



# 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 & Antitrust

### **'Sacrifice and Recoupment' in the Antitrust Analysis of Patent Settlements: Actavis Through the Lens of Brooke Group, Aspen Skiing, and Trinko**

Bryan Gant (White & Case LLP)

*American University Business Law Review, Forthcoming*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3875809](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3875809)

Patent settlements are typically procompetitive, benefiting not only the settling parties but also the courts and the general public. But in rare cases patent settlements might instead harm competition, and thus raise antitrust concerns. How are courts to determine when antitrust scrutiny should—and, importantly, should not—be applied to patent settlements?

The answer ostensibly came in the Supreme Court's 2013 decision in *FTC v. Actavis, Inc.* Under *Actavis*, antitrust scrutiny of patent settlements may “sometimes” be appropriate where there is a “large,” “unexplained” “reverse payment” from the patentee to the patent challenger. Unless, that is, the “reverse payment” is “fair value,” represents “saved litigation costs,” or is a “traditional” or “commonplace” way to settle. Unfortunately, the Supreme Court did not define any of these terms, and Chief Justice Roberts in dissent thus could only wish “good luck to the district courts” asked to interpret the decision, many of whom have struggled to do so.

But the key “mysteries” of *Actavis* can all be solved by recognizing that *Actavis* follows a line of antitrust cases that ask whether an alleged monopolist made an otherwise-irrational sacrifice in expectation of recouping anticompetitive benefits. This article therefore places *Actavis* within the same legal framework as predatory pricing cases like *Brooke Group v. Brown & Williamson Tobacco* and refusal to deal cases like *Aspen Skiing v. Aspen Highlands Skiing* and *Verizon Communications v. Law Offices of Curtis V. Trinko*. In doing so, the article explains the hidden underpinnings of *Actavis*, solves the apparent “mysteries” that have baffled the lower courts, and offers a roadmap to courts seeking to properly apply antitrust scrutiny to patent settlements.

# IP & Licensing

## **A Policy Governance Framework for SEP Licensing: Assessing private versus public market interventions**

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Justus Baron (Northwestern University - Center on Law, Business, and Economics)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3872493](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3872493)

This paper has sought to provide a balanced, evidence-driven policy governance framework for SEP licensing by highlighting both the theoretical and historical use of private and public ordering mechanisms in the mobile economy. Included is a broad investigation of (1) the EC's impact assessment methodology, previous research and guidance, and current SEP policy focus areas; (2) the specific context of SEP licensing in standards-enabled markets and the current evidence of market success; (3) a theoretical framing connecting high-quality research on specific SEP policy issues with seminal economics contributions to the understanding of public and private ordering and experimental governance; (4) a review of existing public and private ordering approaches for the current SEP policy focus areas; (5) an adjusted analytical framework and impact assessment for the governance of SEP licensing; (6) a discussion on policymaking under uncertainty, and experimental governance. Below is a short summary of the investigations undertaken and key findings and insights:

1. Markets consist of a combination of private and public ordering mechanisms, but there is a fundamental difference between public ordering on the foundational layer of the market (i.e. enforcement of the rule of law) versus the transactional layer of the market (i.e. regulation by the administrative state). An SEP policy governance framework can benefit from a clearer understanding of private and public ordering and their market implications.
2. Both private and public ordering takes place across a spectrum. Private ordering can range from independent to collective action by market actors, and public ordering can range from guidance to regulation by government actors. The assessment and implementation of SEP policy measures can greatly benefit from a clearer understanding of the broad spectrum of private and public tools, the different implications of their use, and the empirical impact of the tools that have historically been employed in the market.
3. The same governance policies implemented through private and public ordering can produce very different results. For example, patent pools, which are seen as pro-competitive when arranged voluntarily by market actors, can clearly devolve into mechanisms for price regulation when involuntarily implemented by the state.
4. The SEP licensing context is largely a story of collective, private ordering through the creation of open, consensus-based SDOs, FRAND-based IPR policies, and patent pools. These developments can be an explanation for why theories of market failure in SEP-enabled markets have not been shown empirically to occur in the mobile economy. A review of the private ordering mechanisms and economic implications across the issues of transparency of SEP exposure, licensing in the value chain, FRAND licensing terms and conditions, and patent pools were conducted and compared to received theories of market failure to provide potential explanations for the market success of the mobile economy.
5. In market contexts characterized by open, collective innovation and a strong private ordering regime, governments should resist the unproven counterfactual belief that public ordering can produce

solutions that will obviously improve the situation for all actors (i.e. Pareto efficiency). Because of the market complexity, the fragile balance of incentives, and potential strategic market responses to changes in SEP licensing policy, government intervention is more likely to generate tradeoffs that redistribute value and costs (i.e. Kaldor-Hicks efficiency) or unintentionally generate a systemic change that lowers social welfare (i.e. government failure). Here, policymakers could benefit from experimental governance mechanisms designed to manage market contexts of high uncertainty, such as the emerging IoT market development that will impact many industries but likely in different and uncertain ways, which are currently unknown.

6. The influence of private and public actors on the market can be both direct and indirect, where indirect efforts may be the dominant factor through capture mechanisms. In particular, indirect public ordering can strongly influence private ordering decisions made in the shadow of regulation, which the authors label as market capture. This shadow is apparent in the IPR policy developments at both the IEEE-SA and ETSI. Market contexts experiencing high levels of capture activities are particularly vulnerable to Nirvana Fallacies and thus require an extra focus on evidence-based policy assessment.
7. As stipulated in the EC Impact Assessment Guidelines, problems cited as the reason for government policy intervention need to be studied in-depth and measured holistically. This problem determination assessment needs to start from the beginning of any governmental market investigation, not wait to be done as the last step before policy approval. This lack of thorough investigation into the theoretical problems associated with SEP licensing has led to institutional capture, whereby theories of market failure have grown to become facts in the absence of empirical evidence.

The authors strongly believe that it is important that the public debate (to which this paper is meant to contribute) achieve a shared understanding of the relevant problems and policy objectives in order to make a significant step forward on the issue of SEPs and standards-enabled markets. In the absence of such a common understanding, implied assessments of existing problems and desirable goals for policy action have the potential to skew the political debate. In the author's view, working towards a consolidated assessment of the existing system and its strengths and weaknesses is at least as urgent a task as formulating proposed improvements on how to reform it. In order to properly frame the necessary debate going forward, we would like to conclude by underlining a number of important principles.

1. The primary objective of a policy framework for SEP licensing and of ICT standardization more generally is to support technological innovation and the further growth of wealth and welfare in society. Innovation by the active contributors to ICT standards development and by the producers of novel standard implementations has produced trillions of Euros in consumer surplus and many high-paid jobs in Europe and elsewhere. It is easy to take the success story of ICT standardization for granted. Nevertheless, this success story hinges on a supportive regulatory environment.

Here, it is easy to miss the forest for the trees. Patent protection of standardized technologies and the necessity to negotiate SEP licenses produce transaction costs. While these transaction costs may be large in absolute terms, they pale by comparison to the benefits of innovation linked to ICT standards. We should keep in mind that the institution of patent protection itself rests on the idea that society incurs a static cost in exchange for the much greater dynamic benefits of technological innovation. While it is worthwhile exploring opportunities to increase efficiencies in the system, tinkering with the SEP licensing system that produces significant benefits to society should not be undertaken lightly. Any adverse effects on innovation incentives, should they occur, are bound to outweigh potential transaction cost savings. It is thus imperative that innovation incentives occupy a central place in the future debate on SEP policy reform.

2. The regulatory framework in which SEP licensing takes place has evolved over many decades. It has proven flexible and resilient throughout multiple periods of significant technological change and profound transformations in industry structure. Central to the strength of the framework is its governance. ICT standardization takes place in an astonishing diversity of organizations. Each of these organizations has its own specific circumstances, and there is no one-size-fits-all that could be applicable in each of these. This being said, experimentation with an innovative approach in a circumscribed setting may improve a policy's viability.

For many decades, the European Commission has participated in the evolution of this framework. It has contributed in a wide variety of different roles, as a facilitator of discussions among stakeholders, as a guardian against abuses by individual actors or colluding groups, and as a source of non-binding guidance on the implementation and interpretation of existing policies. Only exceptionally has the Commission advocated for specific policy changes within SDOs, and there is even less precedent for the Commission to act as the originator of experimental and controversial SDO policy innovations. We are hoping that the EC will pursue its long tradition of stakeholder-driven governance.

3. Looking to the future of ICT, there is broad agreement that the IoT and other significant technological evolutions will continue to impact the way in which SEP licensing takes place. Nevertheless, the nature of the anticipated effects is subject to an open debate. All expert assessments are limited in their ability to forecast the future. While a useful debate on possible solutions to potential problems is encouraged, more direct calls for regulatory interventions would need to be based on evidence of the actual occurrence and magnitude of such problems. Conjectures about the future are malleable and prone to being used by any interest group to its advantage. Instead of anticipatory regulation of future evolutions, we believe that a more prudent approach is to monitor the most relevant trends and to intervene in a tailored manner when observed problems in the system are causing social welfare loss.

In the author's view, the SEP policy debate will struggle to progress productively if there continues to be a lack of empirical evidence regarding some of the most fundamental and important issues. Thus, while this paper presents a logical governance framework and updated impact assessment methodology, it does not supplant the important and arduous task of collecting empirical observations, debating the relevance of observable data, and taking stock of the state of the evidence. The EC has greatly contributed historically to support this task, and further efforts in that direction are encouraged.

### **When is a portfolio probably standard-essential?**

Matteo Sabattini (Ericsson Inc.)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3885045](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3885045)

In recent years, several patent experts and commentators have claimed that there are too many “low-quality” patents being granted by patent offices around the world, or that a large percentage of patents are often found invalid by courts and judges. Until a patent is found to be invalid by a court or another tribunal, during licensing negotiations both licensor and licensee can only consider the likelihood that such patent is eventually found invalid, based on the incomplete information available to them. Similarly, it has been claimed that a patent-by-patent analysis of a large patent portfolio could determine, without any uncertainty, whether a portfolio is infringed or standard essential. For example, several studies have been published or presented in courts that try to determine which patents in a portfolio are “truly” essential.

Even if one had an infinite amount of time and processing power, and access to all the knowledge ever generated by humanity, the questions above cannot be answered with zero margin of error. To answer those questions, one would need to know how examiners, judges, courts or juries would interpret the claims in light of the prior art, read the specifications, and many other variables.

A better model, in the author's opinion, is a probabilistic model that tries to estimate the likelihood of a portfolio to be infringed, valid, and/or essential. In essence, the model accepts the notion that no patent comes with zero risk to be infringed and/or rendered invalid, and tries to estimate that risk associated with a portfolio. Such risk is a function of several considerations, such as: is the portfolio being actively licensed, is there evidence of use associated with it, what is the available prior art, how large is the portfolio, etc.

In this paper we will focus on the question of essentiality and validity. We will model the likelihood that a patent is essential and/or valid as random variables following a certain probability distribution. We note that in information theory it is common to model unknown data (although those data might be known to a source and/or a receiver) as random variables that can take a value from a certain alphabet with specific probabilities. As such, at least at a macroscopic level in light of the many variables (see above) and patents, we believe our model is in fact not unreasonable at all.

This paper uses a probabilistic model to reach several conclusions for practitioners and regulators. First, the risk of infringing a portfolio of essential patents heavily depends on whether the patents are simply declared as potentially essential at an SDO, or rigorously claim-charted and scrutinized, for example through previous licensing negotiations or litigation. Second, the level of risk depends on many factors, including the size of the portfolio. In particular for smaller portfolios, solid evidence of essentiality, like claim charts, and validity is crucial to justify a relatively high level of risk. Lastly, this paper demonstrates how a top-down approach in determining royalties is not only fundamentally flawed, but also biased towards implementers, unless a rigorous analysis of essentiality is used that takes into account overdeclaration rates.

### **'No-One Is Safe until Everyone Is Safe' – Patent Waiver, Compulsory Licensing and COVID-19**

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*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3876160](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3876160)

Recent months have seen intensified global calls for an intellectual property waiver of COVID-19 related vaccines, treatments and related products. Where one side of the debate elevates Intellectual Property Rights as an obstacle to affordable and expeditious global access to vaccines and treatments, the other side of the debate points to the existing TRIPS flexibilities such as compulsory licensing, the necessity of Intellectual Property Rights for future innovation as well as other factors such as manufacturing capacity and know-how being of greater importance.

This dualistic approach risks ignoring the manifold law, economics, and policy nuances inherent in the intersection of intellectual property law and Right-to-Health, as well as innovation and health policy. A balanced approach guided by real world indicators regarding law and economics of pharmaceutical innovation, procedural feasibility of compulsory licensing and legal applicability of an IPR waiver is needed.

Thus, the key to understanding the current debates lies in a holistic approach to ratio legis of intellectual property rights, innovation policy and health policy. The innovation inducing facets of monopoly rights, and interconnected monopoly profits, need to be balanced against public policy rationales such as Right-to-Health, but also the ratio legis of IPRs being societal welfare.

After the introduction frames the background regarding inequitable global access to COVID-19 vaccines and treatments paving the way to the current debates on patent waiver and compulsory licensing, the Article proceeds as follows. Section two briefly sketches the main contours of the debate on right-to-health and intellectual property rights from a law and policy perspective. Section three details the legal, historical and procedural background of international codification of patents and the compulsory licensing instrument within the TRIPS agreement, as well some instances of compulsory licensing during COVID-19. Section four recounts the patent waiver proposal at TRIPS Council and the arguments for and against the proposal. Section five concludes with some law and policy reflections on the balance between Right-to-Health, intellectual property rights and innovation policy.

## IP & Litigation

### **The Justiciability of Cancelled Patents**

Greg Reilly (IIT Chicago-Kent College of Law)

*79 W & L Law Review (Forthcoming)*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3874153](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3874153)

The recent expansion of the Patent Office's power to invalidate issued patents raises a coordination problem when there is also concurrent litigation, particularly where the federal courts have already upheld the patent's validity. The Federal Circuit has concluded that Patent Office cancellation extinguishes litigation pending at any stage and requires vacating prior decisions in the case. This rule is widely criticized on doctrinal, policy, and separation of powers grounds. Yet, the Federal Circuit has reached (almost) the right outcome, except for the wrong reasons. Both the Federal Circuit and its critics overlook that the Federal Circuit's rule reflects a straight-forward application of the justiciability limits on the power of the federal courts. Patent cancellation eliminates the exclusive rights that form the basis for the plaintiff's suit, mooting the infringement case no matter how belated in the litigation. Courts typically vacate prior judgments and decisions when a pending case becomes moot, exactly as the Federal Circuit requires. Properly rooting the effects of Patent Office cancellation in mootness addresses critics' doctrinal and policy concerns. It also demonstrates that critics' separation of powers concerns are exactly backwards. The Federal Circuit's rule is not a threat to the constitutional structure or the role of federal courts but rather a necessary result of Article III's limits on federal judicial power. Courts and Congress each have potential ways to mitigate policy concerns from allowing Patent Office cancellation to trump litigation, while respecting mootness, but these ways introduce their own problems. Courts may have some discretion to decline to vacate prior judgments but doing so would have limited impact and could be an unwarranted departure from generally applicable procedural rules. Congress could limit the retroactive effect of patent cancellation, but this would be historically novel and raise its own policy concerns.

## Gender Inequality in Patent Litigation

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*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3871975](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3871975)

This article presents an empirical study of gender diversity—or, more precisely, the lack thereof—among the lawyers who handle patent cases in the federal courts, focusing on appellate litigation at the Federal Circuit and the Supreme Court. Drawing on two original datasets, the article finds that, over the past decade, 87.4% of oral arguments in patent appeals at the Federal Circuit have been presented by men. The numbers are similar at the Supreme Court: over the past thirty years, more than 90% of arguments in Supreme Court patent cases have been delivered by male attorneys.

The typical explanation for these sorts of gender gaps is that men are disproportionately represented in the science and technology fields that underlie patent practice. But a closer look at the numbers shows that gender parity exists in specific areas of patent litigation. For starters, five of the Federal Circuit's eleven active judges are women, and those women had more pre-appointment experience in patent law than their male counterparts. In addition, the data collected for this study demonstrate that, when the government becomes involved in patent litigation (usually because a case involves the Patent and Trademark Office), women present oral argument at the Federal Circuit 48.5% of the time—more than five times as frequently as the rate for private-sector litigants. Thus, the story this article tells—of women being largely absent from high-level patent litigation—is actually a story about gender inequality among the lawyers hired by large corporations such as Apple, Amazon, Google, and Samsung, all of which have been represented by women in less than 15% of their Federal Circuit arguments over the past decade.

Figuring out why women rarely litigate patent appeals for private-sector clients is challenging, but this study suggests that it stems from persistent inequalities in law firm practice generally. To that end, the article suggests both small steps that would increase gender balance among the lawyers arguing patent cases and broader structural reforms that would improve diversity across the bar.

## IP & Innovation

### Incentivizing Failure

Robin Feldman (UC Hastings Law)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3877539](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3877539)

Patents should incentivize success; they are not intended to be a participation trophy. But when it comes to pharmaceuticals, courts, law-makers and industry researchers alike operate under the assumption that the patent incentive should compensate drug-makers for their failures, too. This understanding comprises a dramatic departure from the theory and history of patent law.

The idea that innovators should be compensated for their failures creates an incentive to fail more, eroding the mandate toward efficient and successful drug development that pharmaceutical patents supply. Incentivizing failure is especially problematic in an industry that features few buy-side constraints and significant value leakage in its new drug development pipeline. It should be no surprise that drug prices have continued to climb.

This article proceeds as follows. Part I will describe the prevailing narrative of failure, as courts and researchers consistently accept the logic that the patent incentive in the pharmaceutical industry ought to compensate drug manufacturers for their failures. Part II will demonstrate how this notion clashes with patent law, stretching back to its inception. Part III illustrates how incentivizing failure reduces efficiency in the drug development pipeline, pushing prices higher and discouraging basic, high-risk research efforts in turn.

### **Shepardizing Patents**

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

*Patently-O*, Jun. 16, 2021

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3868513](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3868513)

In a world where patents play an increasingly important role in the technology development and innovation landscape, it is critical that reliable information about the status and history of patents be made available to the public. The USPTO has made a public commitment to the “discoverability, accessibility, and usability of public patent and trademark data”, and as such it can help to collect, organize and display contextual patent data in a simple and user-friendly fashion. A uniform “Shepardization” system for patents, which clearly flags issues for potential licensees, defendants and innovators and alerts the public to the potential investment and threat value of individual patents, would help to make the markets in which patents exist more transparent and efficient.

### **PatentsView: An Open Data Platform to Advance Science and Technology Policy**

Andrew Toole (United States Patent and Trademark Office)

Christina Jones (American Institutes for Research)

Sarvothaman Madhavan (American Institutes for Research)

*USPTO Economic Working Paper No. 2021-1*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3874213](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3874213)

What are the connections between science and improvements in economic and social outcomes that drive the “value” of science? Most of the time, these connections are circuitous, varied, diffuse, and opaque. Patent data offer an opportunity to expose new connections between science and technology as well as exposing links to downstream economic and social outcomes. The PatentsView open data platform performs data preparation, visualization, and adds helpful features to USPTO’s administrative data. PatentsView is fundamentally a free “intermediate good” that provides the needed materials for researchers, policymakers, and students to conduct their own analyses, make their own linkages, and derive their own insights. This paper provides a quick tour of the PatentsView platform.

### **Quick or Broad Patents? Evidence from U.S. Startups**

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Alexander Ljungqvist (Stockholm School of Economics; Centre for Economic Policy Research (CEPR);

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Manav Raj (New York University (NYU) - Leonard N. Stern School of Business)

*CEPR Discussion Paper No. DP16320*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3886806](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3886806)

We study the effects of patent scope and review times on startups and externalities on their rivals. We leverage the quasi-random assignment of U.S. patent applications to examiners and find that grant delays reduce a startup's employment and sales growth, chances of survival, access to external capital, and future innovation. Delays also harm the growth, access to external capital, and follow-on innovation of the patentee's rivals, suggesting that quick patents enhance both inventor rewards and generate

positive externalities. Broader scope increases a startup's future growth (conditional on survival) and innovation but imposes negative externalities on its rivals' growth.

## IP Law & Policy

### **Intellectual Property in the New Technological Age: 2021 - Chapters 1 and 2**

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Mark A. Lemley (Stanford Law School)

Robert P. Merges (University of California, Berkeley - School of Law)

Shyamkrishna Balganesh (Columbia University - Law School)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3884159](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3884159)

Rapid advances in digital and life sciences technology continue to spur the evolution of intellectual property law. As professors and practitioners in this field know all too well, Congress and the courts continue to develop intellectual property law and jurisprudence at a rapid pace. For that reason, we have significantly augmented and revised Intellectual Property in the New Technological Age.

### **Barring Immoral Speech in Patent and Copyright**

Ned Snow (University of South Carolina)

*SMU Law Review, Vol. 74, No. 1, 2021*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3877582](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3877582)

In the past three years, the Supreme Court has twice ruled that Congress's moral bars to trademark protection violate the First Amendment. Those rulings raise a simple question in other areas of intellectual property. Does the First Amendment preclude Congress from denying patent or copyright protection based on a moral reason? Congress, for instance, might deny patent protection for inventions directed toward the consumption of marijuana. Inventors would accordingly choose not to disclose knowledge about those inventions to the public, and the denial would chill their speech. Similarly, Congress would chill speech if it denied copyright protection for moral reasons. A copyright bar to statues of the Confederacy, for instance, would deter artists from speaking such content. Hence, through patent and copyright, Congress might seek to influence speech in accord with its moral viewpoint. This Article considers whether that use of intellectual property would violate the First Amendment.

The Article concludes that moral denials in patent and copyright may be constitutionally permissible in certain instances. On the patent side, Congress's choices about which invention to patent may plausibly be construed as government speech, suggesting the absence of any First Amendment violation. Yet even if those choices are not government speech, they represent Congress's attempt to regulate conduct relating to the embodiments of the inventions—not the knowledge about the inventions. That suggests that the incidental effect on an inventor's speech is permissible.

Copyright law is a different matter. The copyright system appears to comprise a limited public forum, which implies that moral denials of copyright protection must be viewpoint neutral to pass First Amendment muster. In other words, moral denials of copyright protection may be permissible but only if the reason for denial is not related to the expression's message or effects responsive to that message. This principle severely limits Congress's power. Thus, for moral denials of patent protection, the First Amendment affords Congress broad discretion whereas for moral denials of copyright protection, it affords Congress very limited discretion.

## Unconstitutional Appointment of Patent Death Squad

Jasper L. Tran (University of Minnesota Law School)

*George Washington Law Review On the Docket*, Vol. 90, 2021

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3876447](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3876447)

Can legal scholarship change the law? Apparently so—a recent exemplar appears in *United States v. Arthrex*, one of the three IP decisions handed down near the end of the 2020 term. In this deeply fractured Supreme Court decision—with different majorities for the merits and the remedy—five justices held that PTAB judges, who are appointed as inferior Officers under the Appointments Clause and have traditionally wielded “unreviewable authority” during IPR to cancel patents, have unconstitutionally acted as principal Officers, and should therefore have been nominated by the President and confirmed by the Senate. To remedy such an Appointments Clause violation, seven justices voted to judicially convert these principal Officers to inferior Officers by allowing the USPTO Director to discretionarily review the PTAB’s IPR decisions.

Consequently, *Arthrex* has expanded the Director’s power to review the PTAB’s IPR cases and reach her own decisions. As Justice Gorsuch’s dissent suggested, the new power creates risk that the Director, as a political appointee, may be politically motivated—or perceived as politically motivated—to cancel patents that carry with them significant financial or social consequences. This puts more pressure on the currently unfilled Director post in the Biden Administration. It is not difficult to imagine lobbying campaigns aimed to influence the Director’s decision. Recent examples of patents at potential risk include those related to COVID vaccines. Not to put too fine a point on it, patents have become less free of political influence than they might have been in the past, as patents are certainly political. *Arthrex* sends a strong message that patent adjudication is not special in the administrative state and reaffirms the long-observed pattern of no patent exceptionalism in the justices’ eyes.

More broadly, this case has provided a clear roadmap for Congress to rethink current regulatory regimes and design adjudicative regimes in the future: outside of patent law, *Arthrex*’s ruling may upend a handful of adjudicative agencies with internal administrative-law bodies that have final decision-making authority like the PTAB, such as the Department of Health and Human Services, the Department of Labor, and the Social Security Administration. Under *Arthrex*, those administrative law judges are, like APJs, appointed as inferior Officers, but unconstitutionally acting as principal Officers. These apparent Duffy Defects may lead to future constitutional challenges based on the Appointments Clause (as well as the Vesting Clause), including those unresolved by *Arthrex*. Ideas, after all, have consequences, and those originated in law reviews can indeed later change the law.

## Copyright Law

### Copyright and Authorship on Stage

Luke McDonagh (LSE Law)

*LSE Legal Studies Working Paper No. 07/2021*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3872806](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3872806)

This is the opening chapter of the book *Performing Copyright: Law, Theatre and Authorship* (Oxford: Hart, 2021). Based on empirical research, the book explores issues of performativity and authorship in the theatre world from the perspective of copyright law. I examine several inter-connected questions: who is the author and first owner of a dramatic work? Who gets the credit and the licensing rights? Given the nature of theatre as a medium reliant on the re-use of prior existing works, tropes, themes and plots, what happens if an allegation of copyright infringement is made against a playwright? Furthermore, who possesses moral rights over the work? This introductory chapter gives an overview of my approach to

these questions. I first outline the history of the dramatic work in print and performance, before exploring the notion of authorship as it relates to the actual processes of creating contemporary plays, referring to interview data and recent case law. I consider how copyright infringement applies in the context of theatre, noting that cases of alleged theatrical infringement reach the courts rarely in comparison with music cases. I assess the reasons for this with respect to empirical data. I explore the way moral rights of attribution and integrity work in the context of theatre, referring to cases involving playwrights such as Samuel Beckett and Bruce Norris. This chapter concludes with a comment on how law should respond to the challenges provided by the theatrical context, and how theatre could respond to law.

### **End-User Flexibilities in Digital Copyright Law – An Empirical Analysis of End-user License Agreements**

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István Harkai (University of Szeged Faculty of Law and Political Sciences - Institute of Comparative Law and Legal Theory)

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3879740](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3879740)

In the platform age, copyright protected contents are primarily disseminated over the internet. This model poses various challenges to the copyright regime that was mainly designed in and for the analogue age. One of these challenges is related to the fair balance between the interests of rightholders and other members of the society. Copyright norms try to guarantee this balance by granting a high level of protection for rightholders and preserving some flexibility for end-users. Regulation by platforms' end-user license agreements might also be relevant to preserve that balance.

The present paper focused on how these private norms allow for or diminish the exercise of user flexibilities. We collected, analysed and compared seventeen private ordering practices of service providers grouped in four main categories.

Our empirical examination demonstrated that intermediaries offer substantive flexibilities for their consumers, on the one hand, and they meaningfully limit the possibilities and decrease the expectations of end-users by restricting certain uses and providing limited access to contents, on the other hand. We measured the flexibility of the selected platforms, and we provided for the state of the art of platform flexibilities in the period preceding the implementation deadline of the EU's CDSM Directive.

### **How the Criminalization of Copyright Threatens Innovation and the Rule of Law**

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[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3847005](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3847005)

The trade-off between the harms of copyright infringement and the harms to innovation from overzealous enforcement have been central to the copyright debate for decades. US courts have tried to fashion a body of law that strikes a balance between these dangers. Two related trends in copyright enforcement threaten to upend this balance. First, the federal government has begun to criminally prosecute online intermediaries who allegedly facilitate the infringing activities of users. The threat of civil liability already gives entrepreneurs strong incentives to follow the law, so adding criminal penalties may cause them to become excessively risk-averse, depriving consumers of valuable innovations. Second, using civil forfeiture powers granted by the 2008 PRO-IP Act, the federal government has begun seizing the domain names, servers, and other assets of online intermediaries. This power to seize assets prior to conviction is making a mockery of defendants' constitutional rights. These two trends threaten both the rule of law and online innovation.

## **“You Ain’t Seen Nothing yet” – Arguments against the Protectability of AI-generated Outputs by Copyright Law**

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*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3890051](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3890051)

Artificial Intelligence (AI) has become a part of our daily life, and “algorithmic creativity” and the protection of it by copyright law has similarly gained a spotlight recently. This article collects the key arguments against the proposal of such protection. The core elements of copyright law – namely the concept of authorship, originality and moral rights, as well as copyright’s history and incentives – are deeply rooted in an anthropocentric (although not only author-centric) world. Unless paradigm shift in copyright law, the lack of direct human element of an AI-generated output shall lead to the unavailability of copyright protection for these outputs. The paper is an updated version of “From Leonardo to the Next Rembrandt – The Need for AI-Pessimism in the Age of Algorithms.”

## **IP & Trade**

### **The Public Policy Exception and International Intellectual Property Law**

Marketa Trimble (University of Nevada, Las Vegas, William S. Boyd School of Law)

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Public international law affects private international law (conflict of laws) in a myriad of ways. This article discusses potential effects of international intellectual property (“IP”) law on the application of the public policy exception, which is used as a limitation on the application of foreign law and on the recognition and enforcement of foreign judgments. The article describes the function of the exception and its treatment in existing academic projects on IP law issues in private international law. It provides examples of the uses of the exception in IP cases and contemplates the frequency of the use of the exception in such cases. The article reviews international IP treaties, including IP chapters of free trade agreements, as possible sources of relevant public policies and evaluates whether a foreign IP law compliance with international intellectual property treaties could serve as a factor in the public policy exception analysis. The article suggests that courts give some weight in the public policy exception analysis to a finding of a foreign IP law’s compliance with international IP treaties but recognizes that the proposed approach would need to be nuanced and account for diverse circumstances.

### **Intellectual Property Rights, Technology Transfer and International Trade**

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*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3885234](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3885234)

I study the short- and long-term effects of regional trade agreements (RTA) with strict intellectual property (IP) provisions. An empirical analysis using gravity methods suggests that regions signing these agreements share more technology in the form of technology licensing following the year of enforcement. I set up a multi-country model with endogenous productivity through innovation and adoption to quantify the effect of such agreements on innovation, growth and welfare. Adopters pay royalties to innovators for the use of their technology; the model allows for various degrees of IP rights enforcement ranging from pure imitation to perfect enforcement of IP rights. An improvement of IP protection in exchange for market access increases welfare, growth and innovation in the world. Developed countries benefit from a higher return to innovation and a lower home trade share, accruing welfare gains both in the short and long term. Developing countries are impacted through three

channels: (i) internal IP reforms increase the return to domestic innovators, (ii) lower trade costs increase profits from exports, and (iii) higher royalty payments reduce the return to adopters. A counterfactual exercise shows that while the first two forces dominate in the long run, there are short-term losses from a lower return to adoption.

## Other Topics

### **Written Testimony Submitted by Professor Jorge L. Contreras to U.S. Senate Committee on the Judiciary, Subcommittee on Intellectual Property – Protecting Real Innovations by Improving Patent Quality**

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

*Working Paper*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3872710](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3872710)

The recent assertion of patents originally held by Theranos, the defunct blood analysis company whose founders are under federal indictment for fraud, highlights the existence of patents that claim non-existent and inoperative inventions. While such patents may ultimately be subject to validity challenges in court, their issuance nevertheless has harmful effects on markets and innovation. I propose several modest administrative and legislative measures directed toward the elimination of patents on inoperative inventions including (1) increasing PTO efforts to detect potentially inoperable inventions, (2) heightening examination requirements, including a certification of enablement, for certain inventions, (3) enabling greater public input into the examination process, and (4) increasing penalties for fraudulent conduct before the PTO. In addition to addressing inoperative inventions, some of these reforms could help to alleviate broader enablement concerns that have been identified by scholars over the past decade. Given the serious consequences that these issues have on markets and innovation, such measures merit serious consideration by the PTO and Congress.

### **Patents Are Not Probabilities: Refuting the Probabilistic Patent Theory**

Bryan Gant (White & Case LLP)

*Chicago-Kent Journal of Intellectual Property, Forthcoming*

[https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3875922](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3875922)

The probabilistic patent theory espoused by Carl Shapiro and Mark Lemley suggests that the lawful term of a patent is limited by the probability that the patent will be held valid and enforceable. For example, under this theory a patent with a 60% chance of being held valid and enforceable would lawfully grant 60% of a statutory patent term; any enforcement beyond that point would risk violating the antitrust laws.

This article—the first to meaningfully challenge the probabilistic patent theory in nearly 20 years—explains that Shapiro and Lemley’s theory has at least three fatal flaws: First, it depends on a “judicially-created” view of patents the Supreme Court has since rejected in *Oil States Energy Services v. Greene’s Energy Group*. Second, it mistakes a decrease in the value of property in light of litigation risk for a decrease in the ownership or scope of the property; as with all other forms of litigation regarding property, patent litigation may be “probabilistic” but the property in dispute is not. Third, because no patent is without some (often undefinable) level of risk, this theory would shorten the enforceable term of every patent—and would moreover do so to an undeterminable extent.

Finally, the article refutes the suggestion, accepted by the California Supreme Court, that the U.S. Supreme Court adopted the probabilistic patent theory in its 2013 decision in *FTC v. Actavis, Inc.* As the article demonstrates, Actavis instead adopted a theory based only on the probabilities of litigation, not the probabilities of a patent.

## Contact

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