. Empirical research has found that the rate of permanent injunctions granted as a percentage of all cases filed dropped by more than 85% after *eBay*.⁸ Likewise, the rate at which patent holders even seek injunctive relief has also declined post-*eBay*.⁹

This trend has substantially weakened the value of patents as property rights. In a concurring opinion in *eBay*, Chief Justice Roberts, joined by Justices Scalia and Ginsburg, implicitly recognized the importance of the injunction as a bargaining tool by recognizing that it is very difficult to enforce a “right to exclude” with money damages alone. Thus, because patent owners cannot expect that a court will compel infringers to stop infringing, those infringing a patent have little incentive to negotiate a license for use of the patent.

The unavailability of injunctions for infringement thus permits patent users—companies that incorporate others’ patented inventions into their products—to pursue a strategy of “efficient infringement.” This means that because patent owners cannot obtain a court order to stop infringement, the infringing user of a patent has no real economic incentive to stop infringing. Rather than agreeing to fairly compensate a patent holder for a license to use the patented invention, the efficient infringer simply continues to infringe the patent, while assuming that there is little risk that the patent owner will sue. Because a court is unlikely to enjoin the infringer’s use of the patent, the efficient infringer can expect at the end of any successful litigation, at most, to pay a royalty to the patent owner as damages for its use of the patent. In the absence of a credible threat that patent holders could secure an injunction, infringers could easily make the judgment that the “continue to infringe and litigate” strategy is a wise business decision.

The practical impact of lower courts’ misreading of *eBay* has been to devalue patent rights and make them more difficult to enforce, tilting the scales against innovators, especially small innovators who often seek to license their patents. Often, patent owners—especially small businesses and individual inventors—will simply give up or succumb to an artificially low

⁷ *Cont’l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 422-30 (1908).

⁸ Kirti Gupta & Jay P. Kesan, *Studying the Impact of eBay on Injunctive Relief in Patent Cases*, 16 (Hoover Inst. Working Grp. on Intellectual Property, Innovation, and Prosperity No. 17004, 2017), <https://hooverip2.org/wp-content/uploads/ip2-wp17004-paper.pdf>.

⁹ *Id.* at 39.

license fee to avoid the substantial expense of litigating and defending against *inter partes* review petitions before the PTAB and at the USPTO.

That is especially the case when there is a significant power differential between the patent holder and the infringer, for instance when the patent holder is a small, resource-constrained inventor or thinly capitalized company and the infringer is a large company with vast resources to withstand a protracted legal battle. Although the Supreme Court recognized in *eBay* that “some patent holders, such as university researchers or self-made inventors, might reasonably prefer to license their patents, rather than undertake efforts to secure the financing necessary to bring their works to market themselves,”¹⁰ the inability to obtain an injunction eliminates the incentive for would-be licensees, especially large incumbents, to negotiate in good faith without the threat of an injunction for infringement. Ultimately, this places established corporations that have products already on the market at a significant advantage. Small inventors, startups, and universities that rely on licensing to fund R&D and other expenses are the ones who most need the ability to get an injunction, yet are least likely to receive one.

This degradation of U.S. patent rights is undermining U.S. competitiveness globally. Many patent holders are now able to obtain better protections for their patent rights overseas than they are in the United States. For instance, German courts issue injunctions as a matter of course following a finding of infringement, and “generally have no discretion as to whether to grant an injunction,” other than in rare “exceptional cases.”¹¹ Many other European countries—including the Netherlands, France, Italy, Spain, Austria, Sweden, and Switzerland—have similar regimes,¹² as do Asian countries like Thailand, South Korea, and Japan.¹³ And even Chinese courts have only limited authority to decline to grant an injunction.¹⁴

This gross disparity between the protections available to patent holders in the United States and some of the leading foreign economies undermines U.S. competitiveness. Although the home countries of nearly all U.S. trading competitors would automatically enjoin infringement against a U.S. innovator that infringes in that country, U.S. courts would deny relief to U.S. companies while allowing foreign businesses to continue selling infringing products in the United States. As a result, innovative companies in the United States and around the world have an increasing incentive to conduct innovative R&D and patent inventions outside the United States.

¹⁰ *eBay*, 547 U.S. at 393.

¹¹ See Michael Frohlich, AIPPI Special Committee on Patents and Standards, Availability of Injunctive Relief for FRAND-Committee Standard Essential patents, Including FRAND-Defense in Patent Infringement Proceedings, 10 (Mar. 2014), <https://aippi.org/wp-content/uploads/committees/222/Report222AIPPI+report+on+the+availability+of+injunctive+relief+for+FRAND-committed+standard+essential+patentsEnglish.pdf>.

¹² *Id.* at 7-8.

¹³ *Id.* at 7-8.

¹⁴ *Id.* at 7.

B. Patent Trial and Appeal Board (“PTAB”)

The America Invents Act (“AIA”), signed into law in 2011, made many changes to the U.S. patent system. Among other things, it established the PTAB, an administrative tribunal charged with reviewing patents to ensure validity and invalidating those that allegedly should not have been granted in the first place. The goal of the AIA was to provide an alternative method of adjudicating the validity of issued patents that was quicker and cheaper than district court litigation. In practice, the PTAB provides infringers with an easier mechanism for invalidating patents than district court litigation.

The PTAB has invalidated patents at an alarmingly high rate. For instance, the USPTO’s own data show that for the period from the PTAB’s inception until July 31, 2019, 80% of PTAB final written decisions resulted in some or all claims being held unpatentable, and in 63% of the PTAB’s final written decisions, *all* claims were held unpatentable.¹⁵ These extremely high invalidation rates at the PTAB have led one former chief judge of the U.S. Court of Appeals for the Federal Circuit to call the PTAB’s administrative judges “patent death squads,” responsible for “killing property rights.”¹⁶

The relative ease with which seemingly any patent can be invalidated by the PTAB necessarily undermines the value of patent rights generally and discourages investment in the time consuming R&D processes necessary to produce transformative innovations. Furthermore, patent infringers have begun to institute proceedings attempting to invalidate patents by filing with *both* the PTAB and in federal court simultaneously, directly contrary to the AIA’s goal of providing an *alternative* to resolving validity challenges in expensive district court litigation.

In fact, research suggests “that PTAB petitions on patents that are not being litigated by *any* entity in an Article III court are relatively rare”¹⁷ This is particularly true for certain technologies, such as those related to computers and communications.¹⁸ Moreover, “patents challenged in the PTAB are, on average, also asserted at least *three times* in court.”¹⁹ These duplicative proceedings only add expense and uncertainty for patent holders, rather than providing the promised alternative to prolonged, resource-intensive district court litigation.

¹⁵ USPTO, Trial Statistics IPR, PGR, CBM: Patent Trial and Appeal Board, 10 (July 2019), <https://www.bloomberg.com/news/articles/2018-01-22/south-korea-tops-global-innovation-ranking-again-as-u-s-falls>.

¹⁶ Brian Mahoney, Software Patent Ruling a Major Judicial Failure, Rader Says (Oct. 25, 2013), <https://www.law360.com/articles/482264>.

¹⁷ Saurabh Vishnubhakat, Arti K. Rai, & Jay P. Kesan, Strategic Decision Making in Dual PTAB and District Court Proceedings, 31 Berkeley Tech. L.J. 45, 83 (2016).

¹⁸ *Id.* at 65.

¹⁹ *Id.* at 70 (emphasis added).

According to one study, these duplicative proceedings have been allowed to proceed in at least 30% of all cases between 2011 and 2016.²⁰ And in cases where one of the parties has contested a motion to stay duplicative proceedings, stays have been issued in only 58% of cases.²¹ Thus, while a PTAB proceeding, standing alone, was intended to be less expensive than federal district court litigation, the cumulative effect of defending a single patent against challenges *both* at the PTAB and in federal court adds to the costs that innovators must bear to protect their patent rights, thus raising the overall cost of innovation. These added litigation expenses, coupled with the PTAB's high patent invalidation rates, further encourage patent users to engage in a strategy of "efficient infringement." This also advantages large incumbents with the resources to engage in duplicative litigation at the expense of their smaller innovative competitors and individual inventors.

Innovation Alliance member TiVo's subsidiary, Rovi, is among the patent holders most targeted in PTAB proceedings. As such, it offers an important case study in how patent infringers have been using the PTAB to gain an unfair advantage over their adversaries. Rovi has developed and patented video-related innovations for decades, which they typically license to cable and satellite providers, including Comcast. When Comcast refused to renew its license with Rovi in 2016, Rovi filed several patent infringement lawsuits against Comcast to stop its unauthorized use of Rovi's technology.²² Rather than renegotiating its licenses with Rovi, Comcast's response was to use the PTAB as a concurrent litigation venue by filing 45 *inter partes* review petitions at the PTAB against fifteen of Rovi's patents.²³

Comcast's use of the PTAB to strengthen its position in licensing negotiations with Rovi is a far cry from the AIA's goal of establishing the PTAB to provide a cheap, simple litigation alternative to eliminate erroneously granted patents. The serial challenges filed by Comcast and others only serve to distort the relative bargaining positions of parties in patent licensing negotiations by creating a windfall benefit for patent licensees at the expense of licensors. It was not the intent of the AIA to pick winners and losers in the private market in this manner, nor should it have been. Until these unintended consequences are addressed, companies like Comcast will likely continue to use the PTAB as a negotiating tool unfairly.

The uncertainty surrounding PTAB challenges and their associated costs have been exacerbated by several other operational details of the PTAB. First, PTAB proceedings can be instituted much more easily than federal court litigation. Unlike federal courts, which have strict

²⁰ See Anne Layne-Farrar, *The Other Thirty Percent: An Economic Assessment of Duplication in PTAB Proceedings and patent Infringement Litigation*, 2 (June 28, 2017), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2994858.

²¹ See *id.* at 2-3.

²² See James Daly, *An Overreaching Patent Office Appeal Board Threatens Innovation and Inventors*, Politico.com Sponsored Content (Dec. 20, 2018), <http://www.politico.com/sponsor-content/2018/12/patent-appeal-board-undermining-innovation>.

²³ Comcast Tops Petitioner Ranking, Rovi Most Targeted Patent Owner, Managingip.com (Aug. 2017), <https://bannerwitcoff.com/wp-content/uploads/2017/09/PTAB-Online-Aug17-reprint-PROOF.pdf>.

standing requirements that require a real dispute to exist between the parties to a lawsuit, “[a]nyone can file a petition with the PTAB to challenge the validity of a patent: a defendant in court, someone merely threatened with infringement litigation, or even an organization dedicated to eliminating all patents on a technology altogether.”²⁴ Furthermore, under current law, a single patent can be challenged multiple times, leaving patent owners open to potential harassment by competitors, licensees, or others, with no legal mechanism to effectively quiet title to their patent.

Second, because of the speed with which PTAB proceedings are resolved, there are significant evidentiary restrictions imposed on PTAB proceedings. For example, discovery is significantly curtailed as compared with federal court litigation, and live witness testimony is generally prohibited. These evidentiary restrictions make it much harder for a patent holder to present the complete volume of evidence that it may possess, and thus undermines a patent holder’s ability to defend the validity of its patent fully.

Third, in *Cuozzo Speed Technologies, LLC v. Lee*,²⁵ the Supreme Court held that the PTAB may use the broadest reasonable interpretation (“BRI”) of a patent claim in its review proceedings. This standard is broader than the *Phillips* standard used in federal court and makes it easier for challengers to argue for a patent’s invalidity because a broader patent scope means that a broader range of prior art will be available to attack a patent’s validity. Although current USPTO leadership has recently stepped away from using the BRI standard in PTAB proceedings for the time being, the fact that BRI remains an available option that could return under different USPTO leadership in future administrations creates continued uncertainty for patent holders.

Likewise, in district court litigation, a challenged patent is presumed valid, and a party attacking it must show that the patent is invalid by “clear and convincing” evidence. No such presumption of validity applies in PTAB proceedings under these same challenged patents, and challengers need only demonstrate invalidity under the less rigorous “preponderance of the evidence” standard, further incentivizing validity challenges and creating additional uncertainty for patent holders.

C. *Recent Actions Taken by the USPTO*

In light of the significant weakening of the patent system over the past decade, the USPTO has taken a number of corrective actions over the past two years in an attempt to increase the rights of patent holders and return the U.S. patent system to some semblance of balance.

²⁴ Alden Abbott et al., *Crippling the Innovation Economy: Regulatory Overreach at the Patent Office*, Regulatory Transparency Project Intellectual Property Working Group, 12-13 (Aug. 14, 2017), <https://regproject.org/wp-content/uploads/RTP-Intellectual-Property-Working-Group-Paper.pdf>.

²⁵ 136 S. Ct. 2131 (2016).

First, on October 11, 2018, the USPTO published a rule replacing the use of the BRI standard in PTAB proceedings with the claim construction standard used by federal courts.²⁶ By harmonizing claim construction standards, this change reduces the uncertainty for innovators by ensuring that the interpretation of patent claims does not depend upon the forum in which the patent is litigated.

Second, earlier this year, the USPTO established a pilot program that makes it easier for a patent holder involved in a PTAB proceeding to file a motion to amend its patent claims before the PTAB.²⁷ Under the previous rules, the difficult and cumbersome procedure for amending claims was rarely used. The new rules would allow the scope of a patent that has been challenged to be narrowed rather than invalidated by the PTAB in its entirety. Given the high rates of invalidity findings at the PTAB and the constant risk of serial challenges, the ability to narrow a patent facing potential invalidity provides some helpful certainty for patent holders.

Finally, the USPTO published its 2019 Update to its Patent Trial Practice Guide in July 2019.²⁸ The Trial Practice Guide is intended to ensure standardized procedures are used by the PTAB. Among other things, the 2019 Update provides guidance on the factors that the PTAB may consider when determining whether to grant additional discovery and includes the revised claim construction standard discussed above. Additionally, the 2019 Update attempts to address the problem of serial petitions by pointing out that “one petition should be sufficient to challenge the claims of a patent in most situations,” and that instances in which multiple petitions are needed “should be rare.”²⁹ Finally, the 2019 Update “finds it unlikely that circumstances will arise where three or more petitions by a petitioner with respect to a particular patent will be appropriate.”³⁰ In announcing these changes, the 2019 Update specifically cited several of the abusive review petitions filed against Rovi.³¹

These actions by the USPTO over the past year offer a degree of long-overdue relief for innovators and represent real progress. If nothing else, they demonstrate that the USPTO has correctly identified several of the most detrimental recent changes to the U.S. patent system and is willing to be an ally in seeking to reverse them.

Nevertheless, these administrative actions taken by the USPTO and Director Andrei Iancu do not provide the kind of long-term stability and predictability necessary for American

²⁶ Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51,340 (Oct. 11, 2018).

²⁷ 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 Fed. Reg. 9497 (Mar. 15, 2019).

²⁸ Office Patent Trial Practice Guide, July 2019 Update, 84 Fed. Reg. 33,925 (July 16, 2019), <https://www.uspto.gov/sites/default/files/documents/trial-practice-guide-update3.pdf>.

²⁹ *See id.* at 26 (“With identical standards, district courts will be able to reap significant efficiency gains from PTAB claim construction decisions.”).

³⁰ *Id.*

³¹ *See id.* at 27 n.4.

innovators to realize their full potential and continue U.S. technological leadership. Without legislation to codify and strengthen these modest improvements by the USPTO, there is a significant risk that these helpful changes could be entirely reversed by a future administration. Therefore, they are no substitute for direct action by Congress.

III. The STRONGER Patents Act is Necessary to Restore the Value of Patent Rights and Maintain U.S. Innovation Leadership.

The STRONGER Patents Act offers an important opportunity for Congress to codify and build upon the recent administrative actions taken by the USPTO to address the issues discussed above that have tilted the U.S. patent system against innovators. We thank Senators Coons, Cotton, Durbin, Kennedy, Hirono, and Cramer for recognizing the challenges that innovators face and for introducing this bill, which we strongly support.

The STRONGER Patents Act addresses some of the most significant roadblocks faced by innovators. This bipartisan, bicameral proposal represents a significant step forward in restoring American innovation leadership. Several of the most consequential provisions for innovators are discussed below.

A. Restoring the Availability of Injunctive Relief to Stop Infringement

Section 106 of the Bill clarifies the application of the *eBay* decision by providing that after a court has issued a finding of infringement of a valid and enforceable patent, the court shall presume that further infringement of that patent would cause irreparable injury for which monetary damages are inadequate. This would reverse the current practice in many courts of near categorical refusal to issue injunctions by creating a presumption in favor of an injunction if a court finds infringement.

Importantly, section 106 does not reverse or nullify the *eBay* decision itself. Rather, it merely codifies the proper application of *eBay*. Section 106 would not return the patent system to the pre-*eBay* period (still followed in many countries) where injunctions were granted virtually as a matter of course after a finding of infringement. Patent holders would still be required to satisfy all four elements of *eBay*'s four-part test, including the two not addressed by section 106—that is, they would be required to show that an injunction is warranted given the balance of the hardships between the plaintiff and the defendant, and that the public interest would not be jeopardized by an injunction.

Further, the presumptions of irreparable injury and the inadequacy of monetary damages established in section 106 are rebuttable presumptions. Accordingly, infringers would have the opportunity to present evidence to convince the court that based on the unique facts of a given case, the harm alleged by a patent holder is not really irreparable or can be fully recompensed with monetary damages. Therefore, Section 106 would continue to permit courts to engage in the kind of fact-intensive balancing analysis *eBay* contemplates before granting an injunction.

The Innovation Alliance strongly supports restoring a presumption of irreparable harm and the inadequacy of money damages for a patent that has been found valid and infringed. Injunctive relief is critical to ensure that patent owners—especially small patent owners—can stop unlawful infringement and fully vindicate their property rights. The inability to obtain an

injunction, even with strong evidence of irreparable harm, only creates uncertainty and broadly devalues patents across the economy. While the STRONGER Patents Act would not allow courts to grant an injunction automatically upon a finding of infringement, it would ensure that courts do not categorically *deny* injunctive relief without engaging in a full and fair analysis of the relevant factors. Patent holders with strong evidence in support of a request for an injunction would have the certainty that, at a minimum, they will be given a fair hearing and thorough consideration by the court and will not be deprived of the ability to exclude others from using their property without a full ventilation of the facts.

The certainty that a patent holder with a strong case to be made on the merits of the four-part *eBay* test will not be mechanically denied an injunction as a matter of course is absolutely essential to sustaining a vigorous innovation economy. It ensures that small businesses and individual inventors can enter into meaningful licensing negotiations with large competitors, thereby perpetuating the virtuous cycle of innovation in a way that encourages continued investment in R&D by innovative researchers and startups. Absent this change, patents will continue to lose their status as valued property rights.

B. Ensuring Fairness in PTAB Proceedings

Additionally, several provisions of the STRONGER Patents Act make statutory changes to the PTAB's procedures to ensure that administrative proceedings before this tribunal are consistent, fair, and do not artificially stifle innovation.

1. Harmonizing Claim Construction Standards Used by the PTAB and District Courts

The bill would codify the recent guidance issued by the USPTO that requires the PTAB to use the *Phillips* standard for claim construction instead of the broader BRI standard that was in use before the promulgation of the USPTO's 2018 final rule on this issue. In so doing, these sections would harmonize the claim construction process between PTAB and district court proceedings.

We strongly support this provision because it eliminates incentives for entities challenging a patent to engage in gamesmanship by challenging a patent at the PTAB instead of federal court because of the more favorable claim construction standard available at the PTAB prior to the recent USPTO rulemaking. Innovators contemplating making substantial investments in the R&D necessary to produce groundbreaking innovations need the certainty that the ultimate validity of their patent will not depend upon the forum in which its validity is adjudicated.

It should also be noted that standardizing claim construction standards helps to further the AIA's goal of efficiency. When the PTAB uses the same claim construction approach as federal courts, decisions of the PTAB are of much greater subsequent value to federal judges.³² Harmonizing claim construction standards will likely also increase the chances that a stay will be

³² See Vishnubhakat, *supra* note 17, at 83.

granted in parallel proceedings. As the USPTO has noted, federal judges may be more likely “to rely upon PTAB claim constructions in subsequent proceedings” when the PTAB uses the same claim construction standards as federal courts.³³ Thus, while the Innovation Alliance applauds the USPTO’s actions in this area, we support codifying into law the use of the *Phillips* standard in PTAB proceedings.

2. Harmonizing the Burden of Proof Applied in PTAB and District Court Proceedings

Similarly, the STRONGER Patents Act would also ensure that the same burden of proof applies to parties seeking to invalidate a patent in federal court and the PTAB. Specifically, the bill would increase the burden of proof in PTAB proceedings by requiring a challenger to demonstrate a patent’s invalidity by “clear and convincing evidence” instead of a mere preponderance of the evidence.

We support this provision which, much like the provision harmonizing claim construction standards between the PTAB and district courts, is necessary to prevent the gamesmanship that can occur where a challenger chooses to seek the invalidation of a patent at the PTAB rather than federal court because of the lower evidentiary burden challengers face there. We also believe the stricter “clear and convincing evidence” standard is most appropriate when determining whether a property right that has been issued by the USPTO is valid. This heightened standard gives due deference to the expert determinations made by the USPTO’s patent examiners when they make the original decision to award a patent. Patent holders that have invested a substantial amount of money in the process of discovering, developing, and patenting their innovations—and subsequently have often invested heavily to develop products based upon those innovations in reliance on the patent property right—need the certainty that the decision of the USPTO’s patent examiners in the first instance has some meaning.

If the PTAB is permitted to wholly disregard a patent examiner’s initial finding and essentially engage in *de novo* review each time a patent is challenged, the value of a patent granted by the USPTO is significantly reduced. This deprives patent owners of the ability to accurately gauge the value of a patent that has been issued, but not litigated, and thus creates immeasurable uncertainty.

3. Requiring PTAB Challengers to Have a Stake in the Suits They Initiate

The bill also requires litigants to have standing in order to challenge the validity of a patent before the PTAB, just as they would be required to have standing to file a suit in federal court. This ensures that PTAB challenges will be brought only by those entities with a direct business or financial stake in the outcome of the proceedings. Accordingly, these sections would help eliminate nuisance challenges and challenges brought for nefarious purposes that only serve as a tax on innovation.

³³ Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board, 83 Fed. Reg. 51340, 51346 (Oct. 11, 2018).

The Innovation Alliance supports this provision because it provides innovators with certainty that only those individuals or entities who have a direct vested interest in the validity or invalidity of their patents can file a challenge with the PTAB. Exposing innovators to challenges from parties with no real stake in the proceedings themselves creates the possibility of astronomical costs and protracted litigation without a direct benefit to either of the litigants or the U.S. economy at large.

4. Establishing Commonsense Limitations on Serial and Redundant Challenges

Sections 102(f) and 103(f) of the STRONGER Patents Act provide that a PTAB petitioner can only institute a single proceeding to challenge a given patent in most instances. If the validity of the patent is upheld, the challenger cannot file another PTAB challenge. These sections also provide that a party who has instituted an *inter partes* review proceeding at the PTAB may not later bring a challenge to the same patent's validity in federal court.

Finally, sections 102(h) and 103(h) of the bill would provide that when a federal district court has issued an opinion on the validity of a patent subject to concurrent review by the PTAB and the district court opinion has been appealed, the PTAB decision should be stayed pending resolution of the appeal.

The Innovation Alliance supports these provisions because they ensure the most efficient allocation of judicial resources by avoiding redundant and duplicative proceedings. Further, they will help ensure that a patent holder will not be subjected to protracted, expensive litigation simply because a challenger decides to jump between various fora or file redundant challenges against the same patent. These provisions ensure that patent owners have *some* prospect of finality to adjudications of the validity of a given patent, at least with respect to the same challenger.

Strong patents are critical to maintaining U.S. leadership in a global innovation economy. Innovators in fields like 5G, artificial intelligence, quantum computing, next-generation medical cures, and countless others rely on intellectual property rights to protect their technologies and to bring their innovations and cures to market. This legislation would ensure that innovators can enforce and defend their patents on a level playing field, ultimately strengthening U.S. competitiveness in innovative R&D.

The Innovation Alliance appreciates the Subcommittee's careful attention to this important legislation and looks forward to working with you to enact the STRONGER Patents Act into law.