

COMMENTS TO THE FEDERAL TRADE COMMISSION

PROPOSED INFORMATION AND DOCUMENT REQUESTS

PATENT ASSERTION ENTITY (PAE) REPORT

SUBMITTED BY

INTELLECTUAL VENTURES

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FTC PROJECT NO. P131203

I. Introduction

Intellectual Ventures (“IV”) hereby submits comments on the May 19, 2014 proposed information requests¹ (the “Revised Requests”) for the Federal Trade Commission’s proposed 6(b) study to provide a better understanding of the effects of patent assertion entity (“PAE”) activity (the “Study”). IV continues to support the stated goals of the Study² and appreciates this second opportunity to provide comments. While the Revised Requests evince a clear effort by the Commission and its staff to respond to comments by IV and others, IV believes that additional changes are merited. Implementing the changes described in these comments would increase the practical utility of the information collected, reduce significantly the burden imposed on respondents, and provide more comprehensive data for the Commission to more-effectively achieve its stated goals for undertaking the Study.

II. The Commission Must Compare “Apples to Apples” For This Study to Provide Meaningful Insights Into the Costs and Benefits of PAE Activity.

The primary question posed by this study is whether patent assertion by a PAE is fundamentally different from and has different systemic consequences than patent assertion by a non-PAE. That question is best answered if all of the relevant players are providing the same types of information, thus allowing an “apples to apples” comparison of PAE and non-PAE activity. In its Revised Request, the Commission requires information about PAE patent holdings, standard setting commitments, patent portfolios, patent acquisitions and transfers, and patent assertion relating to all PAE patents, but proposes to obtain this information from only a limited sampling of non-PAEs, including operating companies, and only in the wireless sector. A comparison between patent

¹ FTC Notice, Request for Comments, 79 Fed. Reg. 28715 (May 19, 2014).

² The Commission has stated two goals for this study: to better understand business models used by PAE’s and to compare patent assertion by manufacturing firms and non-practicing entities (“NPEs”) in the wireless chipset industry. *See* the Commission’s Supporting Statement for a Paperwork Reduction Act Submission to OMB at 3.

holdings, acquisitions and transfers, and assertion activity in different market sectors is unlikely to yield meaningful insights. Because it is not meaningful to compare patent acquisition, licensing, and assertion in the wireless sector with patent acquisition, licensing, and assertion in other industries, any requests to PAEs regarding their patents and their acquisition, transfer, standard setting, and assertion activities should be limited to their holdings in the wireless communications sector.

Accordingly, IV suggests that PAEs and non-PAEs be required to respond to the study to the same extent and that the study's requests be narrowed and focused to allow for direct comparisons of responses to questions that are most likely to yield useful information. Only if the Commission expands the industries from which it will seek information from non-PAEs should PAEs be required to provide information about their activities outside the wireless sector, and then only with respect to industries for which the Commission collects information from non-PAEs.

IV acknowledges that the Commission seeks to understand the scope of PAEs' patent holding, and it might therefore be appropriate to seek basic information regarding the holdings of PAEs in all sectors. But IV believes that providing basic information (the name of the person holding the patent and patent number) would suffice for the Commission's purposes, and that the additional information sought for non-wireless patents regarding priority date, expiration date, PTO review, licensing, and demand and assertion information is unnecessary. As mentioned above, fewer and more-focused questions requested of a broader group of respondents (PAEs and non-PAEs) would best serve the Study's purpose.

We also believe that, as discussed below, even within the universe of wireless patents (or patents in any other industry for which the Commission chooses to collect information from non-PAEs), most information requests should be limited to the relatively small subset of patents that have been litigated or specifically raised in a demand letter or in the course of licensing negotiations that have led to a settlement. (This would not include patents included as part of a portfolio license

unless those patents were specifically asserted in litigation or raised in a demand or in licensing negotiations that led to settlement).

III. The Commission Should Further Distinguish between Patents That Have Been Asserted or Part of a Demand and Patents That Have Not

While some PAEs might assert every patent asset they acquire, IV, for example, oftentimes acquires a portfolio of patents and ultimately asserts only a small portion of that portfolio. Indeed, IV has acquired over 70,000 patent assets, but has asserted only 120 patents in litigation and has specifically referenced less than 1,000 patents in demand letters or licensing negotiations (other than identifying patents that would be included in a portfolio license). Given this business reality, the proposed study's request for detailed information about every patent that has been included in a portfolio license³ creates a substantial burden on respondents for information that will be of limited practical utility to the Commission.

IV believes that its customers and innovation in general benefit when IV provides the freedom to operate under a large number of patents; however, an evaluation of that benefit does not require or justify the immense burden that would be imposed on IV if it were obliged to provide a complete response with respect to those unasserted patents simply because they have been included in a portfolio license. While IV's licensees often seek to license all or a broad part of IV's portfolio in order to reduce the risk of future disputes and to ensure that they have the benefit of a wide range of relevant patents, the vast majority of IV's patents have not been "asserted" or the subject of a "demand" in any meaningful sense of those words. Information pertaining to these unasserted patents, which provide value to licensees even though they have never been "asserted," would not provide the Commission with additional insight into the PAE

³ The proposed study defines "Demand" to include "any other attempt to generate revenue by authorizing a Person outside the Firm to practice an invention claimed in a Patent," thus sweeping in every patent that has been included in a portfolio license.

business model or allow for meaningful comparison of PAE and non-PAE business models. Such overly broad requests create a substantial imbalance of practical utility versus burden.

To help rectify this substantial imbalance, further refinement of the requests is needed. IV makes the following suggestions to focus the Study on the patent assets that are ultimately the focus of the Study.

- Information for each Held Patent should be limited to the information requested in sections C.1.a and b, F and G of the Revised Requests.⁴ Responding to sections C.1.a and b will provide the Commission with a comprehensive list of each PAE's holdings. From the responses to sections F and G, the Commission will learn, *inter alia*, when each patent was acquired, all related license obligations, from whom the patents were purchased, the payment terms associated with each patent, and whether each patent has been used in commerce (by virtue of licensing, assigning, etc.).
- The remainder of section C of the Revised Request, currently directed towards each Patent Held, should be limited, notwithstanding IV's other objections, to only those patents that have been asserted in litigation or specifically identified in a demand. A substantial portion of section C is focused on how and where each patent was asserted—in fact, it dovetails well with section H, which focuses specifically on Patent Assertion Information and patents that have been part of a Demand or litigations “relating to a Patent Held by the Firm.” (*See* H.2.) As reflected by section H.2., there is a natural divide between Patents Held by the Firm that are related to commercial and/or litigious activities and thus relevant to the goals of the 6B study, and those other Patents Held by the Firm, that are of minimal relevance to the stated goals of the study.

⁴ Subject to IV's other comments herein.

IV. The Commission Should Only Request Non-Privileged Documents

Many of the requests ask for documents or information protected by the attorney-client privilege and/or work product privilege. As IV stated in its first public comments, no useful purpose is served by forcing respondents to submit privilege logs containing numerous entries for documents that will clearly be privileged or narrative responses that call for the production of privileged information. Major areas of privilege include, but are not limited to, a patent's priority date (*see e.g.* Request C.1.c), a patent's expiration date (*see e.g.* Request C.1.e.1), a narrative and documents sufficient to demonstrate the patent's expiration date (*see e.g.* Request C.1.e.2), valuations and methods of valuations⁵ (*see e.g.* Request C.1.i.2; F.1.j.2.c; G.1.i.5; H.3.l.b-c), Reports evaluating or analyzing agreements (*see e.g.* Request C.1.q.2.b; D.1.f; D.1.f.1), and terms and interpretation of license agreements (*see e.g.* Request H.3.c; H.3.l; H.3.m). Further, to the extent these documents and/or narratives are not already in existence, forcing the respondents to create new privileged documents and/or legal analysis imposes a time-consuming and unjustified burden on respondents.

V. The Commission Should Not Request Information Otherwise Accessible to the Agency and Should Rely on Publicly Available Information When Possible

The PRA makes clear that information collections should not be “duplicative of information otherwise accessible to the agency.”⁶ While IV acknowledges and appreciates the Commission's effort to work with the U.S. Patent and Trademark Office (“PTO”) to reduce the scope of required information, the Revised Requests continue to seek information that is accessible to the Commission.

⁵ Estimations of damages are particularly likely to be privileged.

⁶ 5 C.F.R. § 1320.5(d)(1)(ii)

For any firm that does not regularly maintain all of the information found in the dockets of each of its litigations, it would require a tremendous amount of time and effort to collect the information currently demanded in the Revised Requests. Moreover, almost all of the information that might be generated by such efforts can be gleaned instead from judicial opinions, a review of the relevant electronic docket, and other agreements that will already be submitted in response to the Revised Requests. For example, almost all of the information requested in Section H.2.a-k could be found by the agency on a docket statement or from judicial opinions. This information includes:

- The docket number
- The date the litigation was commenced
- The asserted patents
- All plaintiffs
- All defendants
- All orders relating to all dispositive motions
- The date of termination
- The reason for termination (e.g. settlement or judgment)
- Whether the patent claims were found invalid, enforceable, and/or infringed
- Whether a preliminary injunction was entered
- Whether the court awarded damages

See H.2.a-k. Indeed, of all the information requested in H.2.a-k, only expert reports (which are not publicly available) and documents filed under seal are not already equally accessible to the agency and the respondent.

The Commission's staff will similarly be able to obtain from the USPTO docket other information that the Revised Study proposes to seek from respondents, including Request C.1.f.1 (the USPTO docket number for patents reviewed by the USPTO), and Request C.1.p (identification of all assignments of a patent before acquisition by the respondent). Request C.1.p is particularly difficult to justify, because unrecorded assignments are not likely to be known by the respondent and publicly recorded assignments are available from the USPTO.

It is unclear how all of this information can aid the Commission's efforts. However, if the Commission or its staff believes that a particular litigation is of interest, it can readily pull the information from the docket itself. The burden of requiring that PAEs provide this information far outweighs its very limited utility.

VI. The Commission Should Only Require Narrative Answers for the Most Important Aspects of the Study

IV appreciates that certain areas of inquiry require and/or are best answered in narrative form instead of a numerical or yes/no answer. However, to the extent respondents are responding to a substantial number of questions -- in the case of IV, regarding up to *70,000* patent assets -- it is critical that the Commission take steps to limit the number of narrative answers. This will at least mitigate a substantial burden that, in most cases, far outweighs its practical value.

IV suggests requiring narrative responses only to identify documents and only for the inquiries so important that they might justify the burden of a narrative answer. In a number of cases, the proposed study would require respondents to both produce copies of the documents and describe them. IV believes that the benefit to the Commission of requiring respondents to provide a narrative description of the information available in the document is at best marginal. The narrative responses describing the terms of an agreement cannot be compared across

respondents in an automated fashion, nor can they be meaningfully compared at all. Just as Rule 33(d) of the Federal Rules of Civil Procedure allows a party to produce and identify a document when “the burden of deriving or ascertaining the answer will be substantially the same for either party,” if the Commission staff wishes to be able to compare information from agreements submitted by multiple respondents, the staff itself should gather the data from the agreements of interest.

In the Revised Requests, there are approximately ninety requests for narrative responses from PAEs alone. Of those, the following is a non-exhaustive list of narrative responses that could be removed without compromising the quality and value of the information provided:

Request	Reason For Removal
C.1.e.2 (“produce, and provide a narrative response that identifies by Reference Number, Documents sufficient to demonstrate the Patent’s expiration date.”)	Calls for legal conclusions. To the extent these documents have not been maintained and/or identified, this request imposes an extreme burden on respondents.
C.1.g.2 (“for each Person identified above, provide a narrative response that identifies and describes the Legal Rights Held.”)	C.1.g.2 is overly burdensome and cumulative. C.1.g.3, which asks for agreements related to the Legal Rights held by individuals, provides the same information without requiring a narrative describing the legal rights held.
C.1.h.2 (“for each Person identified above, provide a narrative response that identifies and describes the Economic Interest Held.”)	C.1.h.2 is overly burdensome and cumulative. C.1.h.3, which asks for agreements related to the Economic Interest held by individuals, provides the same information without requiring a narrative describing the Economic Interest held.
E.1.c.3 (“provide a narrative response identifying, by date and amount, all prior valuations by, or on behalf of, the Firm”)	E.1.c.3 is overly burdensome and cumulative with requests seeking all related Reports (<i>see</i> E.1.c.4) and would also likely call for privileged information.
F.1.k.6 (“for each Person identified, provide a narrative response stating each Person’s financial contribution, the method for calculating this amount, and each Person’s Legal Right to the Patent(s).”)	F.1.k.6 is cumulative and overly burdensome because F.1.k.4 requests production of all agreements by which a Person outside the Firm financially contributed to the Acquisition. Further, F.1.k.6 calls for legal conclusions regarding people’s legal rights and the method

Request	Reason For Removal
	for calculating financial contributions.
G.1.i.5 (“provide a narrative response describing the method for calculating the payment(s).”)	G.1.i.5 is cumulative and overly burdensome because G.1.i.4 requests all agreements that would provide identical information. To the extent there is information extrinsic to the agreements, that information would likely be privileged and/or extremely burdensome to gather.
G.1.j.5 (“provide a narrative response describing the on-going payment(s).”)	G.1.j.5 is cumulative and overly burdensome because G.1.j.4 requests all agreements that would provide identical information. To the extent there is information extrinsic to the agreements, that information would likely be privileged and/or extremely burdensome to gather.
G.1.l.6 (“for each Person identified, provide a narrative response stating the amount shared with each Person, the amount expected to be shared in the future, and the method for calculating the amount.”); <i>see also</i> H.1.3.c.	To the extent G.1.l.6 calls for non-privileged information, G.1.l.6 is cumulative and overly burdensome because G.1.j.5 and G.m request narrative responses identifying all documents underlying the narrative requested in G.1.l.6.
H.3.n.1.d.3 (“provide a narrative response identifying the number of Patents cross-Licensed, as well as whether the cross-License is exclusive, whether there are any geographic limitations to the cross-License . . . and whether there are field of use limitations to the cross-License[.]”)	H.3.n.1.d.3 is cumulative of H.3.n.1.d and H.3.n.2 and other requests requiring identification of the underlying documents required to answer H.3.n.3 in narrative form. To the extent those documents are not privileged and are identified by respondents, the information to answer H.3.n.3, and all similar requests, would be equally available to the Commission as the respondents.

As shown by the examples in the table, there are a large number of burdensome and cumulative requests which are best answered by the documents and/or agreements themselves. It is not necessary or appropriate to require that respondents undertake a time-consuming and costly process to generate a large number of narrative summaries of the implications and contents of the relevant documents and agreements. Any such summary must, by definition, be less accurate than the underlying document, and creating those summaries is an undue burden on the respondents.

VII. The Commission Substantially Underestimates the Burden of Responding

In its comments on the initial 6(b) study proposal, IV demonstrated that the Commission had dramatically underestimated the burden imposed on respondents. While the Commission has substantially reduced the volume of documents that must be produced by respondents and raised its burden estimates, the Commission's revised estimated hours burden (425-845 hours), cost burden (\$68,750-\$211,250), and estimate of capital or non-labor costs (\$500) continue to substantially underestimate the actual burden that will be imposed on PAE respondents.

The expense incurred by IV responding to the Revised Requests would undoubtedly run to the millions of dollars. Responding to section C alone would likely require several hours per patent simply to provide the data and narrative responses required, even without considering the hours required to search for Reports relevant to each patent. Given IV's portfolio of approximately 70,000 patents, responding just to section C would likely require more than 300,000 hours of work. The fundamental flaw in the Commission's burden estimate can be seen in the narrow range of labor hours and costs used. The high end of the range for labor hours (845 hours) is only approximately twice the Commission's estimate of the labor hours required of the smallest firm (425 hours). Yet IV's portfolio could well be one thousand times the size of the portfolio of a smaller PAE that could be included in the study. Even if the estimate of burden imposed on the smallest firms is accurate (and IV believes that the Commission has underestimated the burden even on the smallest firms), IV's burden would be at least 425,000 hours, or 500 times the hours burden set forth in the Federal Register notice.

VIII. Conclusion

For all the reasons described above, the Revised Requests do not meet the requirements of the Paperwork Reduction Act, nor, more importantly, will they assist the Commission in efficiently meeting its goals for the 6(b) study. As currently drafted, the Revised Requests miss the opportunity

to focus on the broader, economy-wide effects of patent assertion activity by different types of entities, and thus do not provide the Commission with what it truly needs -- the ability to compare the costs and benefits of PAE activity to its alternatives. The Revised Requests will also create enormous burdens for respondents, require unnecessary information, and generate a record far too large for the Commission to process efficiently. This combination may significantly delay the issuance of the report, which would greatly diminish its value.

IV looks forward to continued engagement with the Commission to sharpen the focus of this study and ensure that the process of gathering and analyzing this information is efficient and ultimately worth the time, energy, and financial resources that will be expended by both the respondents and the Commission.