IAM Magazine

News Iancu makes 101 waves, US woes, GE CIO hails licensing revolution and more from IPBC Global 2018

By Joff Wild / June 12, 2018

The Monday plenary, breakout and bootcamp sessions at IPBC Global 2018 are now all done. The members of *IAM*'s editorial team on the ground at the Palace Hotel in San Francisco - Joff Wild, Richard Lloyd, Jacob Schindler, Bing Zhao and Adam Houldsworth – look at the highlights and report on some of the gossip doing the rounds.

Iancu on dysfunctional 101 - For his keynote speech to open this year's IPBC Global, USPTO Director Andrei Iancu addressed one of the meatiest and most problematic issues facing the US patent system. As any market observer knows, determining what is patentable under section 101 of the US statute has been the focus of constant review by the Supreme Court and Court of Appeals for the Federal Circuit. Both, according to many stakeholders, have only added uncertainty to the eligibility debate. Iancu has hinted a number of times in public before that he thinks there are major issues with 101 and eligibility. Today, though, he put his cards squarely on the table and made clear that he does not believe the current state of affairs is sustainable. In tackling the issue head on Iancu asked whether Thomas Edison's original phonograph would have survived the kind of patentability analysis that applications are today subject to at the USPTO itself and in the courts. Although Edison's truly ground-breaking invention did receive a patent back in 1878 and in less than three months, Iancu suggested that fast-forward to today and similarly disruptive technology might have trouble getting through the two-step *Alice* test. "For many modern technologies," he said, "we are nowadays going through a tortured exercise that asks as a threshold question: Do we want to prevent a patent even if the invention is perhaps entirely novel, completely nonobvious, enabled and well-claimed?" He went on to point out that that question is proving extremely difficult to answer: "Inventors and their lawyers, examiners, district court judges and Federal Circuit judges are all struggling on a daily basis trying to figure out what is in and what is out." To help solve some of their struggles, Iancu

suggested that the approach should be simplified. “In the end, as we go through the process under the current statute, we should not over-complicate, and we ought not to twist ourselves into a pretzel on every single case,” he insisted. While much of the recent focus by the courts and stakeholders has been on the state of 101, Iancu pointed out that there were other sections of the statute – namely sections 102, 103 and 112 – which were designed to filter out questionable patent applications. To that end, he suggested that the patentability analysis return to its original filter: “Is the patent merely on a defined building block of scientific or technological work, or is it instead on a practical application of it?” To help make his point he referred back to Justice Thomas’s decision in the *Alice* case which urged that the Supreme Court’s ruling should be narrowly construed “lest it swallow of all of patent law”. While there are growing calls for Congressional action to re-write section 101 - and several IP groups including IPO, AIPLA and the ABA’s IP section - have proposed possible changes to the statute, it was notable that Iancu used his speech to emphasise that the tools to fix the problem already exist. It was a message that met with many nodding heads among the delegates and meant that this year’s IPBC started with an undoubted buzz about a shift in the US patent market. (**RL**)

An unassuming hero - No-one save a couple of *IAM* journalists bothered the bloke sitting on his own in the Palace Hotel bar as IPBC delegates piled in following yesterday’s opening reception. He was nursing his drink, having a sandwich and scrolling down his tablet. Nothing remarkable about that at all. Except he is someone who since he became the USPTO director four months ago has electrified the US patent community and led many to believe that, yes, after so many false dawns, this time the pendulum really has started to swing back. I am reliably informed that IPBC attendees are a civilised, under-stated bunch (!), so it is no surprise that they left Andrei Iancu alone; but it is very obvious from talking to people here in San Francisco that he has impressed just about everyone who matters since he took a pay cut and went to run the office back in February. He has made a point of speaking to a lot of stakeholders from all parts of the patent community, he has listened and he has started to act. As a consequence, he is seen as someone who understands that things have not been working in the American patent system for a while now and that changes need to

be made. Although that process has already begun, Iancu made very plain in his plenary address we should expect further developments, particularly with regard to eligibility and PTAB/IPR reform. "More has been achieved in the last four months than in the previous four years," said Fortress Investment Group's Amir Patel Shah during the second plenary debate. She spoke for the room. (**JW**)

Digital revolution - While it may be clear that we are undergoing a digital revolution, it is difficult to delineate and categorise the economic trends which have emerged from this – and which are creating new opportunities for IP value creation. However, GE's chief innovation officer, Sue Siegel, shed light on some of these trends in the second keynote address of the day. The evolution from static and dumb to connected and smart devices was one the trends she highlighted, as was the movement from manual to autonomous products. Siegel also argued that we are witnessing a decentralisation of distributive models, as reflected in the development of banking from in-branch services to ATM use and eventually to smartphone banking, to give just one of her examples. Another function of the digital revolution, she said, is the movement from buying assets to purchasing the use of assets; or what she termed the shift from CAPEX to OPEX - for example, buying a ride from an Uber taxi, rather than purchasing a car. Siegel also claimed that the commercial focus on the consumer is set to give way to a greater interest in improving the services available to business customers. And the quality of customer experience in general is increasingly the key to differentiation in the marketplace - this has been a major cause of Apple's success, she suggested. These trends, Siegel emphasised, are disrupting enterprises across all industry sectors and jurisdictions, and it is those businesses which embrace them that will find paths to greater productivity and ongoing success. (**AH**)

Keeping pace – In her keynote, GE's Chief Innovation Officer, Sue Siegel, gave the audience an excellent overview of how a company as diverse as GE uses its IP as part of broader business deals - and how companies must adapt IP strategies to fit a world where technological innovation is getting ever-faster. In what was a fascinating speech, Siegel made the point that the pace of change "will never be as slow again as it is today". For any IP owner, that throws up some considerable challenges. In closing,

Siegel offered a few key takeaways. “You have to think beyond patents (although we love them),” she said. “We have to think of them as a truly powerful creator, beyond the typical model of licensing and royalties. We can do this by utilising different types of business models to create value.” Then she addressed partnerships and strategy: “In this world - where innovation and the pace of change is happening so fast - trying to do it all on our own is fraught with dangers. Partnerships are the name of the game.” With the IP market far more contentious these days, and at a time when convergence is bringing previously diffuse technologies and industry areas together, her comments certainly struck a chord. (**RL**)

IP lawyers, VC risks – GE is in the midst of a fairly bold experiment in terms of where licensing sits within the organisation; and, according to CIO Sue Siegel, the novel approach is paying dividends. It was only five years ago that the company set up its GE Ventures arm with an eye toward investing in startups. It added a team aimed at spinning-off new businesses a bit later, despite some within the company warning that it would be a challenge because it’s just not how GE has done business in the past. An even bigger challenge came when, as Siegel puts it, GE Ventures was asked to take on the licensing team. At first, she says, the patent types and equity types were like oil and water. The team eventually gelled because the experiment had forced both sides to think about value creation from another perspective. Interestingly, Siegel thinks it was the licensing pros who had to work harder in order to understand their new counterparts – the venture capitalists came in with a deep appreciation for IP. Lawyers can be plenty creative, but they also have guardrails, as Siegel put it. However, when you get IP licensing specialists incorporating VC principles and given the freedom to take VC-like risks, look out: Siegel describes the licensing vertical as “our most exciting business across the board”. (**JS**)

Creating value - The broad range of views about how best to create value from intellectual property was much in evidence in the final morning plenary today - CIPO scenarios: the good, the bad and the ugly. When the panellists were asked how they would approach the task of generating $100 million of value from their IP portfolios from scratch, Waymo’s Amar Mehta focused on the need to think broadly and

creatively. “Licensing and patent sales are ways to do this,” he said, “but we also need to think of all the other ways of extracting value from intellectual property.” Cross-licensing, Mehta suggested, was another possibility to be considered, because it could generate value for rights holders by opening-up markets or driving new business, while identifying patents relating to core business assets and spinning them out more broadly to new enterprises and industry sectors was another of his suggestions. By contrast, Stephan Wolke of ThyssenKrupp AG, was keen to stress the commercial value that can be built simply by having strong and comprehensive patent protection. Expanding a company’s patent portfolio to mitigate litigation risk and the need to pay royalty fees, he suggested, could save a company large sums of money, and would be a good place to start if seeking to create $100 million of value. (**AH**)

Brian is back – Since he left his role as chief IP officer at Philips Brian Hinman has kept a low profile. Now, though, he is back on the scene as chief innovation officer of Aon’s Intellectual Property Insurance group, which is largely composed of the team from 601West, the data analytics and risk management platform developed by Lee & Hayes which Aon bought in May. Hinman is at IPBC along with the group’s CEO Lewis Lee and several other of its other senior players and is clearly relishing his new role, describing it as an incredible, exciting opportunity. In addition to his multiple in-house leadership positions, Hinman also played an integral part in the creation of both AST and Unified Patents. It looks like he may be at it again. (**JW**)

America’s fate - After the compelling opening keynote speech from Andrei Iancu, the IPBC Global audience heard a debate on the motion “This house believes that the United States remains and will continue to be the driving force of the global patent market**”**. Arguing in favour, Ami Patel Shah of Fortess Investment Group claimed that the stability and predictability that the US legal system provides to patent holders – along with its respect for property rights – is unparalleled. And, given the size of the US consumer market, she argued, US patents would remain a must-have for innovators. Seconding the motion, Dolby’s Heath Hoglund cited the US Chamber of Commerce’s most recent International IP Index, which ranks the US patent system as a world leader in terms of commercialisation, enforcement and systemic efficiency.

Their opponents, Wayne Sobon of JUUL Labs and Provenance Asset Group's Dan McCurdy, didn't deny that the US had for many years been top of the tree, but argued that in seeking to fix the perceived NPE problem, legislators and the Supreme Court had tarnished the system from the mid-2000s onwards. IPRs had diluted the power of credible IP rights, they said, and key areas of innovation had effectively been rendered unpatentable by *Alice*; while improvements in Chinese and European patent systems had made the US increasingly less of a world leader in IP dispute resolution. While Patel Shah expressed confidence that any weaknesses in the US could be solved through legal and administrative tweaks, McCurdy stated that for as long as the IP community itself was divided about patent reform, Congress would be unable to remedy the problems being faced by the system. (**AH**)

Global, not US - In the second plenary debate, Dolby's Heath Hoglund and Fortress Investment Group's Ami Patel Shah argued that the US is still the centre of the global patent market, because of the country's size and wealth, its judicial system and the large damages awards. Hoglund pointed out that in China such awards are low, while cases against major Chinese companies or between big Chinese businesses are rarely seen. However, on the other side of the fence, JUUL Labs' Wayne Sobon and Provenance Asset Group's Dan McCurdy noted that both China and Germany are becoming more popular litigation venues, so undermining the US's position. They have a point. Since *eBay* injunctions in the US have been next to impossible to obtain, while in Germany and China they are part and parcel of the litigation scene. This appeals to companies that are looking to secure global licensing agreements or shut competitors out of markets in a way that damages awards do not – even if they are relatively high. Both sides in the debate seemed to agree that the US patent system has been damaged, but without a doubt it remains a crucial jurisdiction for both American and foreign companies. It probably won't be replaced by China, Germany or anywhere else anytime soon, but there is no doubt that we have a global patent market these days, rather than the US one we had only a few years ago. (**BZ**)

All that glitters - In both USPTO Director Andrei Iancu's opening keynote and in the following session's debate the relative standing of the US patent system - and whether

it still represents the gold standard worldwide - was firmly under the microscope. Despite emphasising the need for change in certain areas, Iancu made the case for the US maintaining its global lead: something can be golden but still require some polish from time to time, he asserted. In the debate on the global standing of the US patent system, Dan McCurdy of Provenance Asset Group suggested that far more fundamental action was required if the world's largest patent market is to retain its traditional hue. "There's no question that the US has been gold standard for patents," he said. "But the question I reflect on is why have so many of us in the industry worked so hard to tarnish it?" McCurdy suggested that in attempting to tackle a perceived "NPE problem" the US patent system had effectively over-corrected and the IP community had "thrown the baby out with the bath water". Clearly warming to the golden theme, McCurdy warned that if Europe's Unified Patent Court were to eventually get off the ground, then the primacy of the US would be seriously questioned; then, it would "take a lot of polish if not an alchemist to restore the US to gold standard". Despite some encouraging early signs, the market is still waiting to see if Director Iancu has the required Midas touch. (**RL**)

Money matters – There is no doubt that the money men are getting a lot more interested in IP. We have seen big deals involving both Clarivate (Thomson Reuters as was) and CPA relatively recently, not to mention the Aon purchase of 601West mentioned above and the acquisition of PatentSight by Lexis Nexis a few weeks ago. Such moves make sense in a world where more companies are focusing on IP management and value creation, and looking for service providers to help them out. But it's not just this kind of transaction that is being done. As a non-correlated asset, IP is of growing interest to investors looking to diversify risk. That probably helps to explain HGGC's move for RPX and, back in 2014 and 2016 respectively, Vector Capital's purchase of Longitude Licensing and IPValue. Then there are those who are making investments in funds. One of the biggest of these is the one under the control of Fortress Investment Group. That runs into the hundreds of millions. There are a few Fortress folk at the IPBC and given their desire to purchase IP and to get involved with IP-rich companies, they are never short of company. With patent prices so low these

days, their biggest challenge may be to spend all the money they have within the timeframe they are working to. (**JW**)

History lesson – This morning might have been the IPBC session with the most references to US founding fathers and presidents. By my count, Thomas Jefferson, Alexander Hamilton, James Madison ("It will be of little avail to the people if the laws are so incoherent that they cannot be understood") and Abraham Lincoln all earned references in either Director Iancu's speech or the plenary debate on whether the US remains the patent world's 'gold standard'. Perhaps historical memories were jogged by the fact that portraits of Presidents Washington and Jefferson hang in the men's room nearest the exhibition hall. In that spirit, it may interest delegates from out of town to know that there is a very significant piece of presidential trivia about the Palace Hotel. It was in a suite on the eighth floor of that the 29th President of the United States, Warren G Harding, died of a heart attack (misdiagnosed at the time as a cerebral hemorrhage) on 2nd August 1923 – just over halfway into his term of office. *IAM*'s conference manager Aaron Rawcliffe is currently the lucky occupant of what is now called the Presidential Suite – that's what happens when you organise a sell-out event. (**JS**)

In the pool - The afternoon pooled approach breakout got me thinking. It's clear there has been an increase in attention and encouragement to use patent pools from governmental, regulatory and standard-setting organisations recently; but while it's good to have supportive policies, these organisations are not well-placed to establish or facilitate the pool licensing model. Ultimately, it's the patent holders who will determine that. It's not realistic to see pools as a one stop shop. In most industries, there are too many players and it's almost impossible to bring all stake-holders and players under one umbrella. It will be very rare for a patent pool to offer all the rights necessary to work a technology, so taking a licence from one will not solve all your problems. Both patent holders and implementers must have reasonable expectations: the former should be realistic about a fair return; while the latter must understand FRAND is not shorthand for as low as possible. Pool operators welcome more transparency from standard setting organisations because this will help to clarify

which patents are truly essential and what proportion of these are owned by different holders. But patent owners often want to draw a veil over what's necessary, so do not like transparency. Good luck with sorting all that out! (**BZ**)

Validity in focus – One of today's debates was a hotly contested argument over whether patent quality is something of a red herring, with patent eligibility being all that matters now. The side arguing the latter point lamented the lack of certainty that recent eligibility decisions have caused, at least in the US market. Paul Carpenter of QipWorks observed that the various steps you can take to improve patent quality generally cost money – and it's a risky proposition to invest in certain patents where validity is very uncertain. Later in the afternoon, Phil Hartstein from prominent patent owner and frequent PTAB defendant Finjan, said a greater focus on validity has on the whole been a welcome development. "Actually, I think that's a good thing", Hartstein commented. "For us, it's about the credibility of your claim and the transparency with which you engage the pool of prospective licensees." Finjan's record in IPRs suggests that the power of positive thinking in this area is doing them some favours. (**JS**)

Chip changes - In any conversation about the semiconductor sector, the focus often turns to the profound changes that a series of mergers has brought to the market and transformed its competitive landscape. How those deals have affected the main players was quickly apparent in one of this afternoon's opening breakout sessions - "Semiconductors under the microscope" - when Cypress Semiconductor's Tim Croll detailed how all of the dealmaking had affected his career. He has had, he observed, stints at the likes of HP, Agilent, LSI and Avago, as well as his current employer. But change is also being shaped by a profound technological shift, as device manufacturers and their chip suppliers feel the effects of a move back to hardware. That point was stressed by Mathen Ganesan of Intellectual Ventures, who explained that the software and application revolution of the 2000s has given way to a renaissance in hardware. This, he explained, is thanks to the growth of wearable devices, digital assistants and other products. "During the software revolution a lot of the semiconductor industry was becoming commoditised, but now that we're seeing more devices there's a real need for new innovation again," Ganesan suggested. The IV executive posited that this

should lead to more licensing opportunities for the main players in the sector; which, in turn, means that one of the busiest parts of the patent market in recent years is unlikely to slow down any time soon. (**RL**)

Debate winners - Today's programme featured two debates in which audience members voted on motions. So, for the first time at IPBC Global, we can congratulate two teams of debaters for emerging from their sessions victorious. Here are the two motions voted on by the IPBC Global attendees in their role as a deliberative body, along with the successful teams:

- This house believes that the United States remains and will continue to be the driving force of the global patent market – DEFEATED by voice vote (Wayne Sobon, LUUL Labs, and Dan MCurdy, Provenance Asset Group, arguing against)
- This house believes that patent quality is a distraction - all that really matters is patent eligibility – DEFEATED 45%-55% by roll call vote (Joshua Landau, CCIA, and John Pilarski, Johnson Controls International, arguing against). (**JS**)

Gym jinks – The IPBC gym timetable on the West Coast of the US is nothing if not predictable. The first to arrive – starting at 4.00 am – are jetlagged Asians and Europeans, who have given up trying to get back to sleep and do not want to lie in bed anymore. From 5.30 am, they are joined by the motivated North Americans, keen to get a full workout in before the day begins. At around seven, the less committed North Americans arrive. They don't want to be there, but they know they should be and they force themselves to do a half hour on the machines before heading down to breakfast. Then, as the morning gets older and the conference sessions begin downstairs, the guilty few who caned it at the previous night's receptions and dinners stagger in to get it all out of their systems before starting over again a few hours later on. You all know who you are!! (**JW**)