



Q3 in Review

## Q3 in Review: NPEs Cling to West Texas as Vidal Continues to Shape PTAB Policy

NPE litigation has held steady so far in 2022, with Q1-Q3 filing levels essentially unchanged from that same period in 2021, despite what has become a familiar dip in filings from the second quarter to the third. This year, patent plaintiffs may have been given extra pause as developments roiled two top patent venues: the Western District of Texas and the District of Delaware. In West Texas, a new judge assignment policy has dispersed at least some cases away from the nation's top patent judge, Alan D. Albright, while heightened disclosure requirements in cases assigned to Chief Judge Colm F. Connolly may have caused some NPEs, in particular a perennially top-filing NPE, to reconsider Delaware.

Meanwhile, an additional wave of reforms hit the Patent Trial and Appeal Board (PTAB), as Kathi Vidal concluded her first full quarter as USPTO director. Vidal has made greater use of post-*Arthrex* director review authority to shape policy on hot-button issues like discretionary denials and sanctions for petitioner misconduct. The USPTO also announced a new partnership to promote alternative dispute resolution (ADR) in standard essential patent (SEP) licensing disputes, as some of the world's other top jurisdictions—including China and the UK—saw notable legal movement related to SEP licensing, and as the IEEE's long-awaited patent policy revamp took shape.

The third quarter also saw a continued outflow of patents from operating companies, with recipients including both frequent filers and newly formed NPEs, with transaction size ranging from a single patent to thousands. However, it was Judge Connolly's new standing orders—one related to disclosure of third-party litigation funding and another to corporate control—that not only impacted particular Delaware dockets, but also attracted headline attention well beyond the courtroom.

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## Litigation Update: NPE Litigation in 2022 YTD Matches Prior-Year Period Despite Q3 Decline

So far this year, NPEs have added 1,774 defendants through September, meaning that filing levels are essentially unchanged compared to the same timespan in 2021 (during which NPEs added 1,783 defendants).

In the third quarter of 2022, NPEs added 575 defendants to patent litigation campaigns, which was 15% lower than the prior quarter and 4% lower than Q3 2021, but which still exceeded the corresponding 2019-2021 average by 9%.

Complaints filed by prolific monetization firm [IP Edge LLC](#) held steady once again, accounting for about 25% of all NPE campaign defendants added in Q1-Q3 2022.

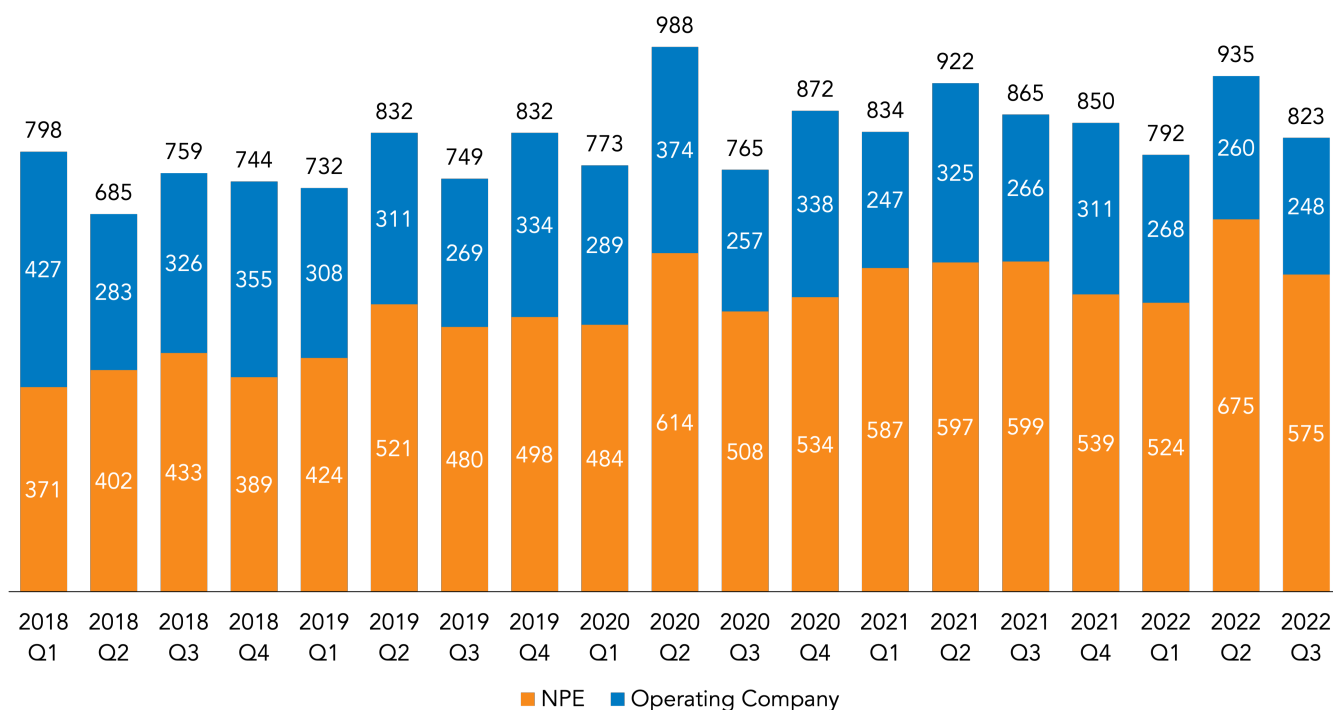
Defendants Added	Change Compared to:			
	Q3 2022	Q3 2021	Q3 2019-2021 Average	Q2 2022
NPE	575	-4%	9%	-15%
Operating Company	248	-7%	-6%	-5%
Total	823	-5%	4%	-12%

For their part, operating company plaintiffs added 248 defendants in Q3 2022, or 7% less than the third quarter of 2021, 6% less than the 2019-2021 average, and 5% less than the second quarter of this year.

So far this year, operating companies have added 776 defendants in total, or about 7% less than in Q1-Q3 2021. The decline was even greater (-14%) when excluding Abbreviated New Drug Application (ANDA) litigation targeting generic drugmakers.

Overall, 823 defendants were added to patent litigation campaigns in Q3 2022—4% higher than the trailing Q3 average, but 12% less than Q2 2022 and 5% less than the year-ago quarter. The year-to-date total is 2,550 defendants added, or roughly 3% less than that same period in 2021.

### NPE and Operating Company Litigation (Defendants Added)

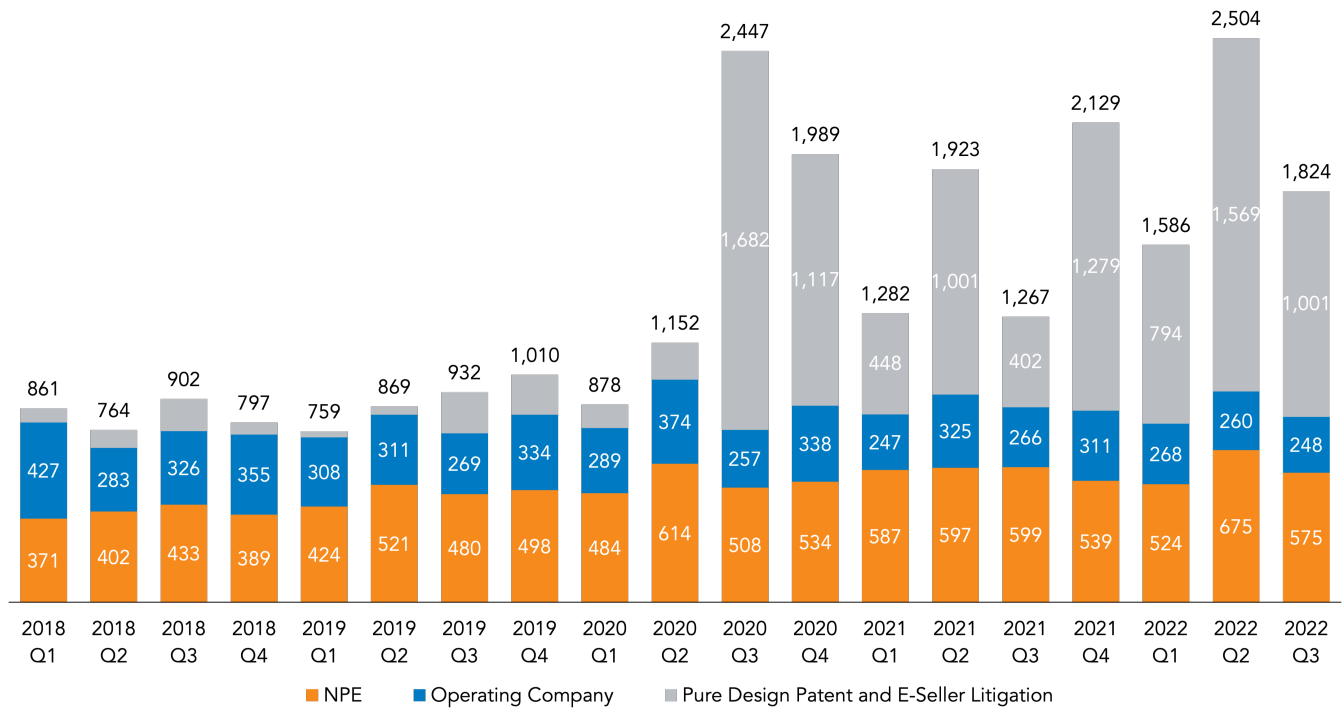


As noted in prior reports, the operating company data above exclude another distinct category of litigation filed by a small group of design and utility patent owners targeting copycats and counterfeiters selling products online. RPX excludes such “e-seller” cases from analyses of district court litigation because they tend to follow a different dynamic compared to a typical patent suit: These e-seller cases sometimes name hundreds of defendant entities, many of which may be merely online storefronts for the same ultimate parent. Additionally, plaintiffs mainly seek injunctive relief instead of damages, and their cases often end with the e-seller defendant’s failure to answer, followed by a default judgment.

This category of litigation, which began to spike in Q3 2020, is shown in grey below to illustrate its magnitude. As evident from the rightmost bar, e-seller litigation in Q3 2022 accounted for around 1,000 defendants added, or 55% of all litigation during the quarter (subject to the caveat about defendants with multiple online storefronts noted above).

Please note that apart from the graph below, the remaining analyses in this report exclude pure design patent and e-seller litigation.

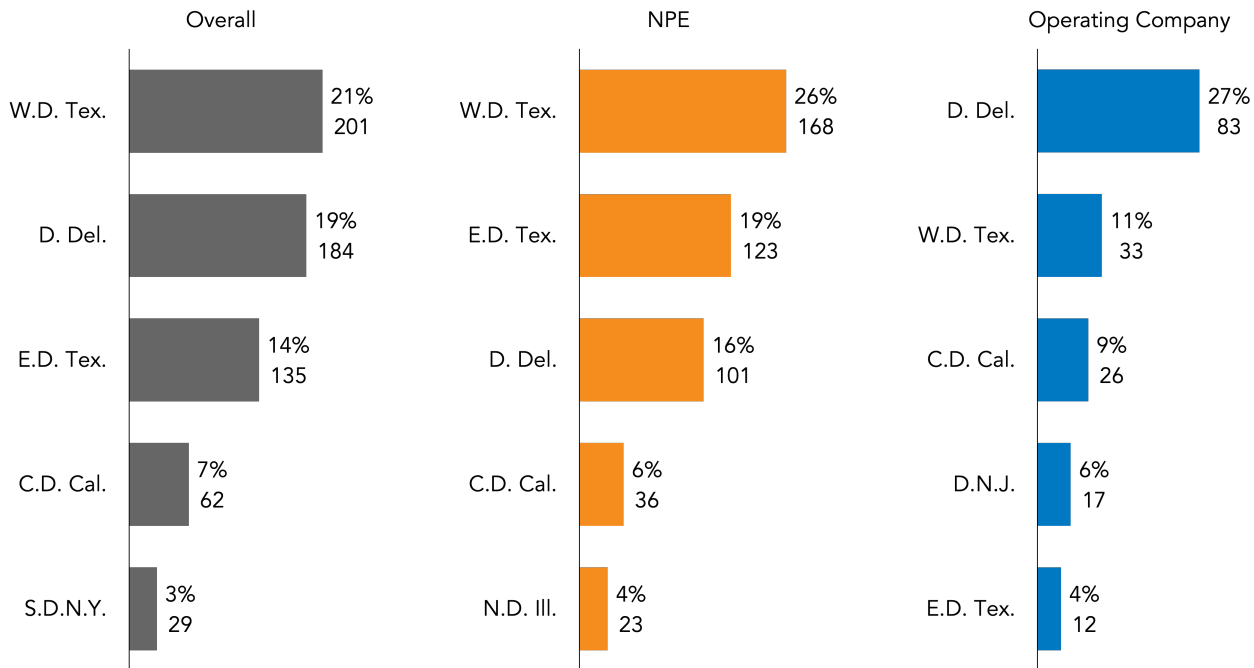
**All Patent Litigation Including Design Patent and E-Seller Litigation (Defendants Added)**



## Venue Update: West Texas Hangs On Despite Order Targeting Judge Albright

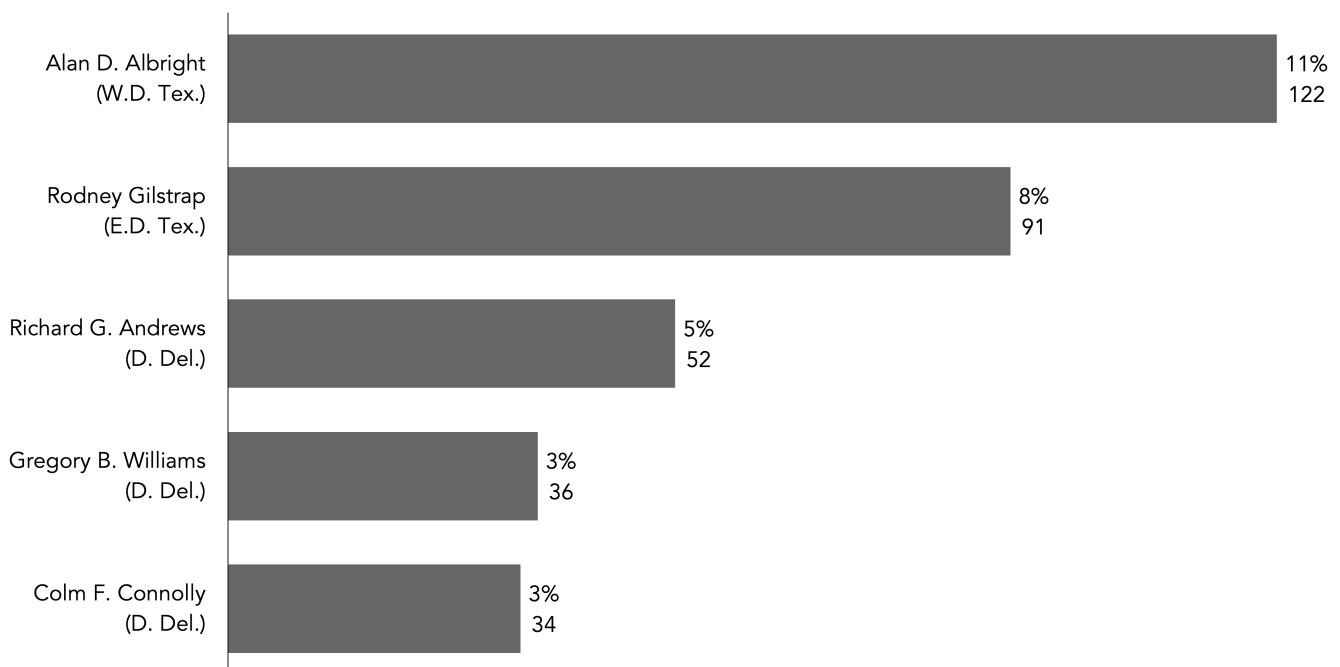
In Q3 2022, the Western District of Texas retained its spot as the most popular district for all patent litigation and for litigation filed by NPEs. The District of Delaware was the top district for operating company litigation and held second place for all litigation. Delaware also remained in third place for NPE litigation, after being outpaced in the second quarter by the Eastern District of Texas (which once again held the number-two spot for NPE filings in the third quarter).

### Top Patent Litigation Districts in Q3 2022 (Defendants Added and Percentage of Total)



The top judge in Q3 2022, with 11% of new litigation filed in his courtroom, was District Judge Alan D. Albright of the Western District of Texas.

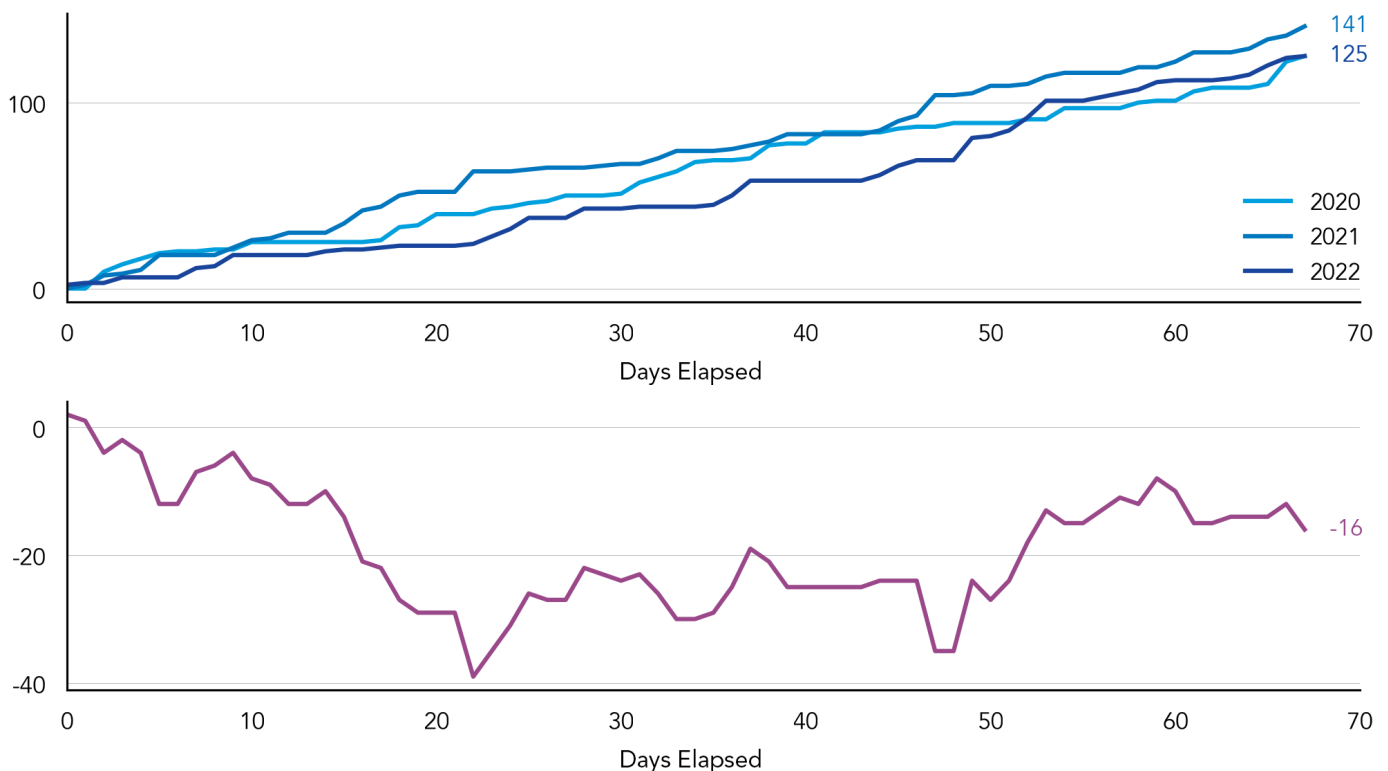
### Top District Judges in Q3 2022 (Defendants Added and Percentage of Total)



The Western District of Texas and Judge Albright have held the top spots in the venue and judge rankings since Q2 2020 and Q3 2019, respectively, as a result of divisional filing rules that, until recently, allowed plaintiffs to pick their division, guaranteeing that they would get the famously plaintiff-friendly Judge Albright when filing in Waco (where he is the only district judge). But on July 25, Chief District Judge Orlando L. Garcia issued a targeted [standing order](#) establishing that all patent cases filed in the Waco Division will be randomly assigned among 12 of West Texas’s district judges, including Judge Albright. In the order’s immediate aftermath, industry observers speculated that the order would lead to a dramatic drop in Judge Albright’s caseload, and, in turn, cause West Texas to dip in the rankings.

However, the data reveal that this judge assignment order has (so far) had a more muted effect on NPE litigation in West Texas than some had anticipated, albeit following an initial downturn. Specifically, as shown below, a marked slowdown occurred in the weeks after the order, likely as plaintiffs paused to reassess their strategies—with cumulative NPE filings around the 21-day mark hovering around half the level for the same period in 2021 (counted by defendants added). Yet that gap narrowed over time to just 16 fewer defendants (125 vs. 141 defendants added cumulatively). In fact, slightly more defendants were added in September 2022 than in September 2021.

**NPE Litigation in W.D. Tex. (Defendants Added): July 25-Sept. 30 Cumulative (Top), 2021-2022 Change (Bottom)**

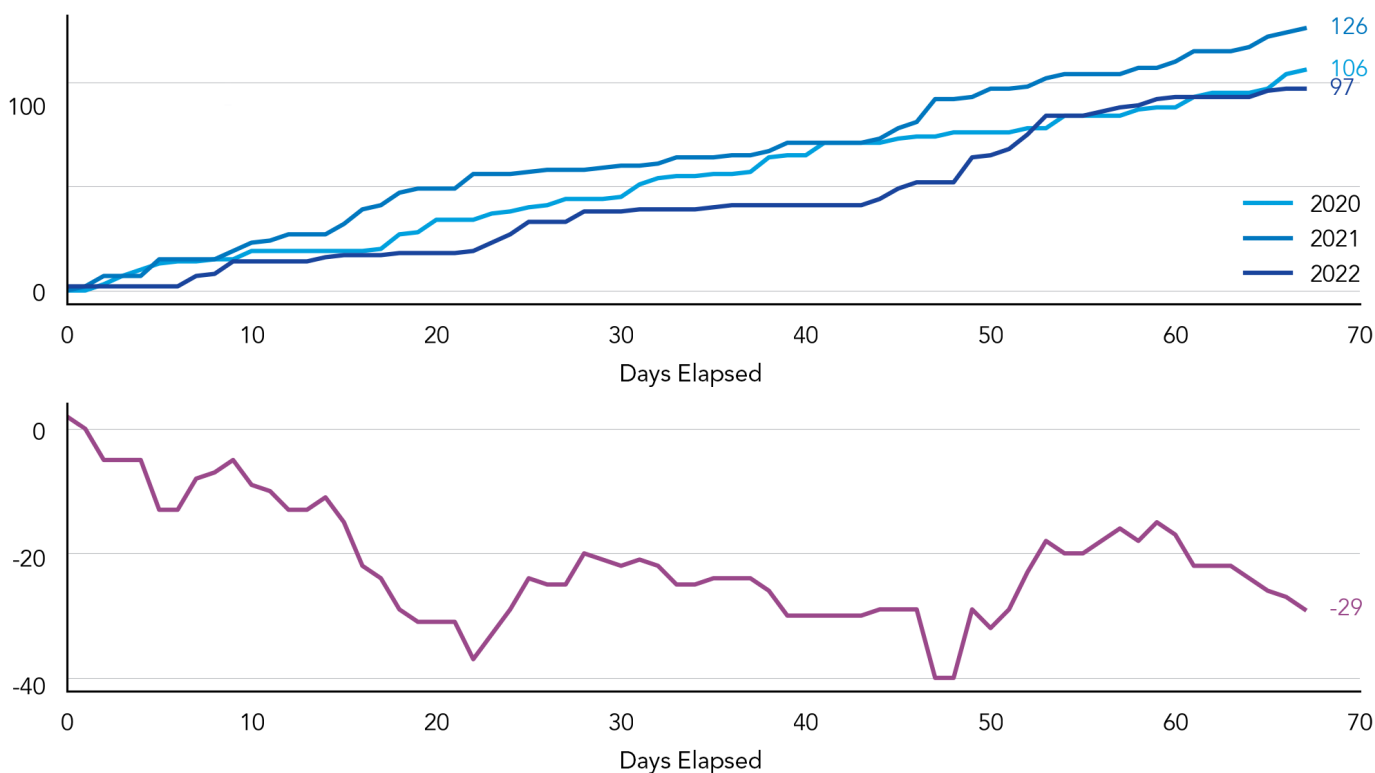


That initial slowdown is more pronounced when accounting for the shifting venue strategy of IP Edge, which as noted briefly above has long accounted for 25% of all NPE litigation. In contrast to many NPEs, IP Edge has not concentrated its filings in the Western District of Texas since the rise of Judge Albright—possibly to avoid being forced to substantively litigate cases as a result of his more aggressive scheduling practices.

Yet IP Edge began to do the opposite around the time other NPEs were pausing their West Texas assertions, filing more litigation in that district (perhaps hoping, under the new assignment rule, to avoid getting Judge Albright)—and filing [markedly less](#) litigation in its preferred venue of Delaware, where it has faced pressure from the heightened disclosure rules imposed by Chief Judge Colm F. Connolly in his courtroom (the impact of which is discussed further in the [Marketplace Update](#) section below).

Excluding IP Edge and its uncharacteristic increase in West Texas filings, the plateau in NPE activity in the wake of the judge assignment order actually lasted about 45 days. Again, though, a surge following that lull significantly narrowed the gap between 2021 and 2022 by the end of the third quarter.

**NPE Litigation in W.D. Tex., Excluding IP Edge (Defendants Added): July 25-Sept. 30 Cumulative (Top), 2021-2022 Change (Bottom)**



As [reported by IAM](#), the explanation for that closing gap, whether including or excluding IP Edge, appears to be an upswing in litigation filed in existing campaigns, as NPE plaintiffs seem to have realized that new cases asserting patents that have previously been litigated before Judge Albright are still getting assigned to him at a disproportionate rate compared to the other 11 judges in the assignment pool. Indeed, 59 of the 115 cases filed in the Waco Division from July 25 through September 30 have ended up before Judge Albright, roughly six times higher than the judge with the second-most litigation (District Judge Fred Biery, at 11 cases filed). Most of those new “grandfathered” cases (all but two) fall in existing litigation campaigns (*i.e.*, those with overlapping parties and patents). In contrast, new cases filed in new campaigns (*i.e.*, those with no overlap in asserted patents) have been much more equally distributed, with most judges falling at three cases or below (including Judge Albright).

While this grandfathering effect may be allowing plaintiffs to maintain a toehold in Judge Albright’s courtroom for now, the longer-term trend may depend on whether the order remains in place. That issue, in turn, may depend on the approach taken by District Judge Alia Moses, who by seniority is due to take over the chief judgeship from Judge Garcia on November 18, when he turns 70 (the age limit for chief judges imposed by 28 USC Section 136).

Rumors have circulated that certain patent plaintiffs, and possibly even Judge Albright himself, have lobbied Judge Moses to rescind or change the order when she takes over. Among the stakeholders citing these rumors is Senator Thom Tillis (R-NC), who has been a vocal advocate against the concentration of litigation before Judge Albright. In an August [interview](#), he cautioned against the reversal of the judge assignment order, suggesting that the result could be a legislative solution:

“Unfortunately, I am hearing rumors that certain parties and perhaps even this single judge may be trying to get that standing order reversed. I hope that’s not true and that the Chief Judge and, ultimately, the Chief Justice, realizes the seriousness of this situation. If they don’t, then I’m more than happy to work in a bipartisan manner with my colleagues in the House of Representatives to explore the necessary and appropriate constitutional remedies”.



## Market Sector Update: Semiconductor Litigation Surges in Q3

A breakdown of NPE district court filing trends by market sector shows that Semiconductors was one of the only sectors in which litigation increased during Q3 2022 compared to the same quarter one year ago—with 90 defendants added, or 173% more than the amount seen during Q3 2021. The Networking sector increased just slightly (by 5%), while other sectors dropped significantly.

### Top NPE Market Sectors in Q2 2022 (Defendants Added)

		Q3 2021	Q3 2022
Automotive	-42%	31	18
Biotech and Pharma	0%	1	1
Consumer Electronics and PCs	0%	106	106
Consumer Products	-63%	27	10
E-Commerce and Software	-22%	149	116
Financial Services	-29%	35	25
Industrial	-64%	11	4
Media Content and Distribution	-23%	31	24
Medical	-86%	14	2
Mobile Communications and Devices	-56%	48	21
Networking	5%	87	91
Other Sectors	-54%	24	11
Semiconductors	173%	33	90

That surge of new semiconductor litigation included activity from plaintiffs linked to some familiar players in the patent assertion space, nearly all asserting patents from portfolios that originated with notable operating companies.

Among those plaintiffs is [Daedalus Prime LLC](#), which [launched its first litigation](#) in August with an ITC complaint and set of district court suits focused on semiconductor products used in the automotive industry—targeting automakers Mazda and Mercedes-Benz; infotainment system provider Visteon; chipmakers MediaTek, NXP Semiconductors, and Qualcomm; and NXP’s alleged distribution partners in various combinations. A [second wave of litigation](#) in September shifted the focus to mobile devices incorporating certain systems-on-chip, again filed before both the ITC and in district court, with defendants including Samsung, Qualcomm, and TSMC. Daedalus Prime acquired the asserted portfolio from Intel in early June 2022. The plaintiff is managed by a patent monetization veteran behind two other entities active in the patent space, [Daedalus Group LLC](#) (which in 2019 received over 500 US patent assets from IBM) and [Daedalus Blue LLC](#) (which now holds the bulk of that portfolio, some of which it is litigating via two separate campaigns).

Another particularly active plaintiff this past quarter was [Bell Semiconductor, LLC](#) (Bell Semic), an assertion vehicle operating under the banner of financial services conglomerate Hilco Inc. (d/b/a Hilco Global) that filed over 40 lawsuits in Q3 alone. Those cases spanned multiple campaigns, including new complaints added to Bell Semic’s inaugural 2019 campaign targeting semiconductor design technology, which spawned a second campaign in August of this year over design products targeted with a different set of patents from the entity’s portfolio of former Broadcom patents. The third quarter also saw Bell Semic file another wave of litigation in another campaign launched in April 2022 over chip packaging technology used in various semiconductor devices; e.g., controllers, MCUs, processors, systems-on-chip (SoCs), transceivers, etc. Details on some of Bell Semic’s most recent litigation, including activity since the start of the fourth quarter, can be found on [RPX Insight](#).

One more semiconductor campaign with [new third-quarter activity](#) was the one waged by [Polaris Innovations Limited](#), a subsidiary of publicly traded [Quarterhill Inc.](#), which in early September sued Broadcom over the provision of various semiconductors, integrated circuits, processors, controllers, and SoCs. The case joins active Polaris Innovations litigation against AMD, filed in May 2021, and Xilinx (which AMD acquired in early 2022), filed this past February, and asserts patents from the large portfolio that Polaris received from Infineon in July 2015.

Other plaintiffs hitting the semiconductor space in Q3 included Texas monetization firm [IP Edge LLC](#). In late July, IP Edge plaintiffs [Heritage IP LLC](#) and [Mallard IP LLC](#) filed a [new round of cases](#) in their joint campaign over former Cypress Semiconductor patents—Heritage IP hitting two makers of devices incorporating microcontrollers with dynamic power management capabilities, and Mallard IP suing another pair of companies over devices incorporating DDR4 SDRAM. Late September also saw a third IP Edge plaintiff, [Wiesblatt Licensing LLC](#), add a [second wave of cases](#) to the campaign it launched last October, lobbying complaints at companies with various computing products incorporating LPDDR5 RAM—asserting a former Seiko Epson patent that it acquired from Japanese monetization firm [IP Bridge, Inc.](#) (through subsidiary [Godo Kaisha IP Bridge 1](#)) in a May 2019 assignment.

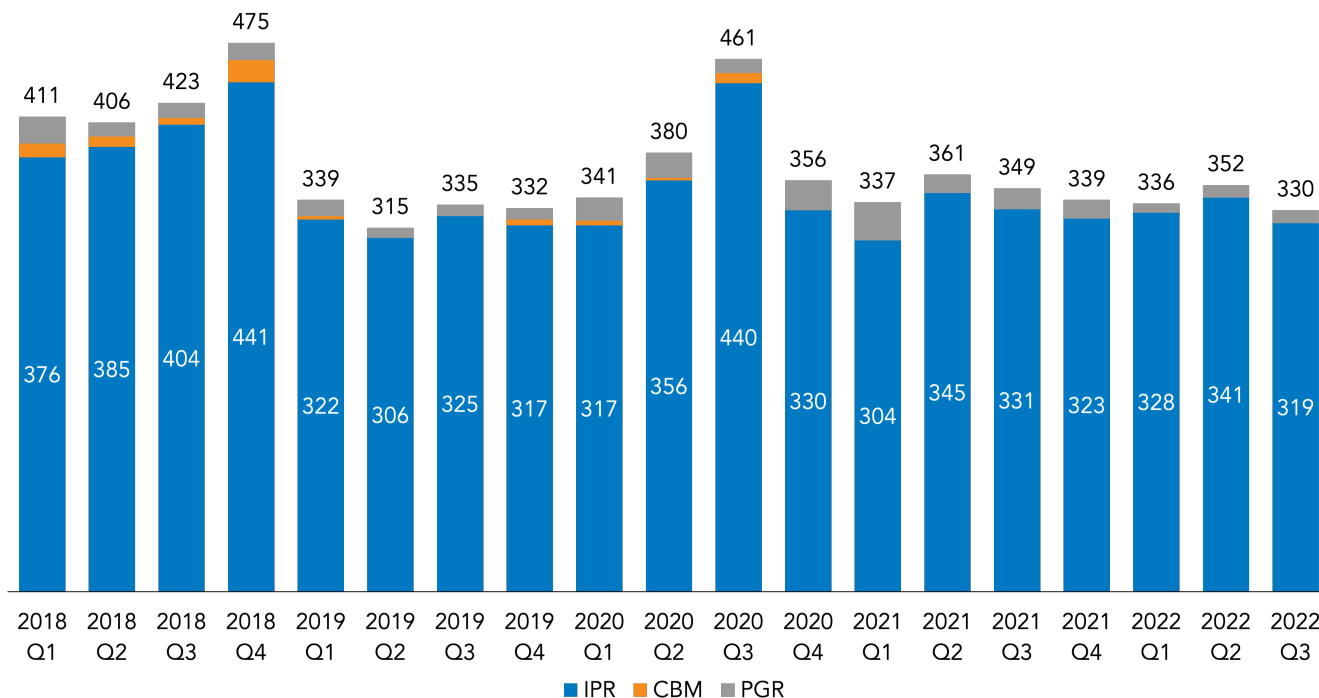
An additional memory campaign that [saw new filings](#) was the one waged by [InnoMemory, LLC](#), an entity linked to another veteran monetization professional behind many other litigating plaintiffs. In July and August, InnoMemory continued to target a host of banks over their use of computing devices like servers, desktops, laptops, tablets, and ATMs that incorporate memory modules compliant with various industry standards (including DDR2, DDR3, DDR4, LPDDR3, LPDDR4, LPDDR4X, and LPDDR5). The two asserted patents originated with Integrated Device Technology (since acquired by Renesas Electronics) and Cypress Semiconductor, respectively, both acquired as part of a larger set of November 2018 assignments from [Intellectual Ventures LLC](#).

Yet another plaintiff that doubled down on an existing campaign was [Alidouble Inc.](#), which in early August [refiled](#) a previously dismissed complaint against TSMC over its manufacture of backside-illuminated (BSI) image sensors, including some made for OmniVision—this time with new counsel. The four patents-in-suit, generally related to semiconductor manufacturing or BSI image sensors, passed from original assignee Tower Semiconductor, an Israeli foundry, through a Hong Kong entity into the Texas plaintiff's hands.

## PTAB Update: Vidal Sets New Rules on Sanctions and Discretionary Denials

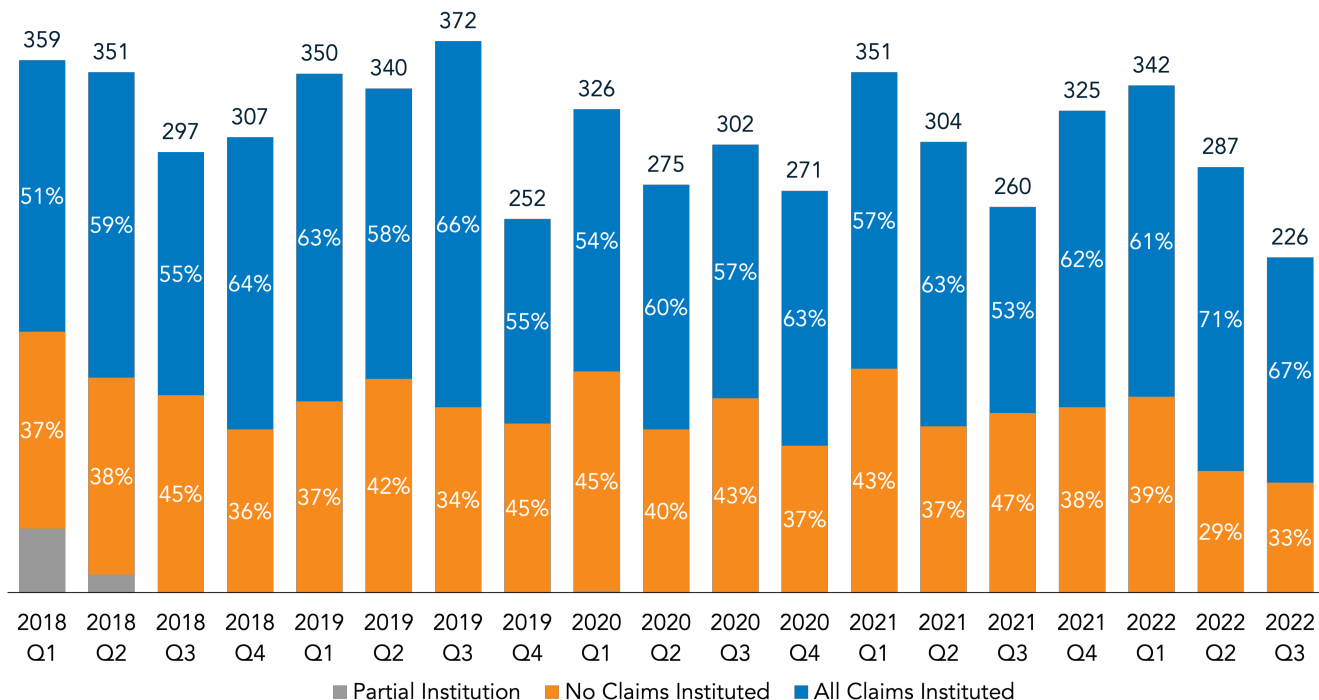
In the third quarter of 2022, 330 petitions for America Invents Act (AIA) review were filed with the Patent Trial and Appeal Board (PTAB), including 319 petitions for *inter partes* review (IPR) and 11 petitions for post-grant review (PGR). Filings in Q3 were 5.4% lower than during the same period in 2021.

### AIA Review Petitions Filed



In addition, the PTAB instituted trial in 67% of the AIA review petitions addressed in Q3 2022, up from 53% in the third quarter last year. The institution rate for 2022 through the end of the third quarter was 66%, compared to 58% in that same timeframe in 2021.

### AIA Review Institution Rates by Quarter



## Vidal Uses Director Review as a Reform Tool

The third quarter saw USPTO Director Kathi Vidal continue to push forward on a series of PTAB reforms based on stakeholder feedback from her first few months at the agency's helm. As noted above, one of the primary tools she has used to make those changes and policy clarifications has been director review, the system created as a result of the Supreme Court's *Arthrex* decision that gives the USPTO director the authority to revisit PTAB decisions.

### - *Sanctions and PTAB Gamesmanship*

Those changes have focused on some of the most controversial issues before the PTAB—most recently, a dispute over whether sanctions should be imposed due to alleged gamesmanship in a set of IPRs filed by two third-party challengers, OpenSky Industries and Patent Quality Assurance (PQA), against [VLSI Technology LLC](#). Earlier this year, a controversy erupted after VLSI disclosed that OpenSky had offered to sabotage its own IPRs in exchange for payment, prompting Vidal to initiate director review in those proceedings. A subsequent round of briefs ordered by Vidal [revealed](#) that this was not the only unusual financial arrangement unsuccessfully floated by OpenSky, as the petitioner had also solicited payments, and even an acquisition offer, from joined petitioner Intel (the sole defendant in VLSI's litigation campaign).

Beyond these new factual allegations, the parties also disputed the nature of the sanctions that might be warranted in the event that Vidal found that either petitioner had engaged in abuse of process. While VLSI argued that the appropriate sanction would be to terminate the IPRs, Intel countered that the Director should not invoke the "rare exception" of terminating a "meritorious IPR petition": Rather, it argued that the merits should be heard separately from any lesser sanctions, which might include terminating a petitioner while letting the IPR proceed. The debate also grew to include members of Congress: In late April, Senators Mazie Hirono (D-HI) and Thom Tillis (R-NC) sent Vidal a letter expressing concerns over the OpenSky and PQA IPRs, asking (among other questions) what types of sanctions can be imposed against bad-faith petitioners. Vidal responded as to sanctions on September 21, explaining that a federal regulation established after the passage of the America Invents Act (37 CFR Section 42.12) allows the PTAB to impose a wide variety of sanctions against a party for misconduct. Such sanctions can range from making factual findings against a party, to precluding it from substantively participating in various aspects of the IPR process, and even to imposing compensatory damages and attorney fees, in addition to allowing the outright dismissal of an IPR.

On October 4, Vidal [issued an order](#) finding that OpenSky had abused the IPR process by offering to self-sabotage, seeking payments from both VLSI and Intel, and failing to comply with the mandatory discovery that the Director imposed as part of her review—and that this behavior, taken together, "warrants sanctions to the fullest extent of [her] power". The director barred OpenSky from participating any further in the IPR and ordered OpenSky and VLSI to brief whether OpenSky owes VLSI compensatory damages, including attorney fees, for VLSI's "time and effort in this proceeding". She also remanded as to the merits, designating Intel as lead petitioner.

### - *Further Clarifications on Discretionary Denials*

Another issue that Vidal clarified during Q3 was the PTAB's practice of discretionarily denying institution in AIA reviews based on the status of parallel litigation. That practice, known as the *NHK-Fintiv* rule, has been a frequent point of debate since its inception under former USPTO Director Andrei Iancu, with particular criticism focused on a factor allowing institution to be denied when the PTAB's final written decision date would fall too close to the scheduled date for the district court trial. However, that factor was one of several issues addressed by a June guidance designed to mitigate the rule's most controversial aspects. As detailed in RPX's [Q2 in Review](#), the guidance establishes that the Board may consider data on *actual* time to trial, possibly blunting objections that the scheduled dates are too speculative of a metric; and endorses a series of existing practices related to stipulated estoppel that have already led to a drop in discretionary denials.

Since then, Vidal has used director review to further define the metes and bounds of the *NHK-Fintiv* rule. For example, on August 23, Vidal issued a precedential decision in a *sua sponte* director review that addressed the interplay of *NHK-Fintiv* and the *General Plastic* factors, which govern the circumstances in which review can be discretionarily denied where multiple IPRs are filed against the same patent. In her decision, Vidal ruled that a PTAB panel had been wrong to deny institution in two IPRs based on *General Plastic* factor one, under which denial can be based on the fact that the *same* petitioner has previously challenged the same patent, because the earlier petitions that triggered this factor—leading the Board to deny the follow-on petitions at issue—were denied under *NHK-Fintiv* rather than on the merits. Vidal disagreed that this factor outweighed the fact that the prior denials were not on the merits, holding that allowing such petitions to be instituted strikes the best balance between improving “patent quality and patent-system efficiency” on the one hand and preventing abuses on the other. Per Vidal, it is only when there is evidence of “road-mapping”, where a petitioner shapes their arguments based on the ones that fail in prior petitions, that denial is warranted under this *General Plastic* factor.

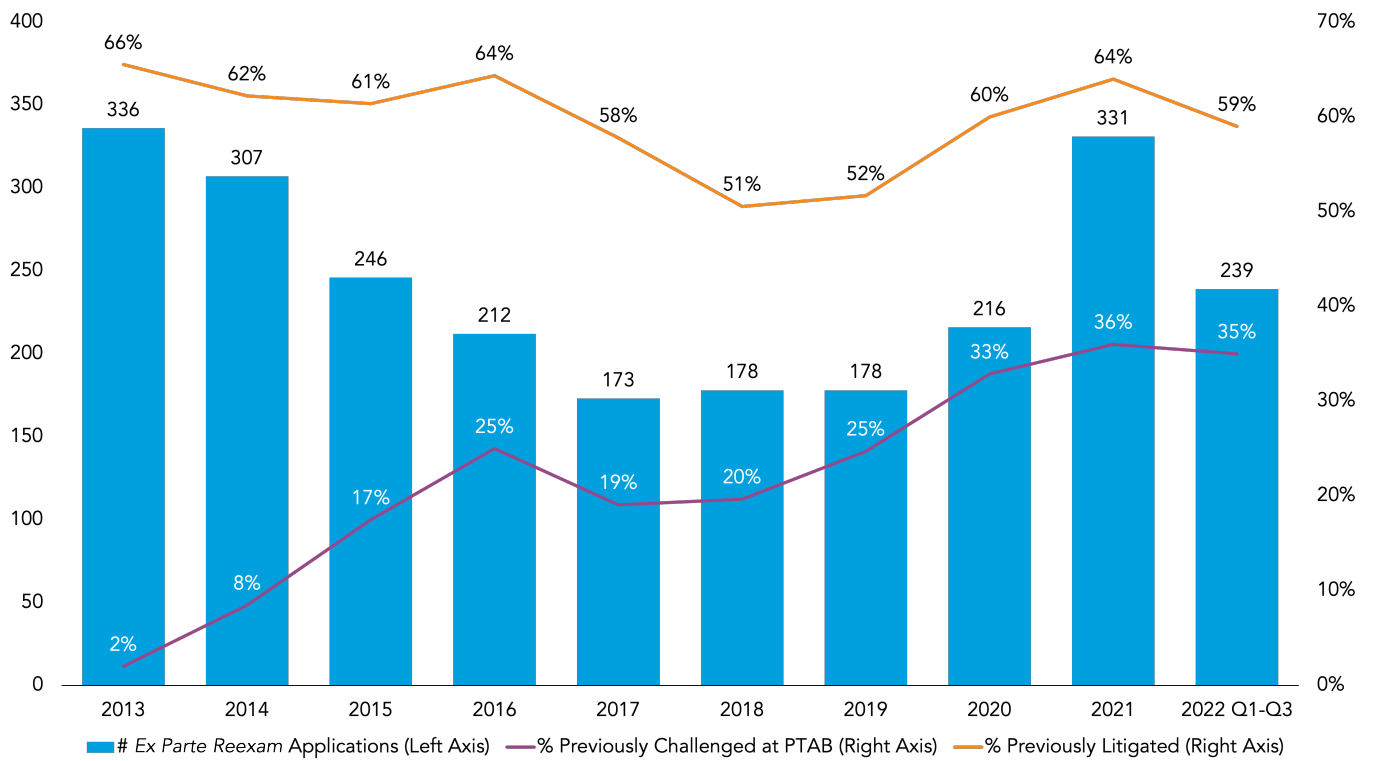
Shortly after, Vidal initiated director review, again doing so *sua sponte*, in a different IPR that was denied institution under the *NHK-Fintiv* rule after the challenged patent was invalidated under *Alice* in a parallel district court case. Central to the discretionary denial dispute was whether *NHK-Fintiv* should even apply here in the first place, since Section 101 is not an available ground for a validity challenge in an IPR proceeding, while other PTAB panels have declined to discretionarily deny institution in similar situations. Yet while acknowledging that “the *Fintiv* analysis and factors are a poor fit to the circumstances of this proceeding”, the PTAB nonetheless opted to deny institution based on *NHK-Fintiv* efficiency concerns. Vidal’s order launching review of that institution decision found that the case “raises issues of particular importance to the Office and the patent community”—and given the popularity of *Alice* as a defensive tool, petitioner-defendants will undoubtedly be closely watching the outcome of this proceeding.

### **Ex Parte Reexam Requests Start to Dip as *NHK-Fintiv* Denials Decline**

Another notable result of the *NHK-Fintiv* rule has been to encourage defendants seeking to challenge validity to increasingly turn toward *ex parte* reexaminations, which are not subject to the same level of discretionary denials and offer a variety of other advantages compared to AIA reviews, such as lower cost and the lack of estoppel. Indeed, the number of reexam requests went up by 21% in 2020 and by 53% in 2021, with an increasing share of those patents having previously been litigated in district court and subjected to PTAB challenges.

Now, as discretionary denials appear to be declining, according to a recent USPTO study that accompanied the [USPTO’s \*NHK-Fintiv\* guidance](#), additional data indicate that reexam requests have begun to drop as well. While quarterly filings peaked in Q2 2022 at 101 requests total, they fell to 67 in Q3, a dip of roughly one third compared to the prior quarter and a decline of 27% compared to Q3 2021. Data for the year to date also show that a decreasing share of patents subjected to reexam requests have previously been asserted in district court litigation (from 64% in 2021 to 59%), while the share of those patents also challenged in AIA reviews has gone down slightly as well.

## Ex Parte Reexam Filings and the Share of Challenged Patents with Prior Litigation and PTAB Reviews



Note: Data as of October 3, 2022. Due to the delayed availability of filing dates and related data from the USPTO, this analysis is subject to change.

## FRAND Update: Courts Tackle Global SEP Issues, USPTO and WIPO Promote SEP Arbitration, and IEEE Revises Patent Policy

### China's Highest Court Doubles Down on Global FRAND Authority; UK Supreme Court Ponders Rate-Setting, Cross-Border Litigation, and FRAND Injunctions

In September, China's Supreme People's Court (SPC) [reportedly](#) issued a decision in *Nokia v. Oppo* that reaffirmed its holding that Chinese courts may set the terms of global fair, reasonable, and nondiscriminatory (FRAND) licenses, handed down one year prior in *Oppo v. Sharp*.

As noted in RPX's prior [coverage](#), the SPC's *Oppo v. Sharp* decision held that a Chinese court may exercise jurisdiction if a standard essential patent (SEP) dispute has an "appropriate connection" with China, which may be established through the satisfaction of just one of the applicable factors. Per the decision, those factors include whether the country is the "place where the patent right is granted, the place where the patent is implemented, the place where the patent license contract is signed, or the place where the patent license is negotiated".

In *Nokia v. Oppo*, the SPC's jurisdictional analysis found that a sufficient connection with China was established through the fact that both parties were Chinese (Oppo and the subsidiary of Nokia in suit), that the relevant negotiations occurred in China, that 46% of the SEPs at issue are Chinese, and that the performance of the resulting license would mainly occur in China. As a result, the SPC found that Chinese courts' jurisdiction over this case was "undisputed", also affirming that it was proper for the specific lower court (the Chongqing No. 1 Intermediate People's Court) to exercise jurisdiction by virtue of its location in the primary area where the license would be implemented, as opposed to the Beijing Intellectual Property Court (to which the defendant had sought transfer). The decision is among the most notable recent developments in an ongoing dispute that has spanned a variety of other jurisdictions, including competing German and Chinese cases, suits by the plaintiff filed in the UK, Finland, France, Russia (later withdrawn), Spain, Sweden, India, and Indonesia, as well as another case from the defendant filed in the Netherlands.

The SPC's ruling in this case is just the latest example of courts' increasing willingness to resolve global licensing disputes, a trend that began with the UK Supreme Court's August 2020 ruling in *Unwired Planet v. Huawei*. That [landmark decision](#) established that UK courts have the jurisdiction to impose global licenses for multinational patent portfolios and determine what terms would be FRAND. However, the UK's second and third FRAND trials were not held until earlier this year, and the Supreme Court's resulting decisions on appeal, expected soon, could clarify several important issues left unresolved by *Unwired Planet*. In *InterDigital v. Lenovo*, the court may address how UK courts should consider parallel foreign litigation and rulings when making their FRAND determinations, while in *Optis Cellular Technologies v. Apple*, the court may revisit whether, and to what extent, a party must commit to be bound by the UK court's decision to avoid a FRAND injunction (a form of UK-specific injunctive relief that applies until a party found to infringe has agreed to accept the court-determined FRAND license). Also closely watched in both cases is the question of what rate-setting methodology the court will adopt, as the court's rulings could serve as benchmarks in future licensing negotiations (as has [reportedly](#) been the case for the *Unwired Planet* decision).

### USPTO and WIPO Announce Partnership on SEP Alternative Dispute Resolution

Much of the debate over SEP licensing has focused on how such disputes play out when they hit the courts, but a new international partnership reveals that the Biden administration has also maintained a previously suggested emphasis on alternative dispute resolution (ADR). On July 20, the USPTO and the World Intellectual Property Organization (WIPO) [announced](#) that they had "agreed to undertake joint efforts to facilitate the resolution" of SEP disputes. Under that five-year partnership, the USPTO and WIPO will leverage their existing resources to "[c]ooperate on activities that will lend efficiency and

effectiveness” to SEP dispute resolution, including by promoting WIPO’s existing SEP ADR programs through the WIPO Arbitration and Mediation Center.

The announcement effectively preserves a portion of the [draft SEP policy statement](#) released by the USPTO, the Department of Justice (DOJ), and the National Institute of Standards and Technology (NIST) in December 2021, which placed a somewhat greater emphasis on the use of alternative dispute resolution. That language expanded upon the 2019 joint policy statement released under the prior administration, which focused mainly on promoting injunctive relief in SEP disputes and only briefly acknowledged that parties “may voluntarily contract for or agree to specific dispute resolution mechanisms”. In contrast, the 2021 proposal—which, among other changes, placed a greater emphasis on promoting good-faith negotiations where possible—“encourage[d] the parties to resolve contested issues by agreeing to seek alternative dispute resolution or a judicial resolution” should those negotiations break down. Notably, while the 2021 proposal also maintained the 2019 statement’s language on “specific dispute resolution mechanisms”, it added a footnote citing WIPO’s 2021 FRAND ADR guidance as an example.

While the USPTO-WIPO joint announcement on SEP ADR confirms that such non-judicial mechanisms for dispute resolution have remained a priority for the Biden administration, the June 2022 decision by the DOJ, USPTO, and NIST to [withdraw the 2019 policy statement](#) without adopting the 2021 draft statement (or its predecessor adopted in 2013) indicates that other priorities from that proposal might not be pursued through government action, at least in the short term—among them, a return to the posture that current law mostly precludes injunctive relief for SEP owners, and that damages will generally be an adequate remedy. In announcing the withdrawal without a replacement in favor of a case-by-case approach, the USPTO, DOJ, and NIST stated that this would be “the best course of action for promoting both competition and innovation in the standards ecosystem” in light of the extensive feedback they received from stakeholders on both sides of the issue.

Vidal discussed the SEP policy withdrawal at an October 6 webinar jointly held by the USPTO and WIPO to discuss their ADR partnership, emphasizing that one of the goals behind the withdrawal was to underscore the need for international SEP solutions. “In withdrawing that statement, part of what we were messaging is that issues related to standards—issues related to standard essential patents—are international issues. And they’re issues that we need to deal with at an international level”.

More details on the various SEP policies discussed here, including the public feedback received on the 2021 policy statement, can be found on [RPX Insight](#).

## **IEEE Updates Hotly Debated Patent Policy**

On the last day of the third quarter, the Institute of Electrical and Electronics Engineers (IEEE)—the standard-setting organization (SSO) that maintains the standards for Wi-Fi networking—took the significant step of [introducing](#) a replacement for its 2015 patent policy, making key changes to several controversial provisions related to injunctions and reasonable rate determinations.

With respect to injunctions, the 2015 policy included language prohibiting a SEP holder from seeking an injunction against an implementer unless the implementer had failed to participate in litigation over their dispute or comply with its outcome. The new policy replaces that language, establishing that the SEP owner may not seek injunctive relief “against an implementer who is willing to negotiate in good faith for a license”—further clarifying that an implementer does not become unwilling merely by seeking more information after receiving an infringement notice or deciding to litigate or arbitrate any related issues pertaining to “patent validity, enforceability, essentiality, or infringement”.

As for royalty rates, the 2015 policy stated that such determinations “should include, but need not be limited to, the consideration of” two overarching factors. First, the language specified that the value of a claimed invention should be determined based on the “smallest saleable Compliant Implementation”—basically, the smallest saleable patent-practicing unit (SSPPU), a valuation



methodology originating with damages caselaw under which rates can be based on the smallest infringing component of a multicomponent device, an approach generally favored by implementers. In contrast, some patent owners have pushed for rates based on the value added to finished devices, with some flexibility based on device type and the circumstances of a particular licensee. The new policy expands the two relevant factors (which state that this consideration should be made in the context of the specific patent/claim at issue, and in light of the value added by all patents essential to the overarching standard) to alternatively allow the consideration of “another appropriate value level of the Compliant Implementation” for the value determination. Second, the policy barred the consideration of comparable licenses that were “obtained under the explicit or implicit threat of a Prohibitive Order”, but that language has now been struck in its entirety. Perhaps most importantly, the new policy states that the above considerations, as amended, are now “optional”.

These new changes followed years of pushback from SEP holders, some of which declined to license their patents under the term of the 2015 policy, instead filing licensing assurances under the pre-2015 policy as they contributed patents for amended and new versions of Wi-Fi standards. The policy also received scrutiny from the DOJ during the last few months of the Trump administration: In September 2020, then-Assistant Attorney General Makan Delrahim, the head of the DOJ’s Antitrust Division, took what he acknowledged to be the “extraordinary step” of urging IEEE to consider changing its patent policy, arguing in a [letter to the SSO](#) that the policy was discouraging participation in standards development and “possibly chilling innovation”. (The letter has since been downgraded by the Biden DOJ from “guidance” to “advocacy” amidst a broader shift back toward a middle-ground approach to SEP policy.) That December, IEEE’s board initiated a review process on potential changes, seeking feedback starting in August 2021 on three options—no change at all (which, based on the resulting public feedback, was the one favored by implementers, some of which had lobbied for the 2015 policy), deleting the provisions on injunctions and rate-setting (favored by SEP owners), and amending the provisions (an option that received no public feedback).

The new patent policy takes effect on January 1.

## Marketplace Update: Apparent Patent Pick-Up by Fortress; Funding and Corporate Control Under Scrutiny in Delaware; and Interest Groups Call for Greater Transparency into Litigation Funding

A number of [patent divestments](#) by operating companies were made public during the third quarter, with a range of assignees including frequent filers, publicly traded patent assertion entities, third-party funded plaintiffs, and newly formed NPEs. Divestment size also varied widely—from a single transacted patent to thousands.

### Fortress Appears to Have Acquired a Security Software Portfolio

Amid that continued outflow of patents from operating companies, RPX flagged during the third quarter the movement of a portfolio of patents from an inventor-controlled security software company to an entity with apparent ties to [Fortress Investment Group LLC](#).

In August, Softex Incorporated, a Texas-based security software company, [assigned](#) 19 US patents and one US application to [Softex LLC](#)—“c/o of Fortress Investment Group”. Softex LLC was formed in Delaware on July 28, 2022, with corporate records identifying its chief financial officer as an individual who serves in a similar capacity at Fortress. The transacted portfolio includes patents generally related to self-encrypted drives (SEDs) and electronic device security and tracking systems.

Formed in Texas in 1992, Softex Incorporated is marketed as “a provider of security-focused software solutions including Enterprise Single Sign-On (ESSO), Identity and Access Management (IAM), and Data Protection of Self-Encrypting Drives”, offering “both on-premise and cloud-based security solutions to HealthCare, Financial, Corporate, Government and OEM markets with a focus on strong user authentication and helping its customers meet industry compliance”. On social media, the company reports having shipped “over 75M licenses” and having served “many of the top tier companies, such as Lenovo, Hewlett-Packard, Fujitsu, Samsung, Accenture and Motion Computing”.

Formed in 2007, New York-based Fortress Investment Group is a global investment manager reporting \$44.4B of assets under management as of June 30, 2022. At the close of 2017, Japanese conglomerate SoftBank completed an acquisition of Fortress for \$3.3B; in early August, Softbank—which had just disclosed its largest-ever quarterly loss, totaling \$23.4B—[acknowledged](#) that it is considering a sale of Fortress.

Currently available USPTO records indicate that Fortress holds—through entities in which it has invested and over which many defendants have contended that Fortress exercises control—more than 2,500 US patent assets of disparate origin and subject matter, only a portion of which are currently in litigation.

### Plaintiffs’ Funding and Corporate Control Slide Under Judge Connolly’s Microscope

Whether Fortress controls Softex LLC—and whether it will follow its usual pattern and begin litigating the Softex patents through this newly formed entity—remains to be seen. Meanwhile, Q3 saw the nature of Fortress’s corporate relationship with patent plaintiff [VLSI Technology LLC](#) face additional scrutiny in the District of Delaware, where [in early August](#), Chief Judge Colm F. Connolly unsealed a somewhat revealing declaration by the plaintiff’s CEO and also stayed a case against Intel until the NPE has complied with his standing order regarding Rule 7.1 disclosures.

In recent months, many plaintiffs litigating before Judge Connolly have taken a variety of approaches to circumvent his [standing orders](#) posted in April, which markedly raised the corporate and third-party funding disclosure requirements in cases assigned to his courtroom.

As reported extensively by RPX, Judge Connolly has ordered numerous parties to certify that they have complied with those disclosure requirements, causing some litigants to file new or amended

statements. Some of those disclosures have raised concerns, with Judge Connolly, for example, granting early discovery into third-party funding arrangements (as requested by Amazon [here](#)); setting evidentiary hearings to determine the accuracy of filed disclosures (in several [IP Edge LLC](#) and Dynamic IP Deals suits); or even staying the matter altogether (as in *VLSI Technology LLC v. Intel*). RPX members can access in-depth coverage of these developments [here](#).

### **Interest Groups Call for Greater Transparency into Litigation Funding**

Toward the end of the third quarter, in early September, Lawyers for Civil Justice (LCJ), a coalition of corporations, law firms, and defense bar organizations, submitted two proposals—one to the Advisory Committee on Appellate Rules, the other to the Advisory Committee on Civil Rules—for uniformly higher standards for disclosure of litigation funding in federal courts. One of those requests was submitted jointly with the US Chamber of Commerce Institute for Legal Reform (ILR), which over the years has lobbied, unsuccessfully, for the mandatory disclosure of third-party litigation funding (TPLF).

In their proposals, LCJ and ILR maintain that, in addition to aiding judges in identifying conflicts of interest, increased transparency into TPLF could facilitate “more accurate and realistic settlement negotiations” between litigants and also “allow courts to structure settlement protocols with greater potential to succeed”.

The proposed solution: LCJ is urging an amendment to Rule 26.1 “to require disclosure of non-party outcome-contingent rights settlement or judgment proceeds tied to the outcome of cases, specifically including such interests arising from litigation investment contracts”. Barring a uniform TPLF disclosure rule applicable to all civil cases, say LCJ and ILR, adding an effective, “simple” prompt to Rule 16(c)(2) could suffice.

For RPX coverage of the LCJ/ILR proposals, see [here](#). RPX members can also tune into a webinar, available on RPX Insight, taking a closer look at Q3 patent acquisitions of note and recent developments in TPLF.

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### **Additional RPX Patent Market Intelligence**

For further analysis and up-to-date information on patent litigation and market trends, visit [RPX Insight](#).