



The
Software
Alliance



BSA



BSA Patent Policy Agenda

Intellectual property (IP) is the cornerstone of innovation. The enterprise software industry relies on a predictable, well-functioning patent system as a key component of the IP framework.

BSA members pursue patent protection for their intellectual property and also make active use of patent office procedures (including post-issuance review mechanisms before the Patent Trial and Appeal Board), which weed out overly broad or invalid patent claims, to ultimately build a stronger and more resilient US patent system.

BSA strongly supports the US Patent & Trademark Office's (USPTO) promoting innovation and patent quality, while taking steps to combat abuse of the system through:



**Robust Efforts
to Ensure Patent
Quality**



**Investments
in Artificial
Intelligence (AI)
to Improve Prior
Art Searching
and Patent
Examination**



**Inter Partes and
Post-Grant Review
Mechanisms
Before the PTAB**



**Initiatives to
Address the
Challenge of
Abusive Third-
Party Litigation
Funding**



**Licensing of
Standard Essential
Patents (SEP) on
FRAND Terms**

We describe each of these recommendations on the following pages.



GROWING THE US ECONOMY THROUGH INNOVATION

The US software industry accounts for **\$1.9 trillion of total US value-added GDP**;¹ supports **15.8 million jobs**—with more than 12 million jobs outside the technology sector.



Robust Efforts to Ensure Patent Quality

Efforts to improve patent quality should remain a priority for the USPTO. Patent quality is essential to innovation. Innovators benefit from clarity and predictability in a patent system, rather than simply more or “stronger” patents. Patents that should not have been issued—for example those in which the invention claimed is obvious or anticipated—damage the public interest, and chill the development of new technologies. Minimizing errors through a rigorous examination process will benefit all users of the patent system by increasing legal clarity regarding the scope of patent claims, reducing litigation risk and cost, and facilitating business planning and predictability. BSA members often provide subject matter experts in various technologies for training USPTO examiners in these technologies. BSA encourages the USPTO to expand this practice. In addition, improving the specificity and the quality of examiner communications in office actions can also enhance the examination process, and lead to more clearly drafted claims and a more thorough prosecution history record. These types of enhancements can reduce post-issuance uncertainties regarding the scope of the patent.



Investments in AI to Improve Prior Art Searching and Patent Examination

BSA strongly supports investments in AI to improve prior art searching and other aspects of the examination process. USPTO’s use of new AI and data analytics technologies can enhance patent examiners’ capacity to conduct comprehensive and focused patent searches. Increasing examiners’ ability to obtain relevant prior art can reduce the probability that such prior art will only be discovered after a patent has been asserted. Expanding prior art databases and adopting AI-powered search capabilities are two ways to advance this important objective. Relatedly, BSA also supports efforts to upgrade and improve USPTO IT infrastructure. Reliable and efficient IT systems are a key factor in improving both patent quality and timeliness.

¹ Software.org, Software—Supporting US Through COVID (2021), <https://software.org/wp-content/uploads/2021SoftwareJobs.pdf>.



Inter Partes and Post-Grant Review Mechanisms Before the PTAB

As innovators, BSA members have a significant interest in post-issuance procedures to promote patent quality. This includes the *inter partes* review and post-grant review mechanisms established under the Leahy-Smith America Invents Act (AIA), which the US Congress established to “give third parties a quick, inexpensive, and reliable alternative to district court litigation to resolve questions of patent validity,”² and to permit cancellation “as unpatentable 1 or more claims of a patent.”³

The problem of invalid patent claims being mistakenly issued is not new. When litigated patents are challenged in courts or at the PTAB, they have historically been found to be invalid at a rate of more than 40 percent. This high rate of invalidation confirms that high volumes of patent applications of varying quality and inventiveness present a particular challenge for patent examiners. As stated by one Senator at the time of AIA enactment, “[i]t is unrealistic to believe a patent examiner would know all of the places to look for [relevant] information” at the examination stage, “and even if the examiner knew where to look, it is unlikely he or she would have the time to search all of these nooks and crannies.”⁴

BSA’s overarching priority is for the *inter partes* review (IPR) program to function as Congress intended, namely as a review system to identify invalid patent claims while preserving and strengthening valid patents. The statute requires—subject to the fulfillment of other legal criteria—institution of an *inter partes* proceeding if a petitioner is “reasonably likely” to prevail in challenging at least one patent claim. The statute also requires institution of a post-grant proceeding if it is “more likely than not” that at least one patent claim is invalid. BSA urges USPTO to adhere to these standards, and we oppose efforts (whether at USPTO or in Congress) to reduce access to these proceedings by creating heightened standing requirements or new burdens of proof.

No persuasive public interest supports permitting invalid claims to remain protected by a patent once brought to the PTAB’s attention. “Patents of low quality and dubious validity...constitute a drag on innovation...[and] unjustly cast doubt on truly high-quality patents.”⁵ Maintaining a balanced and efficient administrative system to test the validity of issued patents makes sense.

INVESTING IN INNOVATION AND IP PROTECTION

Annual US software industry R&D investments exceed
US\$100 billion and account for more than
20% of all US private sector R&D.*⁶

² H.R. Rep. No. 112-98, pt. 1, at 48 (2011); see also S. Rep. No. 110-259, at 20 (2011).

³ 35 U.S.C. § 311(b).

⁴ 157 Cong. Rec. 2,843 (2011) (remarks of Sen. Klobuchar); see also 157 Cong. Rec. 3,401 (2011).

⁵ 157 Cong. Rec., S.131 (2011).

⁶ Software.org, Software—Supporting US Through COVID (2021), <https://software.org/wp-content/uploads/2021SoftwareJobs.pdf>.



Initiatives to Address the Challenge of Abusive Third-Party Litigation Funding

BSA notes the increasing use of third-party litigation funding (TPLF) to misuse patents against innovators and job creators. These funders increasingly target leading industries and critical technologies such as 5G, advanced manufacturing, and semiconductors. TPLF funders channel funding through global hedge funds and shell corporations to ensure that their investors remain anonymous, leaving to speculation as to who the real parties in interest actually are and what motivates them. For example, in the United States, although it is known that sovereign wealth funds are among the investors targeting US operating companies through TPLF, it is unclear to what extent such investments (which by design undermine critical US industries and monetize the US justice system) are made by strategic competitor countries and what their motives may be.

As an initial step toward addressing this issue, BSA recommends that those asserting patents in litigation before courts and the International Trade Commission be required to disclose all TPLF agreements as well as each of the ultimate funders. One model for such a requirement exists in the rules adopted in the District of Delaware requiring disclosure of third-party interests in patent litigation. Greater transparency through robust disclosure requirements regarding all real parties in interest will benefit the US patent system.



Licensing of Standard Essential Patents (SEP) on FRAND Terms

Investments in an innovation ecosystem that includes a predictable and efficient framework for SEP licensing can support US technology leadership and innovation and improve the lives of citizens, workers, and consumers at home and abroad. The broad adoption—consistent with IP rights—of interoperable standards by multiple innovators can advance the creation and use of new technologies to address the pressing challenges of the day.

As a general matter, seeking injunctive relief in lieu of good-faith negotiation is inconsistent with the commitment to enter into a license on fair, reasonable, and non-discriminatory (FRAND) terms. This is most apparent in cases in which a potential licensee is willing to license and is able to compensate a SEP holder for past infringement and future use of SEPs subject to a voluntary FRAND commitment. However, even when good-faith negotiations fail and the parties cannot agree on alternative dispute resolution or to seek a FRAND determination in a mutually agreeable jurisdiction, monetary remedies will usually be adequate to fully compensate a SEP holder for infringement. Seeking injunctive relief may be justified, in limited circumstances, where—for example—an implementer refuses to pay an adjudicated FRAND royalty.

Given that a key challenge in SEP licensing is the information asymmetry between SEP holders and putative licensees, recent proposals in other jurisdictions to promote transparency in SEP licensing may also warrant review. This includes transparency mechanisms regarding aggregate royalty rate calculations, essentiality checks, and FRAND determinations.