

Statement of

Kevin H. Rhodes

Vice President and Chief Intellectual Property
Counsel of 3M Company

To the

Subcommittee on Courts, Intellectual Property
and the Internet

Committee on the Judiciary
United States House of Representatives

On

“Abusive Patent Litigation: The Issues Impacting
American Competitiveness and Job Creation at
the International Trade Commission and Beyond”

April 16, 2013

Statement of Kevin H. Rhodes
Chief Intellectual Property Counsel
3M Company

Executive Summary

Much of the discussion of abusive patent litigation misses the mark because it is focused on certain types of patent owners who do not commercialize their patented inventions – so-called patent assertion entities (PAEs) -- rather than on the abuses of the system and how those abuses may be curtailed. Not only does such labeling of patent owners run the risk of penalizing independent inventors, universities, start-ups, technology licensing firms and others legitimately seeking to exploit their patent rights through litigation of entirely meritorious claims, but it also distracts from fair and comprehensive solutions that would deter abusive litigation practices by all litigants.

Unfortunately, it is true that some patent owners have abused the litigation system by making overly-broad infringement assertions, often against an entire industry or against many different participants in a manufacturing/supply/distribution/retailer/end-user chain, intending to extract windfall settlements from multiple defendants seeking only to avoid the cost and disruption of litigation. Non-meritorious litigation positions, espoused by patent owners to force settlements in the face of the staggering costs of litigation, have no place in patent cases.

But in reality, abusive litigation practices that increase the burden and expense of litigation and obstruct its resolution on the merits can be perpetrated by defendants as well as by plaintiffs. Non-meritorious litigation positions are no more acceptable coming in the

form of specious infringement defenses or counterclaims pled by an accused infringer, and no more acceptable coming from a patent owner that practices its patent than from a non-practicing entity. Reforms designed to curb litigation abuse should be applied in a balanced, principled manner, targeting litigation misbehavior on the part of any litigant, to avoid tilting the playing field against certain patent owners or creating unintended consequences that may upset the balance of the patent ecosystem as a whole.

I urge Congress to proceed cautiously when considering further changes that may impact the balance between plaintiffs and defendants in patent infringement cases, when so many changes are currently underway already. The International Trade Commission (ITC), for example, is in the process of developing its jurisprudence and practice to respond to concerns expressed regarding PAEs seeking unwarranted Exclusion Orders and to improve its management of patent infringement investigations. I do not believe the case has been made for more radical changes to ITC law or practice at this time; even if the ITC's current efforts do not go as far as some have sought to make it more difficult for PAEs to obtain Exclusion Orders, it is prudent to monitor and assess the impact of the ITC's efforts currently underway before considering what, if any, further changes may be warranted.

With respect to district court patent litigation, it is equally important to monitor closely the impact of the numerous reforms already enacted and currently being implemented by the Leahy-Smith America Invents Act, judicial decisions on substantive issues of patent law, district court local rules, Federal Circuit model rules and the Patent Pilot Program. The combined impact of these changes is far from clear at this time, so I urge caution in making further changes without fully considering the possibility of unintended

consequences that would make reliable patent enforcement substantially less certain, and risk undermining the value of patent rights and chilling innovation.

Provided that such caution is exercised, however, I believe that several of the current proposals designed to curb litigation abuses in district court patent cases do have merit and warrant further consideration. Specifically, I believe that proposals in three areas, each of which I discuss in this Statement, hold promise for curbing the most egregious abusive litigation practices and thus deserve further discussion and consideration:

- More frequent fee-shifting in favor of prevailing parties in patent cases;
- More rational, proportional and uniform discovery in patent cases; and
- Codification of the right to stay patent suits against customers and end users.

As always, I and the Coalition for 21st Century Patent Reform remain committed to working with Congress and all stakeholders to find fair and balanced solutions to curb abusive litigation practices in patent cases.

Statement of Kevin H. Rhodes

Chairman Coble, Ranking Member Watt and Members of the Subcommittee:

Thank you for the opportunity to testify on the subject of “Abusive Patent Litigation: The Issues Impacting American Competitiveness and Job Creation at the International Trade Commission and Beyond.” I am a Vice President and the Chief Intellectual Property Counsel of 3M Company and the President and Chief Intellectual Property Counsel of 3M Innovative Properties Company. At 3M, I am responsible for managing the global intellectual property assets of the company and its worldwide affiliates.

Although I testify today on behalf of 3M, I am also a member of the Steering Committee of the Coalition for 21st Century Patent Reform, which recently submitted testimony to the Subcommittee on the subject of abusive patent litigation.¹ I concur with the views expressed in that testimony and build on those views here.

Based in St. Paul, Minnesota, 3M is a global, diversified technology company with sales totaling nearly \$30 billion in 2012. As a company based on bringing innovative new products to its customers, 3M has an intense interest in a well-functioning patent system. In 2012 alone, 3M invested over \$1.6 billion in R&D and was awarded 527 U.S. patents. In total, 3M’s patent portfolio includes approximately 10,000 issued and pending patents and patent applications in the U.S., and approximately 40,000 patents and patent applications worldwide.

¹ See *Abusive Patent Litigation: The Impact on American Innovation & Jobs, and Potential Solutions*, Hearing Before the House Subcommittee on Courts, Intellectual Property and the Internet, 113th Cong. (prepared statement of Philip S. Johnson, Johnson & Johnson) (Mar. 14, 2013).

3M's business interests are extremely diverse. 3M sells over 50,000 products in five different business groups. Those groups range from industrial products like abrasives, adhesives and automotive components; consumer products like Post-it® notes and Scotch® tape; safety and graphics products like RFID tags and readers, respirator masks, optical films for computer screens and reflective sheeting for road signs; electronics and energy products like fiber optic connectors, window films and components for solar energy generation; and health care products like stethoscopes, dental implants and medical billing software.

With business interests in so many different industry segments, 3M has experience with many different aspects of patent infringement litigation in district courts and in the International Trade Commission (“ITC” or “Commission”). At any given time, 3M may be involved in dozens of patent infringement lawsuits or pre-litigation disputes in the U.S. In more than half of those cases, 3M is enforcing its patent rights against unauthorized uses by competitors. Whether 3M is seeking injunctive relief in U.S. district court, an Exclusion Order from the ITC, or licensing royalties, 3M enforces its patents to protect its enormous investments in research, development and commercialization of its innovations. By protecting those investments, 3M can continue to invest in the costly and uncertain R&D efforts it takes to bring new technology, products and innovation to companies, homes and lives in the U.S. and around the world.

As an integral part of its new product development process, 3M reviews thousands of third-party patents each year to ensure that 3M is not infringing the patent rights of others. Nonetheless, disputes inevitably arise and 3M finds itself on the receiving end of patent

assertion letters and infringement lawsuits from non-practicing entities (NPEs) and patent assertion entities (PAEs), as well as competitors.²

Thus, 3M is familiar with the concerns expressed by those stakeholders calling for legislation to address abusive patent litigation practices. 3M understands from first-hand experience the costs involved in defending itself in an ITC investigation alleging infringement by software and components of products with hundreds of other components, like 3M's RFID readers, tags and software used for electronic toll collection and parking management. Likewise, 3M appreciates the challenges involved in defending against a patent infringement lawsuit brought by a PAE alleging infringement by components of products we did not design or develop; but instead source from other manufacturers, like components of 3M's digital projector and display units. Finally, 3M knows how difficult it can be to defend against patent infringement allegations brought by a PAE and based merely on 3M's use of products or services provided by others, such as allegations made against 3M when our marketing and sales organizations use social media platforms or third party software for live chat services.

² Although the terminology is not well-defined, clear or subject to accepted, shared or even common understandings, as I understand the term, a non-practicing entity (NPE) is a patent owner who does not make or sell a product embodying its patented invention. NPEs thus may include a wide variety of patent owners, including not only so-called "patent trolls," but also universities, individual inventors, startup firms, R&D or engineering entities, patent holding companies, patent aggregators, companies not practicing noncore patents, and even companies that have not yet commercialized a particular patent, but which may in the future depending on their resources, business plans and customer demands. Patent assertion entities (PAEs), as I understand the term, are a subset of NPEs that acquire patents for the sole purpose of obtaining settlement payments by asserting them against alleged infringers. *See* Fed. Trade Comm'n, *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*, at p.8 n.5 (2011) (available at <http://www.ftc.gov/os/2011/03/110307patentreport.pdf>).

Given the diversity of 3M's interests with respect to patent litigation, 3M approaches the question of litigation abuse from a balanced perspective. As a party to patent infringement litigation, 3M is a plaintiff as often as it is a defendant, and many of the latter cases involve 3M defending itself against infringement allegations brought by NPEs or PAEs. Moreover, 3M recognizes that abusive litigation practices that increase the burden and expense of litigation and obstruct its resolution on the merits can be perpetrated by defendants as well as by plaintiffs. Thus, 3M supports balanced, measured reforms to curb the litigation abuses that undeniably currently exist, balanced against the need to ensure that a patent owner's ability to enforce its patent rights against infringement – a core value of the patent grant – is not unduly undermined by unbalanced, overly-broad reactions to litigation abuses by a few patent owners.

I. The Need for Balanced, Measured Reforms That Build Upon Those Already in Progress and Focus on Curbing Litigation Abuse, Not on Penalizing Certain Types of Patent Owners.

Much of the discussion of abusive patent litigation misses the mark because it is focused on certain types of patent owners who do not commercialize their patented inventions, rather than on the abuses of the system and how those abuses may be curtailed. Not only does such labeling of patent owners run the risk of penalizing independent inventors, universities, start-ups, technology licensing firms and others legitimately seeking to exploit their patent rights through litigation of entirely meritorious claims, but it also distracts from fair and comprehensive solutions that would deter abusive litigation practices by all litigants.

Some of our nation's most visionary and productive inventors do not manufacture or market their own inventions. Among these are America's independent inventors, university and government-based inventors, and many small businesses and start-ups. Those NPEs serve as important sources of technology that is developed and brought to market by others, including 3M.

That said, it is an unfortunate reality that some patent owners have abused the litigation system by making overly-broad infringement assertions, often against an entire industry or against many different participants in a manufacturing/supply/distribution/retailer/end-user chain, intending to extract windfall settlements from multiple defendants seeking only to avoid the cost and disruption of litigation. Non-meritorious litigation positions, espoused by patent owners to force settlements in the face of the staggering costs of litigation, have no place in patent cases. But non-meritorious litigation positions are no more acceptable coming in the form of specious infringement defenses or counterclaims pled by an accused infringer, and no more acceptable coming from a patent owner that practices its patent than from a non-practicing entity. Yet some proposed reforms, which single out non-meritorious litigation positions only when taken by certain non-practicing patent owners, while ignoring bad litigation behavior by others, represent thinly-disguised efforts to devalue certain types of patents, to make actual infringement a less risky business decision, or to use patent law to pick winners and losers among different industries. Reforms designed to curb litigation abuse should be applied in a balanced, principled manner, targeting litigation misbehavior on the part of any

litigant, to avoid unintended consequences that may upset the balance of the patent ecosystem as a whole.

I urge Congress to proceed cautiously when considering further changes that may impact the balance between plaintiffs and defendants in patent infringement cases, when so many changes are currently underway already. The ITC, for example, is in the process of developing its jurisprudence and practice to respond to concerns expressed regarding PAEs seeking unwarranted Exclusion Orders and to improve its management of patent infringement investigations. As discussed below, I do not believe the case has been made for more radical changes to ITC law or practice at this time; even if the ITC's current efforts do not go as far as some have sought to make it more difficult for PAEs to obtain Exclusion Orders, it is prudent to monitor and assess the impact of the ITC's efforts currently underway before considering what, if any, further changes may be warranted.

With respect to district court patent litigation, it is equally important to monitor closely the impact of the numerous reforms already enacted and currently being implemented by the Leahy-Smith America Invents Act, judicial decisions on substantive issues of patent law, district court local rules, Federal Circuit model rules and the Patent Pilot Program.³ The combined impact of these changes is far from clear at this time, so I urge caution in making further changes without fully considering the possibility of unintended

³ See *Abusive Patent Litigation: The Impact on American Innovation & Jobs, and Potential Solutions*, Hearing Before the House Subcommittee on Courts, Intellectual Property and the Internet, 113th Cong. (prepared statement of Philip S. Johnson, Johnson & Johnson) (Mar. 14, 2013), at pp. 8-15 (discussing steps that have already been taken, or are in the process of being taken, by courts, Congress and the PTO to counteract abusive patent litigation).

consequences that would make reliable patent enforcement substantially less certain, and risk undermining the value of patent rights and chilling innovation. Provided that such caution is exercised, however, I believe that several of the current proposals designed to curb litigation abuses in district court patent cases do have merit and warrant further consideration. Specifically, I believe that proposals in three areas, each of which I discuss further below, hold promise for curbing the most egregious abusive litigation practices and thus deserve further discussion and consideration:

- More frequent fee-shifting in favor of prevailing parties in patent cases;
- More rational, proportional and uniform discovery in patent cases; and
- Codification of the right to stay patent suits against customers and end users.

As always, I and the Coalition for 21st Century Patent Reform remain committed to working with Congress and all stakeholders to find fair and balanced solutions to curb abusive litigation practices in patent cases.

II. Abusive Patent Litigation at the ITC.

Concerns have been raised regarding certain types of complainants which seek ITC Exclusion and Cease and Desist Orders to prohibit the importation into, and the sale within, the United States of imported articles that infringe a valid and enforceable U.S. patent, and

for which there exists a “domestic industry.”⁴ The issue is whether the ITC should issue Exclusion and Cease and Desist Orders, or even institute Section 337 investigations, on behalf of PAEs who cannot establish a “domestic industry” through manufacture of the patented articles in the United States and have no intention of establishing such an industry by manufacturing or marketing any articles covered by their patents. Rather, PAEs seek to show a “domestic industry” through investments in “licensing” their patents, with such licensing investments primarily consisting of litigation fees and costs associated with enforcing the patents against alleged infringers. Even though they seek to license their patents, not to exclude others from practicing them, PAEs are said to be turning to the ITC to seek Exclusion Orders solely to obtain negotiating leverage to extract larger royalties from accused infringers, because they are less likely to obtain similar leverage in the form of injunctions from U.S. district courts following the U.S. Supreme Court decision in *eBay, Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).⁵

Under Section 337, a domestic industry relating to articles protected by the patent for which an Exclusion Order is sought is considered to exist if there is, in the United States and with respect to those patented articles:

(A) significant investment in plant and equipment;

⁴ The ITC’s authority to undertake such investigations and to issue Exclusion and Cease and Desist Orders arises from Section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337 (“Section 337”).

⁵ See *eBay*, 547 U.S. at 391 (“A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate 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.”).

- (B) significant employment of labor or capital; or
- (C) substantial investment in its exploitation, including engineering, research and development, or licensing.⁶

It is important to note that not all NPEs fall into the category of PAEs. There are many NPEs – *e.g.*, universities, engineering firms, research-based institutions – that expend considerable resources on the research and development of new inventions that they seek to commercialize indirectly through the sale and/or licensing of patents covering those inventions. These NPEs do not base their claims of domestic industry solely on licensing; indeed, they may satisfy most or all of the criteria set forth in Subsection (a)(3)(C) of Section 337. In this sense, these NPEs have many of the same attributes as firms that manufacture patented products, which likewise must make investments in such things as plant and equipment, labor or capital, and engineering, research and development before they begin to manufacture the patented product.

I believe there is widespread consensus – as there should be – that those NPEs who do invest in research and development of the patented inventions in the U.S. need access to the ITC and the remedies available under Section 337 to exclude the importation of infringing products. Just as with patent owners who manufacture patented products, for these NPEs the availability of the ITC, with its *in rem* jurisdiction over the imported infringing articles themselves, may be essential to prevent the importation of infringing products by manufacturers who are beyond the reach of U.S. district court infringement

⁶ 19 U.S.C. § 1337(a)(3).

actions or who may be located in countries where it is not feasible to obtain or to enforce effectively a local patent.

The stated goal of the current calls for changes to ITC jurisdiction and practice is to address the perceived problem of PAEs who seek to use the ITC not to exclude infringing imports, but rather to extract large royalties from companies that are manufacturing products by the threat of an Exclusion Order to block the importation of necessary components. There may be PAEs that seek to misuse Section 337 remedies in this manner, but before legislative changes to ITC jurisdiction or practice are made to address such misuse, proponents of those changes should show (1) that the ITC is incapable of distinguishing between PAEs who are misusing the ITC and those NPEs who should be entitled to Exclusion Orders, and fashioning its procedures and remedies accordingly; and (2) that the proposed changes are narrowly tailored to avoid unintended negative consequences for NPEs and other patent owners who should be entitled to Exclusion Orders. I do not believe that the case has been made for (1), or that the proposed “fixes” are narrow enough to satisfy (2).

A. Has the Case Been Made That the ITC Cannot, Or Is Not, Applying Section 337 To Prevent Misuse by PAEs?

ITC statistics are being used to support the claim that PAEs seeking Exclusion Orders are a problem, but those statistics do not support claims that PAEs have flooded the ITC with requests for Section 337 investigations. While it is undoubtedly true that the number of ITC Section 337 investigations, and the number of respondents in those

investigations, have increased over the past several years,⁷ the data do not indicate that PAEs, or even NPEs, are the cause of the increase. The most recently-available ITC statistics indicate that since May 15, 2006, when the *eBay* decision was issued, through the first quarter of 2012, NPEs and PAEs together accounted for only 18% of Section 337 investigations instituted – 10% for NPEs and a mere 8% for PAEs.⁸

Nor is there evidence that PAEs are very successful in the ITC. The ITC’s statistics show that since 2006, only three NPEs have obtained Exclusion Orders: Tessera (Inv. No. 337-T A-605); UNeMed Corporation, the technology transfer office of the University of Nebraska Medical Center (Inv. No. 337-TA-679); and Rambus (Inv. No. 337-T A-661). Of these three NPEs, the ITC classified only Rambus as a PAE, and all three (including Rambus) conducted the research and development that led to the patent involved in the investigation. Thus, none of these NPEs fit the definition of a PAE offered by proponents of changes to ITC practice and remedies – a patent owner whose business model primarily focuses on purchasing and asserting patents – and it is far from clear that any of these NPEs was seeking an ITC Exclusion Order because it would have been unsuccessful in obtaining a permanent injunction from a district court applying the *eBay* factors.

⁷ See http://www.usitc.gov/press_room/337_stats.htm. Like any court, the ITC’s caseload varies from year to year. The steady increase in the number of Section 337 investigations over the past several years reversed itself in 2012, with the number of new investigations dropping substantially. See http://www.usitc.gov/intellectual_property/documents/cy_337_institutions.pdf (69 Section 337 investigations instituted in calendar year 2011; 40 instituted in calendar year 2012).

⁸ See “Facts and Trends Regarding USITC Section 337 Investigations,” June 18, 2012, pp. 2-3, available at http://www.usitc.gov/press_room/documents/featured_news/337facts.pdf. The ITC uses the nomenclature “Category 2 NPEs” to refer to what I term PAEs in this Statement.

Likewise, there is no evidence that the ITC is incapable of properly sorting out PAEs seeking to obtain unwarranted Exclusion Orders. In an ITC investigation where the complainant is a PAE, it must try to meet the domestic industry requirement through its investments in “licensing,” since by definition a PAE cannot show that any of the other statutory bases for a domestic industry exists. In 2011, the ITC clarified the elements that a complainant must prove to establish a licensing-based domestic industry.⁹ Since then, only one complainant has been successful in establishing a domestic industry through licensing investments; and in that case, the ITC held that the complainant could not include in such licensing investments the money it had spent on purchasing patents, litigation and patent reexamination proceedings.¹⁰

Moreover, both the ITC and the Federal Circuit have held that patent infringement litigation expenses alone, *i.e.*, patent infringement litigation activities that are not related to engineering, research and development, or licensing, do not create a domestic industry under the term “licensing” in Section 337(a)(3)(C).¹¹ As the Federal Circuit explained, “[w]e agree with the Commission that expenditures on patent litigation do not automatically constitute evidence of the existence of an industry in the United States established by substantial

⁹ *In re Certain Multimedia Display & Navigation Devices and Sys.*, Inv. No. 337-TA-694, Comm’n Op. at 7-8 (Aug. 8, 2011) (complainants who base domestic industry on licensing must meet three threshold requirements: (1) investments exploit the asserted patent; (2) investments relate to licensing; and (3) investments are made in the U.S.).

¹⁰ *In re Certain Liquid Crystal Display Devices, Including Monitors, Televisions, Modules, & Components Thereof*, Inv. No. 337-TA-741/749, Comm’n Op. at 108-125 (July 6, 2012).

¹¹ *In re Certain Coaxial Cable Connectors and Components Thereof and Products Containing Same*, Inv. No. 337-TA-650, Comm’n Op. at 44-51 (Apr. 14, 2010) (“*Coaxial Cable Connectors?*”), *aff’d*, *John Mezzalingua Assocs., Inc. (d/b/a PPC, Inc.) v. Int’l Trade Comm’n*, 660 F.3d 1322 (Fed. Cir. 2011).

investment in the exploitation of a patent.”¹² In October, the Supreme Court denied *certiorari* of the Federal Circuit’s decision.¹³

Although it is true that the ITC and the Federal Circuit have not foreclosed all possibility that litigation expenses could be recognized as creating a domestic industry, there is no basis to suggest that the ITC is incapable of effectively distinguishing between genuine licensing investments and sham activities designed solely to create a basis for being in the ITC. The ITC assesses whether licensing or litigation expenses establish a domestic industry on a case-by-case basis, based on the nexus between litigation expenses and efforts to license the asserted patent, and whether there has been “substantial investment in the exploitation of the patent.”¹⁴ This is a fact-specific inquiry which may vary depending on the nature of the industry and the resources of the complainant.¹⁵

¹² *John Mezquialingua*, 660 F.3d at 1328.

¹³ *John Mezquialingua Assoc., Inc. (Doing Business As PPC, Inc.) v. Int’l Trade Comm’n*, ___ U.S. ___, 133 S.Ct. 422, 184 L.Ed.2d 255 (Oct. 9, 2012).

¹⁴ *Coaxial Cable Connectors* at 43-44 (“Depending on the circumstances, [licensing activities] may include, among other things, drafting and sending cease and desist letters, filing and conducting a patent infringement litigation, conducting settlement negotiations, and negotiating, drafting and executing a license. The mere fact, however, that a license is executed does not mean that a complainant can necessarily capture all expenditures to establish a substantial investment in the exploitation of the patent. A complainant must clearly link each activity to licensing efforts concerning the asserted patent.”).

¹⁵ *See In re Stringed Instruments*, Inv. No. 337-TA-586, Comm’n Op. at 25-26 (May 16, 2008) (“There is no minimum monetary expenditure that a complainant must demonstrate to qualify as a domestic industry under the ‘substantial investment’ requirement of [19 U.S.C. § 1337(a)(3)(C)] [S]howing the existence of a domestic industry will depend on the industry in question, and the complainant’s relative size. . . . [T]here is no need to define or quantify the industry itself in absolute mathematical terms.”).

Indeed, the Commission is showing a willingness to devote focused and early attention to the domestic industry issue in appropriate cases. On March 22, 2013, the ITC instituted a Section 337 investigation sought by Lamina Packaging Innovations LLC, a PAE. The ITC's Notice of Institution of Investigation ordered Administrative Law Judge Theodore R. Essex to issue an initial determination, within 100 days, on the issue of whether Lamina Packaging Innovations has satisfied the economic prong¹⁶ of the domestic industry requirement of Section 337.¹⁷ The procedure set forth in the Notice mandates an expedited fact and expert discovery period, pre- and post-hearing briefing, a hearing on the merits, and the issuance of an initial determination, all solely on the issue of whether the complainant has satisfied the economic prong of the domestic industry requirement. If Judge Essex finds that Lamina Packaging Innovations has not satisfied the economic prong of the domestic industry requirement, the investigation will be stayed and the complainant can petition the Commission for review of the initial determination. This example of active case management shows that the Commission has the tools and authority it needs to address the concerns that have been expressed regarding PAEs who seek Exclusion Orders, and is actively engaged in responding to those concerns.

¹⁶ The proof required to establish a domestic industry under Section 337 involves an “economic prong” and a “technical prong.” The economic prong can be satisfied by demonstrating that there exists in the United States with respect to the products protected by the patent being asserted: significant investment in plant and equipment; significant employment of labor or capital; or substantial investment in its exploitation, including engineering, research and development, or licensing. To satisfy the technical prong, a complainant must be practicing the asserted patent – *i.e.*, it must prove that it or its licensee is practicing at least one claim of the asserted patent.

¹⁷ *In re Certain Prods. Having Laminated Packaging, Laminated Packaging, & Components Thereof*, Inv. No. 337-TA-874, Notice of Institution of Investigation, at 2 (Mar. 22, 2013), available at http://usitc.gov/secretary/fed_reg_notices/337/337_874_notice03222013sgl.pdf.

Moreover, Section 337 requires the ITC to consider the effect of any contemplated Exclusion Order upon the public health and welfare, competitive conditions in the United States economy, the production of like or directly competitive articles in the United States, and United States consumers.¹⁸ These public interest factors provide the ITC with considerable discretion to decide whether to deny or limit an Exclusion Order in an investigation initiated by a PAE. The ITC recently issued new rules that provide for a more complete record on public interest considerations and that enable the Commission to assess if development of public interest information early in the investigation would be helpful, much like the early determination of the economic prong of the domestic industry requirement discussed above.¹⁹

In sum, the ITC has ample authority and discretion to prevent PAEs from abusing Section 337 investigations. The ITC has used this authority and discretion appropriately and the case has not been made that sweeping changes to Section 337, changes that would impact all patent owners and risk unintended consequences, are needed because the ITC has allowed PAEs to abuse Section 337 investigations for negotiating leverage. Given that all types of U.S. patent owners, including small and large companies, universities, and individual inventors, routinely enforce and license their patents, it is entirely appropriate that the ITC determine whether licensing or litigation expenses establish a domestic industry on a case-by-case basis, rather than enacting legislation that might risk the unintended consequence of

¹⁸ 19 U.S.C. § 1337(d)(1).

¹⁹ See *Section 337: Building the Record on the Public Interest*, available at http://www.usitc.gov/press_room/documents/featured_news/publicinterest_article.htm.

cutting off the ITC as a forum where patent owners who have licensed their inventions can seek to prevent infringing imports from destroying their investments.

B. Do the *eBay* Factors Belong in ITC Investigations?

Some proponents of changes to ITC law and practice intended to prevent PAEs from obtaining Exclusion Orders have proposed that the issuance of Exclusion Orders be made subject to the same traditional four-factor equitable test that the Supreme Court held should be applied in deciding whether to issue a permanent injunction against patent infringement. In *eBay*, the Court listed four factors that a patent owner must demonstrate to obtain a permanent injunction:

- (1) it has suffered an irreparable injury;
- (2) remedies available at law, such as monetary damages, are inadequate to compensate for that injury;
- (3) considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and
- (4) the public interest would not be disserved by a permanent injunction.²⁰

Unlike these equitable factors, the ITC's decision whether to issue an Exclusion Order is based on the statutory criteria set forth in Section 337. Accordingly, the ITC has held that the *eBay* test does not apply when deciding whether to issue an Exclusion Order because Section 337 "represents a legislative modification of the traditional test in equity . . . [and] it is unnecessary to show irreparable harm to the patentee in the case of infringement

²⁰ *eBay*, 547 U.S. at 391.

by importation.”²¹ The Federal Circuit has affirmed that the ITC’s remedies are governed by statute and not by equitable principles.²²

In my view, the *eBay* factors are simply inapplicable to the determination of whether an Exclusion Order should be issued in a Section 337 proceeding. These factors arise from the traditional test in equity, where the issue is whether remedies at law, such as monetary damages, are adequate to compensate the plaintiff. When applied in patent infringement actions in U.S. district court, the judge is deciding whether a permanent injunction should issue in addition to whatever damages have been awarded to compensate for the infringement. In contrast, the *only* remedies available in an ITC Section 337 investigation are in essence injunctive relief – Exclusion and Cease and Desist Orders. Damages are not available and thus there is no determination of whether damages are an adequate remedy, as when a district court applies the *eBay* test. Thus, applying the *eBay* factors in Section 337 proceedings would mean that whenever the ITC determines that a complainant has not made an adequate showing that they are met, the patent owner would be left with no ITC remedy whatsoever to prevent the continued importation of products that were found to infringe a valid and enforceable U.S. patent.

A discussion of each of the four *eBay* factors shows how inapposite they are to the question of whether the ITC should issue an Exclusion Order to prevent the continued importation of products found to infringe a valid and enforceable U.S. patent. The first

²¹ *In re Certain Baseband Processor Chips and Chipsets*, Inv. No. 337-TA-543, Comm’n Op. at 62-3 n.230 (2007).

²² *Spansion, Inc. v. Int’l Trade Comm’n*, 629 F.3d 1331, 1359 (Fed. Cir. 2010).

three factors are simply inapplicable when taken out of their context in equity and grafted into Section 337's statutory framework, and the fourth factor is already part of the ITC's determination.

With respect to the first *eBay* factor – whether the patent owner has suffered an irreparable injury – the question of whether an injury is irreparable boils down to whether or not it can be repaired with money damages. In district court patent infringement actions, a prevailing patent owner has a statutory right to recover damages “adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.”²³ The traditional four-factor test in equity that the Supreme Court applied to patent infringement actions in *eBay* determines whether the patent owner also is entitled to a permanent injunction. In other words, the *eBay* factors were never intended to determine whether the patent owner would obtain *any* remedy when infringement has been proven. Thus, the question of whether the patent owner's injury is “irreparable” – *i.e.*, repairable with a damages award – makes little, if any, sense in the ITC, where the patent owner either gets an Exclusion Order or goes home empty-handed and unprotected.

For the same reasons, the second *eBay* factor – whether remedies available at law, such as monetary damages, are inadequate to compensate for the injury – is equally inapplicable to ITC proceedings. The ITC cannot award money damages, which moots the question.

²³ 35 U.S.C. § 284.

The third *eBay* factor – whether, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted – also becomes inapt when it is taken out of its context for determining whether relief in the form of both money damages and a permanent injunction is an equitable remedy. There can be no meaningful balancing of hardships between the owner of a patent found to be valid, enforceable and infringed who would receive no relief whatsoever without an Exclusion Order, versus an infringer who would merely be denied the ability to benefit from importing only those products found to infringe into the United States before the U.S. patent expires, while retaining the ability to make and sell them anywhere else in the world.

It is not a satisfactory answer to argue that U.S. patent owners could mitigate any hardship from failing to obtain an Exclusion Order by seeking relief in U.S. district court. As discussed already, foreign defendants may not be subject to personal jurisdiction in the United States. Nor is it persuasive to argue that U.S. patent holders should file infringement actions against offshore manufacturers in the countries where the infringing products are made. Not only would it be exorbitantly expensive to seek patent protection in every country where products that infringe a U.S. patent could be made, but effective patent coverage, and especially effective enforcement of those patents that can be obtained, is simply not possible in many jurisdictions where infringing products originate.

Finally, regarding the *eBay* public interest factor, the ITC already must consider four public interest factors when determining whether to issue an Exclusion Order: (1) the public health and welfare, (2) competitive conditions in the U.S. economy, (3) the production of

like or directly competitive articles in the U.S., and (4) U.S. consumers.²⁴ As the ITC has observed, these public interest factors “are not meant to be given mere lip service,” but rather “public health and welfare and the assurance of competitive conditions in the United States economy must be the overriding considerations in the administration of this statute.”²⁵ The Commission has cited these factors in limiting Exclusion Orders to accommodate the public interest.²⁶ There is no need to graft *eBay*’s public interest factor onto the requirements for issuing Exclusion Orders, when it is already there.

For these reasons, the *eBay* factors should not apply in determining whether to issue Exclusion Orders. Such an approach would take the factors out of their proper context in determining whether it is equitable to issue an injunction in addition to an award of money damages in a patent infringement case. The result would be greater uncertainty for all U.S. patent owners, especially those who are not manufacturers, such as universities, research-oriented engineering firms and independent inventors, as to the availability of Exclusion Orders to prevent imported infringing products from flooding the U.S. marketplace.

Moreover, the proposal to introduce the *eBay* factors into Section 337 would impose added burdens and complexity on all patent owners seeking to use the ITC. It is not just

²⁴ 19 U.S.C. § 1337 (d)(1).

²⁵ *In re Certain Inclined Field Acceleration Tubes and Components Thereof*, Inv. No. 337-TA-67, USITC Pub. 1119, Comm’n Op., at 22 (Dec. 1980), quoting S. Rep. 93-1298, at 197 (1974), reprinted in 1974 U.S.C.C.A.N. 7186, 7330.

²⁶ See, e.g., *In re Certain Personal Data & Mobile Communications Devices*, Inv. No. 337-TA-710, Comm’n Op. at 68 (Dec. 29, 2011) (delaying effective date of Exclusion Order by four months); *In re Certain Erasable Programmable Read Only Memories, Components Thereof, Products Containing Such Memories, And Processes For Making Such Memories*, Inv. No. 337-TA-276, Comm. Op. at 125-26 (Mar. 16, 1989) (discussing “EPROM” factors designed to consider public interest in exclusion of downstream products), *aff’d sub. nom., Hyundai v. U.S. Int’l Trade Comm’n*, 899 F.2d 1204 (Fed. Cir. 1990).

PAEs, or even NPEs, who would be forced to prove that the *eBay* factors justify issuance of an Exclusion Order to prevent infringing importation. Particularly when the evidence is at best exceedingly thin for claims that the ITC is being abused by PAEs, making this sweeping limitation to the ITC's authority, in all investigations sought by all patent owners, is neither warranted nor wise.

C. Does the Definition of “Domestic Industry” Need To Be Changed?

Another proposal which has been discussed as a possible approach for limiting the ability of PAEs to obtain ITC Exclusion Orders is to restrict those “licensing” investments eligible to support a domestic industry. Some have proposed that a domestic industry may be established through licensing only when that licensing takes place prior to the alleged infringing activity and promotes the adoption of the patented invention.

This proposal would generate undue uncertainty and risk for U.S. patent owners, particularly research-oriented American universities and engineering firms, that their investments in licensing, even if substantial, would be disregarded for purposes of establishing a domestic industry if the infringement began before a license was offered, negotiated and executed. Indeed, limiting access to Section 337 to those licenses that were granted prior to infringement would benefit importers who “infringe first, ask for a license second,” as they could argue that licensing investments incurred by the U.S. patent owner after the infringing importation began cannot be counted for purposes of establishing a domestic industry.

The limitation that licensing only qualifies to support a domestic industry if it “promotes the adoption of the patented technology” adds further uncertainty. One can

envision extended collateral disputes over whether this limitation is satisfied by the patent owner's licensing activities. Given the unresolved debates over the definition of what exactly constitutes an NPE, and a PAE, it is not difficult to imagine similar debates over whether the licensing activities of such firms actually promote the adoption of the patented technology or represent a tax on innovation and technology adoption.

Given that the ITC has made a number of changes already to its law and practice in an effort to address perceived abuses of the ITC by PAEs, I think that further changes, including a change to the definition of "licensing" for purposes of establishing a domestic industry, should not be made unless and until a need for such changes has been clearly demonstrated, and only then if such changes can be tailored narrowly to avoid the specter of unintended consequences that would unduly undermine the enforceability of patent rights against infringing imports.

III. Abusive Patent Litigation Beyond the ITC.

Notwithstanding the many efforts currently underway to address the costs, disruption and uncertainty of patent infringement litigation, concerns remain that not enough is being done to address the most egregious abusive litigation practices by a few patent owners. Although I have urged caution against making further changes while the combined impact of the changes currently underway is not yet known, I do think that several recent proposals warrant further discussion and consideration. The three concepts I discuss below could, with balanced, measured and thoughtful implementation, curtail some of the abusive litigation practices in patent cases that have raised the greatest concerns.

A. More Frequent Fee-Shifting in Patent Cases.

The assertion of non-meritorious litigation positions in patent litigation is, unfortunately, neither new nor limited to NPEs or PAEs. Frivolous assertions in litigation should be no more acceptable by an accused infringer than by a patent owner, and no more acceptable by a practicing patent owner than by an NPE. If applied in a balanced, principled manner, targeting misbehavior on the part of any litigant, fee-shifting can encourage meritorious litigation behavior and can discourage litigation abuse.

Unfortunately, the recently-introduced “Shield Act”²⁷ misses the mark because it focuses on the litigant, rather than on the litigation abuse that should be discouraged. The focus of fee-shifting should be on curbing litigation abuse, not on deterring meritorious suits by patent owners who have not commercialized their patents. The Shield Act tilts the playing field against such patent owners by making it riskier for them to assert their patents, even when their infringement allegations are well-founded. The proper role of fee-shifting is as a tool to curb litigation abuse, not a penalty against certain types of patent owners.

Currently, section 285 of the Patent Act²⁸ provides that a court may, in “exceptional cases,” award reasonable attorney fees to the prevailing party. However, the Federal Circuit has set the bar so high for a finding that a case is “exceptional” that Section 285 is invoked too rarely to serve as an effective deterrent against litigants who assert specious infringement claims or defenses. A case lost by the patent owner may be “exceptional,” for example, if it

²⁷ Saving High-tech Innovators from Egregious Legal Disputes Act of 2013, H.R. 845, 113th Cong., 1st Sess. (introduced Feb. 27, 2013).

²⁸ 35 U.S.C. § 285.

is found to be “objectively baseless” and brought in “subjective bad faith.”²⁹ Other grounds for fee-shifting under Section 285 require similarly-difficult findings of, for example, inequitable conduct, willful infringement or vexatious litigation misconduct.

A relaxation of the “exceptional” case standard to permit fee-shifting in more cases would discourage both plaintiffs and defendants alike in patent infringement actions from asserting specious claims or defenses. One alternative is simply to loosen a court’s ability to award fees under Section 285; for example, by requiring the court to make the award to the prevailing party unless the position of the losing party was “substantially justified.” More frequent fee-shifting under such a relaxed standard would encourage meritorious litigation behavior and discourage litigation abuse by all litigants, provided it is applied in a balanced, principled manner, targeting misbehavior on the part of any litigant.

B. More Rational, Proportional and Uniform Discovery Rules.

The costs and burden of discovery can be enormous in any patent case. But in cases brought by PAEs, the asymmetry of such costs and burdens increases the risk of litigation abuse. Such patent owners typically have few documents and witnesses, so they may propound extremely burdensome discovery to corporate defendants without fearing that they will be on the receiving end of corresponding burdens. Exacerbating that burden are frequently vague and overreaching infringement allegations, making it difficult for a defendant to determine the metes and bounds of its obligation to preserve evidence, and highly disruptive to comply with that obligation. Coupled with the growth of electronically

²⁹ *Checkpoint Sys., Inc. v. All-Tag Security S.A.*, No. 12-1085, ___ F.3d ___, 2013 WL 1188940 (Fed. Cir. Mar. 25, 2013).

stored information that is an easy target for burdensome discovery requests, the costs of litigation can mushroom out of control and force defendants to settle simply to avoid intrusive discovery.

Many district courts have adopted local patent rules to help standardize and streamline pre-trial procedure in patent litigation. Similarly, the Federal Circuit Advisory Council recently adopted a Model Order governing e-discovery in patent cases.³⁰ These rules help promote an efficient discovery process in patent cases, but they are not a substitute for early engagement by the court in structuring and streamlining patent litigation, and customizing the case schedule to prioritize early resolution of the most significant issues. Perhaps the most impactful way courts may keep patent cases in check and moving forward is through active early engagement in narrowing issues and setting an orderly pre-trial schedule. The Patent Pilot Program, launched in 14 district courts in 2011 and continuing for 10 years, recognizes the importance of providing district court judges with adequate resources to engage in active management of patent cases.³¹

In addition to these ongoing efforts, greater attention to reasonable and rational limits on discovery burdens and costs should be encouraged as a way to lessen the asymmetry that currently exists in patent infringement cases brought by PAEs. One proposal that merits further consideration would allow discovery of a core set of documents

³⁰ Model Order Regarding E-Discovery in Patent Cases (announced Sept. 27, 2011) (available at http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery_Model_Order.pdf).

³¹ See Patent Cases Pilot Program, Pub. L. No. 111-349, 124 Stat. 3674; District Courts Selected for Patent Pilot Program, Admin. Office of the U.S. Courts (Jun. 7, 2011) (available at http://www.uscourts.gov/News/NewsView/11-06-07/District_Courts_Selected_for_Patent_Pilot_Program.aspx).

and witnesses in patent cases, with each party bearing its own costs for such core discovery, as under the present system. Beyond that core discovery, however, a party seeking additional discovery would be required to bear the opposing party's reasonable costs associated with providing it.

Conceptually, this proposal could add much-needed rationality to the discovery obligations in patent cases. Caution should be exercised, however, to ensure that such a concept is in fact used to manage discovery costs and burdens in all patent cases, and not just as a way to make patent enforcement more difficult for some patent owners. First, any such discovery cost-shifting should apply in all patent cases, not just those brought by PAEs. Second, the scope of what constitutes "core" discovery – *i.e.*, discovery which each party bears its own costs of production – must be reasonably broad and comprehensive to encompass the bulk of discovery that is appropriate in most patent cases. The proposal should be tailored to discourage abusively broad and costly discovery in patent cases, not as a way to deny or discourage a litigant from obtaining documents, witnesses and other information reasonably required for a fair and just adjudication of a patent dispute.

The Federal Circuit Advisory Committee's Model E-Discovery Order represents a welcome effort to balance these dual interests in ensuring that litigants have access to the information they reasonably need to litigate patent disputes, while at the same time discouraging the overbroad and expensive email production requests that have become routine in patent litigation. Federal Circuit Chief Judge Randall Rader has explained that "litigation costs should not be permitted to unduly interfere with the availability of the court to those who seek to vindicate their patent rights—the enforcement of such rights is both an

obligation of the legal system and important to innovation. Likewise, disproportionate expense should not be permitted to force those accused of infringement to acquiesce to non-meritorious claims.”³²

Under the Model Order, parties are required to disclose “core documentation concerning the patent, the accused product, the prior art, and the finances” before they can request further e-discovery. Email production requests must be directed towards specific issues in the case and are presumptively limited to five custodians per producing party and five precisely-tailored search terms per custodian per party. Finally, the Model Order shifts the costs for “disproportionate” discovery requests.

Disclosure obligations and limited additional discovery similar to that permitted under the Model Order, but applying to all forms of discovery in patent cases, could provide the basis for defining the “core” discovery a party could obtain without cost-shifting. Beyond such core discovery, a party would bear the costs of obtaining additional discovery, subject to a sufficient showing of good cause as to why the costs should not be shifted. The judiciary is in the best position to define the scope of such rules and their implementation, but Congress might encourage the courts to pilot such concepts designed to ensure more proportionality of discovery costs in patent cases, perhaps by providing guidance and recommendations to the Judicial Conference to promulgate model rules, and/or through the Patent Pilot Program.

³² Model Order Regarding E-Discovery in Patent Cases (available at http://www.cafc.uscourts.gov/images/stories/announcements/Ediscovery_Model_Order.pdf), at pp. 2-3.

More generally, it is worth considering ways to provide more uniformity in how patent cases are handled by district courts across the country. Through the use of local patent rules, many best practices have been identified already, but their adoption and implementation varies among the various district courts. A single set of Federal Rules of Patent Litigation Procedure, which would apply in patent infringement cases in all district courts, would be a way to capture and implement nationwide the best practices that have been developed through local patent rules in various judicial districts, while still giving district court judges the flexibility to adopt creative approaches to case management so as to focus early on issues that could be case dispositive or could drive early alternative dispute resolution. Although uniform federal rules for patent cases might be controversial among some district judges, a single set of rules could address abusive litigation practices comprehensively and prevent forum-shopping by litigants who wish to engage in such practices. Given that patent litigation already is subject to unified appellate practice, it would seem logical also to have nationwide district court patent litigation rules. As a starting point, perhaps uniform rules could be adopted by those courts participating in the Patent Pilot Program, which would ensure their use in a large percentage of district court patent litigation.

Finally, the Federal Rules of Civil Procedure Advisory Committee is also considering several promising proposals for revisions to the Federal Rules of Civil Procedure that would encourage proportionality and efficiency in discovery generally, not merely in patent litigation. As part of this effort, courts could be empowered and encouraged to shift a part of the fees and costs of discovery or other litigation activities to either litigant, whether or

not it prevailed, where that litigant engaged in conduct that needlessly made the litigation more expensive or burdensome for its opponent. While the details of any such revisions continue to be the subject of debate and discussion among all who have a stake in our judicial system, 3M supports these efforts to more fully realize the goal articulated in Rule 1, to “secure the just, speedy, and inexpensive determination of every action and proceeding.”

C. Stays of Patent Suits Against Customers or End Users.

Some PAEs make it a practice to file infringement suits against customers, retailers or end users of a product accused of infringement, rather than the manufacturer or primary supplier of the product. By targeting multiple customers or end users, a PAE may create increased settlement opportunities, particularly when the customers or end users lack sufficient technical knowledge of the accused product or sufficient resources to litigate. Under current law, the stay of a customer suit, in favor of a suit against the manufacturer or supplier of the accused product, is not automatic, but rather is committed to the discretion of the district court. Unfortunately, courts have been inconsistent in their willingness to stay such customer suits, thus encouraging their filing by some PAEs.

Codification of the right for a manufacturer or supplier to intervene in actions against customers or end users, or to proceed in a separate action against the patent owner, and to stay the actions against the accused customers or end users pending the outcome of the infringement suit between the patent owner and the manufacturer or supplier, would curtail the practice of filing customer and end user suits to proliferate litigation and spur settlements with downstream entities. Once the real party in interest has intervened as a party to an infringement action, the action would proceed against that party and would be stayed against

non-manufacturing defendants. Moreover, a customer suit would be stayed in favor of a separate declaratory judgment or infringement action instituted by or against the manufacturer or supplier. This proposal thus would promote resolution of patent disputes by the manufacturers or suppliers of the products accused of infringement, or the parties practicing methods alleged to infringe – *i.e.*, the real parties in interest.

Some proposals go a step further, suggesting that customers or end users should enjoy immunity from patent infringement suits. In my view, such proposals go too far and risk unduly undermining the value of certain types of inventions. It may be the case that, due to the nature of the patented invention, infringement depends on how a customer uses, installs or integrates a product with other products. Because legitimate infringement claims may arise from acts beyond the mere use of the manufacturer's product as sold, it may be that litigation between the patent owner and the manufacturer does not resolve all issues of infringement. In such cases, it may be appropriate to lift the stay following adjudication between the patent owner and manufacturer, and to allow a customer or end user suit to proceed. Moreover, end user immunity might run the risk that would-be infringers could game the system, with the manufacturer stopping just short of selling an infringing product so that the customer who is immune from infringement can complete the assembly of what would otherwise be an infringing device. An end user stay, rather than immunity, avoids such unintended consequences and balances the interests of deterring suits against end users, on one hand, against ensuring that patented inventions that involve end user activities are not rendered valueless, on the other hand.

Finally, another important safeguard is provided by making intervention by a manufacturer or supplier voluntary, as it would not be appropriate in all cases. Because infringement allegations may involve multiple potentially responsible parties or real parties in interest, intervention may not be practical in multi-supplier markets with non-linear supply chains. Moreover, voluntary intervention would ensure that this proposal does not have the unintended consequence of impacting contractual obligations that may exist between suppliers and purchasers and that may allocate the risks of infringement or the costs of defending against infringement allegations. But when a manufacturer or supplier is truly the real party in interest, it should have the voluntary right to defend its products against infringement accusations, rather than being made to stand on the sidelines as windfall settlements are forced upon its customers.

* * *

Chairman Coble, Ranking Member Watt and Members of the Subcommittee, I thank you for the opportunity to appear here today and to offer my views on the subject of “Abusive Patent Litigation: The Issues Impacting American Competitiveness and Job Creation at the International Trade Commission and Beyond.” As explained above, I believe that the case has not been made for changes to ITC law or practice at this time, and the changes that have been proposed are not sufficiently tailored or focused to address the perceived problems while avoiding unintended consequences detrimental to patent owners who need access to the ITC to prevent infringing imports from undermining the value of their inventions. With respect to the district courts, although I have urged caution in making

further changes that would alter the substance or procedure of patent litigation before the full impact is known of the many recent changes already made and in the process of being fully implemented, I do believe that several of the proposals I have discussed above warrant further consideration and discussion among stakeholders. As always, I and the Coalition for 21st Century Patent Reform remain committed to working with Congress and all stakeholders to find fair and balanced solutions to curb abusive litigation practices in patent cases.

I will be pleased to answer any questions or to supply additional information for the record.