



# IP Literature Watch

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This newsletter contains an overview of recent publications concerning intellectual property issues. The abstracts included below are as written by the author(s) and are unedited.

## IP & Litigation

### **An Empirical Study Comparing Patent Validity Challenges at the Patent Trial and Appeal Board vs. the Federal District Courts**

Amy Semet (SUNY, University of Buffalo)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3730410](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3730410)

Using an originally-constructed database of over 12,000 patent decisions heard at the Patent Trial and Appeal Board (“PTAB”) and over 75,000 patent law decisions heard by the federal district courts from 2012 through October 2020, this Article analyzes the interplay between the two forums in how patent validity claims are adjudicated, particularly focusing on inter partes review (“IPR”). Reviewing over 7,500 patents assessed at the PTAB over the past six years of the adjudicative tribunal’s existence, the Article analyzes whether there are differences in institution rates and final outcomes depending on the type of patentee owner, the technology type, and whether or not there is a prior or past district court case and decision. While about 80% of PTAB proceedings involve a patent that has or is being litigated in at least one district court, there are only about 2,000 PTAB cases in which the district court has ruled on invalidity grounds. Further, in most cases that do involve a PTAB proceeding, the district court rules a patent invalid based on lack of statutory subject matter—a legal challenge that cannot even be brought in an IPR proceeding. Comparing district court cases where the court rules on eligible PTAB statutory sections—namely obviousness and anticipation grounds—indicates preliminarily that the district court and the PTAB largely agree on outcomes. Overall, this empirical research contributes to the debate about how the patent system—and in particular, the practices at the PTAB—should be reformed, and about the role that the administrative state has in patent policy and in influencing outcomes in the federal courts. Specifically, it questions whether the grounds for PTAB proceedings should be enlarged to encompass challenges based on section 101 subject matter issues.

# IP & Licensing

## **Open Source Software and Standards Development: Competition Law Implications**

Richard Taffet (Morgan, Lewis & Bockius LLP)

Michael Zymler (N/A)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3742791](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3742791)

Technical standards developed by standards development organizations (“SDOs”) increasingly involve software-based solutions that implicate open source software (“OSS”). SDOs generally operate pursuant to policies and procedures based on principles of consensus, due process, balance, and openness, and subject to consensus-defined intellectual property rights (“IPR”) policies that contemplate inclusion of patented solutions in standards. Consequently, SDO policies help incentivise IPR owners to contribute their new and innovative technologies to standards by providing owners of Standard Essential Patents (“SEPs”) the opportunity to offer licenses for their IPR on fair, reasonable and non-discriminatory (“FRAND”) terms.

Open source projects are often pursued in consortia or similar forums, which typically do not fully observe such procedural principles, and do not contemplate FRAND patent licensing, or patent licensing at all.

However, traditional SDO standards activities and open source projects are not mutually exclusive, and both can drive innovation and competitiveness. As noted by the European Commission’s 2017 communication on the EU’s approach to SEPs, integration between open source projects and standards development processes may be “a win-win situation,” and “[f]lexible and effective interactions between standardisation and open source communities will promote and accelerate the uptake of advanced technology developments.”

This paper considers the competition law implications of integrating standards development and open source efforts, to help facilitate that potential “win-win” outcome, and achieve the procompetitive goals of standards development, rather than create risks of competitive harm that will deter innovation. This paper submits that consensus-based approaches to standards development, where account is taken of all stakeholder interests, and which abide by principles of openness, balance and due process, should apply equally when SDOs accommodate open source projects. Experience shows that such procedural safeguards are fundamental to avoid potential anticompetitive effects resulting from imposing IPR policies that favour discrete stakeholder interests. This paper further explains that EU and US competition law provide the necessary tools to challenge conduct related to standardization and open source licensing that may diminish competition and innovation.

## **Will China’s New Anti-Suit Injunctions Shift the Balance of Global FRAND Litigation?**

Jorge L. Contreras (University of Utah – S.J. Quinney College of Law)

Yang Yu (Shanghai University of International Business and Economics)

Patently-O, Oct. 22, 2020

University of Utah College of Law Research Paper No. 403

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3725921](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3725921)

By issuing anti-suit injunctions (ASIs) in *Conversant v. Huawei* and *InterDigital v. Xiaomi* in late 2020, Chinese courts have signaled a new willingness to vie for jurisdictional authority in global battles over standard-essential patents and FRAND licensing. While the Supreme People’s Court in *Conversant* largely followed the pattern of US and UK courts that have issued ASIs in similar cases, the ruling of the Wuhan court in *InterDigital* is far broader in two major respects. First, its geographic scope is not limited

to the country in which InterDigital sought injunctive relief (India), but extends to all jurisdictions in the world. Second, it prohibits InterDigital from seeking a determination of a global FRAND rate for its 3G/4G patents anywhere in the world. In view of these two recent cases, China has clearly joined the international race to be the jurisdiction of choice for determining FRAND royalty rates in global disputes involving standard-essential patents.

### **The Value of Standard Essential Patents and the Level of Licensing**

Bowman Heiden (Center for Intellectual Property – Chalmers University of Technology, University of Gothenburg, and Norwegian University of Science and Technology; University of California, Berkeley – Coleman Fung Institute for Engineering Leadership)

Jorge Padilla (Compass Lexecon)

Ruud Peters (N/A)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3717570](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3717570)

This paper argues that the value of standard essential patents (SEPs) should be independent of the level of licensing in the value chain. We further argue the value of enabling technologies, such as SEPs, is best determined in relation to the value it produces to the consumer or end-user, regardless of the licensing level. Finally, we discuss legal, economic, and organizational factors that can guide market actors to determine the optimal level of licensing through private ordering.

### **5G SEP Leadership in 2020**

Robert Stoll (Independent)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3710223](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3710223)

5G cellular technology has tremendous promise, with the potential to transform a wide range of industries and to contribute to economic growth and job creation. Various 5G patent landscaping reports have been published, but there is significant disagreement between reports as to which companies and which countries are leading. This article examines the results of identifying 5G patent holdings at a company level for three companies of interest: Ericsson, Huawei and Samsung. The analysis is based on data acquired from twoBirds Pattern of Bird & Bird LLP, which has robust essentiality audit data applied. Of the companies of interest, Ericsson is in the lead, followed by Samsung and then Huawei. This article also considers other 5G reports, such as from Amplified and GreyB, observing that they are unreliable, as they typically suffer from credibility, transparency, and quality issues, or do not adjust for over-declaration in any way.

### **Financial Terms in License Agreements**

Jorge L. Contreras (University of Utah – S.J. Quinney College of Law)

*Jorge L. Contreras, Intellectual Property Licensing and Transactions: Theory and Practice* (2020, Forthcoming)

University of Utah College of Law Research Paper No. 404

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3726748](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3726748)

This chapter in the forthcoming casebook *Intellectual Property Licensing and Transactions: Theory and Practice* (2020, forthcoming), discusses the financial terms of IP licensing agreements including fixed payments, running royalties, sublicensing income, milestone payments, equity compensation and cost reimbursement, as well as most-favored and audit clauses. Numerous areas of recent controversy are addressed including the establishment of royalty rates through the entire market value rule (EMVR) versus the smallest salable patent practicing unit (SSPPU) rule, royalties for bundled rights, rules of thumb discredited by the courts, royalty escalation clauses and more. Examples are drawn primarily from biotechnology, high-tech and copyright licensing practice.

# IP & Innovation

## **Patent Protection and Software Innovation: Evidence from Alice**

Yu-Kai Lin (Georgia State University – J. Mack Robinson College of Business)

Arun Rai (Georgia State University – J. Mack Robinson College of Business)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3703055](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3703055)

Although software innovations are the cornerstone in the modern economy, their patent-ability, as well as the social and private value of software patenting, have continued to be at the center of policy debates pertaining to the U.S. patent system. The landmark 2014 U.S. Supreme Court ruling in *Alice v. CLS Bank* had profound impact on software patenting as it drastically limited the scope of patent protection on software innovations. Using *Alice* as a natural experiment, we found that limiting software patents had no detectable downsides to the value of software firms. Instead, it was associated with improved sales, greater engagements in open source development, and tighter scope of individual patents. Our findings offer implications for the extent to which software firms pursue patenting as a strategy to protect innovation versus pursuing alternative appropriability mechanisms. They also have compelling implications for patent policies on software and software-related inventions, such as artificial intelligence, business methods, and other emerging digital innovations.

## **The Effect of Patent Disclosure Quality on Innovation**

Travis Dyer (Cornell University)

Stephen Glaeser (University of North Carolina (UNC) at Chapel Hill – Accounting Area)

Mark H. Lang (University of North Carolina at Chapel Hill)

Caroline Sprecher (University of North Carolina (UNC) at Chapel Hill – Accounting Area)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3711128](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3711128)

The patent system grants inventors temporary monopoly rights in exchange for a public disclosure detailing their innovation. These disclosures are meant to allow others to recreate and build on the patented innovation. We examine how the quality of these disclosures affects follow-on innovation. We use the plausibly exogenous assignment to patent applications of patent examiners who differ in their enforcement of disclosure requirements as a source of variation in disclosure quality. We find that some examiners are significantly more lenient with respect to patent disclosure quality requirements, and that patents granted by these examiners lead to significantly less follow-on innovation. Our results suggest that the characteristics of patent disclosures affect the course of subsequent innovation.

# IP Law & Policy

## Certiorari in Patent Cases

Christa Laser (Cleveland-Marshall College of Law)

48:4 AIPLA Q.J. \_\_\_\_ (2020) (Forthcoming)

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3728706](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3728706)

In the decade from 2010 to 2019, the Supreme Court has decided more patent law cases than in the prior three decades combined. A higher percentage of its docket has been patent cases--5.45%--than in any decade in the last century. A number of scholars have advanced theories of why this rate of review of patent cases has increased and provided quantitative analyses. Yet no scholarship to date has used qualitative data to investigate why the Supreme Court's patent docket is increasing and what factors the Supreme Court considers in its review of patent cases. This paper shares statistics of the Supreme Court's review of patent cases and for the first time reports on qualitative interviews with former Supreme Court clerks about certiorari in patent cases.

In many ways, the results confirm prior hypotheses of the key factors in Supreme Court grants of certiorari in patent cases. For example, the interviews confirm the teachings of prior scholarship that the views of the Solicitor General and the number, type, and focus of amicus support play an outsized role in patent cases. However, the interviews contradicted other views from prior scholarship, such as familiar names of top Supreme Court advocates spurring certiorari in patents cases. As to why cases filed by these advocates have a higher rate of success, it appears that such advocates are simply more skilled at preparing petitions that address the considerations most important to the Court. The research presented in this Article also suggests that the narrative of the Federal Circuit as applying rigid rules rather than flexible standards urged by the Supreme Court is pervasive at the Court. The interviewees also suggest that patent cases are viewed as ideologically safe choices, which the author hypothesizes might be partially responsible for the increase in the Supreme Court's percentage of patent cases in recent years of ideological division. This article concludes by advocating that the Supreme Court should consider one other factor in its decision on certiorari in patent cases: whether a decision in the case will support or undermine the stability and certainty of patent law.

## Access to and Ownership of Data to Tackle COVID-19: Some Lessons (IP) Law Should Learn for Good

Tommaso Fia (European University Institute)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3744055](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3744055)

The fight against the coronavirus needs (big) data to orient decision making and healthcare policies. For various reasons, researchers, private organisations, and non-research public bodies process large amounts of (non-personal) data which can tackle the pandemic in various ways. Two data processing settings can be singled out. The first one encompasses processing of scientific data (e.g. data input vital to find a vaccine), but also statistical data and other research inputs. Actors harvesting them are, in the first place, researchers in the fields of natural and social sciences ('scientific & research data', 'SRD'). On the other hand, private enterprises and non-research public bodies (e.g. national authorities) hoard data as a result or as a by-product of their activities. These datasets prove likewise crucial to address issues of public interest such as the COVID-19 pandemic ('privately & publicly collected data', 'PPCD'). The success of data-driven policies, however, mostly depends on how data is managed. During the COVID-19 crisis, two main tendencies have emerged in this respect. On the one hand, there exist a data management system resting on (access) barriers which restrict data access. Conversely, an alternative data management system is founded on open data access approaches valuing data availability amongst a wide number of actors.

This contribution aims to describe and assess the two data management systems concerning SRD and PPCD, presenting the main tendencies which have arisen during the COVID-19 pandemic. Accordingly, it concludes with some policy arguments on the role of IP and other areas of law as to fostering data access for public interest purposes.

### **Lady Ada: Limor Fried, Adafruit Industries, Intellectual Property and Open Source Hardware**

Matthew Rimmer (Queensland University of Technology (QUT))

Journal of Intellectual Property Law and Practice, Forthcoming

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3690131](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3690131)

This paper provides a profile of Limor Fried of Adafruit Industries – as an advocate of open source hardware, and a policy campaigner for intellectual property law reform. This work considers the copyright challenges for open source hardware – particularly with the US Supreme Court decision on copyright subsistence in *Star Athletica LLC. v Varsity Brands Inc.*, and ongoing conflicts over intermediary liability and technological protection measures. It reviews the trademark disputes of Adafruit Industries – looking at the matter of *Fried v Linco Inc.* It explores the intervention of the Open Source Hardware Association in the design patent dispute in *Luxembourg v Home Expressions Inc.* It analyses how Adafruit Industries has engaged in defensive patenting, and pushed for patent law reform in dialogues with President Barack Obama. The conclusion considers how open source hardware advocates such as Limor Fried and Adafruit can play an important role in intellectual property law reform in the future. It also explores current and future challenges for Adafruit and open source hardware – including the current coronavirus COVID-19 public health crisis.

## Copyright Law

### **Fundamental Rights as External Constraints on Copyright Law: Horizontal Effect of the EU Charter after *Funke Medien* and *Spiegel Online***

Daniel Jongsma (Hanken School of Economics)

Journal of Intellectual Property Law & Practice, Forthcoming

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3703726](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3703726)

The judgements by the CJEU in *Funke Medien* and *Spiegel Online* have been widely construed as rejecting the idea of fundamental rights as external limits to copyright law. At first glance, this appears to imply that the proper balance between the affected (fundamental) rights and interests is exclusively struck by copyright law itself, where possible interpreted in light of those rights and interests. To the extent that an accommodating interpretation is not possible, one might fear a conflict with the fundamental rights commitments of the Member States, notably under the ECHR.

I suggest that the rulings in *Funke Medien* and *Spiegel Online* must be understood narrowly. Firstly, they do not necessarily imply an outright rejection of horizontal direct effect. Secondly and arguably more importantly, those decisions did not concern the question of remedies. The *acquis communautaire* has established a flexible approach to remedies which allows remedies to be refused. Consequently, disproportionate interferences with fundamental rights can be largely avoided.

Although Member States likely possess a wide margin of appreciation in tailoring remedies to the circumstances of the case, compliance with the EU Charter of Fundamental Rights demands that national courts in some cases refuse to enforce copyright. This article includes some suggestions as to the boundaries the Charter might set. Finally, it is argued that in Member States where national law

does not provide courts with any discretion in terms of remedies, for instance by making the grant of a (final) injunction automatic, the offending provision of national law must be disapplied in order to ensure that national courts can strike a fair balance.

### **AI and Copyright**

Carys J. Craig (Osgoode Hall Law School, York University, Toronto)

Florian Martin-Bariteau & Teresa Scassa, eds., *Artificial Intelligence and the Law in Canada* (Toronto: LexisNexis Canada, 2021)

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3733958](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3733958)

This chapter examines the most pertinent issues facing copyright law as it encounters increasingly sophisticated artificial intelligence (AI). It begins with a few introductory examples to illuminate the potential interactions of AI and copyright law. Section 2 then tackles the question of whether AI-generated works are copyrightable in Canada and who, if anyone, might own that copyright. This involves a doctrinal discussion of “originality” (the threshold for copyrightability) as well as reflections on the meaning of “authorship,” and concludes with the suggestion that autonomously generated AI outputs presently (and rightly) belong in the public domain. Section 3 turns to consider issues of copyright infringement. First, it addresses the law in respect of AI inputs (the texts and data used to train AI systems, which may themselves be copyrightable works) and highlights the need for greater limits and exceptions to ensure that copyright law does not obstruct best practices in the development and implementation of AI technologies. It then examines the matter of potentially infringing AI outputs (which may, of course, resemble copyright-protected, human-created works), identifying current uncertainties around independent creation, agency, and the allocation of liability. Section 4 addresses the deployment of AI in automated copyright-enforcement, emphasizing its increasingly critical role in shaping our online environment and citizens’ everyday encounters with copyright enclosures. The chapter concludes with reflections on the risks and opportunities presented by AI in the copyright context, and identifies key gaps and questions that remain to be answered as copyright law and policy adjust to evolving AI technologies.

### **Social Utility of Music: A Case For A Copyright Exemption For Therapeutic Uses**

Amanda Reid (UNC at Chapel Hill)

Cornell Journal of Law and Public Policy, Vol. 30, No. 1, 2020

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3733009](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3733009)

Music is more than mere entertainment; modern research shows that it can be an effective therapeutic tool. The social utility of music therapy is undertheorized and underexplored from a legal perspective. This is worrisome because copyright law directly impacts this clinical discipline. The well-known concerns about fair use uncertainty and rightsholder overreach are at play for music therapists. The high social utility of music therapy coupled with the high transaction costs to license various uses of music justify a carveout under copyright law. To ensure robust safeguards for this burgeoning field, a statutory exemption for therapeutic uses of music is warranted.

## Other IP Topics

### **Liza's Bucket: Intellectual Property and the Metamodern Impulse**

Siva Thambisetty (London School of Economics and Political Science)

LSE Legal Studies Working Paper No. 19/2020

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3743217](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3743217)

Intellectual property rights are a critical part of our response to rapid technological change, shifting commodity frontiers and ecological degradation. However, in order to respond adequately to the world as it is, we must move away from privileging individual initiative, property and extrinsic reward as the premise of these rights, towards a more humanistic version of why and how we create and experience them. A starting point is the recognition, articulated here for the first time, that intellectual property rights are psychoactive in their effect on creators and users. Using the metaphor of a broken bucket to explain the flawed design and relationship-engendering nature of these property rights, the paper sketches the normative contours of a metamodern revival of intellectual property law.

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