

The Market for Buying and Selling Patents – 2020 Update



Kent Richardson

January 2021

Agenda



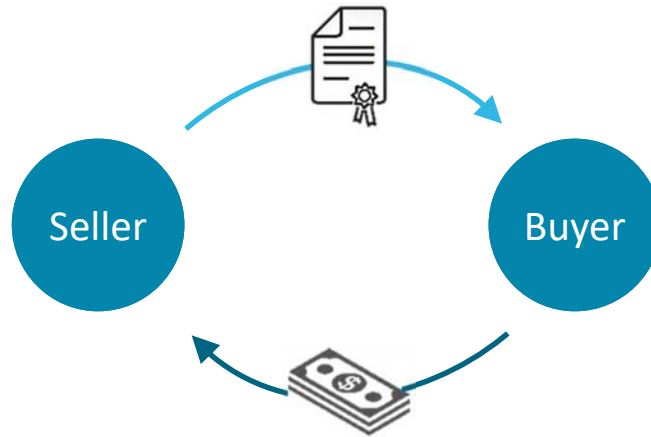
Look back

Market Dynamics

Predictions



What's the Secondary Patent Market?



An Example Deal

Seller: Sung Kyun Kwan University

Broker: Dynamic IP Deals

Technology: Eye tracking, stereo vision rectification, detecting changes in backgrounds

Companies/Products: Apple FaceID, Microsoft Hololense

Assets: 11 families having 19 assets including 8 issued US patents

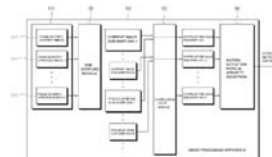
Example: US8194930
Priority: 2008

Asking Price: "High six figures, low seven figures"

Listed: Feb 2019

Sold: Nov 2019

(12) United States Patent		(10) Patent No.: US 8,194,930 B2
Jeeu et al.		(45) Date of Patent: Jun. 5, 2012
(54) IMAGE PROCESSING APPARATUS AND METHOD FOR REAL-TIME MOTION DETECTION		
(57) Abstract: An image processing apparatus and method for real-time motion detection is provided. In the apparatus, a sub-sampling module receives and sub-samples a current image and a plurality of previous images and a camera translation module performs camera translation on each of the sub-sampled images to obtain a camera vector. A correlation calculation module calculates and compares correlation values between the current image and the plurality of previous images and detects a region having higher correlation. A motion detection module tracks positions of pixels corresponding to the region having the highest correlation to detect motion information in the images. The image processing apparatus and method can obtain, in real time, the direction and speed of an object that is in motion in each image.		
(51) Int. Cl.: G06K 9/00 (2006.01)		
(52) U.S. Cl.: 382/297; 382/291; 375/240.01		
(53) Field of Classification Search: 382/290; 382/100; 184; 187; 184; 188; 175; 181; 184; 382/290; 375; 382; 218; 278; 295; 382; 382/312; 375/240.01; 348/47		
* See application file for complete search history.		
REFERENCES CITED		
U.S. PATENT DOCUMENTS		
6,443,000 A * 10/2000 Kojima et al. 38847		
6,435,704 B1 * 1/2001 Aoki et al. 375,240.01		
6,472,724 B1 * 1/2001 Shoji 382,100		
7,484,411 B2 10/2008 Mikhlin et al. 382,299		
7,048,000 B2 * 1/2001 Shoji et al. 375,240.01		
7,925,477 B1 * 1/2011 Shoji et al. 382,100		
OTHER PUBLICATIONS		
Jeeu, Sungho et al., Motion and Feature-Based Video Motion Detection, 38th 3d International Conference on Multimedia, Department of Computer Science, Seoul National University, 1997, 11, 106-11.		
* cited by examiner		
Primary Examiner - Sevil Arslan * (10) Attorney, Agent or Firm - Lippman IP Group, PLLC		
(57) ABSTRACT		
An image processing apparatus and method for real-time motion detection is provided. In the apparatus, a sub-sampling module receives and sub-samples a current image and a plurality of previous images and a camera translation module performs camera translation on each of the sub-sampled images to obtain a camera vector. A correlation calculation module calculates and compares correlation values between the current image and the plurality of previous images and detects a region having higher correlation. A motion detection module tracks positions of pixels corresponding to the region having the highest correlation to detect motion information in the images. The image processing apparatus and method can obtain, in real time, the direction and speed of an object that is in motion in each image.		



Agenda

➤ Look back

➤ Market dynamics

➤ Predictions

Deal Flow



~1000 deals per year hit the market

The ROI Patent Market Report



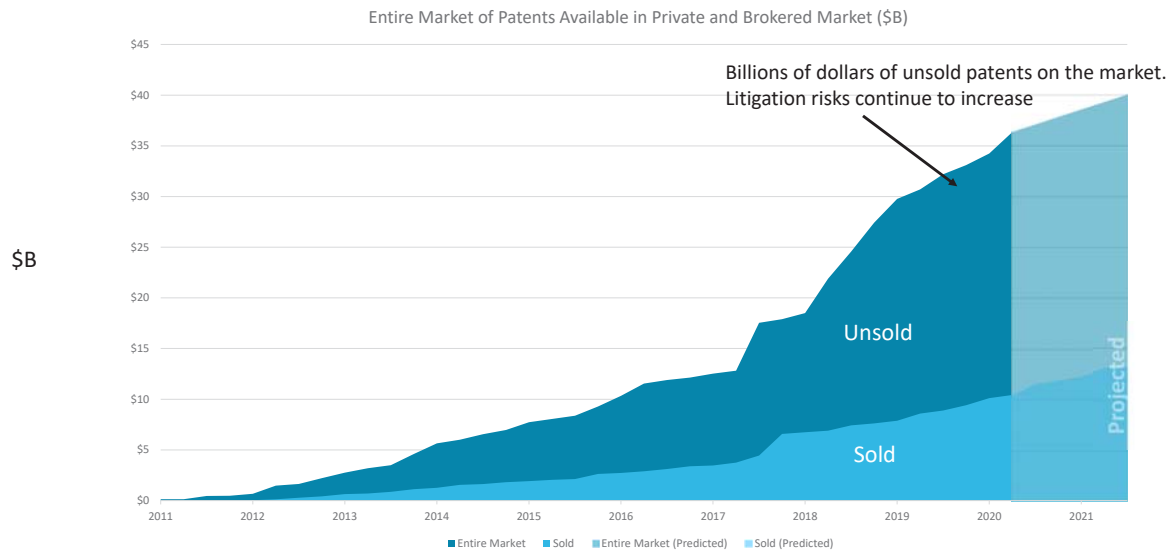
ROI Patent Market Report

9th annual report

“ROI’s brokered patent market report continues to be one of the year’s most read and anticipated pieces amongst IAM’s subscriber base of global IP executives and professionals”

- Joff Wild, Editor in Chief of IAM

\$36B in Patents on the Secondary Market



Quick Summary

Sales \$290 million, about the same as last year

Asking prices dropped 8% after last year's 56% increase

Software sales continue to dominate, has the highest asking price (\$200K) and high sales rates

Old deals still sell

NPEs are buying a larger share of the sold brokered deals. **67% in the first half of 2020**

Litigation threats from sold packages continue to rise

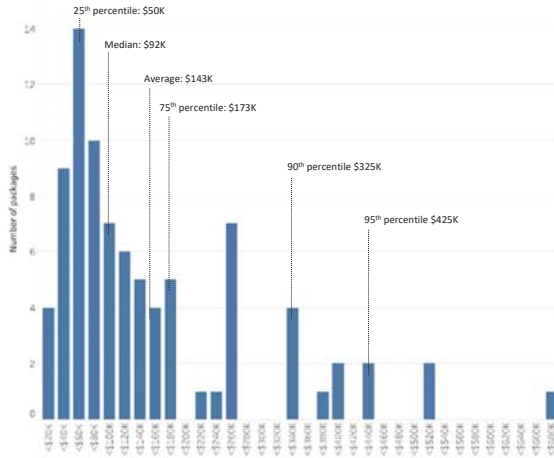
What's the Average Asking Price for a Patent?

\$**3**02,000

Highest since 2014

Example Distribution of Pricing in Software

Figure 10. 2018-2019 Application Software price per asset distribution



\$20K to \$680K per asset

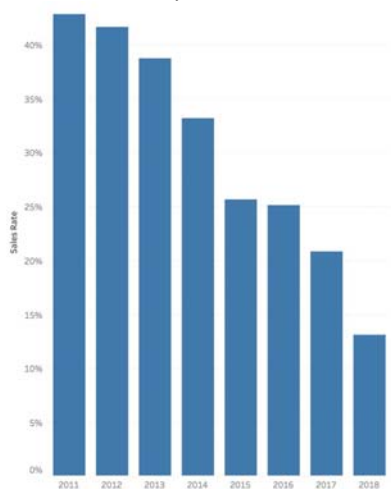
Long tail distribution is common in pricing

Same applies in both asking prices and closing prices

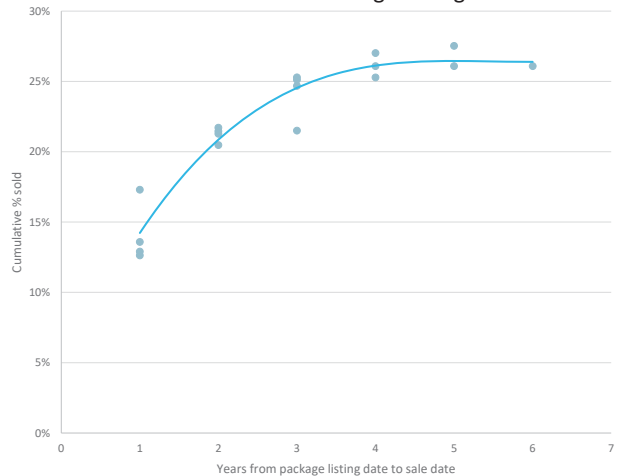
YoY prices of sold deals is more consistent

Sales Rates Coming Up with Fewer Packages on the Market

Sales Rate by Market Year



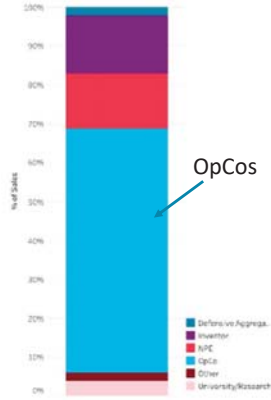
Sales Rate from Package Listing



Corp Selling the Most – NPEs Buying Most

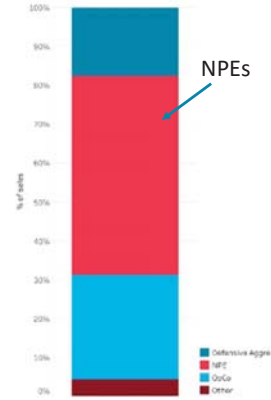
Sellers Are Corps

Figure 13. Distribution of seller type by sale year 2019-2020



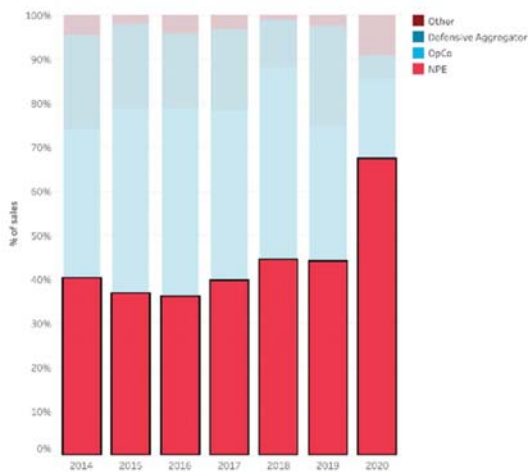
Buyers are NPEs

Figure 15. Distribution of buyer type by sale year 2019-2020



NPE Buying Exploding

Figure 16: Percent of sales to NPEs by sales year



- NPE buying in the first half of 2020 is 67% of the market
- NPEs go back and buy more!

Predictions

More private deals

No big shifts in pricing, asset count, sales rates

NPEs buy more, litigate more

Learning More – Further Resources

Richardson Oliver Insights

New data-business, increasing patent market transparency

Home page has updated market data

roipatents.com

Hosts reports and analysis on the market

“The 2019 Brokered Patent Market” Richardson et. al. IAM Magazine (December 2019)

“An Empirical Look at the ‘Brokered’ Market for Patents.” Love et. al. SSRN (October 2017)

“Patent Purchases and Litigation Outcomes.” Lemley et. al. 2016 Patently-O Patent L.J. 15 (December 2016)

roipatents.com/publications/

RICHARDSON OLIVER INSIGHTS

PATENT MARKET DATA • ACTIONABLE ANALYTICS

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PATENTESQUE LAW GROUP, LLP

RECENT DEVELOPMENTS IN IP/TECH LICENSING: 2020 IN REVIEW

LES Silicon Valley & SVIPLA
Palo Alto, CA
January, 2021

Joseph Yang, Esq.
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Los Altos, California

RECENT LEGAL DEVELOPMENTS AFFECTING IP/TECH LICENSING

- I. **Licensable Subject Matter:** IPR Ownership
- II. **Licensing Program Structure:** Must Licensor License Upstream? (SEPs)
- III. **Negotiation:** Offers & Counteroffers / Stall & Delay (SEPs)
- IV. **Licensing:** License Scope (Option vs. License)
- V. **Licensing:** Related Terms (Non-Competes)
- VI. **Fees:** RAND (SEPs)
- VII. **Litigation:** Forum / Service of Process
- VIII. **Litigation:** Damages (SEPs)
- IX. **Summary**

I. **LICENSABLE SUBJECT MATTER: IPR OWNERSHIP (1st case)**

A. Background:

1. Most Federal IPR types (e.g., patent, copyright, trademark) can only be enforced by the owner or an exclusive licensee
2. State law governs most trade secrets

B. Issue & Holding:

1. Can a party possessing (but not owning) a trade secret sue for misappropriation? YES
2. Party must have kept it confidential (including upon distribution)

Advanced Fluid Systems v. Huber (3rd Cir. Apr. 2020)

C. Comments & Practice Tip:

1. Pennsylvania law case (but based on UTSA)
2. See also *DTM v. AT&T* (4th Cir. 2001) & *BladeRoom v. Facebook* (N.D. Cal. 2017)
3. *DTSA* allows trade secret licensee to enforce
 - a. Even going to far as to call it an “owner”
4. Don't assume all IPR types / laws are the same!

I. LICENSABLE SUBJECT MATTER: IPR OWNERSHIP (2nd case)

A. Background:

1. Patent assignments must be via written instrument. 35 USC 261.
2. Assignment must be recorded (for constructive notice). 35 USC 261.
3. Only patentees and assignees can sue. 35 USC 281.
4. Any party with an exclusionary interest in a patent (e.g., assignee or exclusive license) has Art. III (i.e., constitutional aka “case or controversy”) standing needed for court to adjudicate patent issues. *Lone Star* (Fed. Cir. 2019).
5. Fed. Cir. had long history of rejecting *nunc pro tunc* agreements (e.g., fixing valid but incomplete assignments omitting right to sue for past damages)
6. Fed. Cir. has long history of holding that intended (“promissory” or “future tense”) language does not constitute an assignment, and is subordinate to a later (but properly worded) assignment

B. Facts:

1. 2002: Assignor offered multiple patents; assignee accepted offer to assign

2. 2002: Prepared 3 patent assignments to “memorialize” at USPTO.
 - a. 1st executed
 - b. 2nd & 3rd not executed
3. 2003: 1st assignment erroneously recorded at USPTO for 2nd case
4. 2011: Assignee sued infringer on 2nd case
5. 2011: Infringer argued no standing, due to no recorded assignment
6. 2011: Assignor & assignee executed & recorded correct assignment
7. Dist. Ct.: Reformed the erroneous 2003 pro forma assignment
 - a. Applied Minneapolis law: (i) interpreting contracts according to parties’ intent; and (ii) allowing reformation to effectuate such intent

C. Issues and Holding:

1. Can trial court adjudicate the reformation issue? YES
 - a. Because purported assignee filed infringement complaint asserting it was the assignee
2. OK to reform the erroneous recorded assignment? YES, to reflect parties’ intent
3. If reformed, when effective? Original date (i.e., 2003)

4. How to interpret 35 USC 261's "written instrument" requirement?
 - a. The written instrument **does not define when assignment** occurred
 - b. 261 merely requires that a written instrument **confirm the assignment**

Schwendimann v. Arkwright Advanced Coating (Fed. Cir. May 2020)
- D. Comments: Decision **is controversial** in many respects (esp. 3ab)
 1. 35 USC 261 says that a patent "shall be **assignable ... by** an instrument in **writing**"
 2. Thus, did **no actual assignment occur** in 2003 (and not until 2011)?
 3. If so, how can a **2003 agreement confirm** a 2011 assignment?
 4. How to **reconcile** this case with a large number / decades of Fed. Cir. cases arguably requiring **form over substance**:
 - a. **Refusing** to accept *nunc pro tunc* agreements **fixing valid but incomplete assignments**?
 - b. **Rejecting "intended assignment" language** that clearly showed parties' intent?
 5. **If this case is good law**, it will have **massive repercussions** for **perfecting what were previously (often fatal) errors in assignment**

I. **LICENSABLE SUBJECT MATTER: IPR OWNERSHIP (3rd case)**

A. Background & Facts:

1. In California, **cannot require employee to assign** invention rights to employer if **developed entirely** on his/her **own time without** using the **employer's equipment, supplies, facilities, or trade secrets, unless** either:
 - a. **Relate** at the time of creation **to employer's business or R&D**; or
 - b. **Result from work** performed by the employee **for the employer**.

California Labor Code 2870.
2. In California, any restraint on competition (employment) **is void**, subject to only narrow exceptions. *California Bus. Prof. Code 16600.*

B. Issue & Holding: Is IP assignment provision that was **not barred by 2870**, and which **survives employment**, enforceable re **patent conceived post-employment**? **NO**

1. 2870 is **not a safe harbor against 16600's** prohibition on non-competes
2. **16600 trumps 2870**, and **bars assignment of post-employment inventions**
 - a. **Unless** to protect former employer's **proprietary information**

Whitewater v. Alleshouse (Fed. Cir. Nov. 2020)

C. Comment: See more 16600 cases, *infra*

II. LICENSING PROGRAM STRUCTURE: MUST LICENSOR LICENSE UPSTREAM? (SEPs)

A. Background:

1. **Standard-setting organization** (“**SSO**” aka “**SDO**”)
2. **Standard-essential patent** (“**SEP**”)
3. **Reasonable and non-discriminatory** licensing (“**RAND**” aka “**FRAND**”)
4. **Patentee** (aka licensor) vs. **implementer** (aka “patent user”; licensee; infringer)
5. **Suppliers** (components) vs. **OEMs** (end user devices)
6. **Royalty base: SSPPU** (e.g., chip) vs. **end user device**
7. Patentee “**hold up**” vs. Implementer “**hold out**”
8. **Injunction** vs. **damages**
9. **Battle of the courts** (comity vs. “king of the hill”)

B. Facts:

1. Qualcomm **Business Model**
 - a. Dominant **supplier** of “**modem chips**” (aka “baseband processors”)
 - b. But makes **most profits** from **patent licensing** (~3x others’ royalties)
 - i. **OEMs only** (not chipmakers)
 - ii. “**No license, no chips**” (“**NLNC**”)
 - iii. **Exclusivity / rebates**
2. **Trial court: Breach of SSO contract**
3. **Trial court: Antitrust violation** (*Aspen Skiing* – “orphan” S/Ct case)
4. **Remedies: Injunction** (license suppliers; stop NLNC; renegotiate)

C. Issues: Proper analysis / injunction?

1. **Bad antitrust law** (*Aspen*, even though FTC abandoned it)
2. **Bad antitrust analysis** (wrong antitrust market; no harm to competition)
3. **OEM-level licensing is norm and pro-competitive**
4. **USG opposition:** FTC Commissioner; DOJ/DOE/DOS; Former FTC GC
5. **Vacated contract finding too**

FTC v. Qualcomm (9th Cir. Aug. 2020)

D. Another case:

1. **Transferred** by N.D. Cal. after FTC abandoned *Aspen* arguments
2. **OEM-only licensing** (→ at >RAND rates)?
3. Alleged **violation of RAND obligation is not antitrust injury**
4. **Suppliers** are **wrong plaintiffs** because supposed >RAND rates paid by OEMs
5. Breach of contract = state law issue (no Fed. Ct. jx. once antitrust failed)
6. Note: **Suppliers** obtain **rights through OEM licensees**
7. Note: Maybe different if indemnity claim for >RAND rates
Continental v. Avanci (N.D. Tex. Sep. 2020)

E. Comments:

1. **Antitrust attacks** on refusal to license = **unsuccessful**
 - a. Reflects current **DOJ** views
2. **Antitrust overreach** even caused **loss of “breach of SSO contract” rulings**

F. **US Department of Justice**

1. Antitrust chief **Makan Delrahim**, former outside counsel for Qualcomm
2. **New approach** to IP/antitrust
 - a. Important to **protect innovation**
 - i. Important to **reduce implementer hold-out**
 - b. **Patentee hold-up** should **not** be an **antitrust concern**
 - i. There are **non-antitrust remedies** for patentee hold-up
3. **Business review letters** (DOJ 2020)
 - a. Approved **Avanci** licensing practices (esp. OEM-level licensing)
 - b. “Clarified” 2015 BRL to **IEEE**
 - i. 2015 BRL used an “**outdated analysis**” (focus on hold-up)
 - ii. Tolerating, but **not endorsing**, **IEEE’s IP policy**
 - A. **SSSPU** and **limiting patentee injunctions**
 - iii. **Foreign governments** should **stop citing BRL** to support
 - a. **Antitrust attacks** on OEM-level licensing
 - b. **Denying injunctions** to patentees

III. **NEGOTIATION: OFFERS & COUNTEROFFERS / STALL & DELAY (SEPs)**

A. Background (Europe):

1. Courts focused on **negotiation behavior**: relatively **balanced**
2. Negotiation framework
 - a. When is a **patentee seeking injunction** an “**abuse of dominant position**”?
 - b. **Framework**
 - i. Patentee **notice**
 - ii. Implementer **willingness**
 - iii. Patentee **RAND offer**
 - iv. Implementer **respond in good faith** and **without delay** (e.g., **accept** or make **RAND counteroffer**)
 - v. Implementer post **security** for pre-license use

Huawei v. ZTE (CJEU 2015)

B. Facts:

1. Implementer **stalled & delayed** (~1 year)
2. Said needed to first **resolve infringement & validity** issues
3. **Demanded lowest rate** given to another co. **under duress from** CN govt

C. Issues:

1. What constitutes **impermissible implementer “hold out”**?
2. What are the **consequences**?

D. Holding:

1. German FCJ **expanded Huawei v. ZTE** requirements
2. **Patentee's notice** need not include **claim charts**
 - a. **Implementer duty to investigate** infringements using **own resources**
3. **Implementer must reply “clearly and unequivocally”** with “**unconditional**” **willingness to accept license “on whatever terms are in fact RAND”**
 - a. **Can't wait** for resolution of **validity and infringement**
 - b. **Several months' delay** by implementer would be **unreasonable**
4. Implementer must **actively negotiate** toward RAND rate in “**target-oriented**” manner
5. Patentee can justify having given lower rates to others (**no MFN**)
6. **Implementer** can be **enjoined** if fail to negotiate reasonably
7. Patentee can claim **damages >RAND**

Sisvel v. Haier (German FCJ May 2020)

E. Comments:

1. In many respects, FCJ returned to an **earlier standard** (*Orange Book*) that had been **rejected** by the CJEU in *Huawei v. ZTE*
2. Many of the *Sisvel v. Haier* concepts have been referred to the CJEU in another important case, *Nokia v. Daimler* (Germany Dusseldorf Nov. 2020)

a. Facts:

- i. Found Nokia entitled to injunction
- ii. Questioned whether seeking injunction is antitrust violation
- iii. Stayed pending **referral to CJEU** (European high court)

b. Issues:

- i. Must **patentees license** (some/all) **suppliers**?
- ii. Can **OEM avoid injunction** if refused to license willing **supplier**?
- iii. Can **implementer** be found **unwilling** before **determining whether patentee's offer was RAND**?
- iv. Must **implementer** express "**unconditional**" **willingness**?
- v. **Implementer's delay** of several months → **unwillingness**?
- vi. Can failure to comply be **cured after litigation** starts?

IV. **LICENSING: LICENSE SCOPE (OPTION VS. LICENSE)**

A. Background & Facts:

1. Many **university deals** include an **option** for a **future license**
 - a. Corporate-sponsored research
 - b. Spinouts
2. "**Agreements to agree**" are generally **unenforceable**
3. "**Agreements with open terms**" can be **enforceable**

B. Facts:

1. WSU gave Phytelligence a **research license** to propagate apple trees
2. Plus an **option** to take a **future commercial license**
 - a. Contract said: To **exercise** option, must **sign separate agreement**
 - b. **Terms** of agreement **not specified**
3. WSU granted an **exclusive commercialization license** to PVM
4. Phytelligence wanted sales license, was referred to PVM, couldn't agree
5. Phytelligence **sold trees despite contract prohibition** on sales w/o license
6. WSU **terminated** for **breach**
7. Phytelligence sued for **specific performance**

C. Issues & Holding:

1. Did Phytelligence receive the (enforceable) right to obtain a license on open terms, or an (unenforceable) agreement to agree?
2. Merely agreement to agree
 - a. Plain language → contingent on separate agreement
 - b. Nego history → WSU said could not set licensing terms at time
3. A2A: Something that requires a further meeting of the minds
4. Open Terms: Court could fill using UCC, etc.

Phytelligence v. WSU (Fed. Cir. Aug. 2020)

D. Practice Tips:

1. For Licensor:
 - a. State separate agmt required to exercise
 - b. Clarify that terms are to be mutually agreed
2. For Licensee:
 - a. Affirmatively require licensor to execute agreement upon exercise
 - b. Specify / provide guidance for terms (e.g., actual draft, or at least major concepts such as deliverables/rights/\$/term)
 - i. Mention recourse to UCC, court, past agreements, etc.

V. **LICENSING: RELATED TERMS (NON-COMPETES)**

A. Background:

1. Many agreements include non-competes
2. Most U.S. states allow if “reasonable”: scope, geography, duration
3. California is different: “Except as provided in this chapter [i.e., sale of business / LLC; dissolution of partnership / LLC], every contract by which anyone is restrained from engaging in a lawful profession, trade, or business of any kind is to that extent void. *Calif. Bus. Prof. Code 16600*”
4. But B2B non-competes / exclusive dealing not void *per se* under 16600
 - a. Instead, 16600 subject to rule of reason outside employment
Quidel (Cal. App. 4th 2019)

B. Issues & Holdings: What is scope of 16600?

1. Non-competes / exclusive dealing arrangements outside of employment are evaluated under rule of reason. *Ixchel v. Biogen* (Cal. Aug. 2020)
 - a. *Quidel* (Cal. App. 4th 2020) reissued its 2019 opinion (including guidance on reasonableness) after vacatur & reconsideration
 - b. 16600 only applies post-employment. During employment, employer is entitled to “undivided loyalty.” *Techno-Lite v. Emcod* (Cal. App. 2nd 2020)

VI. FEES: RAND (SEPs)

- A. Affirmance of Landmark UK Case (Very Pro-Patentee)
 - 1. UK court can set worldwide RAND rate
 - 2. Bottom up with top down as sanity check
 - 3. Non-discrimination not “hard-edged” (no MFN)
 - 4. Injunction (UK patents), not just damages

Unwired Planet v. Huawei and *Conversant v. Huawei & ZTE* (UK 2020)

- B. Comment: Compare to U.S. reversal of *TCL v. Ericsson* (Fed. Cir. Dec. 2019) (very pro-implementer “step-child” of *Unwired Planet*; lack of jury trial)

- C. Comment: Compare to *Huawei v. Conversant* (China 2020) (Chinese supreme court issuing an anti-suit injunction barring Conversant from enforcing its German judgment against Huawei, and also announcing that Chinese courts will not respect foreign courts' RAND rate determinations including Chinese patents (e.g., in a worldwide rate))

VII. LITIGATION: FORUM / SERVICE OF PROCESS

- A. Background: Hague Convention provides for formal service of process in cross-border disputes
- B. Facts:
 - 1. MOU between California (?) and Chinese company
 - 2. California law and California (Fed./state) courts
 - 3. Notices and service of process by FedEx, etc.
 - 4. Also, either party could apply for arbitration
 - 5. Rockefeller filed for arbitration & provided service by FedEx
 - 6. Changzhou ignored it – no response / appearance
 - 7. Arbitrator entered \$400K default judgment for Rockefeller
- C. Issue & Holding:
 - 1. Was service by FedEx (instead of Hague) OK? YES
 - 2. Hague Convention waived (does not apply) when law of forum state (e.g., California) allows informal service of process by other means

Rockefeller v. Changzhou (Cal. Apr. 2020) (cert. denied)
- D. Practice Tip: Can avoid Hague Convention requirements by providing for service of process (piggyback on notice requirements)

VIII. LITIGATION: DAMAGES (SEPs)

A. Notable Case #1:

1. WiFi -- SEP but not RAND (Caltech not SSO participant)
2. **\$1.40/device** (Apple) + **\$0.35/chip** (Broadcom – non Apple devices)
3. **600M devices** (Apple) + **1B chips** (Broadcom)
4. **\$1.1B = \$837M** (Apple) + **\$270M** (Broadcom)

Caltech v. Broadcom & Apple (C.D.Cal. Jan. 2020)

B. Notable Case #2:

1. Unwired Planet sister company suing Apple
2. **\$506M** award

Optis v. Apple (E.D.Tex. Aug. 2020)

IX. SUMMARY

A. Developments Favorable to IP Owners/Licensors

1. Trade secret possessors / non-owners can sue (*Advanced Fluid*)
2. Court reformation of defective assignments (*Schwendimann*)
3. Denying antitrust attacks against refusals to license (*Qualcomm*)
4. Denying antitrust attacks against refusals to license (*Avanci*)
5. Deterring implementers' "hold out" behavior (*Sisvel*)
6. Option as agreement to agree, not vested license (*Phytelligence*)
7. Reversal of implementer-friendly SEP/RAND case (*TCL*)
8. Large SEP/RAND damages awards (*Optis*)
9. Large SEP damages awards (*Caltech*)

B. Neutral Developments

1. BPC 16600 = rule of reason for B2B non-competes (*Ixchel v. Biogen*)
2. BPC 16600 = only *per se* for post-employment restraints (*Techno-Lite*)
3. Can avoid Hague Convention (*Rockefeller*)

C. Developments Unfavorable to IP Owners/Licensors

1. Calif. law bars post-employment IP assignment to employer (*Whitewater*)
2. CN courts won't respect foreign RAND rate determinations (*Huawei*)

D. Final Thoughts

1. Another **busy** IP year
2. A **strong** year for **IP licensors** – part of continuing trend
 - a. Pro-licensee (peak) in 2015
 - b. Balanced in 2016-2017
 - c. Pro-IP in 2018
 - d. Balanced / slightly pro-licensee in 2019
 - e. But several 2019 major pro-licensee cases reversed in 2020
3. **RAND** case law continues to develop (clean sweep for patentees)
4. Massive case (if good law) on **defective patent assignments**
5. Important & long-awaited clarifications to **California law** (Labor Code 2870, BPC 16600)
6. **Be careful** about “it’s just boilerplate”

SPEAKER BIOGRAPHY -- JOSEPH YANG

Joe Yang is a partner at *PatentEsque Law Group, LLP*, and a Lecturer at *Stanford Law School*. He is also an expert witness for high stakes IP & licensing disputes. Joe specializes in patent deals (e.g., licensing, monetization and standard bodies), tech transactions (e.g., licensing, JVs, IoT, big data & SaaS) and IP strategy. He has led hundreds of deals worth billions of dollars in (and across) the computer, electronics, semiconductor, consumer, entertainment, materials, manufacturing, energy & health fields. He has been an arbitrator, overseen patent litigation & developed corporate patent portfolios.

Previously, Joe he was VP & General Counsel of *Cryptography Research, Inc.*, whose licensees make 10+ billion devices/year under the company’s patent and technology licenses. Before that, he co-founded & later led the IP Strategy & Transactions practice of *Skadden, Arps* (Palo Alto).

Joe co-chairs the nationwide “Advanced Licensing,” “Advanced Patent Licensing” & “Understanding the IP License” courses -- attended by thousands of lawyers annually -- at the *Practising Law Institute*. He has written for journals & books, and been cited by courts & treatises. Joe teaches “*Patent & Technology Licensing*” at *Stanford Law School* & has taught “*Patent Law & Policy*” at *U.C. Berkeley School of Law*.

Joe is listed in Intellectual Asset Management’s guides to the *World’s Leading IP Strategists*, *World’s Leading Patent Professionals* & *World’s Leading Patent & Technology Licensing Lawyers*; in Marquis’ *Who’s Who in American Law* & *Who’s Who in America*; and in the Northern California *Superlawyers* guide.

Originally, Joe was a research engineer in aerospace & energy. Joe has a J.D. from Stanford and a Ph.D. (engineering) from the *California Institute of Technology*, where he has served on the boards of the Caltech Alumni Association, and the Caltech Associates.

*Licensing Executives Society –
Silicon Valley Chapter
IP Year in Review
January 20, 2021*

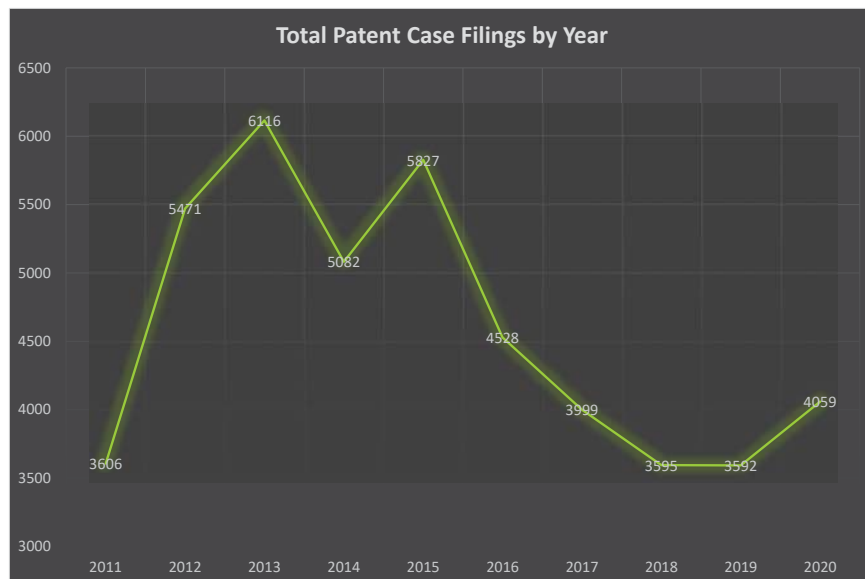
Michael Zachary

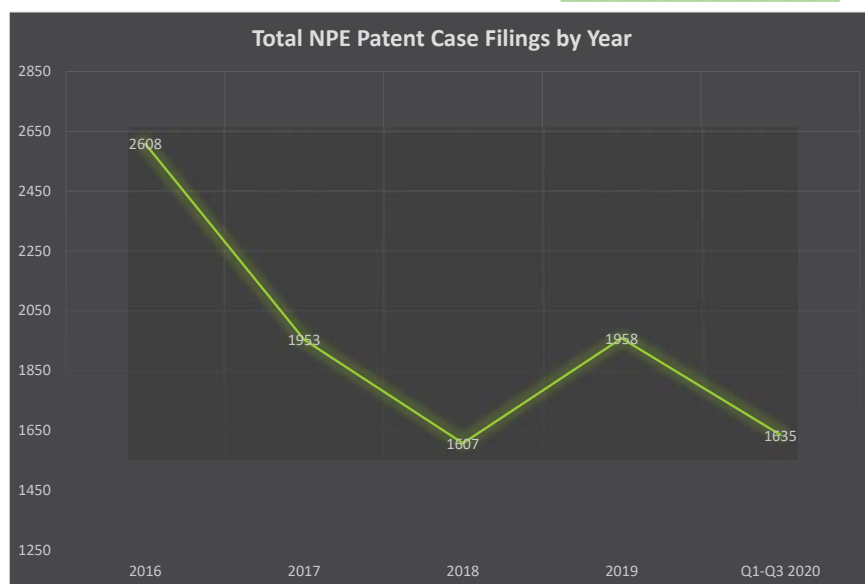


Patent Case Data

Patent Litigation Makes a Modest Comeback

- Patent Case Filings Increase
 - 2020: 4059 cases filed - most since 2016
 - Up from recent low in 2018/2019 - ~ 3590 cases
- Peak of 2013-2015 Unmatched
 - 2013: 6116 Cases Filed
 - 2015: 5827 Cases Filed





Large Patent Awards in 2020

- 5 of 10 Largest Patent Damages Awards Since 2016 Came in 2020
 - \$1.13B: Centripetal Networks v. Cisco Systems (E.D. Va. 2020)*
 - \$837M: Cal Tech v. Apple (C.D. Cal. 2020)
 - \$506M: Optis Cellular Tech, et al. v. Apple (E.D. Tex. 2020)
 - \$270M: Cal Tech v. Broadcom, et al. (C.D. Cal. 2020)
 - \$235M: Cirba v. VMware (D. Del. 2020)**
- \$585M: Juno Therapeutics, et al. v. Kite Pharma (C.D. Cal. 2019)*
- \$200M: USAA v. Wells Fargo (E.D. Tex. 2019)
- \$155M: Bayer Healthcare v. Baxalta (D. Del. 2019)
- \$506M: VirnetX v. Apple (E.D. Tex. 2018)
- \$270M: Wisconsin Alumni Research v. Apple (W.D. Wis. 2017)

* Amount after enhancements

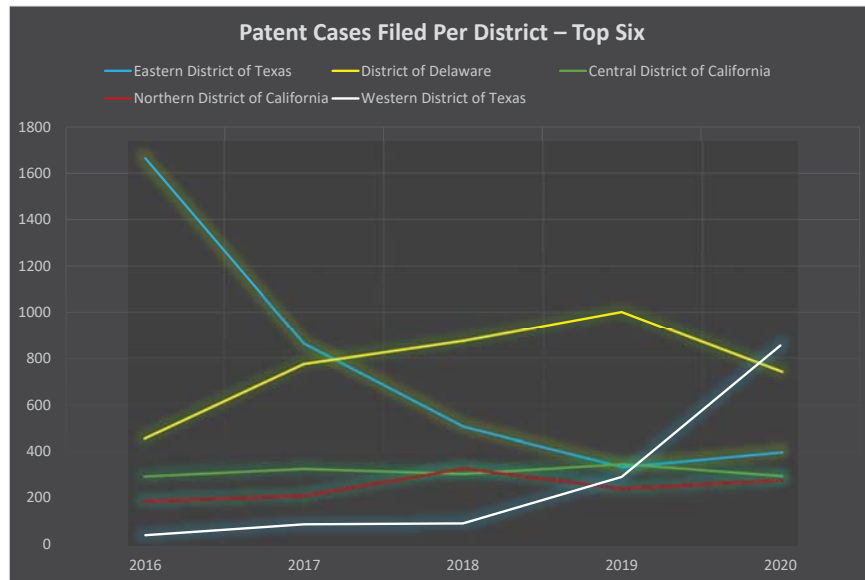
** New Trial Granted Because of Standing Issue

Patent Venue



Large Shift in Favorite Patent Districts

- Former Favorite EDTX in steady decline
 - 2016: 1665 Cases Filed
 - 2020: 397 Cases Filed
 - Decline Started pre-*TC Heartland* (May 2017)
- WDTX Now the Favorite as D. Del., NDCA. and CDCA remain steady
 - 2016: Only 38 cases filed in WDTX
 - 2020: 857 cases make WDTX top patent venue



Judge Albright Leading the Way in WDTX

- Judge Albright Time to Trial Less than Half Other Top Districts
 - Albright: 1.1 Years
 - EDTX: 2.14; DDE: 2.9; NDCA: 2.4
- Judge Albright Less Likely to Dismiss Case or to Address §101 Challenges Early
 - Rule 12 Grant Rate
 - ... Albright: 15%
 - ... EDTX: 14%; DDE: 32%; NDCA: 38%
 - Early §101 Challenge Success Rate
 - ... Albright: 0%
 - ... EDTX: 28%; DDE: 41%; NDCA: 53%

Federal Circuit Overturns J. Albright Venue Decisions

- *In re Adobe* (July 28, 2020)
 - CAFC orders transfer under 1404(a) from WDTX to NDCA
 - ... Judge Albright's fast track docket is not a reason to deny transfer
- *In re Apple* (Nov. 9, 2020)
 - CAFC (2-1) orders transfer under 1404(a) from WDTX to NDCA
 - Court re-weighs convenience factors
 - ... Petition for Rehearing pending (filed Dec. 9, 2020)
- *In re Intel* (Dec. 23, 2020)
 - Intra-District Transfer from Austin to Waco must weigh 1404(a) factors
 - On remand, Judge Albright weighs factors and again orders transfer to Waco (Dec. 30, 2020)
 - ... Second Petition for Writ of Mandamus pending (filed Jan. 4, 2021)

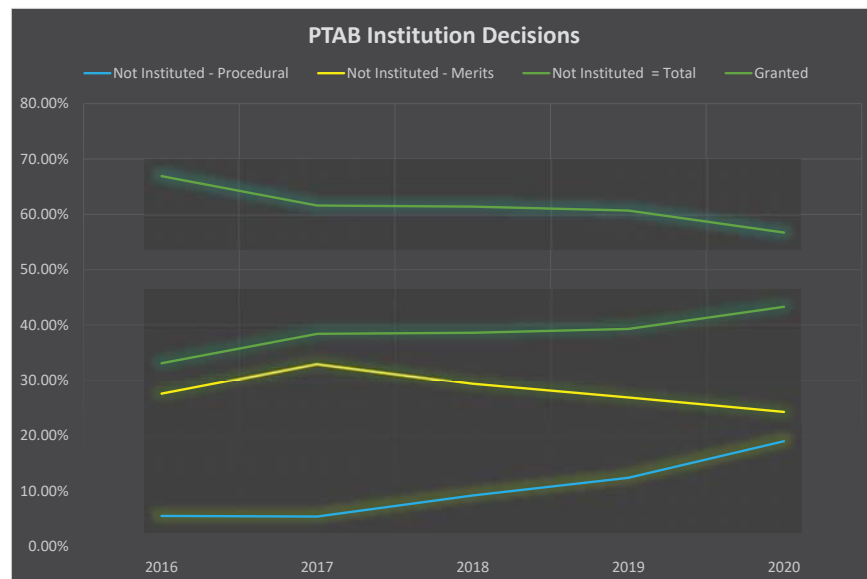
PTAB Data

PTAB Institution Decisions

- Modest decline in Grants since 2016
 - 2016: 67% Petitions granted
 - 2020: 57% Petitions granted

- Total Petitions also decline
 - 2016: 1411 Petitions
 - 2017: 1581 Petitions (peak year)
 - 2020: 1201 Petitions

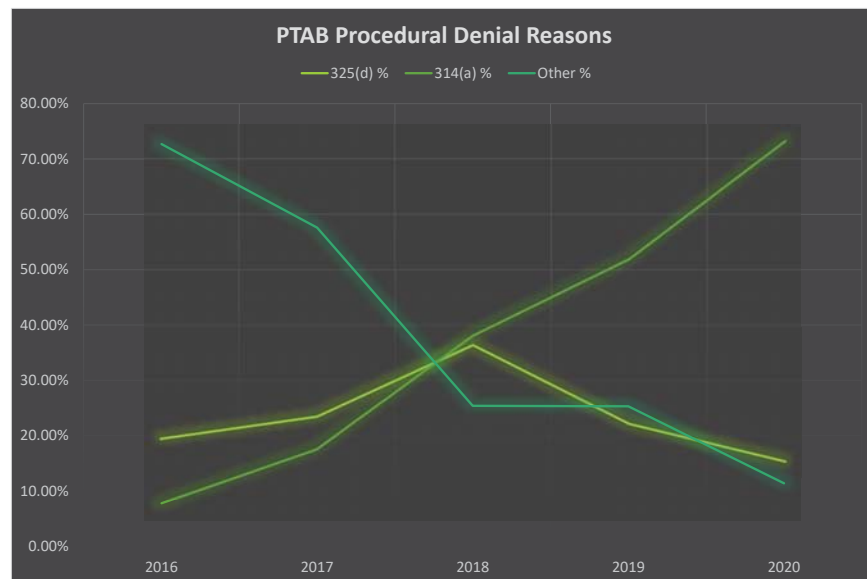
... Decline in petitions loosely tracks decline in patent cases



PTAB Procedural Denials Increasing

- Procedural Denials at Institution Stage
 - 2016: 5.5% of Petitions denied based on procedure
 - 2020: 19% of Petitions denied based on procedure

- Procedural Denial Reasoning Sees Large Shift
 - 2016: 20% based on 325(d); 8% based on 314(a); 72% other
 - 2020: 15% based on 325(d); 73% based on 314(a); 11% other



PTAB Procedural Denials

- § 325(d) Multiple Proceedings.—
 - “... if another proceeding or matter involving the patent is before the Office, the Director may . . . provid[e] for the . . . termination of any such matter or proceeding ... [and] the Director may take into account whether ... the same or substantially the same prior art or arguments previously were presented to the Office.”
- § 314(a) Threshold.—
 - “The Director may not authorize an inter partes review to be instituted unless ... the petition ... shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims”

Apple, Cisco, Google, and Intel Sue USPTO

- NDCA suit filed August 31, 2020 under the Administrative Procedure Act
 - Challenges *NHK-Fintiv* policy to deny institution where a parallel district court proceeding could reach decision first and the art is substantially similar
 - ...*NHK Spring Co. v. Intri-Plex Techs.*, No. IPR2018-00752, Paper 8 (Sept. 12, 2018)
 - ...*Apple Inc. v. Fintiv, Inc.*, No. IPR2020-00019, Paper 11 (Mar. 20, 2020)
 - Alleges *NHK-Fintiv* rule exceeds the Director’s authority
 - Alleges *NHK-Fintiv* rule requires APA notice-and-comment rulemaking

USPTO Asks for Comments Re Discretionary Denials

- Response to NDCA suit?
 - Formal Rulemaking: 85 FR 66502
 - proposed 10/20/20
 - comment deadline was 12/3/20
 - USPTO is currently reviewing comments
- If adopted as a rule, could moot one of Apple, *et al.*'s arguments

PTAB Final Decision Outcomes Generally the Same

- All-Time Final Written Decisions
 - 62% All Claims Unpatentable
 - 18% Mixed
 - 20% All Claims Patentable
- Final Written Decisions (Jan-Oct. 2020)
 - 57% All Claims Unpatentable
 - 22% Mixed
 - 21% All Claims Patentable

Federal Circuit Affirms PTAB at High Rate

- All cases through Oct. 31, 2020
 - 73%: every issue affirmed
 - 13%: every issue reversed or vacated
 - 10%: mixed outcome
 - 4%: other (e.g., dismissal)

- Rule 36 Affirmances
 - 55% Written Decisions
 - 45% Rule 36 Affirmance

Trade Secret Cases (DTSA)

Federal Trade Secret Cases Rise After DTSA

- Pre-DTSA (May 2016)
 - Number of case filings was dropping
 - 2015: Down to 103 cases filed Nationwide
- Post-DTSA
 - Number of filings rapidly climbs
 - 2020: peak of 277 cases filed



Recent Decisions

In *Arthrex* (2019), Federal Circuit Held: PTAB Judge Appointments Unconstitutional

- PTAB judges act as “Principal” Officers, but were not appointed by the President and Confirmed by the Senate
 - Unconstitutional under the Appointments Clause
- Fed. Cir. solution: Demote PTAB judges to “Inferior” officers by making them removable by the PTO Director even without cause
- Fed. Cir. Denies Rehearing *en banc* March 2020

Supreme Court Has Agreed to Review *Arthrex*

- Cert. granted: Oct. 2020
- Oral Argument: March 1, 2021
- Decision expected: by June 2021

- Potential Consequences:
 - If PTAB judges were constitutionally appointed, business as usual
 - If PTAB judges were not constitutionally appointed, does the Fed. Cir.'s fix work?
 - If not, what happens to pending IPRs/other PTAB proceedings?
 - ... What happens to previously decided IPRs?

Federal Circuit Strikes Down Most Claims Under § 101

- Since June 2014
 - *Alice* Step One:
 - ...CAFC holds claims are “directed to” ineligible subject matter 82.1% of the time
 - *Alice* Step Two:
 - ...CAFC finds an inventive concept in only 3.6% of cases

Fed Cir. § 101 Cases in 2020

- Software Cases
 - 27 cases:
 - ...22 not eligible,
 - ...4 partially or fully eligible;
 - ...1 remanded for further consideration
- Three of the Rare Exceptions (Eligibility Upheld)
 - ...*Uniloc v. LG* (April 2020)
 - ...*Packet Intelligence v. NetScout* (July 2020)
 - ...*TecSec v. Adobe* (October 2020)

SCOTUS Continues to Deny Cert. in § 101 Cases in 2020

- *Trading Technologies Int'l v. IBG* (improved GUI for stock trading)
- *Chargepoint v. Semaconnect* (network-controlled charging stations for electric vehicles)
- *Chamberlain v. Techtronic* (wireless garage door opener)
- *American Axle* (drive shaft with attenuated vibrations)
 - Fed. Cir. split 6-6 re rehearing *en banc*
- *HP v. Berkheimer* (method of archiving digital files)
- *Athena Diagnostics v. Mayo* (diagnostic method)
 - Fed. Cir. order denying rehearing *en banc* included 8 opinions

Standing to Sue

- Uniloc v. Apple (NDCA Dec. 4, 2020)
- Uniloc v. Motorola (D. Del. Dec. 30, 2020)
 - Uniloc’s litigation funder Fortress Investment held a security interest in the patents
 - Under the security agreement, Fortress had the unfettered right to sublicense the patents to others in the Event of Default
 - An Event of Default occurred, and (arguably) was not waived
 - Since the defendants had the theoretical right to get a sublicense from Fortress, Uniloc did not own exclusionary rights in the patents and therefore lacked standing

License Confidentiality

- Uniloc v. Apple (Dec. 22, 2020)
 - Judge Alsup adopts Electronic Frontier Foundation’s position
...declines to seal Uniloc’s licenses with third parties
 - “Federal courts are public tribunals They belong to the people, not to corporate America. . . . A patent is not a private agreement between private parties. . . . **A patent owner is a tenant on a plot within the realm of public knowledge, and a licensee is her sub-tenant. The public has every right to account for all its tenants, all its sub-tenants, and (more broadly) anyone holding even a slice of the public grant. . . . The public has an interest in inspecting the valuation of the patent rights as revealed by [plaintiff’s] transactions, particularly given secrecy so often plays to the patentee’s advantage in forcing bloated royalties. . . .** Conclusive here, though, is the fact that the dates and dollar amounts involved in [plaintiff’s] patent licenses 'go to the heart of' the primary dispute, that of [plaintiff’s] standing (or lack of) to sue.”

Copyright – Google/Oracle before SCOTUS

- Supreme Court argument October 2020
- Decision expected by June 2021
 - Does copyright protection extend to APIs?
 - Whether use of an API is “fair use”
 - ... Role of judge; role of jury

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THANK YOU!

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