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THE RESTORE PATENT RIGHTS ACT: RESTORING AMERICA'S STATUS AS THE GLOBAL IP LEADER

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BEFORE THE

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OF THE

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CONTENTS

OPENING STATEMENTS

	Page
Coons, Hon. Christopher A.	1
Prepared statement	25
Tillis, Hon. Thom	3

WITNESSES

Babcock, Jacob	4
Prepared statement	27
Contreras, Jorge L.	9
Prepared statement	33
Landau, Joshua	6
Prepared statement	43
Osenga, Kristen Jakobsen	7
Prepared statement	65

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WEDNESDAY, DECEMBER 18, 2024

UNITED STATES SENATE,
SUBCOMMITTEE ON INTELLECTUAL PROPERTY,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Subcommittee met, pursuant to notice at 2:18 p.m., in the Dirksen Senate Office Building Room 226, Hon. Christopher A. Coons, Chair of the Subcommittee presiding.

Present: Senator Coons [presiding], Hirono, Tillis, and Blackburn.

OPENING STATEMENT OF HON. CHRISTOPHER A. COONS, A U.S. SENATOR FROM THE STATE OF DELAWARE

Chair COONS. This hearing of the Intellectual Property Subcommittee of the Senate Judiciary Committee will come to order. I'd like to thank all four of our witnesses for participating today, and I'd like to especially thank my colleague, Ranking Member Thom Tillis, and his staff for putting this hearing together, again on a consensus basis.

This is our 10th Intellectual Property Subcommittee hearing of this Congress, the most of any of the Subcommittees of the full Committee. We have conducted oversight on the PTO and the Copyright Office, analyzed and worked through five different bipartisan bills, had a hearing on the intersection of AI and IP, and probed foreign threats to American IP.

We've actually been doing the work our constituents sent us to Washington to do, legislating, and at every step, Senator Tillis, you and your team have been fantastic partners. Thank you, and I look forward, God willing, to continuing our work together in the next Congress.

I expect other Members of this Subcommittee will be joining us today. Today's hearing examines the RESTORE Patent Rights Act, a bill I currently co-sponsor with Senator Cotton of Arkansas. This one-sentence bill would restore the presumption that a patent owner should receive an injunction when she demonstrates that a defendant has infringed her valid patent. This is in no way a new or novel idea. Our Founding Fathers made it clear that inventors should have exclusive rights to their inventions. In other words, the constitution in its script, guarantees to inventors the ability to

prevent others from using or selling their inventions without their permission.

For more than 200 years, our Federal courts recognized this exclusive right, and in nearly 100 percent of cases, courts issued permanent injunctions against patent infringers when patent owners sought them. This system was predictable and orderly. Parties who wanted to use patented technology negotiated with patent owners to pay for licenses rather than infringing upfront, and then risking a costly injunction shutting down manufacturing and distribution operations.

That changed in 2006 with the Supreme Court's decision in *eBay v. MercExchange*. In that case, the Supreme Court held injunctions were not the per se remedy for patent infringement. Instead, courts were to apply the traditional four factor equitable test before deciding whether to award either money damages or injunctive relief. As you can guess, after *eBay*, courts have much more frequently concluded money damages rather than injunctions are sufficient to compensate a patent owner for infringement.

Studies conducted since *eBay* have shown the number of injunctions sought, and the number of injunctions granted have decreased substantially. Now, the relative decrease in requests for permanent injunctions was 65 percent for operating companies and 90 percent for non-practicing entities. And even when parties did seek injunctive relief, they were awarded it less frequently.

So, grants of injunctions to patent holders who had proven validity and infringement dropped from a 100 percent to about 70 percent. Putting these trends together means courts are simply issuing far fewer permanent injunctions against infringers than they were before this decision.

These numbers don't capture the full impact of the *eBay* decision. Predatory infringement and "infringe now, pay later" model is broadly on the rise. It stands to reason why should a potential licensee negotiate with a patent owner of good faith when they can infringe now for free and maybe at some point later pay a court determined licensing fee. Or better yet, maybe the infringer can wear the patent owner down with years of repeated litigation and with injunctive relief uncertain, extract licensing concessions. Individual inventors, universities and startups are especially vulnerable because they often lack the significant financial resources to sustain prolonged litigation.

As a result, in my view, the value of a patent has diminished. If a patent owner can't be confident that they can exclude infringers from practicing the invention, how can they sell a high value license? They can't. And the post *eBay* data show a huge increase in lower value non-exclusive licenses, meaning patent owners have a tougher time recovering their investment, which leads to abandoning innovative ideas or reducing R&D investment in the kind of ideas that can propel our economy.

It's for these reasons I introduced the RESTORE Patent Rights Act, and as I've said before in a single sentence this would restore the rebuttable presumption and undo the harmful effects of *eBay*. In all four of our previous hearings, examining specific bipartisan bills, we have witnesses who both support and oppose the legislation. We try to hear all sides on this, this hearing's no different.

With Senator Tillis's cooperation, we have a panel with diverse views and perspectives, both on the challenge and the operational impact of *eBay*, and this bill, and its potential consequence. We want to hear from you about whether you think this bill is needed, whether it's crafted the right way, although at one sentence there's not a lot of details to work through and tell us what you like and what you don't and how to make it better.

Before I introduce the panel of witnesses, I'd like to turn it to my friend and colleague, Senator Tillis, for any opening remarks.

OPENING STATEMENT OF HON. THOM TILLIS,
A U.S. SENATOR FROM THE STATE OF NORTH CAROLINA

Senator TILLIS. Thank you, Chair Coons, and thank you for holding the hearing on the RESTORE Patent Rights Act. Before I get to make a few comments and we hear from the witnesses, I just want to thank you for another great Congress session working together, 10 hearings.

But what you may not know is how much work goes into those hearings for which I think we both are very grateful to the staff who do the lion's share of the work. But I also think it's important to mention on the broader subject of intellectual property, how many meetings, work groups the work of this Committee, I would put up against any Subcommittee in the U.S. Senate for the past couple of Congresses.

And a lot of that has been through the cooperation, the active involvement of many Members, but absolutely through our consensus-based leadership of the Committee and through the hard work of the staff. So, I thank you-all for the work that you've done.

We're going to hear from witnesses on both sides of the issue today. Whether or not you support or have concerns with the bill or oppose what we're trying to accomplish, you all know what the bill does, so I'm not going to tell experts what it does.

I'm here as a business person trying to solve problems, and I view this as another problem that is a threat to innovation. It's particularly a threat to the innovation ecosystem when we're talking about some of the smallest, less resourced inventors and innovators, there's got to be a way to get it right.

Now, what I do like or what I will tell the witnesses, thank you for coming, whether you're on the pro or the con side of the bill, either as written or any iteration of it, I thank you for coming here. I will tell you that when we have limited attendance and we have time, I do sometimes convert my questions into sort of an ad hoc debate club. So, if any of you happen to hear something and I seem to think that you want to respond, I will most likely do that.

But this is the first time I've actually given people notice. That I want a good fulsome discussion. I don't want to hear any less from somebody who's opposed to the bill than someone who's supports it, mainly because we want to get to a good, fair, balanced outcome. But I am convinced that Senator Cotton and Senator Coons are onto something here, and I look forward to the testimony, and look forward to the engagement afterwards.

Thank you-all. Thank you, Mr. Chair. And also, we apologize for starting 15 minutes late. We had a vote that we had to take care of. Thank you.

Chair COONS. Thank you, Senator Tillis. Thank you, Senator Hirono, for joining us again. I'd now like to introduce our witness panel. First, we have Jacob Babcock, CEO of NuCurrent, a 40-person company based in Chicago that works on wireless power solutions and has a portfolio of more than 300 granted and pending patents.

Next, we have Joshua Landau, senior counsel for innovation policy at CCIA, the Computer and Communication Industry Association, where he advises the Association on patent issues. Then, Professor Kristen Osenga, professor of law at the Richmond School of Law, where she focuses on patent litigation and patent law reform. And last, Professor Jorge L. Contreras, professor at the University of Utah College of Law, where he works on IP issues and directs the law schools program on IP and technology law.

Grateful to have you all here. After I swear in the witnesses, you'll each have roughly 5 minutes to provide an opening statement. We'll then proceed likely with two rounds of questioning depending on attendance and time. So, could you all please stand and be sworn? Please raise your right hand and repeat after me.

[Witnesses are sworn in.]

Chair COONS. Mr. Babcock, you may proceed with your opening statement.

STATEMENT OF JACOB BABCOCK, CEO, NUCURRENT, CHICAGO, ILLINOIS

Mr. BABCOCK. Chairman Coons, Ranking Member Tillis, and Members of the Subcommittee, thank you for the opportunity to testify today. When I graduated from Indiana University in 2004, I joined Teach for America to help close the education gap. After finishing in 2006, I embarked on a career in tech and entrepreneurship. And in the nearly 20 years since, I've watched a new type of gap emerge, an innovation and IP gap, created by a systematic gutting of our once great patent system. This didn't happen by accident.

Mega tech special interests have driven judicial, legislative, and administrative changes that heavily tilt the system in their favor. For example, the 2006 *eBay* decision eliminated injunctive relief, leaving inventors with inadequate compensation while infringers profit. Other harmful cases have included the 2014 *Alice* decision and the 2018 *Oil States* decisions, which have combined to substantially weaken patent rights.

On the legislator front, the 2011 America Invent Act created the PTAB, which invalidates patents at an alarming rate and drains inventors resources. Finally, on the administrative front, the U.S. PTO has turned patents into paper shields by lowering the standard of review, shifting the burden of evidence to patent holders, and allowing defendants multiple bites at the apple.

The result is a system that no longer protects innovators or provides clarity to investors. Instead, it rewards those who exploit our ideas, shifting and stifling competition and creativity. Let me share what this looks like to me in a practical sense and in my business and as an investor.

At NuCurrent, the company I founded in 2009, we specialize in wireless power and data transfer. We filed over 400 patents, and

partnered with leaders like HP and Honeywell to bring breakthrough products to the market. But despite our success, we've experienced firsthand how the system fails to protect innovators. A major Korean OEM stole our patented technology, and they enabled their suppliers in China and Taiwan to profit from our work. Without injunctive relief, we couldn't block them.

By the time financial remedies arrived years later, the damage was already done. Billions of dollars in value flowed overseas, and that's value that we would've invested in American jobs and innovation. This wasn't just theft; it was a systematic failure of the U.S. patent system. And here's the bigger problem, the lack of injunctive relief distorts fair business dealings.

Mega corporations know that there's no urgency for them to act. Without the threat of an injunction, they can choose to "infringe now and pay later", as you mentioned, if they pay at all. A former Apple executive even called this strategy a fiduciary obligation because for mega tech litigation is just a small tax on doing business. But for companies like mine, it's devastating.

Instead of inventing, building, and creating jobs, we're forced to fight endless legal battles. This broken system also discourages the next generation of innovators.

As a founding investor in the 81 Collective Venture Fund, I see this every day. Eighty-one percent of U.S. GDP comes from industries like manufacturing, healthcare, and energy. Industries that are reliant on hard tech. Yet these sectors receive less than half of venture capital investment. Why is that? It's because investors see the risks of a broken patent system outweighing the rewards of making the investment.

At mHub, a hard tech accelerator where I serve on the board, entrepreneurs often ask me, is filing a patent worth it? Is it worth the investment? Today, I often have to say no, and this may be the biggest tragedy of all. Every time I give that answer, I worry we're letting the next Big American innovation slip away, only to be exploited by foreign competitors or entrenched players. The good news is, we can fix this. The RESTORE Act offers a common-sense solution by restoring injunctive relief, it gives inventors the ability to stop proven infringers. This really isn't complicated in my eyes. If you're found guilty of breaking the law, you shouldn't get to keep profiting.

No other area of law works this way except for patents. The RESTORE Act will empower inventors to protect their work, rebuild trust in the patent system, drive investment in critical sectors like manufacturing, energy, and healthcare. And this is really about fairness. It's about ensuring that when inventors take risks, work hard, and bring groundbreaking technologies to life, their rights are respected.

So, to close, I'll say this; this is our moment. The RESTORE Act sends a clear signal, that America values its innovators, protects its creators, and will not tolerate IP theft, whether from foreign competitors or domestic giants. Thank you.

[The prepared statement of Mr. Babcock appears as a submission for the record.]

Chair COONS. Thank you, Mr. Babcock. Mr. Landau.

STATEMENT OF JOSHUA LANDAU, SENIOR COUNSEL, INNOVATION POLICY, COMPUTER AND COMMUNICATIONS INDUSTRY ASSOCIATION, WASHINGTON, DC

Mr. LANDAU. Chairman Coons, Ranking Member Tillis, Members of the Subcommittee, thank you for inviting me to testify on behalf of the Computer and Communications Industry Association. CCIA has advocated for competition and innovation in the technology and communications industries since 1972. Our members are leaders in many areas of technology, including semiconductors, artificial intelligence, cloud computing, and e-commerce.

CCIA members are also active participants in the patent system, often appearing in the top five annual recipients of U.S. patents, as well as litigating in district courts and at the PTAB. CCIA supports a balanced patent system that promotes rather than hinders innovation.

The *eBay* decision has helped to ensure that the U.S. patent system fairly rewards patentees, without creating excessive burdens on innovators or rewarding patentees windfalls. It also encouraged innovation and commercialization. After *eBay* was decided in 2006, research and development spending accelerated its rate of increase, patent filings likewise accelerated, and not just any patent, but patents that were more likely to be cited by others and thus more likely to contribute to new innovation in the future.

Some studies have even found an overall increase in social welfare due to the *eBay* decision. *eBay* did have an impact on innovation. It accelerated it. The RESTORE Act would reverse these benefits and it would incentivize manufacturing outside of the United States, at a time when bolstering domestic manufacturing is a national priority.

It's also simply unnecessary. Prior to *eBay* operating companies, companies that make products, could obtain injunctions in almost all cases. And after *eBay*, those companies can obtain injunctions in almost all cases. For operating companies, *eBay* represented almost no change in their ability to obtain an injunction. And for inventors that don't make anything themselves, but work with exclusive licensees, situations like a small inventor partnering with a manufacturer or a university working with a startup, injunctions do remain available.

Now, there was a drop in injunctions after *eBay*, but the companies that have a harder time obtaining injunctions are companies that create lawsuits instead of products. We have a term for those, patent assertion entities, sometimes referred to as patent trolls. And contrary to some claims, those patent trolls are still out there. In fact, they now represent the plurality of all patent lawsuits.

These are the companies that would significantly benefit from RESTORE. Beyond its positive impacts on innovation *eBay* also brought the patent system in line with the rest of American law. Injunctions are an equitable remedy, and equitable remedies are governed by equitable principles.

Of those principles, one of the most important is that equitable relief is only available when legal remedies are inadequate to make a plaintiff whole, when there's some kind of harm that money can't fix. This principle is so important that Congress wrote it into the first Judiciary Act, so basic that the Supreme Court summarized

injunctive relief by saying. in brief, the basis for injunctive relief are irreparable injury and inadequacy of legal remedies. If there's no irreparable injury, there's no basis for an injunction.

This longstanding principle explains both the *eBay* decision and the outcomes in court cases after *eBay*. Competitor litigation seeks to prevent irreparable harms, loss of market share, loss of consumer goodwill, loss of your competitive advantage, but a patent assertion entity, a company that exists only to obtain money through its patents, doesn't suffer those harms.

They can have a complete remedy through 35 U.S.C. 283, which instructs the factfinder to award damages adequate to compensate for the infringement. Because a patent assertion entity's only loss is monetary, there's no irreparable harm. There's no reason to grant an injunction. There's also good economic reason not to grant injunctions in that circumstance. Economic theory finds that the threat of an injunction distorts negotiations because injunctions take the entire product off of the market.

That makes sense when a patent covers the entire product. But modern high-tech products are complex multi-component devices that might involve tens or even hundreds of thousands of patents, each covering a tiny aspect of the product. When a defendant is faced with the inability to make or sell its product, it can't negotiate for the fair value of the patented technology, the risk of having your product taken off the market entirely is just too high. A patent owner is entitled to be made whole for the infringements of their patent, but when their injury can be remedied solely by money damages, the impacts of the *eBay* decision, the entire history of the United States legal system and economic theory all tell us that an injunction is unneeded and inappropriate.

eBay accelerated innovation. We should not reverse that. Thank you for the opportunity to testify today, and I look forward to your questions.

[The prepared statement of Mr. Landau appears as a submission for the record.]

Chair COONS. Thank you, Mr. Landau. Professor Osenga.

STATEMENT OF KRISTEN JAKOBSEN OSENGA, PROFESSOR OF LAW, UNIVERSITY OF RICHMOND SCHOOL OF LAW, RICHMOND, VIRGINIA

Professor OSENGA. Chairman Coons, Ranking Member Tillis, and Members of the Subcommittee, thank you for this opportunity to speak with you today about why Congress should enact the RESTORE Patent Rights Act. This bill, by establishing a rebuttable presumption in favor of injunctive relief for patent infringement, would bring back a patent system based on reliable and effective patent rights that serves as a foundation for this country's innovation ecosystem.

For over 2 centuries, if a valid patent was found to be infringed, the patent owner could generally rely on the court granting a permanent injunction to prevent further infringement. And this stems from the Constitution's grant of power to Congress to secure exclusive rights to incentivize authors and inventors. A patent grants only exclusive rights, no positive rights, just the right to exclude others from using the patented technology. If a patent owner can-

not stop an infringer from using their patented technology, the patent loses its value.

Because of this, prior to 2006, courts would presumptively grant a permanent injunction in nearly all cases where patent infringement was found. This high grant rate was not just aligned with patents grant of an exclusive right, but also provided a level of certainty, important to both patent owners and infringers.

In 2006, the Supreme Court issued *eBay v. MercExchange* and dramatically altered the patent landscape. Under the test imposed by *eBay*, injunctive relief is no longer certain. Instead, some patent owners can be more certain they will not be granted an injunction, and will have to settle for an ongoing royalty set by a court while the infringer is permitted to continue using the patent owners innovative technology.

Studies after *eBay* show that permanent injunctions were granted much less frequently than before *eBay*, especially for patent licensing firms. There's some new research that shows that patent owners, regardless of business type, are not even asking for injunctive relief at the same rate as they did before *eBay*.

If you take into account these patent owners who don't even seek injunctive relief, the decrease in granted injunctions where infringement is found, is down 66 percent for operating companies and 91 percent for licensing firms. The shift from a presumption of injunctive relief to a patent system where injunctive relief is uncertain, has serious negative effects on the patent system.

First, the lack of injunctive relief has led to predatory infringement, where infringers who know they're unlikely to be enjoined, make a calculated decision to "infringe now and pay later". This forces the patent owner to litigate rather than negotiate, to obtain payment for use of their patented technology. A predatory infringer is basically a squatter living in a room of your house without your permission. This rewards the infringer in a number of ways.

First, they may never face litigation and they can use someone else's patented technology for free. Second, even if they face litigation and lose, they will have been using this technology for free for a number of years, basically getting an interest free loan during their period of infringement and infringement cases are expensive and take many, many years to conclude.

And third, there is empirical evidence, the court determined royalty rates are often lower than negotiated fees. So, after years of using the technology for free, infringers end up having to pay less than they would've if they had agreed to license the patent upfront. What is a win-win situation for the infringer, who is a bad actor, is a lose-lose situation for the patent owner, decreasing the value of their patents and depriving them of revenue that could be used to further innovate, or even expand their business.

Second, where injunctive relief is uncertain, licensing negotiations are distorted and push patent values lower. When an injunction is available, a patent owner can say, no, I will not license this to you at that price. To use the technology, the other party will need to pay the asking price or will need to design around or use a different technology. But when an injunction is unlikely to be granted, the other party has no need to negotiate in good faith or even at all. Some may choose to engage in predatory infringement,

but even those who choose not to infringe end up negotiating in a market in which patents are devalued as an asset class.

One recent study showed exclusive licenses, which are typically high value, have decreased post *eBay*, while non-exclusive licenses, which are typically lower valued have increased. The problems created by *eBay* can be fixed by enacting RESTORE, which in fact restores the patent system to the state it was prior to *eBay*. Injunctions would be generally granted, unless there were a compelling reason not to do so.

Certainty and injunction serve as a deterrent to predatory infringement and facilitates fair negotiations. With these qualities the patent system provides effective and reliable patent rights, which in turn drive the United States innovation ecosystem.

Thank you and I look forward to your questions.

[The prepared statement of Professor Osenga appears as a submission for the record.]

Chair COONS. Thank you, Professor. Professor Contreras.

STATEMENT OF JORGE L. CONTRERAS, JAMES T. JENSEN ENDOWED PROFESSOR FOR TRANSACTIONAL LAW; DIRECTOR, PROGRAM ON INTELLECTUAL PROPERTY AND TECHNOLOGY LAW, UNIVERSITY OF UTAH, S.J. QUINNEY COLLEGE OF LAW, SALT LAKE CITY, UTAH

Professor CONTRERAS [inaudible]. Chairman Coons, Ranking Member Tillis, and distinguished Members of the Committee, I'm a professor of law and have 33 years of experience practicing, teaching, and studying intellectual property law, including remedies in patents. In these opening remarks, I'd like to offer some perspectives on sometimes heated debate concerning injunctive relief in U.S. patent cases, particularly the Supreme Court's 2006 decision in *eBay v. MercExchange*.

First, every empirical study——

Chair COONS. Professor, is your microphone on?

Professor CONTRERAS. Oh, sorry. Oh, now it says "Talk." Sorry about that. I'll just continue, that was intro.

Every empirical study to date shows that even after the *eBay* decision, permanent injunctions are still issued and roughly 75 percent of patent infringement cases, thus legislative measures responding to complaints that patent injunctions are lost or off the table are hardly necessary.

Second, concerns that courts are allowing hordes of patent infringers to continue to violate patents with impunity are grossly exaggerated. My own work shows that during the 15-year period from 2006 to 2021, courts have authorized continued infringement in exchange for an ongoing royalty after denying a permanent injunction only 32 times, that's just twice per year across thousands of patent infringement lawsuits in this country, hardly an avalanche of infringement that will derail the innovation economy.

Third, there are already strong legal mechanisms in place to deter what has been called holdout and predatory infringement. These include recovery of litigation costs and enhanced damages under the Patent Act in which a judge can penalize an infringer up to three times the awarded damages for willful infringement.

Following the Supreme Court's 2016 decision in *Halo v. Pulse*, it has become even easier to get enhanced damages. And a recent study shows between 2016 and 2020, willfulness was found in approximately 65 percent of patent infringement cases. The very real likelihood of such damages multipliers is a significant deterrent to patent infringement even without the threat of an injunction that does not meet the *eBay* standards.

By the same token, there is no evidence that *eBay* has depressed patent damages awards. If you exclude default judgments, median patent damage awards significantly increased in the years after *eBay*. So, let me turn briefly to the proposed RESTORE Patent Rights Act. The Act claims that it is intended to help undercapitalized entities, individuals, and institutions of higher education, which are entirely worthy goals, but these entities are not likely to be the principal beneficiaries of the Act.

The entities that will most benefit are for-profit patent assertion entities, or PAEs, whose main source of revenue is suing larger companies for patent infringement and many of which are based offshore. As reported by Bloomberg in 2022, all 10 of the top 10 filers of patent litigation in the United States were PAEs. The top filer was single-handedly responsible for suing 179 separate defendants.

In contrast to targets of PAE litigation are typically large domestic companies that employ millions of American workers, and create the product and services that fuel the American economy. For example, in 2022, the top defendants in patent infringement suits included Walmart, AT&T, Amazon, Apple, Microsoft, Google, Cisco, and Verizon.

The Act's creation of a presumption of irreparable harm would make it significantly easier for PAEs to obtain injunctive relief and use that leverage to extract higher payments from American companies at the cost of consumers.

It has also been argued that firms that don't readily enter into patent licensing agreements with PAEs are acting in a predatory or unethical manner. Some have gone so far as to decry this refusal as contrary to the rule of law. Yet far from being unethical, it's entirely reasonable for a firm to resist a PAE licensing demand that involves patents of questionable validity, where as is often the case, patents are not even mapped to the allegedly infringing products.

Finally, critics claim that the *eBay* framework has made the U.S. an outlier in terms of international patent enforcement, especially compared to jurisdictions like Germany that have a reputation for issuing injunctions automatically when a patent is infringed.

But if this were ever the case, things have changed. In recent years, other countries, including Germany, have implemented their own rules regarding the need for proportionality when considering patent injunctions. As a result, the *eBay* framework has placed America in a position of global leadership in the reform of patent remedies.

So, in conclusion, I believe that courts should be permitted to continue to judiciously apply the *eBay* four-factor analysis when continuing the issuance or considering the issuance of permanent injunctive relief in patent cases. This analytical framework has served American businesses and the economy well over nearly 2

decades and has done so in an effective, clear, and exemplary manner. Seeding these benefits to patent searchers, many of which are foreign corporations and PAEs, would cause more harm than good to the American economy.

Thank you.

[The prepared statement of Professor Contreras appears as a submission for the record.]

Chair COONS. And thank you-all. I look forward to our questions and your answers. I'm going to start by just exploring the use and efficiency of injunctions, so I better understand your testimony, in a second round of questions I'll get to the legislation itself and its likely impact.

Mr. Babcock, we just heard two witnesses really predominantly focus on patent assertion by entities outside the United States, predominantly extractive, not contributing anything to American innovation and manufacturing and they are the principal target of the concerns expressed by two of the witnesses. Do you make anything?

Mr. BABCOCK. Yes, we design, we invest a lot in R&D. And we design wireless power, and data circuits, and components that are then built into products for our customers. So, one thing that's unique about us is that we work in an arm's-length relationship with the engineering organizations, with our customers, which is usually distinct from what they're calling PAEs, which are just patent holders that usually are buying the patents from companies that have been put out of business because they couldn't get arm's length deals done.

Chair COONS. So, could you tell us a little bit more about how you discover your IP was stolen and what were the legal remedies available to you? Because as you described it, a Korean entity stole a critical piece of IP and was literally able to generate, I think you said, billions in value, before you were able to find any meaningful relief.

Mr. BABCOCK. Yes. thanks for asking too, because the timeline is one of the most egregious elements here. So, we didn't really even discover the infringement until a few years after it started where the technology was put into phones. So, it'd already been put into a couple hundred million phones at that point.

Then by the time we filed a lawsuit, worked through some of those issues and ultimately decided to settle with them, it was about 7 years after the initial infringement. By that time, their suppliers were enabled with the technology, and they had proliferated it not only to the company that we sued, but also to others in the cell phone industry. The cat was out of the bag and we couldn't put it back in.

Chair COONS. What difference would it have made if you'd had a presumption of injunctive relief in your toolkit as you proceeded?

Mr. BABCOCK. I believe that it would've made the companies more seriously consider who the suppliers of technology were and whether they had a license or the legal ability to provide that technology. It was basically a free for all on the technology, and those companies got to benefit, but it didn't return the benefit to us, the inventors.

Chair COONS. And you talked a little bit about as did Professor Osenga, efficient infringement, what's the order of magnitude dif-

ference between your company and the Korean company you're describing that ultimately then took advantage of your technology?

Mr. BABCOCK. Multiple orders. These companies have trillion-dollar market caps right now. And despite the increase in investments in venture capital over the past 10 years, I think if you look at increases in valuations of hard tech companies, you're not going to see a significant uptick in investment or in valuation. So, we're talking, you know, three, four, five orders of magnitude differences.

Chair COONS. Professor Osenga, you used the term predatory infringement. Why I think an Apple executive was cited is talking about efficient infringement or the obligation to shareholders to engage in infringement. What do you mean by predatory infringement? What do you mean by that term?

Professor OSENGA. Thank you for the question and I think it's important because efficient infringement makes it sound like it's good. We like efficiency, efficiency is a positive thing. I think by continuing to name intentional purposeful theft of other person's intellectual property as efficient, we're sort of blessing it.

So, I'd like to change the narrative to predatory infringement, because what we often see is a larger company that is better resourced, able to use the intellectual property of a smaller company who has less resources, may not be able to find the infringement, may not be able to sustain litigation to stop the infringement. That seems rather more predatory than efficient.

Chair COONS. You use the example of someone being a squatter in your home. I think that's accessible to people, the idea that your home is your property and someone manages to get into a room of your house and just live there until you're able to physically evict them, which would be the equivalent of injunctive relief, rather than paying you the rent that they decide they'd like to years later which would be a predatory infringement.

Why do you think that intellectual property rights aren't treated or viewed the same as physical property rights?

Professor OSENGA. Thank you. Yes, so I think, I believe, particularly with homes, if there's a level of personhood, and so we're much more attached to our homes. Maybe you'd be less concerned if they lived, I don't know, in the corner of your yard. But for some inventors, especially small inventors, small companies, oftentimes those also represent personhood as well as livelihood. So, I do think it's a lot more like homes. I think we should think about it as squatters within homes. I think it's a mistake to not think about intellectual property in the same way that we think about real property.

Chair COONS. Let me just across the four of you. Does everyone agree that injunctive relief is being sought and granted substantially less frequently post *eBay*? Mr. Landau asserted that that really only primarily applies to PAEs.

Mr. LANDAU. That primarily applies to PAEs. I believe the study you're referring to when you said a 66 percent decrease in effective rate is by Kristina Acri. I read that study; I noted several problems with it. For one, in 2016, she reports requests for permanent injunctions in 12 cases, grants in 11 cases. I independently reviewed 2016 just at random, and located 22 cases filed that resulted in not

just a request, but a grant of that injunction. So, I don't know how trustworthy those numbers are.

The other problem with it is that her denominator is total patent cases when she looks at request rate, and changes under the AIA in the joinder rules made it so that NPEs filed significantly more lawsuits than they used to. Not that they were targeting more defendants necessarily, but because they couldn't target 10 defendants in one lawsuit. There's a larger number of cases overall.

Operating companies didn't experience that same shift, as a result using the operating company request rate, but putting the total number of cases at the bottom distorts what the actual result is. If you rerun it, there is a reduction, but it is much less significant than that reported.

Chair COONS. Mr. Babcock, you were making an expression.

Mr. BABCOCK. Yes, my experience is different. I'm not an academic or a lobbyist, I just run businesses and invest in them. And my experience working with lawyers in this case is they say we're not even going to request injunctive relief in cases anymore because we can't get it. It's just not given after the *eBay* decision. And they just want to focus on what they think can be achieved, which is financial remedies.

Chair COONS. Professor Osenga then Professor Contreras about whether or not injunctive relief is still sought and available to actual manufacturing companies.

Professor OSENGA. I disagree with Mr. Landau's assertion that Professor Acri's work is suspect. I think she found a very clever way to look at the change in the system after *eBay*. A lot of what the numbers are often based on is how many of the requested injunctions are granted, and it really doesn't take into account how many cases in which the requests aren't even made as Mr. Babcock said. So, I think Professor Acri's study is fair and I do believe that the number has gone down substantially, both for operating and for licensing firms.

Chair COONS. Professor Contreras, you get the last question of this round.

Professor CONTRERAS. Yes, thanks very much. I mean, I also have some concerns about the study that was cited for many of the same reasons as Mr. Landau and a couple of others. But rather than go into that I mean, I would say two things and first, if the number of requests for injunctions has gone down, and I would be willing to concede that it probably has, that is probably a good thing, because it probably weeds out meritless cases for injunctive relief. And I think that that saves judicial resources and makes litigation less expensive for everyone.

So, if we can weed out meritless cases in that way, I think that is a positive. That being said, I would disagree with Mr. Babcock's characterization of what practicing lawyers are doing and saying out in the field. I work with lots of lawyers and am involved in many cases involving operating companies and PAEs and patents, and I have yet to see lawyers in major cases who give up any possible motion that they can file any remedy that they can seek. And generally, injunctions are very much on the table, very much a threat even under *eBay* and still shape the settlement negotiations in these cases.

Chair COONS. Thank you for your testimony, Senator Tillis.

Senator TILLIS. Thanks again everyone being here. Mr. Landau, I think you mentioned in your opening testimony that a plurality of the cases out there now are from patent assertion entities or patent trolls.

Mr. LANDAU. That's correct. And in some months, it's the majority.

Senator TILLIS. Where are the rest?

Mr. LANDAU. The rest are primarily operating companies. And then to a much lower extent, you have university cases, some inventor started company cases, others that are sometimes called NPEs, but are not part of that sort of PAE situation.

Senator TILLIS. What do you say to Mr.—Well, first off, I actually believe that there are patent assertion entities and there are patent trolls. And one of the things we need to do is figure out how to distinguish between the two so that we can try and downward trend. I don't think any of you would say, look, an inventor who has a legitimate case should be able to get compensated properly, and at the same time, we shouldn't disrupt that innovation being enjoyed and brought to market.

It's a very difficult thing and I've heard arguments from either side, but I think that it's also important to mention that we're not all patent assertion entities are bad people sometimes, to Mr. Babcock's point, they simply there are entities out there that didn't invent, but they own the patent, they just simply are an entity that may have the scale to win if they pursue a patent infringement. I think we need to be realistic about that.

So, my team will spend a little bit more time really getting down into the details so that I better understand the good actors, the bad actors, and some of the actors that are in the middle. Mr. Babcock, you were the only one who took a few notes when Mr. Landau was doing an opening statement. Are there any things that you want to get off your chest before I go to the academic end of the dais?

Mr. BABCOCK. Yes, one thing that really stood out to me, again, just from practice as a business person, I'm hearing a lot of concern about the PAEs, but I think a lot of the burden shifting that's happened over the past decade or so, where the time, money and power is now on the side of the infringers, and it takes a lot of money and time for these patent holders to assert.

What that's led to is a lot of challenges for those companies that might put them out of business or put them in jeopardy of getting more funding. And so these PAEs are almost a creation of Big Tech by putting companies out of business and the patents then end up getting aggregated into more financial entities that assert them professionally at the scale you're talking about. So, I don't think that gets brought up a lot in the discourse.

It's like there's some belief that there's some like natural order that there's some PAE, some NPE, some operating companies, some professors that invent. I think these are related, and I actually think that some of the evils in the system are created by the burden shifting that has happened.

Senator TILLIS. Okay. And now for the professorial side of the dais here. I'm kind of curious, tell me about if RESTORE Patent

Rights Act were to pass, what elements of the *eBay* decision would still, if any, be applicable?

Professor CONTRERAS. I know the way I understand the act and, I do congratulate you on writing a one-sentence statute that's very good. I mean, so this would presumably affect only factors one and two of the *eBay* test, right? Whether there's irreparable harm can be shown and whether monetary damages would be sufficient to compensate the infringer. The third and fourth elements of the *eBay* test, which are balancing of the equities between the parties and the public interest, my understanding is that those aren't affected by the act. They're certainly not mentioned in the act and so I assume that those would continue in effect.

Professor OSENGA. Thank you. I believe the way I understand it, it's the rebuttable presumption of injunctive relief would bring us back to pre-*eBay* times that wasn't the Wild West. During pre-*eBay* times, what was happening was actually injunctions were granted on the basis of equity.

And so, if there was a reason, perhaps in the public interest or otherwise, for an injunction not to issue, it wouldn't. And that's that rebuttable part of the presumption of injunction. So, I think it doesn't mess with the *eBay* factors at all. It just returns us to a time prior to *eBay* when injunctions were generally granted.

Senator TILLIS. And Mr. Landau, I had a question for you on that. I think pre-*eBay* decision injunction rates were pretty high. What are they today?

Mr. LANDAU. So, pre-*eBay*, the injunction rate, it varies depending on exactly which study you look at, but the overall injunction rate was about 95 percent for operating companies. Now, after *eBay*, it's about, again, looking at different numbers, you get slightly different numbers, but about 2 percent lower for NPEs, for patent assertion entities, it is significantly lower than that. Typically, I've seen numbers in the twenties.

Senator TILLIS. I see Mr. Babcock agreeing with that.

Mr. BABCOCK. I would say disagreeing, I'm just surprised at the only 2 percent difference, but.

Senator TILLIS. Seems odd we'll dig into it. Okay. Make sure we're looking at the same numbers. It seemed odd to me, but I'm not an attorney, so I do ask questions. I don't know the answer, to my staff may, but I was just more curious.

Look to the point. I just I wanted to touch on a point because I think it was something said by an Apple executive about, they're performing their fiduciary responsibility. I don't disagree with that, to be honest with you. They need to press the system to the maximum extent possible.

So, I say that to say, that I'm not demonizing one end of the spectrum that I generally enjoy a good relationship with because I'm a product of it. I came from Big Tech. But I still think we have a problem to solve here. And I know that with a one-sentence bill, it's kind of hard to come up with an alternative. But I do believe that I would like for cooler heads to prevail and try to figure out a way that we're getting to the root cause. And this is fundamental fairness for inventors here who want to build things, where it seems to me the status quo puts some of them at a disadvantage and more importantly, the invention that we never get to enjoy.

I don't know what impact that is, but that's what happens when innovation gets stifled and people think that they just can't, as a small inventor breakthrough. So, let's figure out how we continue the dialog and get to a fair and just outcome. Thank you.

Chair COONS. Thank you, Senator Tillis, Senator Hirono.

Senator HIRONO. Thank you, Mr. Chairman. I thank both of you for having this hearing and for the panel. I do want to start by saying that this Subcommittee does work that tends to be bipartisan, so that's more than refreshing. It enables us to get things done.

And on the topic of injunctions, I am a strong supporter of patent rights, especially the patent rights of small inventors, because I'm also told that a lot of our competitiveness comes from the work of small inventors, and I am all for, and enabling them, to effectively protect their inventions.

I co-sponsored the Stronger Patents Act in previous years, and am inclined to support this legislation as well. And I think back to these many years ago, and I took property law and my professor described property law as being a bundle of rights. And the most important of these rights is the right to exclude, and we won't even get into the rule of perpetuity and all that.

So, property, the right to exclude and that is what we're talking about with, I would say, injunctive relief. So, it seems to me that I don't see how a decision like *eBay* could not have some sort of an impact on business dealings, because often the remedies that are available really turn on who bears the burden of going forward.

So, under *eBay*, the burden lies with the inventor who's already been deemed that his or her invention has been infringed upon. And now the inventor bears a burden of showing that an injunctive relief should ensue. So, that is a pretty tough burden to bear. So, I don't understand how it is that the *eBay* decision could not have the effect of making it a lot harder for inventors to protect their patents, if it's much harder to get injective relief.

And I do recognize that Professor Cont, I'm sorry, um is it, [points at witness] yes, Contreras. So you cited too, I think you cited too, that we don't really have a problem here, but I can't see how we don't, so I think I'd like to ask Mr. Babcock, the non-lawyer in the group. Right, Okay.

So, over the past decades, as far as I'm concerned, we've seen a number of efforts to weaken patent rights. I, I think that's been the impact of some of these laws that we've enacted. And I would cite the Supreme Court's *eBay* decision among those, America Invents Act and one of the few people that voted against that Act, because I thought it had a negative effect, especially on small inventors to the growing number of things that are not patent eligible.

So, for Mr. Babcock, what has the weakening of patent rights meant to innovative companies like yours and the startups that you support?

Mr. BABCOCK. Yes, thank you for the question. And I want to go back to something Mr. Tillis said and add to it. The inventions that we don't see are the most important ones that we're missing, and it's really hard to quantify those. But where I think you see it showing up is in the lack of venture capital that goes into those businesses, because venture capitalists and angel investors cannot rely on patents as strong property.

If venture capitalists were able to rely on intellectual property, they would be able to invest in the most promising people and the most promising technologies, because they could do the scientific diligence to understand if this is meaningful.

But the problem is today, you can invest in great, meaningful, exciting technology, but you don't know as a business person if you'll ever have the ability to monetize it. So, I think it's not showing up as big of a problem as it actually is because It's really hard to measure what's missing.

Senator HIRONO. I tend to agree with you. So, what would passing this measure mean, both financially and symbolically? If you want to think of it that way to innovators.

Mr. BABCOCK. Yes, I think it's one step in the right direction. I think the pendulum has swung dramatically over the past 20 years. You mentioned the legislation, you've mentioned some court cases, and there's also administrative changes that have happened.

This would be a step back in the right to direction, get the pendulum swinging back toward a more moderate middle system, and there's more that needs to be taken care of. I think the PTAB is particularly problematic, but this would be a very good starting point because it shifts the burden back to the defendants. They can still avoid injunctive outcome. But they have to be the ones that prove it. And I think that's a fair way to put it.

Senator HIRONO. I agree with you because I don't see why the infringer should not have the burden of going forward regarding whether an injunction should ensue. Thank you, Mr. Chairman.

Chair COONS. Thank you, Senator Hirono. Mr. Babcock said that time, money, and power have shifted to, and I may mischaracterize, "Big Tech Infringers." Mr. Landau most of the largest technology companies, household names Apple, Meta are members of your association. I'd be interested in your perspective on the impact of the RESTORE Patent Rights Act on members of your organization. And are there any revisions to this bill that, in your view, could make it better?

Mr. LANDAU. Yes, so I think I'll start at the end of your question with the revisions point. At the end of my testimony, I actually do propose a revision that I think would really address a lot of the concerns you're hearing from myself, from Professor Contreras, while also strengthening that providing a presumption of injunctive relief, and that would be to attach it to some form of working requirement.

To say, you get the presumption if you are making a product, or if you're working with an exclusive licensee to make a product. If you're working with a startup to make a product. If you're doing something with your patents, you get the presumption, otherwise you have the *eBay* test as we have it today. You can still receive an injunction. It might just be a little harder to receive.

Chair COONS. Thank you. Mr. Babcock, you talked both about your company and also about mHub, an incubator that supports a lot of small startups. And part of your assertion, let me make sure I understand it correctly, is that the cost and the uncertainty and the length of litigation, were key barriers to pursuing injunctive relief. How important is making sure that this system is balanced

and that injunctive relief is available to small startups of the type that mHub supports?

Mr. BABCOCK. It's critical because it gives some balance to those smaller companies that are, let's just face it, when you're a small company, it's unlikely you're going to be successful. And so stacking more chips against those companies makes it less likely that they will raise the money they need to bring their innovations to market. So, giving them a small arrow in the quiver of competitiveness would be essential.

Chair COONS. Well, you could give them a bigger arrow in the quiver.

Mr. BABCOCK. Yes, please.

Chair COONS. Professor Osenga, some have argued that the RESTORE Patent Rights Act doesn't go far enough because it establishes only a rebuttable presumption rather than finding a mandate that upon a finding of infringement, there must be injunctive relief. What do you think of the balance that the current statute or the proposed bill, what do you think of the balance that it strikes? Does it go too far? Does it go far enough? And would you suggest any additional changes?

Professor OSENGA. Thank you. I believe that the one-sentence bill is perfect.

[Laughter.]

Chair COONS. I should record this moment. Yes. Something that I have is perfect.

Professor OSENGA. So, for these reasons. First of all, the rebuttable presumption brings us back to the 200 years of history with the injunction of relief being an equitable remedy. There are certain times when it doesn't and shouldn't apply, so a mandatory injunction would be not in line with equity, not in line with historical practices.

Going forward with the *eBay* tests as it is, as Mr. Babcock says, puts a lot of burden on the patentee to show that they deserve injunctive relief, which is an extra layer that shouldn't have to be once they've already been able to prove that their patent has been infringed upon.

Mr. Landau's proposal, also adds a lot of burden to the patentee. They're going to have to show that they're the good guy, that they're doing the right things. And so that doesn't alleviate some of the concerns that Mr. Babcock raises.

But also, I want to point out that even in the *eBay* decision, in the majority opinion, they cite to the paper bag case to say, basically starting in 1908, right? That injunctive relief doesn't require a working or operating company in order to receive it. And so, for all of those reasons, I think that the bill as proposed hits exactly all the right notes.

Chair COONS. Professor Contreras and Professor Osenga, I'll let you kick this around. Some commentators have argued that the result was actually not mandated by the *eBay* decision, that it was an outgrowth of Justice Kennedy's concurrence, that his concurrence which is not the holding of the case, which really focused on business method patents and on patent trolls, drove this outcome, the application of *eBay*. Do you think that's correct or incorrect? Professor Contreras?

Professor CONTRERAS. I would say that's not correct. Courts, when they are reviewing a request for injunctive relief, they look at the majority opinion, they cite the majority opinion, and that that is the law. I think district courts understand very well what a concurring opinion is from the Supreme Court, and they understand that that is not Presidential and not binding.

My research assistants and I reviewed every single case in which an injunction was not granted and an ongoing infringement was allowed, and they were not citing a concurring opinion except you know, possibly just by way of greater explanation. Certainly, the holding of the majority is what was being cited.

Chair COONS. Professor Osenga, would you disagree or agree with that characterization of the impact of Kennedy's concurrence literally no impact?

Professor OSENGA. I disagree with Professor Contreras. Whether the courts are citing it or not, if you look to who isn't receiving injunctive relief, it falls into the categories that the Kennedy concurrence lays out. It's the operating, the licensing firms, its business methods, and then it also sometimes gets into the multiple patents covered in a single component. That's essentially when we get into standard essential patents. And so, those are the times when we don't see injunctions granted. So, whether they're citing it or not, I think it may as a big impact.

Senator COONS. Thank you all for your testimony. Senator Tillis.

Senator TILLIS. Mr. Landau's suggestion to a non-attorney who doesn't necessarily take a position that the one-sentence bill is perfect. I've just tried to figure out, Ms. Osenga, you said something to the effect it adds an extra burden to identify the good guys, but that was my point about patent assertion versus patent trolling.

Why isn't there some way to, and Mr. Babcock, if you want to opine, I'm just assuming the attorneys are going to gimme an answer that my attorneys will have to explain. But why isn't there something there to that concept at the end of the day, that's really what we're trying to do is just make the good guys not have a burden that could cause an invention never to occur.

So, what am I missing in terms of trying to find a way that does that, that doesn't increase the burden? It kind of gets to the point that Mr. Landau made. And Mr. Landau, or Mr. Contreras, or Mr. Babcock, or professor Osenga, any of you can answer, but why aren't we trying to get to that? I mean, this isn't just so cut and dried, Mr. Chair, that we have to pick a winner and loser here. Or is there any thought process to bridge in the middle ground?

Mr. LANDAU. Well, since no one else seems to want to jump in. I will say that it would create a different burden, but I don't think it creates an additional burden to show a working report.

Senator TILLIS. Well, the reason I was asking is, Mr. Babcock talked about if we created more of a sense that people were going to be able to assert their intellectual property rights, then we would have more people investing earlier. And would that create an environment where the people who are incented to invest earlier would then be able to invest in defending the intellectual property if it got that point in the life cycle? Does that make any sense to y'all? Because I'm kind of a project guy, I'm trying to understand what I'm talking?

I thought what I heard you say, Mr. Babcock, is that one of the reasons why angel investors and private equity are hesitant now is because they don't necessarily—they're not willing to invest in the science and technology to see if it's a deal worth investing in, because they're not really sure if the intellectual property rights would be preserved if they did. But isn't it fair to say that those folks would also, if they saw a promising invention or a promising idea, that they would likely have the resources to prove that they're good actors or working with a good actor? I'm just trying to figure out what I'm missing here.

Mr. BABCOCK. I think a lot of it comes back to that burden at every step of the way. So, if you think about the process here, so you go through the invention, so you invent something meaningful, then maybe you had a little seed funding for that, or maybe you did that out of your own pocket, or from friends and family, then you want to file patents, and then you pay tens of thousands of dollars to law firms and you go through USPTO Office to prosecute those patents, to earn the patent.

Usually, I think historically, once you earn patents, then you can fundraise significantly more money on top of those because it meant something. Today, I don't think it means that much. I think that once you have those patents or that first patent, or that second or third, it's a little bit of credibility building, but it doesn't really change the financial picture much, to get that next stage of real funding to now bring it to market and to do something with it. So, as an inventor or as an entrepreneur, you're required to find other ways of competing.

Senator TILLIS. Okay. So, Professor Osenga does that, mean that—like again, I thank you all in advance for coming here with your opinions, but does that mean that that Mr. Landau's decision is sort of a poisoned pill? It doesn't really do anything, or his suggestion? I'm just trying to understand it. And I'll give you a chance too, Mr. Landau, take notes.

[Laughter.]

Professor OSENGA. Thank you. I do think that Mr. Landau's proposal leaves us in the same *eBay* space. It's just changing the words of the test.

Senator TILLIS. Same result, different approach, result.

Professor OSENGA. Correct.

Senator TILLIS. Mr. Contreras, and then I'll let Mr. Landau finish up my time.

Professor CONTRERAS. Yes. Thank you, Senator. I mean, I have to say in my view that the *eBay* framework itself, is this the middle ground? It is, it offers the balance that we need.

Senator TILLIS. So, you're in the "ain't broke category".

Professor CONTRERAS. Excuse me.

Senator TILLIS. So, you're in the "ain't broke not broke category".

Professor CONTRERAS. In this case, I believe I am, yes because and its industry dependent. One thing we haven't really talked about is this is industry dependent. In some industries, pharmaceuticals, for example, you get injunctions all the time, almost every time.

It's in industries where patent claims are harder to parse, they're more vague, and where they can be asserted against very broad

swaths like *Cedar Lane* and its campaigns against hundreds of companies in the tech space, just because they do something involving a computer that they're going to get one of these claims. That's where the failure to be able to show irreparable harm, inability to get compensated by money damages, where those factors really make a difference, and I think they work.

Senator TILLIS. And Mr. Landau?

Mr. LANDAU. So, I hear a lot about the sort of excessive burden, but before I was doing this, I was a litigator. I was a patent litigator. And a big portion of any case is proving your damages. And I don't think there are any inventors out there who would just abandon their damages case. You're always going to want damages for past infringement, even if you do want an injunction for future infringement. So, you are always going to have this component of your case where you prove what harm you suffered, and that's normal. We don't award remedies that have no evidence behind them, nor should we.

So, I don't think it is an excessive burden. I think it changes the burden a little bit. And I deeply respect Professor Contreras, but I think I disagree with him that this doesn't change anything from *eBay*. Presumptions matter, I can say innocent until proven guilty. I can say guilty until proven innocent. Those are very different things. So, putting a presumption of irreparable harm is meaningful, it means that you have that presumption. The other party has to push back and prove that you didn't experience an irreparable harm. So, I think it is a meaningful difference.

Senator TILLIS. Thank you all. Thank you all for being here. We'll continue the dialog. Mr. Chair, you don't intend to get a markup and get this bill passed before the end of your tenure, right?

Chair COONS. Yes. Tomorrow.

Senator TILLIS. Okay. So, you know, outside of the Hail Mary here, this is a dialog to be continued and hopefully we can continue it early next year. Thank you.

Chair COONS. Senator Hirono.

Senator HIRONO. Thank you. I'd like to make sure that I have clarification on this. So, this is for Professor Osenga. Didn't *eBay* shift the burden of going forward to the patent holder in terms of getting an injunction?

Professor OSENGA. Yes. Thank you.

Senator HIRONO. So, one of the things that Mr. Babcock mentioned, and this is in line with Senator Tillis's line of questioning. It has to do with the importance of the availability of venture capital for startups, and of course, that would include small inventors in particular.

Mr. Babcock, you mentioned, you said that venture capitalists are not going to be inclined to invest in inventions that cannot be protected as a property right. So, are there VC people that you talk with who can tell us that this is in fact a limiting factor for their wanting to provide venture capital money?

Mr. BABCOCK. Yes. And in my experience, probably 9 out of 10 venture capitalists you reach out to for fundraising purposes, once they understand that it's a hard tech, patent-based business, they

just say, that's not in our expertise. We don't invest in those businesses.

Senator HIRONO. And do you think that if this bill were to pass to create more protection for certainty that they may have a different view of investing in these kinds of startups, including small inventors?

Mr. BABCOCK. I think it's a starting point. I don't think it does enough, but I think it starts swinging the pendulum back toward fairness in the middle ground.

Senator HIRONO. I think the availability of VC capital, it's very, very important. So, that's an added factor that where I do think that we need to support a bill like this. Thank you.

Chair COONS. Given that a close friend of mine is about to give his farewell speech on the floor of the Senate, I'm going to defer to Senator Tillis to close this hearing out. And I look forward to hearing about Senator Blackburn's questioning. Thank you.

Senator BLACKBURN. Thank you, Mr. Chairman. And I want to thank you-all for being here and doing this hearing. One of the things that has concerned me and intellectual property and its protections or something we hear a lot about in Tennessee, whether it is our auto engineers or it's our singers, our songwriters, our authors, our publishers, they're concerned about AI. They're concerned about losing IP protections. So, I appreciate this.

And many times, China comes up and one of the things we've paid attention to, if you go back and you look at 2021, China really moved ahead when it came to patent filings. And in 2021, they did 1.59 million patent filings, and that was more than double what we had in the U.S. And that acceleration rate is something that was of tremendous concern to me, because we know China is repeatedly trying to take our R&D and take our IP.

And Mr. Babcock, you talked about this in your testimony, and I'll quote you. You said "to donate our R&D and American IP to aggressive foreign competitors" was a statement you made. Why don't you elaborate on that one for me?

Mr. BABCOCK. Yes. we were trying to work in good faith with a Korean OEM, for putting wireless power into their cell phones. Once they realized the ingenuity of the invention, they worked with their suppliers in China and Taiwan to figure out a way to reverse engineer it and build it. And it ended up proliferating into over a billion cell phones since then. And as I mentioned earlier, it just let the cat out of the bag, and you can't put it back in. We have gotten financial damages.

Senator BLACKBURN. So, then talk about how the RESTORE Act would help with that type of situation.

Mr. BABCOCK. Yes. So, the RESTORE Act can actually stop it from proliferating because it will actually enjoin those companies from being able to ship products if it has the infringing technology in it versus the paradigm we're in today. They might just have to pay some amount of money at a future date, and they might not have to if we don't come up with the money to go around and sue the entire cell phone industry, which is a very expensive proposition, risky, and distracting when we want to spend our time inventing new technologies, not litigating the past.

Senator BLACKBURN. Yes, I can appreciate that. Well, we have watched very closely as how China has significantly increased their R&D efforts, and they lead the world in 57 critical and emerging technologies.

Now, in the early 2000's, we were the leader in those critical and emergency technologies. And right now, we lead in just seven of those. And this is of tremendous concern to me, it's why Senator Welch and I did the leadership in Critical and Emerging Technologies Act, which would require the PTO to put in place a pilot program that would expedite the examination of 10,000 patents and microelectronics, artificial intelligence, quantum information. And Mr. Landau, let me ask you, why would, in your opinion, why would the patent system be a great place to do this, to do this expediting and pushing this innovation?

Mr. LANDAU. So, I think that the patent system is of course, the appropriate place to place that sort of process. The patent system exists to promote the progress of science and the useful arts. That's why we have a patent system. It's actually one of the unique things about the U.S. patent system. Ours is the only, or one of the only that puts that progress as the reason rather than some other rationale.

So, I think it makes sense that if we think these are important technologies, and they are, my members are heavily involved in many of them, we do want to have that sort of accelerated process through the patent office. We do want to have an accelerated examination process. I think that makes perfect sense.

Senator BLACKBURN. Well, we think that this will help push us back into that leadership position on this so that it is something that is encouraging our innovators. We don't want them leaving the country. We want to keep this innovation here. We don't want to have that IP stolen from them. We don't want predatory infringement. And Professor, I know you talked about that a little bit earlier, and protecting these innovators and their constitutional right to benefit from their innovations is something that should be a priority of this Committee. Thank you, Mr. Chairman, I yield back.

Senator TILLIS. Well, thank you-all for being here. Senator Blackburn, before you leave, I'd like to seek unanimous consent to have Chairman Coons' closing remarks submitted to the record.

Senator BLACKBURN. Without Objection.

[The information appears as a submission for the record.]

Senator TILLIS. I do on behalf of Senator Coons want to thank you-all for being here. I do agree with him. I think injunctive relief is no longer near the certainty it used to be. I'm just in a category of trying to figure out how we can produce certainty and not have unintended consequences, which I think is part of the concern with the opposition.

About the only thing I will read in his speech is he wants to especially thank me and my staff for being great partners at the hearing. I don't want to miss that one. But no, thank you all for being here. The thing I like about this Committee, and frankly, one of the only reasons why I continue to be on Judiciary is we try to present ourselves in a professional, respectful manner. Really just trying to get to a fair outcome.

I don't think either one of you want to prevent fewer Mr. Babcock's, and all of you want innovation. It's about trying to figure out how we can tune the dial to get the best of both. And if we engage in a constructive way, we'll come out with an outcome that maybe not everyone likes, but if I'm convinced it's going to move the ball down the field, then I'm going to support it. And I appreciate Senator Cotton and Senator Coons for pressing on this issue. So, thank you-all for your testimony.

And I should say that the record will be held open, any kind of questions will be due a week from today. But given the holidays, we're going to extend the deadline to 5 p.m. Friday, January 3, so that if anyone has questions, wants to submit other information to the record, you can by January 3. Thank you-all. Have a great holiday. Meeting adjourned.

[Whereupon, at 3:32 p.m., the hearing was adjourned.]

Closing the Hearing

- Thank you to our witnesses for appearing before the Committee today—we appreciate your perspectives on the important issues we examined and the time you spent preparing and traveling to be with us today.

- As we discussed today, the Supreme Court's *eBay* decision reshaped the patent litigation landscape.

    - The availability of injunctive relief is no longer the near certainty it used to be, as courts increasing conclude that money damages are sufficient remedies for patent infringement.

    - This has far-reaching implications—from the rise of predatory infringement to the decline in exclusive licensing deals—and the system doesn't always seem to be working for the small inventors at the heart of the American innovation economy.

- I appreciate the feedback on my *RESTORE Patent Rights Act* and I look forward to building increased support for the legislation in the new Congress.

- To the subcommittee members who were able to attend and offer thoughtful questioning—thank you for your time and your participation. And a special thanks to Ranking Member Tillis and his staff for being great partners in this hearing.

- This is the final hearing for the IP subcommittee for this Congress. I look forward to continuing the work that Senator Tillis and I have done into the 119th Congress.

- Members may submit questions for the record for the witnesses.
    - Those questions would usually be due a week from today, but given the holidays, we'll extend that deadline to 5PM on Friday, January 3.
- With that, today's hearing is adjourned.

Statement of

Jacob Babcock

CEO

NuCurrent

Before the

Subcommittee on Intellectual Property

Committee on the Judiciary

United States Senate

Hearing on

The Realizing Engineering, Science, and Technology Opportunities by Restoring Exclusive Patent Rights (RESTORE) Act of 2024"

December 18, 2024

Chairman Coons, Ranking Member Tillis, and members of the Subcommittee, thank you for inviting me to testify today. My name is Jacob Babcock, and I am the CEO of NuCurrent, a Chicago-based technology company specializing in wireless power and data transfer solutions. I also serve on the Board of mHUB, a leading Chicago-based innovation incubator that supports entrepreneurs and SMB manufacturers who create physical products to solve real-world challenges. Since launching in 2017, the mHUB community has generated more than $920M in revenue, launched more than 1,000 products, created over 2,600 jobs, and raised over $1.7B in capital.

IP is the lifeblood of my company and the innovators I support at mHUB and through my venture investments. It is the tool that allows for risk taking, big bets and breakthrough tech.

America's innovation story reflects bold ideas, risk-takers, and the belief that hard work and ingenuity can change the world. Our intellectual property system has long served as the cornerstone of that success, ensuring that innovators could take risks knowing their ideas would be protected. Today, however, our IP system is rotting. It suffers from imbalances that reward exploitation and infringement over invention and entrepreneurship, stifling the creativity that has

powered our economy and global leadership. There is a group of mega tech companies that have effectively lobbied for the past decade to weaken rights of patent holders. By seeking to weaken the patent system and the rights of innovators, these established players are effectively pulling up the ladder behind them after they have already reached the top. This is a pivotal moment: if we fail to act, we risk losing our competitive edge – innovators and dreamers. If we seize this opportunity, however, we can ensure that America remains the global leader in innovation and prosperity for generations to come.

A System Built Against Innovators: How Today's Patent Landscape Rewards Infringers

NuCurrent is a venture-backed growth company founded on the idea that we can develop and perfect specific technological building blocks and tools, then partner with others to adapt that technology for their products. We focus on inductive power transfer technology to transmit power and data to electronic devices. If you have ever charged your smartphone with Qi technology or an electric toothbrush on a stand, you've used a version of this approach. Our inventions contribute to and build upon existing standards—for example, enabling you to charge smartwatches while you're still wearing them. We stand out as a tech-transfer licensor: we specialize in deep research and invention that we transfer to customers to enhance their product differentiation through collaborative engineering. This model is a strength of the U.S. innovation system that strong patent protections can enhance. We have succeeded by working with companies that value what we bring and have clear, targeted plans to leverage our innovation for their commercial success.

At NuCurrent, we have filed over 400 patents and partnered with industry leaders like Amphenol, Honeywell, HP, Logitech, Zebra and dozens of others to bring transformative products to market. These companies demonstrate how to handle innovation correctly: grow their business, develop differentiated products, and nurture innovation. Our model relies on sharing our technology through partnerships. We don't just license patents; we deliver cutting-edge engineering and collaborative R&D that accelerates the success of dozens of product companies. Understand that this model is not unique to NuCurrent. Hundreds of other highly innovative R&D-based companies provide critical technical solutions that others then commercialize. This development and tech-transfer process—whether from university labs or corporate labs like NuCurrent—originated in the U.S. and remains a key differentiator of our competitive advantage.

Patents are critical to this innovation process. Without them, we cannot protect the rights of our licensing partners from their competitors that copycat and steal to get ahead. For business models like ours to thrive, the intellectual property system must function properly. Our work demands significant risk capital, a highly talented workforce, and years of patience before a technology reaches the market. If we cannot rely on the U.S. patent system for confidence and security, our model will fail. Should it fail, not only will innovators like us lose, but the American economy, American jobs, and our customers' competitive standing will suffer.

Unfortunately, legal weaknesses in the current patent system directly threaten our "technology for hire" model. Even though patents are supposed to grant inventors exclusive rights to their inventions for a limited time—in exchange for publicly disclosing how their technology works—

that balance was shattered by the 2006 *eBay v. MercExchange* decision, which effectively eliminated equitable relief from patent cases. Since *eBay*, the only realistic remedy available to patent holders is financial and that has dramatically shifted the balance of power in the patent system to mega tech companies with deeper pockets than any companies in the history of mankind. For them, fighting multi-million dollar court cases is a small tax on doing business. In the worst case, they may have to pay a financial penalty years, and sometimes over a decade, after the wrong-doing started. In the meantime, they have probably illegally exploited the technology for massive financial gain while the innovator is scraping together resources to fund the cases. The gross imbalance is so obvious: money and power are magnitudly greater on the side of infringers and they have no time pressure. What is left for the innovator?

No Urgency, No Fair Play: Lack of Injunctive Relief Undercuts Honest Deal-Making

Let me give a specific example that impacted my company. One of our patented technologies was stolen and shared by a major Korean OEM, allowing large printed circuit board (PCB) manufacturers in China and Taiwan to freely produce and sell what we had created. This wasn't just theft—it was a systemic failure of the U.S. patent system. Without tools like injunctive relief, we couldn't stop it. Financial remedies arrived years later, after the damage was done. The billions of dollars of value our IP created flowed not to American innovators or workers, but to foreign manufacturers. This is not an isolated case—it's a symptom of a system that no longer provides timely accountability. In this instance, the U.S. patent system essentially forced us to donate our R&D and American IP to aggressive foreign competitors.

I know this Committee has heard from other disruptive U.S. companies with nearly identical stories.

Consider the case of cybersecurity company Centripetal, which faced willful infringement and trade secret theft for over a decade. Although Centripetal proved its patents valid and infringed by Big Tech companies multiple times, it could not secure injunctive relief. During this time, those companies built massive business lines directly competing with Centripetal's innovations.

For U.S. semiconductor memory pioneer Netlist, the history is more recent but equally damaging. Netlist has repeatedly litigated against serial Big Tech infringers, incurring enormous costs and distractions from its core mission of creating cutting-edge computer memory solutions that power everything from social media to AI. Its patents have been challenged dozens of times in coordinated attacks. Netlist has proven their validity and infringement repeatedly, as shown in a November 2024 jury verdict against Samsung. Netlist filed for injunctive relief just last week in a case involving willful infringement of a patent that survived the IPR process and extensive litigation. Yet few expect that an injunction will be granted to halt the ongoing infringement – they rarely are post *eBay*.

NuCurrent's experience, along with those of other disruptive startups, demonstrates how the current system incentivizes "efficient infringement." Large companies calculate that delayed financial penalties won't outweigh the profits they make in the meantime. This dynamic thrives largely because the threat of injunctive relief in patent infringement cases vanished after *eBay* decision.

In the twenty years since *eBay*, the lack of effective injunctive relief has completely altered the U.S. innovation landscape. The patent system itself has created glaring economic asymmetry between startups and entrenched incumbents.

As Professor Kristen Osenga noted in a February 2024 study:

> *"Common sense also tells us that the loss of injunction to stop violations of property rights also devalues property in the marketplace—it is simply worth less given that it offers less protection to its owner. This is a basic idea in economics. The exclusive nature of property is the key to efficient use of assets. Exclusion means an injunction. An injunction is the legal backstop for commercial negotiations—it is the protection that secures to any property owner the freedom to say "no" to an offer to purchase or access one's property. In patent law, an injunction allows a patent owner to walk away from negotiations if the party wishing to use the patented technology is unwilling to pay the asking price. But where an injunction is unlikely to be granted, that third party has little-to-no incentive to negotiate a license and instead may choose the "infringe now, pay later" strategy of predatory infringement."*[6]

I believe it is no coincidence that since the *eBay* decision removed the presumption of injunction after proven infringement, we have seen unprecedented concentration and dominance by a handful of Big Tech companies. It is now structurally impossible to create a viable competitor to them in their core sectors.

This is not ivory tower theory. It is reality. Apple's former patent chief acknowledged this, stating, "Efficient infringement... could almost be viewed as a fiduciary obligation, at least for cash-rich firms that can afford endless litigation." Consider his choice of the term "fiduciary obligation" in that statement. He believes that shareholders could have recourse to litigate against executives if they do not practice efficient infringement because it makes so much economic sense that, if they do not do it, they could be squandering shareholder value.

Pulling Up the Ladder: How Established Players Prevent the Next Generation of American Innovators

Without tools like injunctive relief, no urgency exists to respect patents. This may be the most insidious flaw facing U.S. innovators and disruptive startups. Companies like NuCurrent end up funding endless litigation and PTAB challenges instead of inventing new technologies, building businesses, and creating jobs. The result is an ecosystem where risk and reward fall out of balance, discouraging participation in areas that drive transformative progress from inventors and investors alike. This reduced participation—from innovators and venture investors—threatens to undermine America's competitive advantage and the culture of innovation that defines us.

I can cite personal experience from the venture world. Consider the 81 Collection, a venture fund I invest in. It formed around a striking disconnect: while 81% of U.S. GDP comes from industries outside traditional "tech" sectors, these critical sectors—manufacturing, construction,

energy, and more—receive less than half of venture capital investment. Digging deeper, the businesses that do receive investment in the other "81% industries" are overwhelmingly only in software. "Hard tech" businesses face a 15:1 funding gap compared to "soft" ones. The reason is clear: with the current decay in the IP system, the return on investment in patent-intensive sectors like energy, healthcare, transportation, and critical infrastructure doesn't justify the risk. But can anyone here tell constituents that investing in these sectors isn't critical to our future? This failure has real consequences—for individual companies and for the broader industries that sustain our economy and way of life.

At mHUB, I've seen this imbalance up close. I want to thank Senator Durbin for his leadership and engagement with mHUB, as well as Senator Duckworth for her support of innovation across Illinois. Since its founding, the mHUB community has generated more than $920M in revenue, launched more than 1,000 products, created over 2,600 jobs, and raised over $1.7B in capital. These entrepreneurs are building solutions in advanced manufacturing, medical devices, defense tech and clean energy—areas that require strong IP protections. Yet dozens of entrepreneurs have asked me whether it's worth investing their limited resources to file patents. I feel obligated to be honest: in today's system, their chances of defending those patents are slim, and they are better off using their money elsewhere. Every time I give that advice, I worry we're letting the next big innovation slip away—only for larger companies or foreign competitors to exploit it later. mHUB's success may look like a victory for our innovation economy, but it thrives despite our patent system, not because of it. I envision a future where we combine this entrepreneurial spirit with strong incentives and protections for innovators to drive massive, exceptional progress.

We talk a lot about empowering "little tech" or "young tech" to reinforce America's innovative leadership, revitalize U.S. manufacturing, address national security needs, and avoid new Big Tech monopolies in areas like AI. This premise is absolutely correct, and companies like mine already play a role. However, one of the most important tools any of these younger companies need is a strong patent system. Our future depends on fixing the current rot in the IP system.

We can fix it. The RESTORE Act offers a crucial step toward rebalancing the system. Injunctive relief isn't just a legal mechanism—it sends a signal that America values its innovators and protects their right to succeed. It ensures that stolen technology doesn't embed itself in supply chains or fuel competitors while rightful creators scramble for scraps years later. It also provides the certainty investors need to fund transformative innovation in critical future sectors.

While much of patent law is complex, the RESTORE Act is simple and straightforward. It restores the U.S. patent system to a framework that worked for nearly 200 years before the *eBay* case disrupted fundamental property rights and common sense. This bipartisan, concise bill creates a presumption that if a U.S. court rules that your patent has been infringed, you can have the infringing product removed from the market. This makes sense and restores basic equity. Where else does U.S. law allow a party found guilty of breaking the law to continue doing so? A company found guilty of tax evasion isn't allowed to keep operating. One that willfully violates environmental or labor standards is typically shut down. Yet large multinational companies that willfully infringe intellectual property get to continue building market dominance with no real risk. That is today's reality, and every Big Tech company knows it. They have made it part of

their business strategy. As Apple noted, it is their "fiduciary responsibility" to do so. That is a clear sign of a broken system.

This is our moment. If we take action, we can reaffirm America's position as the global leader in innovation. If we do nothing, the consequences will ripple across our economy and weaken our global standing. I fully support the RESTORE Act as one solution, but even if it's not this bill, I urge you to act with urgency. Innovation cannot wait, and neither can America's future.

Thank you, and I look forward to your questions.

U.S. Senate Committee on the Judiciary
Subcommittee on Intellectual Property

HEARING

THE RESTORE PATENT RIGHTS ACT:
RESTORING AMERICA'S STATUS AS THE GLOBAL IP LEADER

December 18, 2024, Washington, DC

Written testimony submitted by:

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PERMANENT INJUNCTIVE RELIEF IN U.S. PATENT CASES

Chairman Coons, Ranking Member Tillis, and distinguished Members of the Subcommittee: I thank you for the opportunity to testify today. My name is Jorge Contreras and I am the James T. Jensen Endowed Professor for Transactional Law and Director of the Program on Intellectual Property and Technology Law at the University of Utah. In addition to my JD degree, I hold an undergraduate degree in electrical and computer engineering. For nearly two decades I practiced transactional IP law at a major international firm and now, as an academic, write extensively on IP law and patent remedies in particular, including two books and numerous articles relating to injunctive relief in patent cases (see Selected Writings, below). I also serve as the Chair Elect of the Remedies Section of the Association of American Law Schools (AALS) and am an elected member of the American Law Institute. As such, I am very familiar with the topic of today's hearings.

I offer the below comments to clear up some misconceptions, inaccuracies and exaggerations that have characterized the rhetoric surrounding injunctive relief in patent cases and the

Supreme Court's 2006 decision in *eBay v. MercExchange*.[1] In particular, I will addresss the following:

- Permanent injunctions are still issued in roughly 75% of patent infringement cases;
- U.S. courts have authorized unenjoined infringement of patents only 32 times in 15 years;
- Enhanced damages continue to be available to deter willful patent infringement;
- There is no evidence that *eBay* has depressed patent damages awards;
- There is no Constitutional right to a patent injunction;
- For-profit patent assertion entities (PAEs) will benefit the most from the RESTORE Patent Rights Act;
- It is reasonable for firms to resist unverified PAE licensing demands; and
- Other countries view *eBay* as an inspiration when formulating rules regarding the need for proportionality in the issuance of patent injunctions.

Permanent Injunctions are Still Issued in Roughly 75% of Patent Infringement Cases

Much of the recent commentary concerning injunctive relief in patent cases gives the impression that, following *eBay*, permanent injunctions are no longer available to patent holders. Yet as every published study conducted since the *eBay* decision has clearly demonstrated, permanent injunctions continue to be issued by district courts in approximately ***75% of patent cases***.[2]

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[1] While I was a partner at WilmerHale, the firm represented *MercExchange* (unsuccessfully) at the Supreme Court. I was not personally involved in the case.

[2] *See* Jorge L. Contreras & Jessica Maupin, *Unenjoined Infringement and Compulsory Licensing*, 38 BERKELEY TECH. L.J. 661, 690 (2023) (72% grant rate from *eBay* to mid-2021); Christopher B. Seaman, *Permanent Injunctions in Patent Litigation After eBay: An Empirical Study*, 101 IOWA L. REV. 1949, 1982–83 (2016) (72.5% grant rate from *eBay* to 2013); THOMAS F. COTTER, COMPARATIVE PATENT REMEDIES: A LEGAL AND ECONOMIC ANALYSIS 103 (2013) (75% grant rate from 2007 to 2011); Colleen V. Chien & Mark A. Lemley, *Patent Holdup, the ITC, and the Public Interest*, 98 CORNELL L. REV. 1, 9–10 (2012) (75% grant rate from *eBay* to 2011); Colleen V. Chien, *Patently Protectionist? An Empirical Analysis of Patent Cases at the International Trade Commission*, 50 WM. & MARY L. REV. 63, 98–99 (2008) (79% grant rate in year following *eBay*).

Accordingly, injunctions in patent cases are not "lost" or "off the table". Rather, they remain available in most cases to most patent holders.[3]

Courts Have Only Authorized Continued Infringement After Denying an Injunction 32 Times from 2006 to 2021

Despite claims that *eBay* has instigated widespread "predatory infringement" by firms that no longer fear injunctions, the reality is that courts have authorized the unenjoined infringement of valid patents only a handful of times. In a study that I co-authored in 2023, we reviewed every district court case decided between 2006 and 2021 in which a finding of patent infringement was made and a permanent injunction was denied.[4] Of 272 such cases, a permanent injunction was denied in only 77 (28%). Of these 77 cases, 45 were dismissed or settled prior to a judicial ruling on compensation. Accordingly, during the that we studied, courts authorized an infringer to continue infringing a valid patent ***only 32 times*** in 15 years: approximately *twice per year*. This is hardly an avalanche of infringement that will derail the U.S. innovation economy, as critics have claimed.

Enhanced Damages Continue to Be Available to Deter Willful Infringement

Critics have alleged that *eBay*'s heightened standard for obtaining a permanent injunction has led predatory firms to infringe patents with impunity, adopting an "infringe now, pay later" attitude. This theory, however, ignores the very real likelihood that willful infringement will result in an infringer being liable for enhanced damages up to three times the amount that would otherwise be assessed.[5] One recent study finds that between 2016 and 2020, willfulness was found in approximately 65% of patent infringement cases, and damages were enhanced as a

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[3] As discussed below, it is primarily patent assertion entities (PAEs) that have found the greatest difficulty obtaining permanent injunctions after *eBay*.

[4] Contreras & Maupin, *supra* note 2, at 689.

[5] 35 U.S.C. § 284 ("the court may increase the damages up to three times the amount found or assessed"); Halo Electronics, Inc. v. Pulse Electronics, Inc., 136 S. Ct. 1923 (2016).

result in approximately 60% of those cases.[6] According to a different study, the average multiplier for enhanced patent damages between 2018 and 2022 was 2.0 for patents held by NPEs and 2.4 for patents held by practicing entities.[7] The very real likelihood of such a damages multiplier is a significant deterrent to patent infringement.

Furthermore, I am aware of no evidence that willfulness findings or enhanced damages were affected (and certainly not reduced) by the *eBay* decision. Rather, two important post-*eBay* cases, *In re. Seagate* (Fed. Cir. 2007)[8] and *Halo v. Pulse* (U.S. 2016)[9] successively altered the landscape for patent enhanced damages, with *Seagate* reducing the number of willfulness and enhancement decisions and *Halo* then increasing them.[10] PWC found in its 2018 patent litigation study that judicial willfulness findings increased from 36% pre-*Halo* to 54% post-*Halo*.[11] Not one empirical study of willful infringement or enhanced damages of which I am aware mentions *eBay* as even a *possible* cause of any effect on these findings. Today, under the *Halo* framework, willfulness findings are very real threats for patent infringers, and there is no evidence that the 18-year old *eBay* precedent now has, or ever had, an impact on this area of the law.

There is no Evidence that *eBay* has Depressed Patent Damages Awards

Critics have claimed that patent damages awards have fallen in the years following *eBay*, indicative of an overall devaluation of patents resulting from the decision. However, this reduction is seen only if default judgments (traditionally unopposed, low damages awards) are

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[6] Karen E. Sandrik, *An Empirical Study: Willful Infringement & Enhanced Damages in Patent Law After Halo*, 28 MICH. TECH. L. REV. 61, 93-94 (2021).

[7] Marcum LLP, 2024 Marcum Patent Litigation Study 16 (2024).

[8] In re Seagate Tech., LLC, 497 F.3d 1360 (Fed. Cir. 2007) (en banc), cert. denied, 552 U.S. 1230 (2008).

[9] Halo Electronics, Inc. v. Pulse Electronics, Inc. 579 U.S. 93 (2016).

[10] *See* Sandrik, *supra* note 6, at 93-94. *See also* Christopher B. Seaman, *Willful Patent Infringement and Enhanced Damages After In Re Seagate: An Empirical Study*, 97 IOWA L. REV. 417 (2012).

[11] PWC, 2018 Patent Litigation Study 17 (May 2018).

included.[12] Excluding default judgments, median patent damages awards significantly increased after *eBay*.[13] Moreover, even if a decline in patent damages levels did emerge in recent years, causally linking such a decline to the *eBay* decision, without clear evidence, would be a matter of pure speculation, particularly given the number of major changes to U.S. patent law, both statutory and judicial, that have occurred in the eighteen years since *eBay* was decided.

There is No Constitutional "Right" to a Patent Injunction

Article I, Section 8, Clause 8 of the U.S. Constitution grants Congress the power "to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries." As such, the power to establish a patent system is one of many enumerated powers granted to Congress under the Constitution, alongside the power to coin money, establish post offices, maintain a navy and the like.[14] The Constitutionally guaranteed "rights of the people", such as the free exercise of religion, free speech, and security against unreasonable searches and seizures, are enumerated in the Bill of Rights, ratified in 1791, and subsequent constitutional amendments. Notably, the Bill of Rights does not recognize an inventor's right to *receive* patent protection for any particular invention, and certainly not to enforce patents by means of injunctive relief.[15] The Constitution gives Congress the power to create patents but does not give them the stature of individual rights. Thus, when the RESTORE Patent Rights Act refers to the use of injunctions to "secure[] the

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[12] Marcum, *supra* note 7, at 8.

[13] *Id. See also* PWC, *supra* note 11, at 5 ("Median damages have been trending upward for the last 20 years when summary and default judgments are excluded.")

[14] The Supreme Court confirmed this understanding in 2018, clarifying that patents are "public franchises" granted by the USPTO under the authority of Congress. Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC, 584 U.S. 325, 325-26 (2018).

[15] There is some evidence that James Madison, writing in the Federalist Papers (No. 43, 1788), believed that patent protection *should* be recognized as a common law right. *See* Makan Delrahim, *The "New Madison" Approach to Antitrust and Intellectual Property Law – Remarks as Prepared for Delivery at the University of Pennsylvania Law School* 1-2 (Mar. 15, 2018). However, this view did not prevail and no such right was recognized in the Bill of Rights. Moreover, Madison's views on the patent system are more nuanced than suggested by his single statement in Federalist No. 43. *See* Jorge L. Contreras, *"Not" Madison*, 2021 CPI ANTITRUST CHRON. (Jul. 2021).

constitutionally protected patent right",[16] it inaccurately portrays patents as individual rights protected by the Constitution, rather than grants made by Congress pursuant to its Constitutional authority. The difference is significant, and, unfortunately, has muddied the public discourse concerning injunctive relief in patent cases.

For-Profit PAEs Will Be the Biggest Beneficiaries of the RESTORE Patent Rights Act

The RESTORE Patent Rights Act claims that it will help "undercapitalized entities, individuals and institutions of higher education" that are victimized by the "predatory acts of infringement" of "large multinational companies".[17] Yet the romantic image of a modern-day Morse or Edison beset by corporate behemoths is largely a myth that is belied by the realities of corporate and institutional R&D, not to mention modern patent litigation.[18] As reported by Bloomberg, in 2022 all ten of the top ten filers of patent litigation in the United States were non-practicing entities whose "main source of revenue is through suing larger companies for patent infringement"[19] (patent assertion entities or PAEs). The top litigation filer, PAE Cedar Lane Technologies, was single-handedly responsible for 179 separate suits. The targets of PAE litigation are typically large "brand name" companies. In 2022, these included Alphabet (Google), Samsung, Amazon, Apple, Lenovo, Microsoft, Walmart, AT&T, Cisco and Verizon. In the first quarter of 2024 alone PAEs sued 420 new defendants for patent infringement, representing more than 60% of all infringement filings.[20]

By the same token, it is widely known that the largest impact of the *eBay* decision has been on PAEs. Because PAEs do not manufacture or sell products, but only monetize patents, their sole goal in asserting patents is to extract revenue from alleged infringers. As such, it is difficult for PAEs to demonstrate under the first and second *eBay* factors that they would be irreparably

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[16] RESTORE Patent Rights Act, § 2, ¶ 4 (draft accessed online at https://www.coons.senate.gov/imo/media/doc/restore_act_bill_text.pdf, Dec. 6, 2024).

[17] Id. § 2, ¶ 7.

[18] *See* Mark A. Lemley, *The Myth of the Sole Inventor*, 110 MICHIGAN LAW REVIEW 709 (2012).

[19] Bloomberg Law, 2023 Litigation Statistics Series: Patent Litigation 14 (2023).

[20] RPX, Q1 in Review at 2 (Apr. 2024).

harmed absent the issuance of an injunction and that they could not adequately be compensated by money damages.[21] For these reasons, the rates at which PAEs have been awarded permanent injunctions following *eBay* have been in the 10% to 20% range.[22] Needless to say, the creation of a presumption of irreparable harm under the RESTORE Patent Rights Act would make it significantly easier for PAEs to obtain injunctive relief – the reason that PAEs and their counsel are among the strongest supporters of this legislation.

It is Reasonable for Firms to Resist Unverified PAE Licensing Demands

Many critics of *eBay* claim that firms that do not readily enter into patent licensing agreements with PAEs are acting in a predatory or unethical manner. Some have gone so far as to decry this refusal as contrary to the rule of law. These critiques hinge on the fact that without the strong threat of injunctive relief, PAEs have less bargaining leverage with which to extract royalties from operating companies. Yet far from being unethical, it is entirely reasonable for a firm to resist a PAE licensing demand that involves patents of questionable validity where, as is often the case, patents are not mapped to the allegedly infringing products.[23] Many PAE assertion campaigns target dozens or hundreds of different companies and products, resulting in demands that are largely generic and nonspecific. Moreover, every year a significant number of patents are found invalid, either at the PTAB or in court.[24] Thus, when an American operating company is approached by a PAE, there are good odds that some or all of the asserted patents are invalid.

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[21] *See The Injunction Function: Is IP Law Promoting Markets for Innovators and Creators?*, 32 FED. CIR. BAR J. 335, 339 (2019) (remarks by Laura Sheridan: "[NPEs] want to maximize licensing fees. And the only reason the NPE seeks an injunction is to leverage that threat to shut down a product to extract more than the patent is actually worth.") Some critics have suggested that courts have categorically denied permanent injunctive relief to NPEs on the basis of Justice Kennedy's concurring opinion in *eBay*. I find little evidence supporting this claim.

[22] *See* COTTER, *supra* note 2, at 103 (NPEs have a substantially lower success rate in obtaining permanent injunctions than operating entities); Seaman, *supra* note 2, at 1987–88 (in the eight years after *eBay* was decided, permanent injunctions were issued in only 16% of cases in which the patentee was an NPE).

[23] Mark A. Lemley, Kent Richardson & Erik Oliver, *The Patent Enforcement Iceberg*, 97 TEX. L. REV. 801, 810 (2017) ("a significant minority of assertions (246, or 41%) actually included a claim chart mapping at least one claim to the target's products").

[24] *See* U.S. Patent & Trademark Off., PTAB Trial Statistics FY23 End of Year Outcome Roundup IPR, PGR (2023).

Compounding this fact, many consider PAEs to assert patents of low quality.[25] In addition, the claims of many asserted patents – especially in the software industry -- are ambiguous and do not describe how a particular technology works, only its end function.[26] In all of these cases, it may only be through challenge and litigation that a patent asserted by a PAE can be assessed and valued definitively.

Other Countries View *eBay* as an Inspiration When Formulating Rules Regarding the Need for Proportionality in the Issuance of Patent Injunctions

Critics of *eBay* claim that the case has made the U.S. an outlier in terms of international patent enforcement, especially compared to jurisdictions such as Germany that are reputed to issue injunctions almost automatically when a patent is infringed.[27] Yet the enthusiasm of foreign jurisdictions for automatic injunctions has been waning. As early as 2004, the European Union adopted a Directive on the Enforcement of Intellectual Property Rights which provides that "remedies necessary to ensure the enforcement of ... intellectual property rights" must, among other things, be "proportionate".[28] Such proportionality considerations have now been adopted in the national laws of countries including Germany (as of 2021),[29] and numerous EU scholars and policy makers have acknowledged the guidance that *eBay* offers for implementing these principles.[30] As one commentator recently observed, "*eBay* is an obvious source of inspiration

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[25] John R. Allison, Mark A. Lemley & David L. Schwartz, *How Often Do Non-Practicing Entites Win Patent Suits?*, 32 BERKELEY TECH. L.J. 235, 237-38 (2017).

[26] Mark A. Lemley, *Software Patents and the Return of Functional Claiming*, 2013 WIS. L. REV. 905 (2013).

[27] *See* Katrin Cremers et al., *Invalid but Infringed? An Analysis of the Bifurcated Patent Litigation System*, 131 J. ECON. BEHAVIOR & ORG. 218 (2016).

[28] Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the enforcement of intellectual property rights, Art. 3.

[29] *See* Matthias Leistner & Viola Pless, *European Union*, *in* INJUNCTIONS IN PATENT LAW: TRANS-ATLANTIC DIALOGUES ON FLEXIBILITY AND TAILORING 26, 30-33 (Jorge L. Contreras & Martin Husovec eds., 2022); Peter Georg Picht & Jorge L. Contreras, *Proportionality Defenses in FRAND Cases: A Comparative Assessment of the Revised German Patent Injunction Rules and U.S. Case Law*, 72 GRUR INTL. 435 (2023).

[30] *See, e.g.*, Rafal Sikorski, *Realizing the potential of proportionality in patent enforcement: A case for amending IPRED*, EUR. INTELL. PROP. REV. (2025 forthcoming); Peter Georg Picht & Jorge L. Contreras, *Proportionality*

for those who advocate a European proportionality test."[31] Moreover, even in jurisdictions where statutory rules do not expressly require the consideration of proportionality when issuing patent injunctions, courts have adopted tailoring measures to mitigate the negative impact of such injunctions.[32] Thus, the concepts of balance and proportionality in patent injunctions, which are exemplified by the *eBay* framework, are taking root around the world. It is ironic, then, that the U.S. would now consider weakening the foundations of this principle at home.

Conclusion

For the reasons stated above, the courts should be permitted to continue to apply the *eBay* four-factor analysis when considering the issuance of permanent injunctive relief in patent cases. This analytical framework has served American businesses and the economy well over nearly two decades and has done so in an effective, clear and exemplary manner. Ceding these benefits to patent asserters, many of which are foreign corporations and PAEs, would likely cause more harm than good to the American economy.

Defenses in FRAND Cases: A Comparative Assessment of the Revised German Patent Injunction Rules and U.S. Case Law, 72 GRUR INTL. 435 (2023).

[31] LÉON DJIKMAN, THE PROPORTIONALITY TEST IN EUROPEAN PATENT LAW 140 (2023).

[32] *See* Jorge L. Contreras & Martin Husovec, *Issuing and Tailoring Patent Injunctions – A Cross-Jurisdictional Comparison and Synthesis*, *in* INJUNCTIONS IN PATENT LAW, *supra* note 29, at 313.

Biographical Information

Jorge L. Contreras is the James T. Jensen Endowed Professor for Transactional Law and Director of the Program on Intellectual Property and Technology Law at the University of Utah S.J. Quinney College of Law. He has served as a visiting fellow at the London School of Economics and Political Science and the Tilburg Law and Economics Center at Tilburg University and is currently serving as a visiting professor at the University of Minnesota School of Law. Before entering academia, Professor Contreras was a partner at the international law firm Wilmer Cutler Pickering Hale and Dorr LLP, where he practiced transactional IP law in Boston, London and Washington DC. His academic research focuses, among other things, on intellectual property, antitrust law, technical standards and science policy. He is the author or editor of fourteen books and has published more than 150 scholarly articles and chapters. He is the recipient of numerous awards and honors, including the University of Utah's Distinguished Research Award, an elected member of the American Law Institute and Chair Elect of the Section on Remedies of the Association of American Law Schools (AALS). Professor Contreras has previously testified before committees of the U.S. Senate and House of Representatives, the Federal Trade Commission, the European Commission and courts in North and South America, Europe and Asia, and is regularly quoted by news outlets such as the *New York Times*, *Wall Street Journal*, *Economist*, *Bloomberg*, *Law360*, and *CNN*. He is an honors graduate of Harvard Law School (JD) and Rice University (BSEE, BA), and clerked for Chief Justice Thomas R. Phillips of the Texas Supreme Court.

Selected Writing on Patent Injunctions

Books

- INJUNCTIONS IN PATENT LAW: TRANS-ATLANTIC DIALOGUES ON FLEXIBILITY AND TAILORING (Jorge L. Contreras & Martin Husovec, eds., Cambridge Univ. Press, 2022)
- PATENT REMEDIES AND COMPLEX PRODUCTS: TOWARD A GLOBAL CONSENSUS (C. Bradford Biddle, Jorge L. Contreras, Brian J. Love, Norman V. Siebrasse, eds., Cambridge Univ. Press, 2019)

Articles and Chapters

- *Preliminary Injunctive Relief in Patent Cases: Repairing Irreparable Harm*, 31 TEX. INTELL. PROP. L.J. 63 (2023) (with John C. Jarosz & Robert L. Vigil)
- *Unenjoined Infringement and Compulsory Licensing*, 38 BERKELEY TECH. L.J. 661 (2023) (with Jessica Maupin)
- *Proportionality Defenses in FRAND Cases: A Comparative Assessment of the Revised German Patent Injunction Rules and U.S. Case Law*, 72 GRUR INTL. 435 (2023) (with Peter Georg Picht)
- *Issuing and Tailoring Patent Injunctions – A Cross-Jurisdictional Comparison and Synthesis*, in INJUNCTIONS IN PATENT LAW: TRANS-ATLANTIC DIALOGUES ON FLEXIBILITY AND TAILORING 313 (Jorge L. Contreras & Martin Husovec eds., 2022) (with Martin Husovec)
- *Injunctive Relief*, in PATENT REMEDIES AND COMPLEX PRODUCTS: TOWARD A GLOBAL CONSENSUS 115 (C. Bradford Biddle et al. eds., 2019) (with multiple authors)
- *Injunctive Relief in U.S. Patent Cases*, in PATENT LAW INJUNCTIONS Ch. 1 (Rafal Sikorski ed., 2018)

Written Testimony of

Joshua Landau

Senior Counsel, Innovation Policy

at the Computer & Communications Industry Association

"The RESTORE Patent Rights Act: Restoring America's Status as the Global IP Leader"

Committee on the Judiciary, Subcommittee on Intellectual Property, U.S. Senate

Dec. 18, 2024

Chairman Coons, Ranking Member Tillis, and Members of the Subcommittee, thank you for the opportunity to discuss my concerns about the RESTORE Act with you today. My name is Joshua Landau. I serve as Senior Counsel for Innovation Policy with the Computer and Communications Industry Association, an international trade association which represents Internet, technology, and communications firms. Since 1972, CCIA has promoted competition in the technology and communications industries. Today, our member companies create hundreds of thousands of jobs in states and districts across the country, investing more than $100 billion annually in research and development and contributing trillions of dollars in annual productivity to the U.S. economy.

CCIA members are recognized as technological leaders in many areas, including semiconductors, telecommunications systems, artificial intelligence hardware and software, cloud computing, and e-commerce. Our members are also active participants in the patent system, with CCIA members regularly represented in the top 5 annual recipients of U.S. patents as well as in the top 5 targets of patent assertion entities. This extensive experience both as patent owners and as litigation defendants gives our members a broad, balanced view on how patents can best fulfill their Constitutional mandate to "promote the progress of the useful arts." In addition to my work for the Association, I also teach a course in intellectual property law, including patent law and intellectual property remedies, at American University Washington College of Law.

I. Summary of Testimony

Five years ago, I testified before this Subcommittee on essentially the same topic as the one in front of you today—a proposal to overturn the *eBay v. MercExchange*[1] decision.[2] My testimony then described the positive impacts of the *eBay* decision on our innovation ecosystem and how the proposed reversal of this decision would harm basic principles of the law of equity and remedies, and would almost exclusively benefit non-practicing entities.

In the past five years, nothing about the reality of injunctive relief has changed. The positive benefits of the *eBay* decision for investment in research and development, including in filing patents, continue to exist. Abusive patent litigation has not disappeared, but the rate of its growth has been reduced. Meanwhile, and contrary to the erroneous findings set out in the RESTORE Act, injunctive relief continues to be available according to the historical test for such relief. Operating companies can generally obtain injunctions on the patents they practice. Although

[1] *eBay v. MercExchange*, 547 U.S. 388 (2006).
[2] *Innovation in America: How Congress can make our patent system STRONGER: Hearing before the Subcomm. On Intell. Prop. Of the S. Comm. On the Judiciary*, 116th Cong. (Sep. 11, 2019) (statement of Joshua Landau, Patent Counsel, Computer & Communications Industry Association), https://ccianet.org/wp-content/uploads/2019/09/2019-09-10-JSL-Testimony-for-Hearing-on-STRONGER.pdf.

non-practicing entities are less able to obtain injunctions, some still do. This is neither surprising nor problematic. Injunctions are a form of relief that has never been automatic, but rather a discretionary equitable remedies that is only available when ordinary legal remedies would fail to provide adequate recompense.

This approach to equitable relief has a long-standing basis in American law. As far back as the Founding, Congress was clear: "suits in equity shall not be sustained in either of the courts of the United States, in any case where plain, adequate and complete remedy may be had at law."[3] In fact, the Supreme Court has itself summarized the principles of injunctive relief in a single sentence, holding that "[i]n brief, the bases for injunctive relief are irreparable injury and inadequacy of legal remedies."[4] This well-established tradition was ignored by the Federal Circuit until their error was corrected by the *eBay* decision. This, in turn, returned the system of injunctive relief to its historical roots, a legal tradition in which competitive harms are remedied by injunctions while monetary harms are remedied by damages.

This system works—and it works well. Injunctions remain available, post-*eBay*, for most classes of plaintiffs. Operating companies who successfully sue a competitor will nearly always receive injunctions. Even some non-practicing entities, such as universities working with an exclusive licensee of their technology, can receive injunctions. Only in the specific circumstance of a plaintiff who licenses their patent non-exclusively and indiscriminately, and does so without placing a product on the market, are injunctions difficult to obtain—and even in such cases, injunctions are still available in some circumstances.

The current injunctive relief system is also responsive to the realities of modern products. While a silent presumption of injunctive relief might have made sense when a product would embody one or two patents, that is no longer the situation. Modern products, especially in the high-tech industries in which CCIA members operate, can potentially implicate thousands or tens of thousands of patents. When a patent covers a seat warmer in a vehicle, providing the patent owner with the ability to force the manufacturer to halt production and sale of the entire vehicle line simply does not make sense. Instead, it provides the patent owner with inappropriate leverage in licensing negotiations by allowing them to extract not just the value created by their patented technology, but also a significant portion of the value created by the manufacturer's own innovations. The historical practice of only issuing an injunction when irreparable harm exists has helped to tether patent damages and patent licensing negotiations to the true value of patented technologies. And the economic literature is clear that, in this circumstance, the specter of injunctive relief can allow patent owners to extract value created not by their technology but by the defendant's innovations using the

[3] Judiciary Act of 1789, § 16.
[4] *Amoco Prod. Co. v. Gambell*, 480 U.S. 531, 542 (1987).

threat of an injunction removing their product from the market entirely. When a patent owner can level the threat of shutting down a defendant's entire business or removing a product from the market completely, the license being negotiated is no longer tied to the value of the patent but instead tilted towards the patent owner who can extract the entire market value of the product as a result. The *eBay* decision has mitigated this threat, placing the negotiating table back on a level footing and allowing patent owners and innovators to bargain fairly, without undue power on either side.

Adopting a presumption of injunctive relief would have another, perhaps unintuitive, impact—this one on American manufacturing. Because an injunction bars not just the sale of a product in the United States but also its manufacture here, an injunction against an American manufacturer threatens not just its U.S. sales but also its worldwide sales by removing the company's ability to make its products. In contrast, if a company manufactures their product overseas, a U.S. injunction only threatens their American sales. This disparity places American manufacturers at a disadvantage compared to companies that manufacture overseas, creating an incentive to move manufacturing outside of the United States in order to avoid the potential threat of an entire manufacturing line having to shut down. At a time when reshoring of manufacturing is a national priority, creating additional headwinds against those efforts is ill-advised.

A comprehensive presumption of injunctive relief for all plaintiffs against all products is fundamentally harmful, as my testimony explains. RESTORE as currently drafted would significantly harm innovation in the United States. At a minimum, RESTORE should be modified to avoid placing U.S. manufacturers at a competitive disadvantage. This could be done by limiting the presumption to situations in which a patent owner could meet the requirement that it actively works its patent, either itself or in conjunction with an exclusive licensee. In this situation, a presumption could in fact be appropriate. Conditioning the presumption of injunctive relief on this type of working requirement would mitigate competitive disparities between U.S. and foreign manufacture, make injunctive relief consistent with historical equitable practice, and would help increase innovative output and social welfare according to the economic literature on patents and negotiations. I would respectfully urge the bill's sponsors to include such a modification before reintroducing RESTORE.

II. The Positive Innovation Impacts of *eBay*

The Supreme Court's unanimous *eBay v. MercExchange* decision positively impacted patent litigation and the national innovation environment. It did so by eliminating the Federal Circuit's automatic injunction rule in patent infringement cases, reducing the deadweight loss imposed by excessive patent litigation and the

inappropriate economic transfer created by the negotiation position distortion created by the threat of injunctive relief.[5]

Since *eBay*, innovation has thrived. Investment in research and development continues to accelerate. In fact, in many industries—including the Internet, technology, and communications industries that CCIA members operate in—R&D investment began to grow faster after the *eBay* decision in 2006.[6] There is empirical evidence that the *eBay* decision led directly to increases in corporate R&D spending in the information and communications industry. In one study, evidence based on differential exposure to patent litigation showed that after the *eBay* decision, firms that were more exposed to patent litigation created more patents, created patents that were more likely to be cited by others, and shifted more money into R&D.[7] A later, broader study found that, overall, *eBay* had only limited impact—positive or negative—on overall American innovative output, with it not even significantly affecting the rate of patent filings.[8] Yet another recent study confirmed the earlier study's finding of a positive impact on innovation by previously targeted firms, further finding that the benefit is economically significant, while also confirming a lack of any evidence of a negative overall impact on innovation.[9] Finally, a recent working paper modeled the innovation ecosystem in the context of changes to patent litigation dynamics and estimated that the *eBay* decision contributed to a 3.32% *increase* in social welfare by prompting an increase in innovative activity by both incumbent firms and new market entrants.[10]

The *eBay* test, with its foundation in traditional principles of equity, also favors innovation by productive entities and competitors over innovation by non-competing entities. It does so by disfavoring injunctions on patents that are not being used to compete.[11] The *eBay* decision did not significantly reduce the ability of operating companies to secure injunctions against competitors who unfairly use their technology, but primarily reduced the grant rate of injunctions for non-

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[5] This is not true for Hatch-Waxman cases, which have a separate non-equitable injunction provision. *See* 35 U.S.C. § 271(e)(4). In those cases, injunctions generally issue automatically.
[6] *See* Barry Jaruzelski *et al.*, strategy+business, "Software-as-a-Catalyst", Exhibit C (Oct. 15, 2016), https://www.strategy-business.com/feature/Software-as-a-Catalyst?gko=7a1ae.
[7] Filippo Mezzanotti, *Roadblock to Innovation: The Role of Patent Litigation in Corporate R&D*, 67 Management Science 7362 (2021).
[8] Filippo Mezzanotti & Timothy Simcoe, *Patent Policy and American Innovation After eBay: An Empirical Examination*, 48 Research Policy 1271 (2019), https://www.kellogg.northwestern.edu/faculty/mezzanotti/documents/eBayInnovation.pdf.
[9] Christian Helmers & Brian J. Love, *Patent Law Reform and Innovation An Empirical Assessment of the Last 20 Years*, Int'l Rev. L. & Econ. (forthcoming 2025), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4580645.
[10] Samuel Antill *et al.*, *The Efficiency of Patent Litigation*, Working Paper at 35-36 (May 24, 2024), https://www.hbs.edu/faculty/Pages/item.aspx?num=66129.
[11] *See* Chris Seaman, *Permanent Injunctions in Patent Litigation After* eBay*: An Empirical Study*, 101 Iowa L. Rev. 1949, 90 (2016), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2632834.

competing entities.[12] This incentivizes invention by entities that actually bring that invention to fruition via a product, rather than entities that file for a patent and wait for someone else to independently invent that same technology, at which time they can benefit from the investment the manufacturer made in creating a product.

The changes proposed in the RESTORE Act would risk eliminating these positive changes to the patent system by overturning the *eBay* decision and creating a presumption of injunctive relief in patent cases.

III. *eBay* Applies Historical Equity Principles—RESTORE Violates Them

From the establishment of the federal judiciary in the Judiciary Act, the courts and Congress have been clear: "suits in equity shall not be sustained in any court of the United States in any case where a 'plain, adequate and complete remedy' may be had at law."[13] The courts of equity have never been permitted to act when a remedy is available via the courts of law, and even after the merger of law and equity, this requirement has been maintained.

The Supreme Court has repeatedly and continually emphasized this position in a wide array of cases across all areas of law, establishing the long-standing equitable principle that courts will not act in equity when the requesting party has an adequate remedy at law and will not suffer irreparable harm if their request is denied.[14] A harm that consists of no more than a "diminution of the value of the

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[12] *See, e.g.*, Seaman *supra* n. 11; Joshua Landau, *Much Ado About Injunctions*, Patent Progress (Aug. 1, 2019), https://www.patentprogress.org/2019/08/01/much-ado-about-injunctions/.

[13] *Enelow v. New York Life Ins. Co.*, 293 U.S. 379, 384 (1935).

[14] *See, e.g.*, *Younger v. Harris*, 401 U.S. 37, 43-44 (1971) ("courts of equity should not act [] when the moving party has an adequate remedy at law and will not suffer irreparable injury if denied equitable relief"); *Beacon Theatres, Inc. v. Westover*, 359 U.S. 500, 506-07 (1959) ("[t]he basis of injunctive relief in the federal courts has always been irreparable harm and inadequacy of legal remedies"); *in re Debs*, 158 U.S. 564, 593-94 (1895) ("the party aggrieved has no other adequate remedy for the prevention of the irreparable injury which will result from the failure or inability of a court of law to redress such rights"); *Mechanics Foundry v. Ryall*, 62 Cal. 416 (Cal. 1882) ("even repeated trespasses are not of themselves sufficient to justify the interference of a court of equity by injunction … annoying it may be, but [a case], nevertheless, for which the ordinary remedies of the law are ample."); *Parker v. Winnipiseogee Lake Cotton & Woolen Co.*, 67 U.S. 545, 551 (1863) ("Equity will interfere when the injury by the wrongful act of the adverse party will be irreparable … or where the injury is of such a nature that it cannot be adequately compensated by damages at law"); *Pennsylvania v. Wheeling & Belmont Bridge Co.*, 54 U.S. 518, 561 (1852) ("[t]he injury complained of [] must be irreparable by a suit at law for damages"); Judiciary Act of 1789, § 16 ("suits in equity shall not be sustained in either of the courts of the United States, in any case where plain, adequate and complete remedy may be had at law"); *cf.* Pierre Leval, *Toward a Fair Use Standard*, 103 Harv. L. Rev. 1105, 1135 (1990) ("the copyright statute and its predecessors express no preference for injunctive relief … the tendency toward the automatic injunction can harm the interests of plaintiff copyright owners, as well as the interests of the public and the secondary user. Courts may instinctively shy away from a justified finding of infringement if they perceive an unjustified injunction as the inevitable consequence."); *Harrisonville v. W.S. Dickey Clay Mfg. Co.*, 289 U.S. 334, 338 (1933) ("an injunction is not a remedy which issues as of course").

premises without irreparable injury is no ground for interference" via injunctive relief.[15] Even the Federal Circuit, before it adopted its erroneous presumption of injunctive relief in patent cases, originally took the position that the belief "that once infringement is established and adjudicated, an injunction must follow" was mistaken.[16] As the Supreme Court's past three decades of patent jurisprudence have emphasized, patent law is not special.[17] It is simply one area of law and should abide by the general principles of the legal system. Returning patent law to compliance with this long-standing legal regime—and with the general principle that patent law is one form of law, not a separate discipline entirely—is precisely the effect of the unanimous *eBay* decision authored by Justice Thomas.[18]

IV. The Facts Regarding Injunctive Relief in Patent Cases

The post-*eBay* legal regime is a simple one. Firms that practice their patents—that make something, that do something, that act to fulfill the Constitutional mission of our patent system by "promot[ing] the Progress" of the "useful Arts"[19]—can usually obtain an injunction. That is because they can meet

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[15] *Parker*, 67 U.S. 545 at 552.

[16] *Roche Prods. v. Bolar Pharms.*, 733 F.2d 858, 866 (Fed. Cir. 1984).

[17] *See Dickinson v. Zurko*, 527 U.S. 150 (1999) (rejecting the Federal Circuit's decision that the USPTO is not subject to APA requirements); *Holmes Grp. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826 (2002) (rejecting the Federal Circuit's decision that jurisdiction over a case can exist based solely on patent counterclaims, contrary to other areas of law); *eBay* (rejecting the Federal Circuit's decision that patent cases did not need to abide by traditional principles of equity); *MedImmune v. Genentech*, 549 U.S. 118 (2007) (rejecting the Federal Circuit's rule that a challenge to patent validity does not establish declaratory judgment jurisdiction); *Medtronic, Inc. v. Mirowski Fam. Ventures, LLC*, 571 U.S. 191 (2014) (rejecting the Federal Circuit's rule that a declaratory judgment plaintiff bears the burden of proof on infringement rather than the patent owner); *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545 (2014) (rejecting the Federal Circuit's special standard for assessing whether a case is exceptional and use of a clear and convincing evidence standard for attorney's fee awards in favor of tests applied in other areas of law, including a preponderance standard); *Highmark Inc. v. Allcare Health Mgmt. Sys.*, 572 U.S. 559 (2014) (rejecting the Federal Circuit's use of a use of *de novo* review of exceptional case determinations in favor of the abuse of discretion standard used in other areas of law); *Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 574 U.S. 318 (2015) (rejecting the Federal Circuit's use of *de novo* review for subsidiary factual matters in claim construction in favor of the clear error standard used in other reviews of subsidiary facts); *Halo Elecs., Inc. v. Pulse Elecs.*, 579 U.S. 93 (2016) (rejecting the Federal Circuit's use of knowledge at the time of trial for determining willfulness in favor of the general rule of knowledge at the time of the act); *Peter v. NantKwest, Inc.*, 140 S. Ct. 365 (2019) (rejecting special rule for § 145 patent cases forcing losing patent applicants to pay the government's attorney's fees in favor of the American Rule); *cf.* Michael Goodman, *What's So Special About Patent Law?*, 26 Fordham Intell. Prop., Media & Ent. L.J. 797, 814-820 (2016).

[18] While my testimony focuses on the prongs of irreparable harm and inadequacy of legal remedies, there is also a longstanding history of the Court emphasizing the other prongs of the *eBay* test: public interest and balancing of the equities. *See, e.g., Yakus v. United States*, 321 U.S. 414, 440-42 (1944) ("the award [of an injunction] is a matter of sound judicial discretion, in the exercise of which the court balances the conveniences of the parties and possible injuries to them … in the exercise of [a court of equity's] discretion to protect the public interest").

[19] U.S. Constitution, Art. I, § 8, Cl. 8.

that basic equitable threshold requirement of an irreparable harm. When your products are competing with an infringer's goods in the marketplace, the loss of market share and consumer goodwill that infringement could cause is a categorical example of an irreparable harm. And in some other circumstances, where a defendant engaged in a bad-faith refusal to negotiate or where the defendant will not be able to pay a court-awarded royalty, injunctions are also appropriate—and in those circumstances injunctions continue to be awarded, regardless of competitive presence.

But for firms who do not practice their patents, irreparable harm generally does not exist. This is not universal. For some firms of this type, such as universities, research institutions, and individual inventors who typically exclusively license their patent to a single firm which does practice the patent, their situation is essentially that of an operating company. Irreparable harm to their exclusive licensee exists. But the vast majority of these types of non-practicing firms—often referred to as patent assertion entities or patent trolls—assert their patents against anyone and license to any comer. Their fundamental business goal is to obtain money for use of their patents. They can receive money for use of their patents as a remedy in court. Their harm—that of not receiving money—is fully remedied by the award of monetary damages.[20] There is simply no irreparable harm or inadequacy of the remedy in these cases. And a business model's failure to meet the fundamental requirements of equitable relief is not a reason to change those requirements; rather, it is a signal that that business model does not require equitable relief.

The statistics bear this out. Even setting aside ANDA pharmaceutical cases, in which non-equitable injunctive relief is part of the statutory scheme, operating companies are still extremely successful in receiving injunctive relief when they win. The vast majority of studies examining the role of injunctive relief in the U.S. patent system after *eBay* have concluded that operating companies have not seen a significant decline in their rate of success.[21] Depending on the precise dataset and method used to sort operating companies from patent trolls, the exact rate varies slightly, but non-pharmaceutical operating companies can expect to receive an

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[20] To the extent that there is a concern that damages do not fully recompense a patent owner, that is most appropriately dealt with by addressing the correct measure of damages rather than by enabling patent owners to obtain an injunction they can use to extract a supra-value payment. *See* Sections V and VI, *infra*. However, given that lost profits damages are available under 35 U.S.C. § 284, a patent plaintiff is categorically able to receive full compensation for the value of their invention. Between the two available damages remedies of lost profits and a reasonable royalty, full compensation for the value of the invention is available; to the extent an openly licensing patent owner believes they are not fully compensated, they have simply incorrectly judged the value of their technology on the open market.

[21] *See, e.g.*, Mezzanotti & Simcoe, *Patent policy and American innovation after eBay*, *supra* n. 8; Landau, *Much Ado About Injunctions*, *supra* n. 12; Seaman, *Permanent Injunctions*, *supra* n. 11; Kirti Gupta & Jay Kesan, *Studying the Impact of eBay on Injunctive Relief in Patent Cases*, UIC Coll. of Law Legal Studies Research Paper 17-03 at 25 (2016).

injunction around 88-90% of the time when they request one. Prior to *eBay*, that number was higher by approximately 2%. This difference is insubstantial and may not even be statistically significant.

Even the empirical work that is most critical of *eBay* admits that operating companies have not seen a significant decline in their success in obtaining injunctive relief when requested.[22] And while non-practicing entities are significantly less likely to receive an injunction post-*eBay*, it is far from a categorical rule, with some injunctions still issuing, and with the type of non-practicing entity highly relevant to their success rate.[23] Entities like universities and individual patent owners who do not practice their patent continue to succeed in obtaining injunctions at rates similar to operating companies, while pure patent assertion entities do not.[24]

This leaves open the possibility that operating companies are less likely to request relief and thus are effectively less likely to obtain injunctions. However, this also appears to be incorrect. Total injunction request rates remained roughly constant before and after *eBay*;[25] instead, the majority of the decrease in total injunction request rate occurred in 2011 after the AIA forced non-practicing entities to end their practice of consolidating multiple defendants into a single lawsuit.[26] This drove up the number of non-practicing entity (NPE) cases, peaking in 2013-2015, while operating company cases remained roughly constant.[27] And this change is reflected in the data, with a nadir of request rates in the 2015-2017 period, consistent with the average time to resolution of a patent case.[28] In other words, the change in request rate observed in the data appears to be an artifact of higher numbers of NPE cases, not of a change in operating company behavior.

This conclusion is bolstered by the fact that in some analyses, operating companies were already reducing their rate of injunction requests in the six years **prior** to the *eBay* decision.[29] However, the decline for operating companies appears

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[22] Kristina M.L. Acri née Lybecker, *Injunctive Relief in Patent Cases: the Impact of eBay*, Colo. Coll. Working Paper 2024-01 at 11-15 (2024). Of note, Acri's paper contains total numbers of requests for injunctive relief that appear to significantly undercount injunctive relief. For example, Acri reports that of cases filed in 2016, there were requests for permanent injunctions in 12 of those cases and grants in 11 cases. In verifying the Acri paper, I located 22 cases filed in 2016 which resulted in not just a request for a permanent injunction but a grant of that injunction, an undercounting of 50%. A list of these cases, by docket number and court, is attached as Appendix A.

[23] *See, e.g.*, Seaman, *supra* n. 11 at 1988.

[24] *See* Colleen Chien & Mark Lemley, *Patent Holdups*, 98 Cornell L. Rev. 1, 10 (2012).

[25] *Id.* at 10.

[26] Testimony of Rebecca Weires at FTC Hearing on Competition and Consumer Protection in the 21st Century, Session #4 (Oct. 24, 2018), https://www.ftc.gov/system/files/documents/public_events/1415062/ftc_hearings_session_4_transcript_day_2_10-24-18_0.pdf at 88-89.

[27] *Id.*

[28] Acri, *supra* n. 22 at 10.

[29] Gupta & Kesan, *supra* n. 21 at Table 4.

to also be an artifact of the way the rate has been measured. Because many analyses calculate the rate against the total number of patent cases, rather than the total number of patent cases brought by operating companies, the significant increase in the raw number of non-practicing entity lawsuits over the past 25 years, particularly post-2010,[30] has affected the operating company request rate estimates. For example, using the Gupta & Kesan dataset and calculating against the total number of patent cases, the pre-*eBay* (1.6%) and post-*eBay* (0.99%) permanent injunction request rates appear to show a severe decline of approximately 40%.[31] But if calculated against the number of *operating company* patent cases, rather than the number of patent cases in total, the pre-*eBay* (1.95%) and post-*eBay* (1.51%) permanent injunction request rates show a much lower decline of approximately 22%, roughly half as much.[32] Because the difference in the rate of increase in lawsuits between operating companies and non-practicing entities is so extreme, with operating companies effectively not changing their rate of assertion while non-practicing entities increased the number of lawsuits they file by 600% in the same timespan, raw request rate analyses fail to accurately capture any changes in the behavior of operating companies.

V. A Presumption of Injunction Provides Unearned Rewards to Patent Owners but Provides No Countervailing Benefits

There is a good reason that the Supreme Court and the history of equity practice have insisted on injunctions being a limited and discretionary, rather than an automatic, remedy. A return to the presumptive injunction rule would primarily benefit non-practicing entities and entities with patents on minor features incorporated into complex products. The *in terrorem* threat of injunctions, based on the risk the entire product will be enjoined, allows patent owners to extract a reward far in excess of the value of their patents, even in the majority of cases where the defendant infringed innocently and without knowledge of the patent.[33] Particularly in complex, multi-component products such as semiconductors, smartphones, computers, and other high-tech products, a patent will typically only cover a small portion of the product. However, an injunction allows the patent owner to block the entire product from the market. Given the choice between an injunction that takes its product off the market or over-paying the patent owner for

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[30] *See, e.g.*, Shawn Miller *et al.*, *Who's Suing Us? Decoding Patent Plaintiffs since 2000 with the Stanford NPE Litigation Dataset*, 21 Stan. Tech. L. Rev. 235 (2018).

[31] Gupta and Kesan treat preliminary and permanent injunctions together as against total cases, both operating company and non-practicing entity, in numerous places. Others separate preliminary and permanent injunctions. Neither approach is incorrect, but in comparing conclusions across different studies, it is critical to compare commensurate metrics.

[32] Calculations based on data from Gupta & Kesan. The difference in pre- and post-*eBay* operating company request rates likely arises from suits in which an operating company sues in a market in which it does not compete and thus in which it could not show irreparable harm.

[33] It is generally considered impossible in the high-tech industry to be aware of the full scope of potentially relevant patents due to the number of patents involved and the relative lack of clarity of the scope of those patents.

a license, a product manufacturer will be willing to significantly over-pay for even a minor feature, allowing the patent owner to confiscate value that the product manufacturer created independently of the patent. Manufacturers do so in order to avoid the complete loss of value that would ensue from an injunction. These windfall settlements, where a patent owner obtains far more than its contribution, in turn incentivize additional patent litigation, particularly from non-practicing entities.

The difficulty in identifying relevant patents *ex ante* in turn illustrates a key economic point. An innocent infringer (one who was not aware of the patent before creating their product) is also an inventor of the patented technology. If the patent owner had not made their invention, the product manufacturer would still have done so. In such a circumstance, providing a reward to the patent owner in excess of the technical value of the shared invention is particularly inappropriate. If the invention would have occurred regardless of the availability of an injunction—which, definitionally, it will have, as the infringing product exists—then the propriety of an injunction is questionable at best, as Congress's power to grant a patent right is limited by the mandate to "promote the Progress of the useful Arts."[34]

VI. A Presumption of Injunctive Relief Distorts Patent Licensing

The potential for injunctions can distort the economics of negotiation, particularly in situations where the value of the patented feature is very small in comparison to the value of the product, or in situations in which the cost of redesigning a product to a non-infringing alternative is high.

As a simple illustration, pretend that you are a manufacturer. You want to sell a product. You would make $20 in profit on each sale of that product. You would like to pay to license a patent that your product could incorporate. How much would you be willing to pay to license that product? It would depend on the cost of an alternative design and the value of the infringing feature. For example, as you have not yet placed the product into production, you might have effectively no redesign cost. If you would be able to sell the redesigned product for $19 in profit, you might be willing to pay up to $1 per sale to license the patent.[35] In no circumstance, however, even if the cost of a redesign became extremely expensive or the profit on the alternative product was nearly zero, would you be willing to pay more than the $20 in profit you make on each sale. The value of the technology

[34] U.S. Const., Art. I, § 8, Cl. 8.

[35] In practice, the rate will be discounted based on the probability of a court finding the patent to be invalid or not infringed. Further, the split of the surplus between patent owner and licensor will depend on the negotiating skill of the parties—but there will be some split. A 50/50 division can be treated as a benchmark, meaning that the expected royalty rate would approach $.50 per unit for a patent that is believed to be highly likely to hold up in litigation.

compared to alternative technologies sets the amount which would be reasonable to pay in the market for a license to that patent.

Now imagine that you developed your product and placed it on the market. Again, you make $20 in profit on each sale. But this time, you were not aware of the patent until after you were selling your product. You are approached by a patent owner who wishes to offer you a license. How much would you be willing to pay to license the product? This time, you face not just the potential lower profit but also some cost to redesign your product not to infringe. Because your product is already on market, we assume redesign costs exist. If redesign costs are $5 per unit and you would make $19 in profit per sale of the alternative design, you might be willing to pay up to $6 per sale for a license.

In the situation in which a patent owner would receive a reasonable royalty—but no injunction—at the end of a court case, they would be likely to accept that fair value as a royalty rate in negotiation. But imagine if the patent owner wishes to obtain more than this market value for their patent and knows that they would receive an injunction at the end of the case. In this circumstance, they would be able to not only obtain the value of their patented technology as damages for past use, but also to force your product off-market for as long as it takes you to conduct the redesign. You are now losing not just the $6 per unit of the redesign and lower profit, but the entire $20 profit per unit sale during this time span. How much would you be willing to pay for a license in this situation? You might pay nearly $20 per unit not to have it forced off the market, more than three times the value of the patented technology.

In other words, the threat of an injunction provides the patent owner with leverage that will allow them to acquire not just the value of *their* technology to the product, but the *entire profitable value* of the product regardless of its connection to the patent.

To make matters worse, this assumes that the patent owner will win the case. In reality, the vast majority of patent cases are won by defendants[36]—the patent owner misjudged the scope of their patent as covering a product that does not infringe or it asserted an invalid patent. Licensing rates are generally discounted to account for this possibility. You would not have been willing to pay $6, but rather $6 multiplied by the probability of patent owner success. Given the generally low success rate, you'd be likely to have paid something much closer to $1 or even less. Now it isn't a threefold excess the patent owner has obtained, but twenty-fold.

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[36] Miller *et al.*, *supra* n. 30 at 269 (showing that the average merits win rate for patentees is 29%, with patent assertion entities faring substantially worse and winning on the merits in only 13% of cases). This dataset includes both pre- and post-*eBay* litigations.

And even worse, in some situations a redesign is effectively impossible. This occurs most frequently in the case of standard-essential patents (SEPs), such as cellular or Wi-Fi patents. In this situation, *there is no non-infringing alternative*. Your options, when faced with an injunction, are to pay whatever the patent owner wants, or to leave the market entirely. In this circumstance you would always be willing to pay up to your profit margin per sale in order to avoid losing access to the market entirely, even if the patent is just one of thousands that might be involved in creating the technical value of the standard. You are now capturing not just the technological value of the other contributions to the product, but the value of the people using the standard itself. An economic analysis of SEP cases in which injunctions were requested confirmed that "injunctions can generate considerable leverage for an SEP owner during license negotiations."[37] The same analysis, examining a set of three lawsuits as case studies, concluded that injunctions, especially in courts with automatic injunctions, can "cause[] manufacturers to accept excessive royalties … rather than face market exclusion."[38]

Finally, this example was presented in a situation in which the value of the patent was a relatively significant amount of the final profit on the product. This might have been a safe assumption at the creation of the U.S. patent system. It is no longer a safe assumption. In many modern industries, such as the high-tech industry CCIA members operate within, there can be thousands and tens of thousands of patents involved in a single product, each one contributing a few cents to the value of the total product. In these circumstances, the threat of an injunction is magnified significantly as the entire profit of the product is at risk despite the value of the patent that is the subject of the injunction being an insignificant fraction of the total profit. Instead of twenty-fold excesses, a patent owner can obtain rates that are hundreds or thousands of times the true value of their invention. In the extreme, even if a patent contributes a near-zero value to the product, the patent owner can still obtain significant negotiating leverage in the shadow of injunctive relief based on the cost of redesign and the possibility of the product being removed from the market, resulting in multipliers that approach infinity.

VII. Formal Economic Analyses of Bargaining in the Shadow of Injunctions Confirms Their Distorting Effect on Licensing

More formally, injunctions can be understood as "additional leverage in licensing" negotiations.[39] A full economic analysis of this situation, a simplified version of which is presented above, can be found in *Patent Holdup and Royalty*

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[37] John Hayes & Assaf Zimring, *Injunctions in Litigation Involving SEPs*, GRUR Patent at 240 (June 2024), https://media.crai.com/wp-content/uploads/2024/07/02154935/Hayes-Zimring_GRUR-Patent-2024-240-245_.pdf.
[38] *Id.* at 245.
[39] *MercExchange, L.L.C. v. eBay, Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005), *vacated*, 126 S. Ct. 1837 (2006).

Stacking. The authors there conclude that "threatening to enjoin products that are predominantly non-infringing … can easily enable a patent holder to negotiate a settlement for an amount of money significantly exceeding the amount that the patent holder could expect to earn in damages based on reasonable royalties."[40] In general, no one would license a patent for a rate that would make the sale of their product unprofitable. The corollary to this is that an injunction allows a patent holder to obtain any amount of money from the enjoined party right up to that point.

But the value of a patent to a product is better assessed as a combination of the value of the patented technology over the next best alternative and the cost of designing the product to use that next best alternative. This is the surplus created by the patented technology, which—in the absence of an injunction—the parties would bargain to divide. The presence or threat of an injunction allows the patent owner to obtain not just all of the surplus value created by its patent—an amount that would be captured as a reasonable royalty in court—but also to capture the cost of redesign and the value contributed by other aspects of the product unless the total rate would make the product unprofitable.

Because the threat of an injunction allows a patent holder to obtain not just the value of their technology, but also this unrelated value, the *eBay* requirements of irreparable harm and inadequacy of legal remedies are essential. In other words, absent *eBay*, the threat of an injunction allows patent holders to unfairly and improperly obtain value that their patent had no part in creating, even in the absence of a court case, due to the *in terrorem* threat of an injunction shadowing the bargaining between the parties.

The experience of American companies in foreign courts is illustrative of the harms that a presumption of injunctive relief can create. German courts operate with a nearly automatic injunction system. But economic analysis of German court decisions has shown the flaws in this approach. In a case study focused on a German patent lawsuit, "the estimated settlement payment exceed[ed] the value of the invention by more than ten thousand."[41] Further, when negotiating in the shadow of an automatic injunction rule, "the expected settlement payment will be dependent on the value of the defendant's accused product" and "may surpass the economic value of a patented invention by far."[42] Settlements "may even approach the value of the defendant's products" while "the plaintiff receives significant leverage in bargaining over terms and conditions that deviate significantly from

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[40] Mark Lemley & Carl Shapiro, *Patent Holdup and Royalty Stacking*, 85 Tex. L. Rev. 1991, 2008 (2007).
[41] Hendrik Fügemann & Neil Gallagher, *Economic Implications of Automatic Injunctions in German Patent Litigation*, Copenhagen Economics (Aug. 13, 2019), https://copenhageneconomics.com/publication/economic-implications-of-automatic-injunctions-in-german-patent-litigation/.
[42] *Id.*

what would otherwise be expected."[43] The experiences of American companies in foreign courts, as well as the economic analyses of those experiences, emphasize the problems with automatic injunctive relief in modern high-technology industries such as automobiles, computers, communications technology, and semiconductors. (A non-exhaustive list of recent exemplary cases in which American companies faced a threat of injunction, often from non-U.S. companies, is attached as Appendix B.)

The traditional counterargument to this economic criticism of injunctive relief is that, absent injunctions, patent owners lack sufficient leverage to force product makers to negotiate—that they would simply wait to pay the reasonable royalty awarded by a court.[44] But this argument is based in a set of false assumptions.[45] First, it ignores the cost of litigation. Prior to my work with CCIA, I worked as a patent litigator at a major law firm. The cost of engaging in a patent lawsuit, offensive or defensive, can run into the tens of millions of dollars.[46] Licensing a patent avoids those costs entirely. Second, it ignores the discounting effect. Before a patent is litigated, because of the uncertainty of the outcome, there is a discount applied to the licensing rate—the alleged infringer would pay less to account for this possibility. But after litigation, the reasonable royalty does not take this discount into account—because there is no longer uncertainty in outcome. The rate awarded by a court is higher than the rate that would have been reached in negotiation due to this. It also ignores the possibility of enhanced damages for deliberate and willful infringement and the potential need to pay attorneys' fees, all of which increase the cost to the infringer if they choose to litigate rather than license. Third, it presumes that manufacturers are aware of patents and choose to place infringing products on the market knowing they infringe, rather than the products being on the market before any awareness of the patent exists. In reality, evidence of copying technology is established in approximately 2% of patent cases, with the vast majority occurring within the pharmaceutical and chemical industries.[47] And finally, while injunctions are slightly less prevalent post-*eBay*, they are not non-existent. The possibility of an injunction remains, even if the likelihood is lower. And thus the threat of a forced royalty rate far in excess of the patent's value also remains and provides an impetus towards negotiation.

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[43] *Id.*
[44] *See, e.g.*, Kristen Osenga, *"Efficient Infringement" and Other Lies*, 52 Seton Hall L. Rev. 1085 (2022).
[45] *See* Mark Lemley & Carl Shapiro, *The Role of Antitrust in Preventing Patent Holdup*, 168 U. Penn. L. Rev. 2019, 2049 (2020) ("Patent holdout is incoherent as a theoretical matter and rejected as an empirical matter.")
[46] *See* AIPLA, *Report of the Economic Survey 2023* (Oct. 2023), https://www.aipla.org/detail/journal-issue/2023-report-of-the-economic-survey.
[47] Christopher A. Cotropia & Mark Lemley, *Copying in Patent Law*, 87 N.C. L. Rev. 1421, 1424 (2007).

An alternative counterargument is the idea that injunctions are needed to reward the innovation of under-resourced inventors who cannot afford to practice their patent, forcing them to operate as NPEs. This argument also fails. First, the majority of NPE cases are not brought by under-resourced inventors but instead by firms whose sole purpose is to acquire, license, and assert patents for a monetary gain.[48] And second, while under-resourced inventors may occasionally benefit from NPE litigation, much of the benefit goes to well-resourced patent assertion entities, often with the support of litigation investment entities such as hedge funds and foreign sovereign wealth funds.[49] Empirical research has found neither "any markers of significant NPE pass-through to end innovators, nor [] a positive impact of NPEs on innovation in the industries in which they are most prevalent."[50] If the Subcommittee wishes to help small inventors, the restoration of automatic injunctive relief is not a useful way to do so.

As separate evidence drawn from the reality of the patent licensing ecosystem, the vast majority of CCIA's members have large legal departments with teams dedicated specifically to in-licensing of patents. They would not pay for those salaries if they were not actively interested in appropriately licensing patents. Failures of licensing occur when there is disagreement on the value of a patent or when there is disagreement on the probability that the patent is likely to be found infringed or valid in court.

Of course, there are circumstances in which no monetary award would suffice to recompense a patent owner for infringement. For example, if the patent owner is seeking to enjoin a competitor from competing with it in the market using its own patented technology. But in those circumstances, as described above in Section IV, injunctions already do issue—this is exactly what is captured by the *eBay* test of irreparable harm.

In summary, the presumption of an injunction that existed before *eBay*, and which the RESTORE Act seeks to recreate, systematically distorts negotiations over patent licenses such that patent owners can obtain not just the value of their invention but the value contributed by the entire rest of the product. But "the

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[48] *See* Miller *et al.*, *supra* n. 30 at Table 3 (showing that Category 1 plaintiffs comprise the majority of all NPE lawsuits.)

[49] *See, e.g.*, U.S. Gov't. Accountability Off., GAO-25-107214, *Intellectual Property: Information on Third-Party Funding of Patent Litigation* 20-21 (Dec. 2024) (data shows "no major changes in the number of cases filed by individual inventors, start-up companies, or universities. These plaintiffs made up a very small proportion—about 4 to 6 percent—of patent infringement lawsuits overall.")

[50] Lauren Cohen *et al.*, *Patent Trolls: Evidence from Targeted Firms*, 65 Mgmt. Sci. 5461 (2019); *cf.* Robin Feldman & Mark Lemley, *The Sound and Fury of Patent Activity*, 103 Minn. L. Rev. 1793, 1794-96 (2019) ("very few patent licensing demands seemed to be associated with any indicia of innovation or legitimate technology transfer"; "NPE licensing demands almost never lead to innovation by the target firm"; "licensing demands almost never result in technology transfer or new innovation in the computer industry, particularly when NPEs are doing the asserting").

limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage; the benefit to the public or community at large was another and doubtless the primary object in granting and securing that monopoly."[51] Patent owners can be rewarded for their invention, but that is not the purpose of the patent system—and the purpose is certainly not to reward them for the work of others.

VIII. A Presumption of Injunctive Relief Disincentivizes Manufacturing in the United States in Favor of Overseas Manufacturing

There is an additional concern regarding the restoration of the pre-*eBay* automatic injunction regime. If a manufacturer is making products in the United States, an injunction will prevent them from manufacturing their product entirely, regardless of the ultimate destination. Even if the product is destined for sale in Paris, France, if it was made in Paris, Texas, a U.S. injunction prevents its manufacture. But if the product is made in Georgia (the country), then only sales intended for the State of Georgia (and the rest of the United States) can be enjoined by a U.S. court. Manufacturing and sales intended for non-US destinations can continue. Injunctions thus provide manufacturers with strong incentives to move their operations outside of the United States and provide foreign manufacturers with an economic advantage over U.S. manufacturers. At a time when Congress is working hard to make the United States a more appealing environment for manufacturing and concerned about economic competition with foreign adversaries, it is unclear why Congress would pass a bill with the exact opposite effects.

IX. Reformulating RESTORE to Avoid These Negative Impacts

As I have explained above, there are situations in which injunctions are appropriate. A presumption of injunctive relief may even be appropriate in some of these situations. One possible solution would be to provide a presumption of injunctive relief, conditioned on the patent owner showing that their patent is actually being practiced in the United States—a so-called "working requirement." For example, the legislation could set forth a rebuttable presumption based on the patent owner providing unrebutted evidence that it has engaged in significant investment in the production or sale of an article or service within the United Sates that practices the patent in suit, or that its exclusive licensee has done so.

With this type of revision, plaintiffs who make a product that implements their patent—or who work with an exclusive licensee who does so—will receive the presumption. Plaintiffs who do not do so would not.[52] This more restrained

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[51] *Kendall v. Winsor*, 62 U.S. 322, 327-28 (1858).

[52] Critically, any working requirement provision must not define licensing activities as "working" the patent. If non-exclusive licensing activities are sufficient, then there is no meaningful limitation on the presumption, and the negative economic impacts described above, as well as the violation of historical principles of equity, would emerge. Most entities that fall within the raw definition of a

presumption closely follows the economic insights described above, as well as being compliant with the historical principles of equity. It would ensure that where irreparable harm exists and where the threat of an injunction does not provide inappropriate negotiating leverage, a presumption of injunctive relief attaches.

Conditioned on a properly defined and scoped working requirement, a presumption of injunctive relief could provide benefits by clarifying points of negotiation and increasing certainty in outcomes without providing inappropriate negotiating leverage or violating the principles of the law of equity. As currently drafted, the RESTORE Act fails to attain any of these goals while creating all the described problems. CCIA would be happy to work with the members of this Subcommittee to improve the bill in line with the suggestion above.

X. Conclusion

The RESTORE Act would cause serious harm to the United States patent system and the innovation economy. These changes would likely result in increases in the amount and cost of patent litigation, reduce spending on research and development by productive firms, drive manufacturing overseas, and incentivize settlements which transfer money away from productive uses.

CCIA appreciates the opportunity to discuss the proposed legislation and shares the Subcommittee's goal of ensuring that American innovators continue to lead the world in a variety of technologies. We look forward to working with the Subcommittee towards that end.

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non-practicing entity, such as universities, prefer to engage in exclusive licensing practices and would thus not be prevented from obtaining injunctions in this circumstance.

APPENDIX A
Patent Cases Filed in 2016 Terminating in Granted Injunction

Case Name	Docket No.	Court
Tinnus Enterprises, LLC et al v. Telebrands Corporation	6:16-cv-00033	E.D.Tex.
freal Foods LLC et al v. Hamilton Beach Brands, Inc. et al	1:16-cv-00041	D.Del.
Mya Saray, LLC v. Dabes et al	1:16-cv-00064	E.D.Va.
ESIP Series 1 v. Shenzhen Jing Xin Tai Houseware	2:16-cv-00178	D.Utah
Galderma Laboratories L.P. et al v. Amneal Pharmaceuticals LLC et al	1:16-cv-00207	D.Del.
CommScope Technologies LLC v. Dali Wireless Inc	3:16-cv-00477	N.D.Tex.
Genzyme Corporation et al v. Zydus Pharmaceuticals (USA) Inc.	1:16-cv-00540	D.Del.
Whirlpool Corporation v. Woodside Distributors, LLC	2:16-cv-00565	E.D.Tex.
Codexis, Inc. v. EnzymeWorks, Inc. et al	3:16-cv-00826	N.D.Cal.
Galderma Laboratories, L.P. et al v. Sun Pharmaceutical Industries Limited et al	1:16-cv-01003	D.Del.
Immunex Corporation et al. v. Sandoz Inc. et al	2:16-cv-01118	D.N.J.
Snaprays v. Ontel Products Corporation et al	2:16-cv-01198	D.Utah
Security5, LLC v. VSN Mobil, Inc. et al	3:16-cv-01431	S.D.Cal.
Sioux Steel Company v. Prairie Land Millwright Services, Inc.	1:16-cv-02212	N.D.Ill.

Curlin Medical Inc. et al. v. Acta Medical, LLC, et al.	2:16-cv-02464	D.N.J.
Amarin Pharma Inc. et al v. Hikma Pharmaceuticals USA Inc. et al	2:16-cv-02525	D.Nev.
J&M Industries, Inc. v. Raven Industries, Inc.	2:16-cv-02723	D.Kan.
Capbran Holdings, LLC et al v. Firemall LLC et al	2:16-cv-02980	C.D.Cal.
Deckers Outdoor Corporation v. Australian Leather Pty Ltd	1:16-cv-03676	N.D.Ill.
Lokai Holdings LLC, v. Barba et al	3:16-cv-04083	D.N.J.
Albert Kirakosian et al v. J and L D Sunset Wholesale and Tobacco et al	2:16-cv-06097	C.D.Cal.
TrainingMask L.L.C. v. Andvaris Virtual Solutions, Inc.	1:16-cv-22024	S.D.Fla.

APPENDIX B

Litigated Patent Cases Where American Defendants Are Affected By Injunctive Relief or the Potential Thereof

Unified Patent Court (Europe)

1. Philips v. Belkin (granted, 2024)
2. Lionra Tech v. Cisco (sought/pending, 2024)

China

1. Huawei v. Netgear (sought/pending, 2022)

Germany

2. Nokia v. Amazon (granted, 2024)
3. Nokia v. HP (sought/settled, 2024)
4. Huawei v. Amazon (granted, 2023)
5. Huawei v. Netgear (sought/pending, 2022)
6. Ericsson v. Apple (sought/settled, 2022)
7. IPBridge v. Ford (granted, 2022)
8. MiiCs v. Ford (sought/settled, 2022)
9. Koninklijke KPN v. Ford (sought/settled, 2022)
10. Sharp v. Tesla (sought/settled, 2022)
11. Sisvel v. Tesla (sought/settled, 2022)
12. Conversant v. Tesla (sought/settled, 2022)
13. IPBridge v. Tesla (sought/settled, 2022)
14. Motorola v. Microsoft (granted, 2012)
15. Motorola v. Apple (granted, 2011)

USITC

16. Nokia v. Amazon (sought/pending, 2023)
17. Nokia v. HP (sought/settled, 2023)
18. Samsung v. Apple (granted but vetoed by USTR, 2013)

Colombia

19. Ericsson v. Apple (preliminary injunction granted but reversed after 4 months, 2022)

Brazil

20. Nokia v. Amazon (preliminary injunction granted, 2024)

21. Nokia v. HP (sought/settled, 2024)
22. DivX v. Netflix (granted, 2023)
23. Ericsson v. Apple (preliminary injunction granted, 2022)

WRITTEN TESTIMONY OF

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Professor of Law,
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BEFORE THE

COMMITTEE ON THE JUDICIARY

United States Senate

The RESTORE Patent Rights Act: Restoring America's Status as the Global IP Leader

December 18, 2024

Chairman Coons, Ranking Member Tillis, and Members of the Committee:

Thank you for this opportunity to speak with you today about why Congress should enact the RESTORE Patent Rights Act.[1] Specifically, this act would establish a "rebuttable presumption" in favor of injunctive relief for patent infringement, thereby bringing back a patent system based on reliable and effective patent rights that serves as the foundation of this country's innovation ecosystem.

For over two centuries, if a valid patent was found to be infringed, the patent owner could generally rely on the court granting a permanent injunction to prevent further infringement.[2] In 2006, however, the Supreme Court issued an opinion in *eBay v. MercExchange*[3] that dramatically altered the patent landscape. Rather than being able to rely on infringers being enjoined by the court, injunctive relief was no longer certain. Instead, after *eBay*, specific patent owners are more certain that they will *not* be granted a permanent injunction against an infringer. The best those patent owners can hope for is an ongoing royalty, set by the court, while the infringer is permitted to continue to use the patent owner's innovation.

This shift, from a presumption of injunctive relief for patent infringement to uncertainty about whether a patent owner can even stop an infringer, has had serious negative impacts on the patent system. In cases where injunctive relief is unlikely, there are few deterrents to infringement. There

[1] I am speaking on own behalf, and my testimony does not reflect the views of my employer or of any institution or organization with which I am affiliated.

[2] See, e.g., Adam Mossoff, *The Injunction Function: How and Why Courts Secure Property Rights in Patents*, 96 Notre Dame L.Rev. 1581, 1598 (2021)

[3] *eBay, Inc. v. MercExchange LLC*, 547 U.S. 388 (2006).

are some infringers who, knowing they are unlikely to be enjoined, decide to "infringe now, pay later."[4] Not only is the patent owner forced to use litigation, rather than negotiation, to obtain payment for use of their patented technology, but there is evidence that court-determined fees are lower than negotiated fees.[5]

Beyond ongoing royalties set by a court, uncertain injunctive relief also impacts licensing negotiation more broadly. Specifically, when an injunction is available, a patent owner can say, during the course of negotiations, "No, I will not license my patent to you at the price you are offering." Parties who wish to use the patented technology will either need to pay the patent owner's asking price or will need to design around or use different technology. On the other hand, when an injunction is unlikely to be granted, parties who wish to use the patented technology have no need to negotiate in good faith – or at all. Some parties may choose to engage in the "infringe now, pay later" predatory infringement described above, but even those who are not willing to infringe – whether due to an ongoing relationship with the patent owner or reputational concerns – will end up negotiating in a distorted market in which patents are devalued as an asset class. For example, a recent study conducted by AUTM showed that exclusive licenses, which are typically higher-valued, have decreased post-*eBay*, while non-exclusive licenses, which are typically lower-valued, have increased.[6]

Because patents are issued, in part, to incentivize investment in invention and innovation, if patents are unable to be licensed on fair terms and are devalued more generally, then investment in invention and innovation is likely to suffer. Companies may decrease their research efforts or may move their innovation activities to other jurisdictions with more favorable patent systems. A strong patent system, built on effective and reliable patent rights, is the backbone of the United States innovation ecosystem. Injunctive relief is a critical component of a strong patent system.

My comments today address how the Supreme Court's *eBay* decision led to the unavailability of injunctive relief for patent infringement, how the uncertainty around injunctions has negatively impacted the US patent system, and how enacting the RESTORE Patent Rights Act would undo the detrimental effects of the *eBay* decision and strengthen this country's innovation ecosystem.

I. The Supreme Court's *eBay* Opinion Ignored History and Devalued Patents

Injunctive relief upon a finding of patent infringement stems from the constitutional grant of power to Congress to secure "the exclusive right" to "inventors" for their discoveries and writings.[7] This

[4] While some refer to this as "efficient infringement," a more apt term is "predatory infringement." See, e.g., Kristen Osenga, *"Efficient" Infringement and Other Lies*, 52 SETON HALL L. REV. 1085 (2022).

[5] See Jonathan Barnett, *Has the Academy Led Patent Law Astray?*, 32 BERKELEY TECH. L.J. 1313, 1363-67 (2017) (explaining why court-set "monetary remedies are likely to chronically yield distorted valuations relative to market negotiations").

[6] See Kristen Osenga, *The Loss of Injunctions under* eBay*: Evidence of the Negative Impact on the Innovation Economy*, Hudson Institute Policy Memo (Feb. 28, 2024), *available at* https://www.hudson.org/regulation/loss-injunctions-under-ebay-evidence-negative-impact-innovation-economy.

[7] U.S. Const. art. I, § 8, cl. 8.

right to exclude, as the Supreme Court has acknowledged, is "the essence of a patent grant."[8] Because the only right a patent confers is a right to exclude, if a patent owner cannot stop an infringer from using their patented technology, the patent is essentially worthless. In recognition of this essential right, prior to *eBay*, if courts found a valid patent to have been infringed by a defendant, they presumptively granted an injunction in nearly all cases.[9]

Although the *eBay* decision is over eighteen years old, it is worth briefly reviewing the opinion for a few reasons. First, the most oft-cited portion of the opinion is not the majority opinion, but a concurrence by Justice Kennedy. Second, understanding what happened in the *eBay* case explains why the RESTORE Patent Rights Act, as simple as it is, is a powerful fix that can strengthen the patent system.

The patent in the *eBay* case was owned by MercExchange, a company that did not directly manufacture or sell anything covered by its patent.[10] MercExchange was an unsuccessful startup; when it could not succeed in starting a manufacturing enterprise, it instead licensed its patented technology to others.[11] The internet auction site eBay was using MercExchange's patented technology without a license, and MercExchange sued for patent infringement. The trial court held that MercExchange's patent was valid and that MercExchange had proven that eBay infringed. The court granted MercExchange a substantial damages award,[12] but denied MercExchange's request for a permanent injunction because MercExchange did not manufacture the technology itself; it only licensed the technology to other companies.[13] MercExchange appealed to the Federal Circuit, which affirmed the trial court's finding of validity and infringement, but reversed the trial court's denial of MercExchange's request for an injunction.[14] eBay then petitioned the Supreme Court to reverse the Federal Circuit and reinstate the denial of injunctive relief.

The Supreme Court unanimously reversed the Federal Circuit.[15] In a very short opinion, the Court stated that categorical denials of injunctive relief (as the district court had done in this case) and blanket grants of injunctive relief (as was the Federal Circuit's practice) were both in error.[16] Instead, the Court set forth a four-factor test that courts should use to decide whether to grant a permanent injunction.[17] This test requires the party seeking a permanent injunction to

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[8] *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 (1980).

[9] Shyamkrishna Balganesh, *Demystifying the Right to Exclude: Of Property, Inviolability, and Automatic Injunctions*, 31 HARV. J.L. & PUB. POL'Y 593, 650-51 (2008) (discussing the Federal Circuit's rule of nearly automatically granting injunctions).

[10] Ryan T. Holte, *Trolls or Great Inventors: Case Studies of Patent Assertion Entities*, 59 ST. LOUIS U. L.J. 1, 23-28 (2014) (providing the history of MercExchange).

[11] *Id.*

[12] *MercExchange, LLC v. eBay, Inc.*, 275 F.Supp.2d 695, 698-99 (E.D. Va. 2003).

[13] *Id.* at 712.

[14] *MercExchange, LLC v. eBay, Inc.*, 401 F.3d 1323, 1338-39 (Fed. Cir. 2005).

[15] *eBay Inc. v. MercExchange, LLC*, 547 U.S. 388 (2006).

[16] *Id.* at 393-94.

[17] This four-factor test has been the subject of significant legal debate focused on its history and legitimacy, which is beyond the scope of this testimony but has been covered extensively elsewhere. See, e.g., Adam Mossoff, *Injunctions for Patent Infringement: Historical Equity Practice between 1790-1882*, ___ HARVARD J.L. & TECH. ___ (forthcoming 2025); Mark P. Gergen, John M. Golden & Henry E.

demonstrate "(1) that is has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate for that injury; (3) that considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction."[18] These factors are to be balanced and each particular case should be decided on its merits.[19]

Although the majority opinion is rather clear that categorial grants or denials of injunction are incongruous with its four-factor test, the *eBay* case spawned two concurring opinions in the Supreme Court. One, authored by Chief Justice Roberts and joined by Justices Scalia and Ginsberg, stated that although automatic grants of injunctive relief are inappropriate, the historical case law confirms that a patent's exclusionary right means that injunctions have been predictably granted in almost all cases.[20] As with all property rights, the loss of an exclusive right has long been held by courts to create a presumption of irreparable harm, or a harm that cannot be remedied by damages alone.

The other concurrence, written by Justice Kennedy and joined by Justices Stevens, Souter, and Breyer, embraced policy arguments, not historical case law or judicial practices in remedying patent infringement. Justice Kennedy focused on a number of controversial policy concerns and other supposed perils in patent law that would counsel against the grant of an injunction despite a finding of infringement of a valid patent.[21] These included patent trolls,[22] business method patents,[23] or single consumer devices that include a large number of patented components held by different patent owners.[24] Justice Kennedy concluded that in all these circumstances, a court should be wary about granting any injunctive relief.[25] Many district court judges have denied injunctive relief in the circumstances highlighted in the Kennedy concurrence.

The Federal Circuit, which hears all appeals in patent infringement cases, has also made injunctive relief more difficult to obtain, following on the Supreme Court's *eBay* decision. Prior to 2011, the

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Smith, *The Supreme Court's Accidental Revolution? The Test for Permanent Injunctions*, 112 COLUM. L.REV. 203, 207-208 (2012).

[18] *eBay Inc.*, 547 U.S. at 391.

[19] *Id.* at 391-94.

[20] *Id.* at 394-95 (Roberts, C.J., concurring) (noting that injunctions should continue to issue in the "vast majority of patent cases," as the right to exclude is difficult to remedy via monetary damages).

[21] *Id.* at 395-97 (Kennedy, J., concurring).

[22] "Patent troll" is a derogatory term for a company that generates revenue by licensing its technology. See, e.g., Kristen Osenga, *Formerly Manufacturing Entities: Piercing the "Patent Troll" Rhetoric*, 47 CONN. L.REV. 435 (2014).

[23] Business method patents cover, unsurprisingly, methods associated with doing business. Sometimes these methods are embodied in software, but they need not be. Often business method inventions revolve around handling and processing data. See, e.g., Kristen Osenga, *Ants, Elephant Guns, and Statutory Subject Matter*, 39 ARIZ. ST. L.J. 1087 (2007).

[24] See *eBay Inc.*, 547 U.S. at 396-97 (Kennedy, J., concurring). One example of devices that include a large number of patented components held by different patent owners includes smart phones. Technology standards, such as 4G and 5G, often include the technology of hundreds or thousands of patents, held by many different patent owners.

[25] *See id.*

Federal Circuit had stated that "where validity and continuing infringement have been clearly established, immediate irreparable harm is presumed."[26] This permitted at least some patent owners to successfully obtain injunctive relief, even under the four-factor *eBay* test. However, in 2011, in *Robert Bosch v. Pylon Manufacturing*, the Federal Circuit concluded that *eBay* "jettisoned the presumption of irreparable harm as it applies to determining the appropriateness of injunctive relief."[27] This was mistaken, if only because *eBay* said nothing about the presumption of irreparable harm, remarking only that categorical or automatic rules do not apply to the issuance of injunctions. In fact, rebuttable presumptions are not automatic categorical rules and thus do not run afoul of *eBay*'s prohibition on such rules. The *Bosch* decision made it even more difficult for all patent owners to obtain injunctive relief against a defendant found to be infringing a valid patent.

II. Obtaining Injunctive Relief for Patent Infringement Has Become Uncertain

Since the *eBay* decision was rendered, the granting of injunctions has become significantly less reliable, which in turn has weakened the patent system.

Prior to *eBay*, it was presumed that permanent injunctions would be granted in most cases where infringement of a valid patent was found.[28] This was historically understood and makes sense given that a patent confers only an exclusive right, which is enforced by enjoining the infringer. Empirical studies support that, prior to *eBay*, permanent injunctions were routinely granted, finding injunctive relief granted in 94–100% of cases where patent infringement was found.[29] This high grant rate provided a level of certainty to both patent owners and infringers, providing the patent owner with a truly valuable right to exclude.

After *eBay*, everything has changed. Very few, if any courts, have considered the historical case law on injunctions or the Constitutional framing around providing an exclusive right. More often, the district courts focus narrowly on the alleged policy concerns that Justice Kennedy raised in his concurrence – patent licensing firms, business method patents, and products with many patented components where the patents are held by a diversity of firms. None of these policy concerns change the nature of the underlying patent. The patent was still granted as a reward for invention and innovation and was determined to be valid. The underlying patent still confers no rights, but the right to exclude. And yet, regularly, that right to exclude is being diminished by courts who now deny requests for injunctive relief, especially when the patent is owned by a patent licensing firm.

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[26] *Smith Int'l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir. 1983) (cleaned up).

[27] *Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142, 1148-49 (Fed. Cir. 2011).

[28] See, e.g., *MercExchange, LLC v. eBay, Inc.*, 401 F.3d 1323, 1339 (Fed. Cir. 2005) (citing a "general rule that courts will issue a permanent injunction against patent infringement" absent a good reason, such as a public health concern, to deny it); *W.L. Gore & Assocs., v. Garlock, Inc.*, 842 F.2d 1275, 1281 (Fed. Cir. 1988) (stating that "injunctive relief against an adjudged infringer is usually granted).

[29] *See* Ryan T. Holte, *The Misinterpretation of* eBay v. MercExchange *and Why: An Analysis of the Case History, Precedent, and Parties*, 18 Chap. L.Rev. 677, 720 (citing studies).

Many studies were done, particularly in the immediate decade post-*eBay*, that illustrated the significant impact of that case on grants of permanent injunction. In a widely cited study covering the time period between the *eBay* decision in May 2006 and December 2013, Professor Christopher Seaman found that requests for permanent injunctions were granted in 72.5% of cases, representing a marked decrease "from the state of play before *eBay*, when injunctions were granted to prevailing patentees in almost all cases."[30] Another study by Professor Jay Kesan and Kirti Gupta similarly found a statistically significant decrease in injunctions being granted on a finding of infringement of a valid patent; even more important, they found a decrease in courts awarding injunctions to both licensing and manufacturing companies after defendants were found liable for patent infringement.[31] The decline in injunctive relief granted to patent licensing firms, Justice Kennedy's so-called "patent trolls," is even more significant, with these patent owners being almost certain to *not* receive injunctive relief.[32]

A new research paper by Professor Kristina Acri confirms that grants of injunctive relief for both manufacturing firms and licensing firms are still uncertain.[33] Professor Acri studied patent infringement cases filed between 2000-2023, comparing the rates of seeking and being granted injunctive relief before and after *eBay*.[34] Professor Acri found not only that the rate of receiving grants of permanent injunction continue to be significantly lower than pre-*eBay* for both manufacturing and licensing firms,[35] but that patent owners, regardless of business type, are not even seeking injunctive relief at the same rate as before *eBay*.[36]

This new data, combined with previous studies, demonstrates rather clearly that the imposition of *eBay*'s four-factor test and a disregard for both the Constitutional underpinning of the patent system and historical practice has led uncertainty about injunctive relief where patent infringement has been found. In fact, the uncertainty is so great that more and more firms are not even seeking that remedy from the courts. Unfortunately, this uncertainty gives rise to a number of policy and economic concerns that are weakening the United States patent system and this country's innovation economy.

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[30] Christopher B. Seaman, *Permanent Injunctions in Patent Litigation after* eBay*: An Empirical Study*, 101 Iowa L.Rev. 1949, 1982-83 (2016); see also Colleen V. Chien & Mark Lemley, *Patent Holdup, the ITC, and the Public Interests*, 98 Cornell L.Rev. 1, 9-10 (2012) (concluding that between July 2006 and August 2011, "courts have granted about 75% of requests for injunctions, down from an estimated 95% pre-*eBay*").

[31] Kirti Gupta v. Jay P. Kesan, *Studying the Impact of* eBay on *Injunctive Relief in Patent Cases*, at 12-14 (Univ. Ill. Legal Stud. Res., Paper No. 17-93, 2016), https://ssrn.com/abstract=2816701.

[32] *Id.* at 22-26 (showing that patent licensing firms are far less likely to seek or obtain injunction after *eBay*).

[33] Kristina M.L. Acri nee Lybecker, *Injunctive Relief in Patent Cases: the Impact of* eBay, ___ HARVARD J.L. & TECH. ___ (forthcoming 2025), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4866108.

[34] *Id.* at 6.

[35] *Id.*

[36] *Id.*

III. Uncertain Injunctive Relief Leads to Other Policy & Economic Concerns

As noted above, the patent system is built upon the Constitution which provides for exclusive rights, as well as a rich history of injunctive relief being granted for patent infringement. The fact that *eBay* essentially ignored both those foundations is a serious issue in and of itself. However, the uncertainty of receiving an injunction when a valid patent is found infringed has given rise to other important concerns.

Uncertain injunctive relief and, in some cases, near certainty that injunctive relief will be denied has led to a phenomenon of predatory infringement. Predatory infringement is an intentional choice, made by an infringer, to "infringe now, pay later," with an understanding that – at worst – the infringer will be made to pay a royalty for past infringement and an ongoing royalty to continue to infringe. The existence of predatory infringement is difficult to measure; yet, the simple idea that reduced legal protection may result in predatory infringement is being confirmed by some empirical studies.[37]

Because patents are property rights, it maybe helpful to think about predatory infringement of an apartment. As a landlord, you generally have the right to exclude people who are not legitimate tenants. But the predatory infringer is a squatter – one that you cannot make leave unless you bring them to court, which will likely take a couple of years. During that time, the infringer is not paying rent at all. Without injunctive relief, even if a court finds that squatter to be infringing, the court will continue to let them stay in the apartment, they will just have to pay past rent and also ongoing rent, but not at the landlord's rate. Instead, the court will set a rate, which is likely to be less than the stated rent.

If patents were apartments, there would be outrage. Drawing on various threads of the above analogy, there are a number of issues which cause the property right to lose value, which is exactly what is happening in the patent space. The property owner's typical right to exclude is subordinated to the squatter, who chooses to intentionally trespass. The bad actor is rewarded. The property owner's right to set the cost for those who wish to use the property is subordinated to whatever the court deems appropriate and is delayed until such time as litigation concludes. The bad actor ultimately pays less and has been granted an interest-free loan through litigation. And because the property owner is not receiving payments during the period prior to and during litigation, the property owner may not be able to continue to conduct their business as planned. Many patent owners are small businesses that count on licensing revenue to continue to invent and innovate, or even move into the manufacturing space themselves. When they are required to allow a predatory infringer to squat "rent free" during this time, they may not be able to grow their own companies. This defeats an important part of the patent system, as well as the innovation ecosystem.

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[37] See, e.g., Kirti Gupta & Urska Petrovcic, *Evidence of Systematic "Patent Holdout"*, 38 Berkeley Tech. L.J. 575, 585 (2023); Bowman Heiden & Nicolas Petit, *Patent "Trespass" and the Royalty Gap: Exploring the Nature and Impact of Patent Holdout*, 34 Santa Clara High Tech L.J. 179 (2018).

The lack of certain injunctive relief for patent infringement also has economic implications, beyond simply delaying payment to the patent owner for use of their technology. As noted above, the court will set an ongoing royalty rate in lieu of enjoining the infringer and that rate is often less than what the patent owner had or would have sought. But the diminution of royalty rate is not limited to the predatory infringer. The lack of injunctive relief more generally means that the patent is worth less in all licensing transactions. Where injunctive relief is uncertain, a patent owner will not be able to offer an exclusive license (at least not successfully), because there will always be a concern that a predatory infringer will also be able to use that technology. Understandably, an exclusive license is a higher-valued transfer of property rights, because the buyer is the only person legally allowed to use and commercially benefit from the patented technology. In legal and economic terms, an exclusive license is the transfer of the exclusive right to make, use, or sell something—it is the sale of the entire property right—and so it is worth more to the buyer. Nonexclusive licenses are generally lower-valued assets and cost less because the technology is made available to multiple parties that are in competition with each other in the marketplace. Because the nonexclusive licensee is purchasing fewer rights, the royalty rate a patent owner can seek will be lower, distorting the market for patents and devaluing patents as an asset class.

Because most patent licensing occurs in secret, this phenomenon of devaluing patents is difficult to observe. However, a recent study conducted by AUTM (known previously as the Association of University Technology Managers) provides an insight into the *eBay* effect: exclusive licenses, which are generally higher-valued, have *decreased* while non-exclusive licenses, which are generally lower-valued, have increased in the years since the *eBay* decision.[38] This is evidence of how the loss of injunctions, resulting in a zero value for exclusivity in a license deal, has negatively impacted commercial transactions and devalued patents generally. Though overall licensing activity has increased over the period studied by AUTM, the growth is almost entirely attributable to nonexclusive licenses.

The AUTM data is an initial empirical insight into the negative commercial effects of the loss of injunctions as a remedy for patent infringement. It requires more study and analysis based on rigorous statistical methods. However, it provides support for the supposition that *eBay* not only has fostered the practice of predatory infringement, but has devalued patents as assets generally. Exclusion is no longer one of the terms a patent owner can offer for sale in a license. Where an injunction is unavailable, patents have become less valuable. This creates significant concerns for both future research and development, as well as growth in the innovation economy.

IV. The RESTORE Patent Rights Act Addresses These Concerns

As discussed above, the Supreme Court's decision in *eBay* ignored the Constitution and historical practices. After *eBay*, injunctive relief for patent infringement is uncertain for all types of patent holders, to the point where many patent holders choose not to seek injunctive relief. The impact of uncertain injunctive relief includes the perverse behavior of predatory infringement, where the bad actor is rewarded and the patent owner ends up in a worse position, as well as the devaluation

[38] Osenga, *supra* note 6, at 5-6 (discussing the AUTM data).

of patents more broadly. For all of those reasons, the Supreme Court's decision in *eBay* must be overturned and injunctive relief for patent infringement should be restored.

Remember that before a remedy is determined, a court has already found a valid patent to be infringed. The patent owner has already shown that the infringer used their technology without permission. At that point, all that is left is for the court to decide whether to enjoin the infringer or allow them to continue to infringe the patent owner's property rights. Their liability has already been decided – they are, for all purposes, squatters.

The RESTORE Patent Rights Act states, very simply, "If … the court enters a final judgment finding infringement of a right secured by patent, the patent owner shall be entitled to a rebuttable presumption that the court should grant a permanent injunction with respect to that infringing conduct."

This essentially restores the patent system to the state it was prior to *eBay* and reflects the fact that patents are property rights. As with all property rights, such as when someone trespasses on someone's land—or, as in one famous property case, a trespasser cut down a landowner's trees without permission[39]—the property owner has lost the right of exclusive control over his or her assets.[40] This loss of control—in patent law, the loss of the right to exclude others from using the patented technology—creates a presumption of irreparable harm. That presumption of irreparable harm means the patent owner should receive an injunction, unless the defendant can assert and prove other legal claims that weigh against injunctive relief. In legal terms, the presumption of an injunction is not automatic, because it is *rebuttable* by the defendant.

Under this scheme, injunctive relief would generally be granted, unless there were a compelling reason to not do so. In doing so, injunctions regain the ability to serve as a deterrent to infringement, especially predatory infringement. Additionally, certain injunctive relief facilitates market transactions in which fair market values are set through commercial negotiations. With these qualities, the patent system provides effective and reliable patent rights, which in turn drive the United States innovation ecosystem.

Thank you. I look forward to your questions.

[39] *Pardee v. Camden Lumber Co.*, 73 S.E. 82 (W.V. 1911).
[40] *Jacque v. Steenberg Homes, Inc.*, 563 N.W.2d 154 (Wis. 1997).

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