June 29, 2022

Dear Members of the Subcommittee on Intellectual Property of the Senate Committee on the Judiciary,

We write to ensure the public’s interest in the proper functioning of the patent system is represented in the hearing on *The Patent Trial and Appeal Board: Examining Proposals to Address Predictability, Certainty, and Fairness*. Thank you for your work on this important issue and for giving the public’s interest the consideration it deserves.

The Public’s Interest in the Patent System

Millions of Americans depend on access to patented technology, but most do not participate directly in the patent system. These constituencies include research scientists, small business owners, farmers, repair technicians, truck drivers, teachers, and patients. Because they do not acquire, own, or assert patents, their interests are inadequately represented in the institutions that comprise the patent system—the U.S. Patent and Trademark Office (PTO) and federal courts. This lack of representation makes it more difficult for the patent system to strike an appropriate balance between incentivizing private investment and preserving public access to knowledge.

Patent law requires consideration of the public’s interest. As the Supreme Court has long recognized, the patent system is “designed to serve the public purpose of promoting the ‘Progress of Science and useful Arts.’”1 Because patents give their owners the right to stop others from making or using anything within the scope of their patent’s claims, they have “far-reaching social and economic consequences of a patent [that] give the public a paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.”2

The Public Interest Patent Law Institute (PIPLI) is a nonprofit, nonpartisan organization that works to ensure the patent system promotes the progress of science and technology for the benefit of all Americans. To enhance public representation in the patent system, PIPLI conducts policy research; provides pro bono counseling and legal aid to people affected by the patent system; advocates for greater transparency, ethics, and equity in the institutions that shape patent law; and represents the public’s interest before institutions that shape patent law and policy, including courts, agencies, and standard-setting organizations.

Abusive Patent Assertion Activities Premised on Invalid Patents

Because we provide pro bono legal assistance, we regularly hear from people who experience the harmful consequences of invalid patents firsthand, including small businesses, academic

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2 Id.
researchers, developers of open source technology, and nonprofit organizations. They typically contact us after receiving letters demanding payment for licenses to patents of extremely questionable validity—and threatening legal action if they are unwilling or unable to pay. These demands primarily come from entities that own and assert patents, but do not develop, manufacture, or provide any goods or services of their own.

The exorbitant costs of patent litigation empower patent owners to demand enormous licensing fees for patents that would likely be held invalid if challenged in court. Among those who contact PIPL, initial demands in the range of $10,000 to $50,000 dollars are typical. While these demands are less than the staggering $700,000 it costs to litigate a low-stakes patent case, they are still far more than most people can afford.

Unfortunately, threats of litigation have the most power against those who are least equipped to defend themselves. That makes people and organizations without less financial resources more likely to receive demands premised on patents that would not withstand legal challenges. Because companies with deep pockets can afford to spend millions of dollars challenging such patents in federal court or before the Patent and Trial Appeal Board (PTAB), owners of the low quality patents often avoid suing them. Instead, they target those who cannot afford to fight back.

When small businesses try to defend themselves, they often suffer even if their invalidity arguments should prevail. For example, one company that tried to mount a litigation defense bankrupted itself spending money on attorneys before the case even came close to going to trial.

A few years later, the patent was held invalid after a much bigger company—Domino’s Pizza—mounted an effective challenge in district court that was upheld on appeal. But the decision came too late to save the business or its employees’ jobs.

**The Incomplete Record of Harm Invalid Patents Cause**

We do not know the full extent of harm invalid patents inflict on the public because license demands that are not litigated are not reflected in public records. When a technology developer stops working on a new product because it cannot satisfy a patent assertion entity’s license demands, there is no record of that loss. Moreover, people who receive litigation threats from

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3 See, e.g., John R. Allison & Mark A. Lemley, *Empirical Evidence on the Validity of Litigated Patents*, 26 AIPLA Q.J. 185, 208 (1998) (reporting results of empirical study that found more than half of litigated patents were held invalid due to novelty or obviousness).


5 Electronic Frontier Foundation, *Alice Arrives Too Late to Save A Startup*, [https://www.eff.org/alice/alice-arrives-too-late-save-startup](https://www.eff.org/alice/alice-arrives-too-late-save-startup).

patent assertion entities have compelling reasons not to talk about their experiences publicly. As a result, the public record does not capture the full extent of harm invalid patents cause.

We cannot remedy that deficiency, but we can try to mitigate it by highlighting a few examples of real people who faced licensing demands premised on patents of questionable validity and got pro bono assistance from nonprofit organizations, including PIPLI and the Electronic Frontier Foundation (EFF). These examples illustrate the harm invalid patents cause and demonstrate the public’s need for affordable, effective, and fair mechanisms for challenging invalid patents.

Accounts from People Harmed by Invalid Patents

1. Daniel Villalobos

Daniel Villalobos is a Georgia resident who runs a small family business, EasyTracGPS, which installs and maintains GPS tracking systems for trucking, taxi, and limousine companies. In 2019, he learned that a patent infringement complaint against the business had been filed in court when he received emails from patent lawyers and search firms offering their paid services.

The patent, U.S. Patent No. 8,760,286, belonged to Inventergy, a company that owns and asserts patents, but does not make or sell its own products or services. The patent did not claim anything that could possibly qualify as an invention—it simply described generic steps, like collecting and sending location information, and generic computer components, like a memory and processor.

Daniel did not have the resources to defend his business in court or pay for a license he did not need. He contacted EFF, which agreed to represent EasyTracGPS pro bono. EFF sent Inventergy a letter, explaining why their patent was invalid under the Patent Act and their accusations violated Georgia state law, which prohibits bad faith accusations of patent infringement.

Fortunately, neither Daniel nor EFF ever heard from Inventergy again. Nevertheless, the patent remains in effect and Inventergy continues to assert it. We do not know how many businesses have had to spend money on legal or licensing fees that could and should have gone to productive activities, like product development and employee salaries, instead.

Brijesh Kumar

Brijesh Kumar is the Chief Technology Officer of a small business in New Jersey, Rapidsoft Systems, which provides software development and information technology (IT) services. Brijesh is a leading authority on wireless, mobile and networking technology, an author of numerous technical papers, and the named inventor on several patents.

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7 People often keep their negative experiences with the patent system private because: (1) they reached a settlement which includes a restrictive confidentiality and/or non-disparagement clause, barring them from telling others about their experience; (2) they paid licensing fees and do not want to make themselves a target for other patent owners by publicly disclosing their willingness to pay such fees to avoid litigation; and (3) they have not settled or paid a fee, and are afraid to “poke the bear” by speaking publicly about unresolved accusations, however meritless.

In 2021, Rapidsoft was sued by Social Positioning Input Systems (SPIS), one of many entities controlled by Leigh Rothschild, a notoriously patent owner and litigant. Mr. Rothschild and companies associated with him have filed more than 820 patent infringement lawsuits, including more than 50 cases filed by SPIS in 2021 alone. The manner in which these cases are litigated have established Mr. Rothschild’s reputation for vexations and abusive litigation conduct.9

Many companies targeted by Rothschild entities opt to settle, but Brijesh’s technical expertise led him recognize the patent’s weaknesses and gave him the will to fight back. He hired attorneys and filed a motion to dismiss the case because of the patent’s invalidity. The motion was pending for five months, but the judge took no action, neither holding a hearing nor issuing an opinion. During that time, Brijesh’s legal fees continued to mount, and there was no end in sight: even if the judge granted his motion, SPIS would appeal, and he would have to keep spending money on legal fees.

Brijesh contacted PIPLI, which agreed to represent him pro bono to ensure he was not rushed into a settlement because of his limited resources. Ultimately, a settlement was reached, and the case was voluntarily dismissed before the court ever ruled on Brijesh’s invalidity motion. Brijesh ultimately spent enormous sums of money to challenge SPIS’s invalid patent, but because of the district court’s inaction, SPIS was able to continue imposing costs until they became unbearable.

Because the patent is still in effect, SPIS continues to assert it against businesses that have to invest in litigation and licensing rather than technology or product development. When the patent system encourages investment in attorneys rather than engineers and employees, it is promoting the legal profession, not innovation, and thus falling short of the Constitution’s mandate.

Karl Schroll

Karl Schroll is the sole proprietor of School360Tours, which creates multimedia-rich virtual tours for schools, including many public schools in Colorado, where Karl lives and works. This year, Karl was contacted by Richard Wilson, the owner of U.S. Patent No. 6,754,400, and President of Tour Technology Systems (TTS). Like other patent assertion entities, TTS makes money by licensing its patent rather than making or selling any products or services. According to its website, TTS believes it is entitled to payment for any website that includes a virtual tour.10

Karl knows that virtual tour technology predates the patent because he used that technology before the patent’s priority date. But as the sole proprietor of a small business, Karl cannot afford to pay

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9 For example, the U.S. Court of Appeals for the Federal Circuit has approved awards of attorneys’ fees against Mr. Rothschild based on “undisputed evidence” of “Rothschild’s vexatious litigation, Rothschild Connected Devices Innovations, LLC v. Guardian Prot. Servs., 858 F.3d 1383, 1390 (Fed. Cir. 2017), and the district court in Delaware has awarded fees against Mr. Rothschild for vexatious litigation after he “attempted to exert pressure on other defendants to settle or be left to spend money litigating a patent that had twice been found to cover ineligible subject matter.” Rothschild Digital Confirmation, LLC v. CompanyCam, Inc., 494 F. Supp. 3d 263, 267 (D. Del. 2020).

10 Tour Technology Software. https://tourtechnologysoftware.com (“‘IF YOU ARE . . . DISPLAYING A 360 VIRTUAL TOUR ON YOUR SITE, YOU ARE PART OF THE INFRINGEMENT.’”)
attorneys challenge to the patent in court or before the PTAB.\textsuperscript{11} Nor can he—or his public school clients—afford to spend more to pay Mr. Wilson for the use of technology which he did not invent.

Karl contacted PIPLI for help, and we are currently representing him pro bono. We do not know how the situation will resolve, but we know Mr. Wilson’s patent is invalid under the law, and will fight to ensure Karl, public schools, and the taxpayers who fund them, do not have to pay more than they should simply because the cost of challenging an invalid patent is so great.

**The Need for Affordable, Effective, and Fair Mechanisms for Patent Validity Challenges**

Although we wish there were more affordable, effective, and fair ways to challenge the validity of granted patents, we are grateful for the inter partes and post-grant review proceedings Congress created as part of the America Invents Act. The public is better off because they exist.

Because IPR and PGR proceedings are available, the public has the ability to band together to raise the funds required to file a review petition, which is still far less than the cost of district court litigation. Indeed, EFF successfully raised funds from more than 1,000 people to challenge, successfully, a patent asserted against a host of small and independent podcasters.\textsuperscript{12} These proceedings would serve the public even better if reductions or waivers of the PTO’s fees were available for people like Karl and nonprofits like EFF. That would enable members of the public to challenge invalid patents before the PTAB when attorneys are willing to donate their services.

**Conclusion**

The harmful consequences of invalid patents must not be taken lightly. Patents can incentivize innovation, economic growth, and access to knowledge, but only if the inventions they claim are truly new and useful. When patents instead claim subject matter which is old, obvious, or incomprehensible, they chill innovation, thwart competition, and deprive the public of knowledge.

For the same reasons the public needed efficient mechanisms for challenging invalid patents when Congress passed the America Invents Act, the public needs that system to remain affordable, effective, and fair. Ensuring access to such proceedings will help ensure the patent system promotes the progress of science and technology for the benefit of all Americans.

Sincerely,

Alex Moss
Executive Director
Public Interest Patent Law Institute

\textsuperscript{11} The USPTO charges a fee of $19,000 to file a petition for review and charges a post-institution fee of $22,500 if the petition is granted. USPTO Fee Schedule, https://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule. These fees do not include the fees attorneys charge.

\textsuperscript{12} EFF v. Personal Audio LLC, https://www.eff.org/cases/eff-v-personal-audio-llc.