

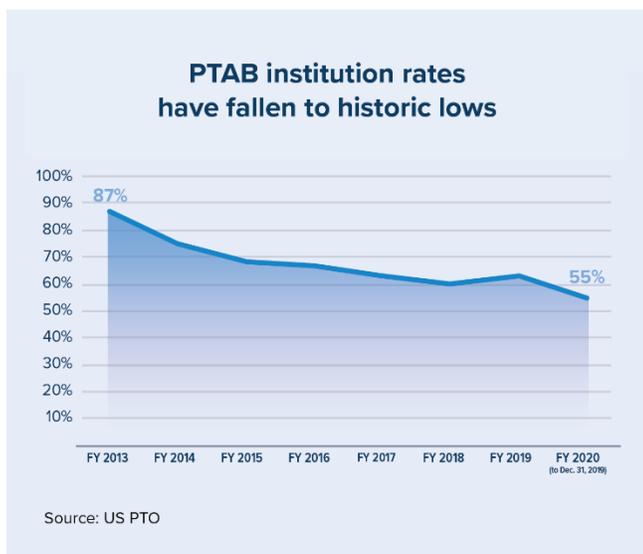
Making Patents Pay: Monetizing Dormant Assets in an Economic Downturn

Any economic downturn puts pressure on businesses to generate cash from all available sources. Patents often lie dormant, without producing value for their owners. Actively asserting patent rights can generate massive returns for patentholders, as demonstrated by numerous recoveries in the hundreds of millions of US dollars in the last year. The legal conditions for monetizing patents have improved, so this is an important time for businesses, their investors, and their advisors to review their patent holdings to identify and deploy assertable IP holdings.

In 2011, the U.S. passed the America Invents Act (AIA), which was designed to make it more difficult to enforce patents. Together with judicial decisions that limited both the scope and potential damages for patent infringements, the new law led to a downturn in patent value. **But more recently, conditions have turned more positive, placing patent holders in a favorable position for the first time in recent memory.**

Why are conditions for asserting patents in the U.S. (the largest and most important jurisdiction for intellectual property disputes) trending up?

Changes to PTAB rules: Back in 2011, the AIA made it easier to challenge the validity of patents. Most notably, *inter partes* reviews (IPR) provided an expedited process to invalidate patents, in front of specialized administrative judges at the United States PTO's Patent Trial and Appeal Board (PTAB). In its first year, the PTAB invalidated at least some claims in more than half of all challenges filed. But in recent years the tide has turned, with important changes leading to better results for patent owners.



First, **the PTAB has made it easier for patent holders to show that an IPR should not be instituted at all.** On March 24, 2020, the PTAB designated precedential its decision in *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, clarifying that a petition to institute an IPR may be rejected if the invalidity arguments, or prior art on which it is based, are the same or substantially the same as those presented in the prosecution of the patent. The only exception to the rule, according to the PTAB, would be if the petitioner can show that the PTO made a material error in prosecution. That decision followed another precedential decision, *NHK Spring Co. Ltd. v. Intri-Plex Technologies*, which **affirmed that judges can decline to institute an IPR when district court litigation has progressed significantly.** As a result, defendants who wait too long to file an IPR for the entire one year allowed by statute run a heightened risk that the IPR will be denied. In addition, *Valve Corporation v.*

Electronic Scripting Products, Inc. held that, in deciding whether it should exercise its discretion in light of previous challenges to the patent, the PTAB ruled that it can consider IPR petitions filed by other parties, in addition to the challenging party.

Second, the Supreme Court's decision in *SAS Institute Inc. v. Iancu* and subsequent Federal Circuit cases have **changed the strategic considerations for defendants challenging patents in IPRs.** Previously, the PTO's administrative judges were free to grant a request to review the validity of all of the challenged claims, or to find that there was sufficient basis to review only some of them. *SAS Institute* held that the PTAB cannot initiate or decide an IPR on only some of the challenged claims, but must do so on all or none. Perhaps more importantly, the Federal Circuit and PTAB have both subsequently clarified that **the PTAB must now decide not just all challenged**

claims, but all bases for the challenge. Because challengers cannot assert an invalidity defense in district court proceedings on the same grounds that were raised or “reasonably could have been raised during the inter partes review,” **challengers face a stronger possibility that they will be left with greatly narrowed invalidity defenses—or none at all.**

Injunctions for Standard-Essential Patent Owners: Some of the most valuable patents are those that cover technologies used in standards like Wi-Fi (IEEE 802.11) or the emerging 5G. In 2012, the U.S. PTO and Department of Justice Antitrust Division issued a policy statement that injunctive relief or import exclusion orders should not be available to holders of such “standard-essential patents” who have agreed to license on fair, reasonable and non-discriminatory terms as part of the standard-setting process. In 2019, the U.S. government reversed that guidance, stating that such “remedies are equally available in patent litigation involving standards-essential patents.” That means that owners of standard-essential patents are better able to take advantage of these powerful tools to enforce their rights.

Availability of Litigation Funding: The past years have seen a large growth in the availability of third-party litigation funding, which pays fees and costs, typically on a contingency, non-recourse basis. Courts have become more accepting of litigation funding, and typically disallow discovery of funding arrangements. The growth in funding gives patent holders better access to this specialized capital, meaning that the cost of litigation does not need to reduce money available for business operations.

Recent Patent Holder Success in US Courts

Caltech – **US\$1.1 billion**

Technology: Wi-Fi

Densify – **US\$237 million**

Technology: Cloud Resource Optimization

USAA – **US\$300 million +**

Technology: Mobile Check Deposit.

Meso Scale Diagnostics –

US\$137 million

Technology: Medical Diagnostic Systems

Juno Therapeutics and

Memorial Sloan Kettering –

US\$752 million

Technology: Cancer Immunotherapy

Why should patent owners put their patent assets to work NOW?

- Patents are not market correlated – and the conditions for enforcement in the US are now rising.
- IP assets are often dormant and so present an opportunity for an entirely new revenue source.

- Enforcement can put idle personnel to work; developing an enforcement campaign requires factual and legal analysis that can be conducted remotely, using personnel that are not otherwise productively occupied.