The President
The White House
Washington, D.C. 20500

## Dear Mr. President:

We write to alert you to a regulatory change the United Kingdom (UK) Intellectual Property Office (IPO) is proposing that, if adopted, would significantly threaten U.S. leadership in critical technologies, such as artificial intelligence and 6G wireless, in which standardization is central. We strongly urge you to intervene with the UK on behalf of the United States and U.S. innovators engaged in setting standards and whose patents are standard-essential (SEPs) for these important technologies.

The UK IPO's proposal will certainly impose a tremendous burden on America's most inventive companies whose standard-essential patents set the cutting edge of critical and emerging technologies. <u>SEPs secure exclusive rights</u>—the essence of property rights—and enable U.S. competitiveness and global technological advancement. Standards-leading U.S. innovators go head to head against <u>China</u>'s and other nations' national champions, whose governments heavily subsidize and protect them from the dynamism of the free market. American SEPs that read on a new technology, such as 6G semiconductors, are set as a standard because the U.S. contenders are of superior quality.

The British agency's "consultation" involves two regulatory provisions; both would be detrimental to American firms that invent such high-quality, technology-leading innovations that become the state of the art. First, a small-claims-type government body would be tasked with setting royalty rates for SEPs; that is, an unqualified backwater agency would set the value of large, complex patent portfolios for which the quasicourt lacks expertise. Second, SEP owners would be required to supply information about patents that they have declared as potentially essential to practice standards such as 5G; in the supposed interest of "transparency," the UK IPO will put that information into a government database registry, which will soon be misused to devaluate the most valuable American patent portfolios.

The UK's regulatory move effectively represents an assault on U.S. (as well as European) patent value, which is to say an attack on the quality of American and Western patented inventions in standardized areas of technology, on U.S. leadership in global research and development (R&D), and on patent licensing fees that are based on patent quality and market-set value. The UK proposal targets the virtuous circle that provides American innovators R&D funding, ensures access to justice and enforcement of patent rights, and the highest quality patented inventions in the world.

U.S. innovators that participate in the standards-development process stand to suffer irreparable harm under the UK's proposals. Meanwhile, Chinese and other foreign firms would be incentivized to inflate the number of patents—pursuing quantity over quality of patents. The unqualified body that would be charged with SEPs' royalty rate setting would likely be tempted to rely on the number of patents, instead of the quality of each patent at issue. However, quantity of patents is no indicator of their quality.

Moreover, the UK IPO raises red herrings as rationalization for this anti-U.S. policy direction. It claims that UK courts are overwhelmed by SEP disputes; in fact, UK courts have seen an average of three SEP cases per year in the past decade. The UK IPO reopens the debate over injunctions in SEP cases. This is an attempt to relitigate an issue the UK Supreme Court already settled. The high court upheld and emphasized the importance of preserving the remedy of <u>injunctive relief</u>—the essential legal remedy in property matters that brings parties to the negotiating table. Injunction's limitation would restrict the ability of American innovators to enforce their rights in the UK, meanwhile signaling other countries to weaken their patent enforcement systems.

The UK "consultation" floats a construct similar to a bad idea the <u>European Commission</u> (EC) recently considered and ultimately withdrew. A <u>bipartisan group</u> of former U.S. officials commented on the EC proposal, explaining why the proposal should be rejected. The EC's abandoning its prospective SEP regulation aligns with the body's commitment to <u>reduce overregulation</u>.

Conservatives urge the U.S. government to intervene against the latest European regulatory assault (by the UK) on American intellectual property, standard-essential patents in particular. Specifically, the Trump administration should adapt the recent joint "Statement of Interest of the United States of America" that the Department of Justice Antitrust Division (DOJ) and the U.S. Patent and Trademark Office (USPTO) submitted in support of injunctive relief in the district court patent case, Radian Memory Systems v. Samsung, et al. The government argued for injunctive relief because "[i]rreparable harm is common in patent infringement cases because patents are hard to value and damages are difficult to calculate." The UK IPO proposals deserve active U.S. opposition because they are guaranteed to cause U.S. SEP owners irreparable harm while bringing about damage to the national interest, such as U.S. economic and national security and U.S. competitiveness.

Standard-essential patents are essential assets of America's leading innovators. <u>SEPs and technological standardization</u> are vital to global technological progress, U.S. trade, economic growth, and security. The UK IPO's proposals pose a direct threat to them. Britain's government takeover and dumbing down of royalty rate setting, along with adding excessive regulatory burden regarding patent essentiality, neglects the fact that standards development is a voluntary, private sector process that results in high-quality technologies and rewards high-quality innovation through the market. We urge you to intervene with Britain, just as the DOJ and USPTO did in the Radian case.

Sincerely,

James Edwards, Ph.D. Kevin L. Kearns Founder and Executive Director President

Conservatives for Property Rights U.S. Business & Industry Council

George Landrith Colin Hanna President President

Frontiers of Freedom Let Freedom Ring

Ryan Ellis Kent Kaiser, Ph.D. President Executive Director

Center for a Free Economy Trade Alliance to Promote Prosperity

Bob Carlstrom Daniel Perrin
Executive Director President
Prosperity for US Foundation HSA Coalition

Karen Kerrigan C. Preston Noell III

President & CEO President

Small Business & Entrepreneurship Council Tradition, Family, Property, Inc.

James L. Martin Saulius "Saul" Anuzis

Founder/Chairman President

60 Plus Association American Association of Senior Citizens

Jeffrey Mazzella Dee Stewart President President

Center for Individual Freedom Americans for a Balanced Budget, Inc.

Daniel Mitchell Anthony J. Zagotta

President President

Center for Freedom and Prosperity Center for American Principles

Alden Abbott David Williams Senior Research Fellow President

Mercatus Center Taxpayers Protection Alliance

Ginevra Joyce-Myers Dee Stewart Executive Director President

Center for Innovation and Free Enterprise Americans for a Balanced Budget

Kurt Prenzler Ashley Baker
Executive Director Executive Director

Eagle Forum Education & Legal Defense Fund The Committee for Justice

Phyllis Schlafly Eagles

Dick Patten President American Business Defense Council

Gerard Scimeca Chairman Consumer Action for a Strong Economy Charles Sauer President Market Institute

Matthew Kandrach President Consumer Action for a Strong Economy