

PATENT OWNER EXHIBIT 2006

EXPERT DECLARATION OF MARK COHEN IN IPR2021-00476

I, Mark Cohen, being competent to testify and having personal knowledge of the facts recited below, or otherwise able to form opinions based on facts provided by others as discussed below, declare as follows.

I. BACKGROUND AND QUALIFICATIONS

1. I have been asked by counsel to 10Tales, Inc. to opine on the application of criteria set forth in 35 USC Sec. 316(b) to initiating of an Inter Partes Review (“IPR”) in the matter of *TikTok, Inc. v. 10 Tales, Inc.*, IPR2021-00476 (Feb. 10, 2021) (the “IPR”), namely to “consider the effect ... on the economy, the integrity of the patent system, ...and the ability of the Office to timely complete proceedings....” This opinion focuses on aspects of Chinese law and industrial policy that may be pertinent to such a decision. Apart from these considerations, I take no position on this matter under U.S. law. The opinions expressed herein are my own and should not be attributed to any institution, company or individual. My billing rate for this matter is \$650.00 per hour.
2. I am a Distinguished Senior Fellow, Lecturer, and Director of the Berkeley Center for Law and Technology, Asia IP Project, where my principal focus is on Chinese intellectual property law. In addition to my position at Berkeley Law, I was formerly a Visiting Professor and an Adjunct Professor at Fordham Law School. I am also a Guest Professor at Renmin University Law School, Beijing, China. I have guest lectured before institutions of various kinds throughout the world. I have testified several times on Chinese IP and trade matters before Congress. I am the edit or author of several books and articles on

Chinese intellectual property and trade law in both English and Chinese and I maintain a well-regarded blog, www.chinaipr.com. I am a member in good standing of the Bar of the District of Columbia.

3. I hold a B.A. in Chinese Studies (SUNY Albany), an M.A. in Chinese Literature (University of Wisconsin), and a J.D. from Columbia Law School. The State Department has assessed my ability to read and speak Chinese at a near-native fluency.
4. I have served twice with the USPTO for a total of 13 years. During my tenure at the USPTO, I served in Washington, DC as an Attorney-Advisor on Chinese IP law (2001-2004), and as the first USPTO representative in China (2004-2008). I also served at the USPTO as the Senior Advisor to the Director on China Affairs and Senior Counsel, China (2012-2018).
5. I am a recipient of several awards for my work on Chinese IP, including the Meritorious Service Award from the President of the United States, and a Gold Medal Award from the Secretary of Commerce for work on advancing rule of law in China through intellectual property.
6. This statement is divided into three sections based on the impact of various regulations on TikTok's activities: (a) the impact on the economy in failing to consider Chinese **industrial policies** by initiating this IPR, as well as the impact on the "the integrity of the patent system" of allowing an IPR to proceed in a technology that is the subject of aggressive Chinese non-market interventions; (b) the impact on the economy in failing to consider TikTok **privacy practices** in initiating this IPR, as well as the impact of economic sanctions against TikTok that could affect the ability of the Office to "timely complete

proceedings”; and (c) the impact on the economy of failing to consider Chinese **industrial policies that provide advantages to Chinese small and medium enterprises (SMEs)**, and disadvantages to U.S. SME’s in China (such as 10Tales).

7. In light of the concerns I have identified herein, I believe that disputes over the validity of the patent in suit are best resolved in an Article III U.S. Court.

II. INITIATING THE IPR WOULD SUPPORT CHINESE INDUSTRIAL POLICIES THAT TARGET U.S. TECHNOLOGY COMPANIES AND WOULD ADVERSELY AFFECT THE INTEGRITY OF THE U.S. PATENT SYSTEM

8. Chinese industrial policies implicate two legs of 35 USC Sec. 316(b), namely, “the effect ... on the economy” and the “integrity of the patent system.” I have identified these policies by their general reference to the type of technologies disclosed by the patent in suit, U.S. 8,856,030 B2 (2014) (the “’030 Patent”) and by the Cooperative Patent Classification (CPC) classifications ascribed to the ’030 Patent.
9. The ’030 patent discloses a “[m]ethod, system and software for associating attributes within digital media presentation.” The CPCs for the patent, as previously determined by the USPTO, are G06F 17/30867, G06Q 30/00; and G06F 17/30265. Today, CPC G06F broadly covers “electric digital processing.” and G06Q 30/00 covers “data processing systems or methods, specially adapted for administrative, commercial, financial, managerial, supervisory or forecasting purposes, ... not otherwise provided for” including “shopping or e-commerce.”¹ A variety of technologies and business activities are

¹ See CPC search tool, <https://www.uspto.gov/web/patents/classification/>.

implicated by GO6F Subcategory 17 which covers “Digital computing or data processing equipment or methods, specially adapted for specific functions.”

10. Typically, the CPCs are not mentioned in Chinese industrial plans. The plans, however, do overlap with the CPCs. As set forth below, several researchers, including myself, have created or used concordances from CPCs to tariff schedules, standard industrial classifications, and industrial policies. These concordances reveal that the technologies encompassed by the CPC’s are a critical part of Chinese industrial policy efforts. On its face, therefore, the ‘030 patent is of economic importance to the United States as a tool to protect American innovation and competitiveness from targeted Chinese industrial policies.

11. Not only are the policies specifically targeting the CPCs, but their impact has also been expanding since the ‘030 patent was first issued. Beginning in 2015, the year after the patent was issued in 2014, Chinese industrial policies took a new shift under the rubric of the “innovation-driven development strategy.” Prof. Barry Naughton at the University of California San Diego has described this shift as “bigger, more intrusive, and more comprehensive than any previous Chinese industrial policy.” These policies incorporate a “vision of a technological revolution and a substantial re-ordering of global strategic relations.”² Other commentators have noted that these policies demonstrate a more comprehensive “whole of society” – type approach that consequently imposes distortionary burdens upon U.S. approaches that are primarily based on private rights

² Barry Naughton, *The Rise of China’s Industrial Policy, 1978-2020*, 133, 136 (2021), [https://dusselpeters.com/CECHIMEX/Naughton2021 Industrial Policy in China CECHIMEX.pdf](https://dusselpeters.com/CECHIMEX/Naughton2021%20Industrial%20Policy%20in%20China%20CECHIMEX.pdf).

and market principles. It is my opinion that this “whole of society” approach manifests itself in a range of areas pertinent to the IPR, including the areas of patent examination, foreign trade, export controls, and foreign investment. All of these areas implicate American interests.³

12. One such “whole of society” approach is China’s 10-year “Made in China 2025” plan (MIC2025). According to the Office of the United States Trade Representative (“USTR”), this is a plan to “drive[.]... China’s goals of dominating its domestic market and becoming a global leader in a wide range of technologies, especially advanced technologies.”⁴ AI is key to the 10 strategic technologies that China wishes to develop, including information technology and robotics. According to the U.S. Senate Committee on Small Business and Entrepreneurship, MIC2025 “consistently places next-generation information technology (IT) first in its list of critical strategic industries.” Moreover, “China’s assessment appears to be that next-generation IT leadership will be critical to advancing its value chain position.”⁵

³ FBI Director Christopher Wray has stated: “[O]ne of the things we’re trying to do is view the China threat as not just the whole-of-government threat, but a whole-of-society threat on their end, and I think it’s going to take a whole-of-society response by us.” *How China’s Economic Aggression Threatens the Technologies and Intellectual Property of the United States and the World*, White House Office of Trade and Manufacturing Policy (June 2018), at p. 14, <https://china.usc.edu/sites/default/files/article/attachments/white-house-china-threatens-us-intellectual-property-2018-06.pdf>. For a similar view, see Scott Kennedy, *Made in China 2025* (June 1, 2015), which notes that MIC2025 “will be more coordinated and utilize a wider array of policy tools” than prior industrial plans, <https://www.csis.org/analysis/made-china-2025>.

⁴ Office of the United States Trade Representative, *Findings of the Investigation into China’s Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation under Section 301 of the Trade Act of 1974* 7 (March 22, 2018), <https://ustr.gov/sites/default/files/enforcement/301Investigations/301%20Report%20Update.pdf>.

⁵ U.S. Senate Committee on Small Business and Entrepreneurship, *Made in China 2025 and the Future of American Industry*, 35, <https://www.rubio.senate.gov/public/files/Rubio-China-2025-Report.pdf>.

13. Apart from MIC2025, there are other industrial plans that more narrowly focus on the CPCs of the '030 Patent. It is my understanding that AI technologies may be deployed in commercializing the claims of the '030 patent, thus the patent may lend some control over AI use (even if AI is not a claim limitation). The 2017 New Generation Artificial Intelligence Development Plan (AIDP) released by China's State Council targets AI development more than other general plans and strategies. The AIDP states that "AI has become a new focus of international competition. AI is a strategic technology that will lead in the future; the world's major developed countries are taking the development of AI as a major strategy to enhance national competitiveness and protect national security."⁶ The 2006-2020 Informatization Development Strategy of the Communist Party Central Committee and State Council focuses in part on constituent AI technologies, including the need to develop indigenous innovation in core information technologies.⁷ At a similarly broad level, China's National Development and Reform Commission, which is the successor to the powerful former State Planning Commission, has recently noted that that Chinese "online entertainment sector" and "ecommerce sectors" are also key targets of industrial development.⁸

⁶ Gregory Allen/Center for a New American Security, *Understanding China's AI Strategy: Clues to Chinese Strategic Thinking on Artificial Intelligence and National Security* 3 (Feb. 2019), <https://s3.amazonaws.com/files.cnas.org/documents/CNAS-Understanding-Chinas-AI-Strategy-Greg-C.-Allen.pdf?mtime=20190207103020>.

⁷ 中共中央办公厅 国务院办公厅 关于印发《2006—2020 年国家信息化发展战略》的通知, Zhongbanfa No. 11 (2006) http://www.gov.cn/gongbao/content/2006/content_315999.htm.

⁸ NDRC, *Evaluating Strategic and Emerging Industries Suggestions for the Development of the "14th Five-Year Plan*, 2nd Volume, 战略性新兴产业形势判断及“十四五”发展建议（下篇）(January 12, 2021), https://www.ndrc.gov.cn/xxgk/jd/wsdwhfz/202101/t20210112_1264810.html.

“technological bottlenecks,” which are often described as patents or patent families under the control of foreign entities.¹¹

15. MIC2025 has likely influenced IP case adjudication in China, as Chinese IP judges, in their five- year plan (2016-2020) have called for the judiciary to also “actively promote the implementation of my country’s ... ‘Made in China 2025’ strategy.”¹² While this statement implies that the courts will implement China’s technological ambitions in the trial of actual cases, the application of MIC2025 is difficult to ascertain, due to a lack of full transparency in actual case adjudication, including a retrenchment by China during the trade war in the publication of foreign-related cases and changes in statistical reporting on the number and type of these cases.¹³

16. MIC2025 and other industrial plans are also implemented through foreign investment policies. China’s Catalogue for Foreign Investment 2020 Revision (the “2020 Catalogue Revision”) provides a window into the role of foreign investment in industrial planning in China. ¹⁴ In the 2020 Catalogue Revision, China encourages the introduction of foreign

¹¹ SIPO, *Opinion Regarding the Promotion of Enterprises’ Use of Intellectual Property Rights During the Financial Crisis*. 关于促进企业运用知识产权应对 金融危机的若干意见 (August 27, 2009). See http://www.gov.cn/gongbao/content/2009/content_1481664.htm.

¹² Chinese original is found at: http://www.law-lib.com/law/law_view.asp?id=566119. See *Outline of the Judicial Protection of IP in China (2016-2020)*, <https://www.chinajusticeobserver.com/p/outline-of-the-judicial-protection-of-intellectual-property-in-china-2016-2020>.

¹³ Mark A. Cohen, *Three SPC Reports Document China’s Drive to Increase Its Global Role in IP Adjudication*, (May 5, 2021). “This year’s Situation Report continues the trends of decreasing transparency in statistical data, particularly in areas of trade-related concerns such as data on how foreigners fare in Chinese IP courts. Data on foreign-related civil, administrative or criminal cases is no longer being reported at the national level.” (May 5, 2021), <https://chinaipr.com/2021/05/05/three-spc-reports-document-chinas-drive-to-increase-its-global-role-on-ip-adjudication/>.

¹⁴ China Investment Climate Statement, Bureau of Economic and Business Affairs, U.S. State Department, <https://www.state.gov/report/custom/d1d22baa9f/>.

technology supporting technologies “graphical image recognition” and “processing system manufacturing” which the ‘030 Patent may rely upon for its commercial implementation.¹⁵ The 2020 Catalogue Revision targets the capacity to manufacture items in this area, not the actual services. China likely has little interest in licensing a foreign company to freely compete with its own domestic champions in this area, such as TikTok, due to China’s restrictive practices regarding foreign content introduction, privacy and human rights.

17. Another manifestation of industrial policy is in patent prosecution policies. The U.S. International Trade Commission has noted that “some non-Chinese firms reportedly find it more difficult to obtain patents in sectors that the Chinese government considers of strategic importance.¹⁶ Two European scholars, Gaétan De Rasenfosse and Emilio Raiteri, have noted that CPC G06F technology is within the targeted industrial policies of China’s 15 year Medium and Long-Range Scientific and Technology plan (the “MLP”). Their study, “Technology Protectionism and the Patent System: Strategic Technologies in China,” reviewed over 500,000 patent applications filed between 2001 and 2009. Their study revealed that foreign applications in MLP technology areas faced negative discrimination. The probability the Chinese patent office will grant patent applications to

¹⁵ NDRC, *Catalogue for Encouraging Foreign Investment*, 鼓励外商投资产业目录 (2020 ed), at no. 327. <https://www.ndrc.gov.cn/xxgk/zcfb/fzggwl/202012/P020201228567029819518.pdf>.

¹⁶United States International Trade Commission (ITC) Inv. No. 332-514, *China: Intellectual Property Infringement, Indigenous Innovation Policies, and Frameworks for Measuring the Effects on the U.S. Economy* (2010) at page xviii, https://www.usitc.gov/publications/industry_econ_analysis_332/2010/china_intellectual_property_infringement.htm.

14. Implementation of national industrial policies also affects the nature of Chinese IP

“lawfare,” which is the use of legal tools to advance national technology interests, typically with a goal of creating an unbalanced playing field with foreigners. For example, China has established IP “early warning systems” (“EWS”) to address overseas IP risks. The importance of EWS was underscored by Chinese leader Xi Jinping in a recent article in the leading Communist Party journal *Qiushi*, where he has called on China to “form an efficient EWS for international intellectual property risks” as well as to “build a system for preventing and controlling intellectual property foreign-related risks, and increase assistance for overseas intellectual property rights protection of Chinese enterprises.”⁹ China’s plans for a “strong IP economy” similarly call for “developing and implementing policies to deal with major intellectual property disputes in overseas industries,”¹⁰ of which this IPR may be one. A principal purpose of these efforts is also to break through

⁹ Xi Jinping, *Comprehensively Strengthen the Protection of Intellectual Property Rights, Stimulate Innovation and Promote the Construction of a New Development Pattern* 全面加强知识产权保护工作 激发创新活力推动构建新发展格局, (January 31, 2021), <http://politics.people.com.cn/n1/2021/0131/c1024-32018021.html>.

¹⁰ State Council, *Several Opinions of the State Council on Speeding up the Construction of Intellectual Property Power under the New Situation* 国务院关于新形势下加快知识产权强国建设的 若干意见-重点任务分工方案(State Council Office Letter, 2016 no. 66), http://www.gov.cn/gongbao/content/2006/content_315999.htm, <http://www.translatetheweb.com/?from=&to=en&a=http%3A%2F%2Fwww.nipso.cn%2Fonews.asp%3Fid%3D32838>. See also Mark A. Cohen, *New State Council Decision on Intellectual Property Strategy for China as a Strong IP Economy* (July 24, 2016), “The report discusses a number of strategies and plans to reduce overseas IP risks facing Chinese companies, including assisting Chinese companies in strategic planning, patenting and licensing (Arts. 72-76), developing information resources on risks and cases (Arts. 78-79), and – rather ominously – developing policies for countering large intellectual property cases overseas (with the support of MofCOM, Customs, SAIC, AQSIQ, NCA, and the China Council for the Promotion of International Trade – “CCPIT”), <https://chinaipr.com/2016/07/24/new-state-council-decision-on-intellectual-property-strategy-for-china-as-a-strong-ip-country/>.

foreign firms is 5 to 15 percentage points lower than expected in the absence of discrimination.¹⁷ Disparate treatment of foreign patent applications in China should not be surprising, given the “massive system of IP-conditioned state incentives—including subsidies for patents, tax incentives tied to patents, and other monetary and non-monetary awards”¹⁸ that China has in place.

18. Chinese tariff and trade policy also reflects industrial policy. Using PTO data on IP intensive industries¹⁹ and concordances to the CPC and the harmonized tariff schedule, I had previously determined in research co-authored with Philip Rogers, a Berkeley PhD candidate in political economy, that CPC G06F patents are an important part of China’s trade policies, as they are closely associated with products made over extended supply chains.²⁰ The recently concluded Regional Comprehensive Economic Partnership (“RCEP”) that China has signed onto with 14 other countries will further leverage RCEP to stabilize its supply chain through such measures as common rules of origin, lowered

¹⁷ Gaétan de Rassenfosse & Emilio Raiteri, *Technology Protectionism and the Patent System: Strategic Technologies in China* (September 1, 2020), SSRN: <https://ssrn.com/abstract=2803379>.

¹⁸ DAN PRUD’HOMME & ZHANG TAOLUE, CHINA’S INTELLECTUAL PROPERTY REGIME FOR INNOVATION 62 (2019).

¹⁹ USPTO and ESA, *Intellectual Property and the US Economy: 2016 Update*, <https://www.uspto.gov/sites/default/files/documents/IPandtheUSEconomySept2016.pdf>.

²⁰ “[I]t is possible to get a sense of the specific patent families most associated with these major categories of supply chain-oriented goods....[u]sing data mining and computer algorithms to detect matches between the language in descriptions of international trade categories and international patent classes[.]” Mark A. Cohen and Philip C. Rogers, *When Sino-American Struggle Disrupts the Supply Chain: Licensing Intellectual Property in a Changing Trade Environment*, “WORLD TRADE REV”, 20, 238 (2021), <https://www.cambridge.org/core/journals/world-trade-review/article/abs/when-sinoamerican-struggle-disrupts-the-supply-chain-licensing-intellectual-property-in-a-changing-trade-environment/1B8C4D801B8ED4079F8CF452CC6BAD52>.

tariffs, expanded digital commerce and common standards of IP protection in supply chain-oriented trade.²¹

19. Chinese companies may also be anticipating a greater role in leveraging IP rights to stabilize supply chains by relocating their ownership in China and away from potential political interference by the United States. Data developed by the database company KtMINE demonstrates that as an industrial sector, companies involved in “computers, hardware and software” have been especially active in migrating patent ownership of U.S.-granted patents from their owners. CPC G06F was the dominant transacted CPC in 2012 and 2018 and one of the overall dominant patent classifications for the period 2010-2018.²² Ownership in U.S. patents migrated from 70 different countries to China, with an increase of 92% over the period from 2010-2020. Most of the assignments were from a U.S. entity to a China-based entity, with leading Chinese tech companies such as Baidu Online Network Technology and Tencent Technology Company among the principal beneficiaries. Chinese tech companies are seeking greater centralized control of their patents at a time of trade uncertainty, most likely with a view towards stabilizing Chinese supply chains.

²¹ “Perhaps the reason for the hodge-podge set of IP commitments in RCEP lies elsewhere than in IP. RCEP may be a potent weapon in China’s efforts to address supply chain disruptions brought on by Trump Administration sanctions, Covid19, and other developments. RCEP has extensive provisions regarding a common country of origin certificate and mechanisms to facilitate greater flow of goods within the RCEP.” *RCEP and Phase 1: Strange Bedfellows in IP* (Dec. 3, 2020) <https://chinaipr.com/2020/12/03/rcep-and-phase-1-strange-bedfellows-in-ip/>.

²² See presentation of John Wiora, CEO of KtMINE, <https://www.law.berkeley.edu/research/bclt/event-recordings/> at approximately 27:22 (Tsinghua Conference on Transnational IP Litigation Conference, Part 1, Jan. 21, 2021).

20. China has also implemented TikTok-specific technology policies through export controls.

China's export control policies also advance Chinese industrial policy interests, including those specifically in the control of the initiators of the IPR. In response to U.S. pressure for ByteDance, a real party in interest in this litigation, to divest itself of TikTok's U.S. operations, the Chinese government decided to impose export control licenses over "efficient detection technology" and "artificial intelligence technology" in order to thwart efforts to sell TikTok's U.S. operations to a U.S. buyer.²³

21. The extensive nature of Chinese industrial targeting against the technologies

encompassed by the '030 patent, including relevant CPCs, undermines the "integrity" of the market-based IP system in the United States, within the meaning of Sec. 316(b).

Webster's Dictionary defines "integrity" as "firm adherence to a code of especially moral or artistic values." In deciding whether to initiate this IPR, USPTO should evaluate these non-market practices in light of the threat they could pose to the integrity of the U.S. patent system under China's "all of society" approach to industrial policy.²⁴ A fundamental "value" adhered to in the international and U.S. IP systems is that "intellectual property rights are private rights" (TRIPS Agreement, Preamble)²⁵ and that "patents shall have the attributes of personal property" (35 U. S. C. §261). The National Security Commission on AI in its recent report has noted that protecting AI-related IP is a critical component of U.S. competitiveness, in part due to China's own

²³ Reuters, *China's New Tech Export Controls Could Give Beijing a Say in TikTok Sale* (Aug 30, 2020), <https://www.reuters.com/article/us-usa-tiktok-china/chinas-new-tech-export-controls-could-give-beijing-a-say-in-tiktok-sale-idUSKBN25Q05Q>.

²⁴ <https://www.merriam-webster.com/dictionary/integrity>.

²⁵ TRIPS Preamble, https://www.wto.org/english/res_e/publications_e/ai17_e/trips_preamble_jur.pdf.

focus on these technologies: “America’s intellectual property (IP) laws and institutions must be considered as critical components for safeguarding U.S. national security interests, including advancing economic prosperity and technology competitiveness. Prioritization of IP policy is especially important given China is both leveraging and exploiting IP policies as a tool within its national strategies for emerging technologies.”²⁶

In addressing the threats posed by non-market industrial policies in IPRs, USPTO also would not be breaking new ground for itself. USPTO has also recently recognized the threat to the integrity of the U.S. IP systems through China’s non-market interventions by adjusting its own examination policies and practices, particularly for trademarks.

According to the recent USPTO report “Trademarks and patents in China: The Impact of Non-Market Factors on Filing Trends and IP Systems,” these non-market interventions have “stretched the capacity of China’s patent and trademark examination systems, and cluttered China’s registries, which complicates clearance searches and can narrow the scope of available protection.” There is no reason for USPTO to assume that IPRs are exempt from the extensive non-market distortions that have affected, and will continue to affect, the U.S. IP system.²⁷

22. In summary, initiation of an IPR at the request of TikTok for the ‘030 patent should not be undertaken absent an adequate analysis of the potential impact in the U.S. economy and

²⁶ NSCAI, *Final Report – National Security Commission on Artificial Intelligence* (Mar 9, 2021), 465, <https://www.nsc.gov/wp-content/uploads/2021/03/Full-Report-Digital-1.pdf>.

²⁷ USPTO, *Trademarks and Patents in China: The Impact of Non-Market Factors on Filing Trends and IP Systems* (Jan. 2021), 9, <https://www.uspto.gov/sites/default/files/documents/USPTO-TrademarkPatentsInChina.pdf>.

the integrity of the U.S. patent system due to Chinese industrial policy interventions in the technologies encompassed by the '030 patent and relevant CPCs.

III. ECONOMIC SANCTIONS AGAINST TIKTOK RAISE CONCERNS OVER THE TIMELY COMPLETION OF THE IPR AND ECONOMIC IMPACT ON AMERICAN PRIVACY

A. *U.S. Economic Sanctions Pose Risks of an inability to Timely Complete Proceedings*

23. Economic sanctions, including concerns over violation of U.S. privacy laws by TikTok also raise concerns over the “ability of the Office to timely complete proceedings” under Sec. 316(b). Delays could occur on the contingency that the U.S. government may continue to sanction TikTok pursuant to the International Emergency Economic Powers Act (IEEPA) and other statutes²⁸ due to the impact in the United States on “information and communications technologies and their supply chain.” Key events in this sanctioning effort are listed below in chronological order:

(a) On May 15, 2019, the President pursuant to his authority under IEEPA and related legislation, declared a national emergency regarding the “extraordinary threat” posed by foreign-controlled technology services and supply chains. The President determined that he would prohibit transactions with foreign nationals that pose national security risks to the United States, both in the case of individual acquisitions or uses of technology or services, and when acquisitions or uses of such technologies are considered as a class.²⁹

²⁸ 50 U.S.C. 1701, et seq., the National Emergencies Act, 50 U.S.C. 1601, et seq., and 3 USC Sec. 301.

²⁹ Exec Order No. 13873, Securing the Information and Communications Technology Services Supply China, 84 Fed. Reg 22689 (May 15, 2019).

(b) On May 13, 2020, the President renewed the earlier declaration for an additional year, stressing the unique threats posed China-based technology firms.³⁰

(c) On August 6, 2020, the President issued an additional Executive Order specifically mentioning TikTok for the first time. The President found that TikTok presented an “unusual and extraordinary threat” by which “foreign adversaries [can] ... exploit[] vulnerabilities in information and communication technology services and supply chain.” The threat arose from “TikTok automatically captur[ing] vast swaths of information from its users, including internet and other network activity information such as location data and browsing and search histories. This data collection threatens to allow the Chinese Communist Party access to Americans' personal and proprietary information—potentially allowing China to track the locations of Federal employees and contractors, build dossiers of personal information for blackmail, and conduct corporate espionage.” In addition, TikTok also “reportedly censors content that the Chinese Communist Party deems politically sensitive, such as content concerning protests in Hong Kong and China's treatment of Uyghurs and other Muslim minorities.”³¹ The President ordered the Secretary of Commerce to identify a list of prohibited transactions with “ByteDance...or its subsidiaries [TikTok]” and he ordered ByteDance to divest itself of TikTok's U.S. operations, including any interest it might have in U.S. user data.

³⁰ Continuation of the National Emergency with Respect to Securing the Information and Communications Technology Supply Chain, 85 Fed. Reg. 29321 (May 13, 2020).

³¹ Executive Office of the President, *Addressing the Threat Posed by TikTok, and Taking Additional Steps To Address the National Emergency With Respect to the Information and Communications Technology and Services Supply Chain*, 85 Fed. Reg. 48637 (July 11, 2021), <https://www.federalregister.gov/documents/2020/08/11/2020-17699/addressing-the-threat-posed-by-tiktok-and-taking-additional-steps-to-address-the-national-emergency>.

(d) On August 14, 2020, The President directed the Committee on Foreign Investment in the United States (CFIUS), a unit of the Treasury Department, to ensure the sale by ByteDance of “any tangible or intangible assets...used to enable or support” its “operation of the TikTok application in the United States” by November 12, 2020. This process has been extended.³²

(e) On September 24, 2020, the Department of Commerce identified five unlawful “transactions” that it would regulate pursuant to IEEPA. A Commerce Department Memorandum supporting this determination noted that TikTok’s core value to users was in its ability to transmit data like “text images, video and audio,” all of which constitute “[b]ulk data” that can be used “to train algorithms for facial and voice recognition.”³³ The regulated transactions included five separate areas: TikTok’s app, internet hosting services, content delivery services, internet transit or peering services, and utilization of the constituent code, functions, or services within the United States. Additionally, new prohibitions may be issued to “any other transaction by any person, or with respect to any property, subject to the jurisdiction of the United States.”³⁴

³² See Presidential Order of August 14, 2020, *Regarding the Acquisition of Musical.ly by ByteDance Ltd.*, 85 Fed. Reg. 51297 (Aug. 19, 2020), <https://www.govinfo.gov/content/pkg/FR-2020-08-19/pdf/2020-18360.pdf>; see also Mark A. Cohen, *Constitution and Context in the TikTok and WeChat Executive Orders* (Aug 16, 2020), <https://chinaipr.com/2020/08/16/constitution-and-context-in-the-tiktok-and-wechat-executive-orders/>.

³³ Commerce Memorandum, ECF No. 48-2, AR 31, referred to in Memorandum Opinion of Civ. Action No. 1:20-Cf-02658 (CJN), *TikTok Inc., et al v. Donald J. Trump* (Dec. 7, 2020) at 7.

³⁴ See also a subsequent Interim Rule, Commerce Department, *Securing the Information and Telecommunications Services Supply Chain* (Jan. 19, 2021), <https://www.federalregister.gov/documents/2021/01/19/2021-01234/securing-the-information-and-communications-technology-and-services-supply-chain>.

24. Since the preceding polices and orders were issued, District Courts have since enjoined enforcement of these bans, on September 27, October 30, and December 7, 2020.³⁵

Appeals of these decisions are pending. This IPR appears to have been filed to take advantage of this suspension of enforcement. It was filed on February 4, 2021 or about five months after the initiation of the civil actions, two weeks after the inauguration of President Biden and five weeks after the last District Court decision.

25. While sanctions have been stayed, there remain risks that preliminary injunctions issued may be voided, or that the government revises its orders to withstand judicial scrutiny. The September 27 decision explicitly rejected TikTok's argument that "the government will not face *any* harm if a preliminary injunction is granted," as well as the possibility that prohibitions already proposed "are the only effective way of addressing" threats to national security.³⁶ Additionally, as an alternative to IEEPA sanctions, the U.S. government, through CFIUS has also requested TikTok to divest its U.S. interests in favor of U.S. companies to mitigate privacy risks. Such restructuring might also affect ownership or control of relevant technology, including the interests of TikTok in this litigation. CFIUS investigations are generally not public, but that investigation is reportedly on going.³⁷

³⁵ *TikTok v. Trump*, No. Civ 1:20-cv-02658 (DDC, Sept 27, 2020); *Marland v. Trump*, No. CV 20-4597, 2020 WL 6381397 (E.D. Pa. Oct. 30, 2020); *TikTok Inc. v. Trump*, No. 1:20-CV-02658, (D.D.C. Dec. 7, 2020).

³⁶ *TikTok v. Trump*, No. Civ 1:20-cv-02658 (DDC, Sept 27, 2020).

³⁷ William Alan Reinsch, *TikTok Is Running out of Time: Understanding the CFIUS Decision and Its Implications* (Sept. 2, 2020), <https://www.csis.org/analysis/tiktok-running-out-time-understanding-cfius-decision-and-its-implications>.

26. If the Biden Administration were to continue to pursue sanctions against TikTok, the IPR may be jeopardized or delayed. Past cases involving trade sanctions and “property subject to the jurisdiction of the United States” include the long-running dispute over the trademark for Havana Club rum³⁸ (from approximately 1994 to 2016), which ultimately was referred to the WTO, as well as more recent export control restrictions imposed against Huawei to acquire patents that would “directly or indirectly” enable Huawei to acquire restricted technology.³⁹ Cuban regulations under IEEPA similarly define transactions to include “any acquisition, importation, transfer, installation, dealing in, or use of any information and communications technology or service.”⁴⁰ Property is defined by IEEPA regulations to include patents.⁴¹ “Transfer” means “any actual or purported act ..., the purpose, intent, or effect of which is to create, surrender, release, transfer, or alter, directly or indirectly, any right, remedy, power, privilege, or interest with respect to any property.” The “transfer” of the patent, including its “alter[ation]” may also occur by a “judicial or administrative process or order.”⁴² If a license were mandated, USPTO might not be able to complete the IPR within the timeframes required under its own regulations, whether or not a license is ultimately granted.

27. The possibilities of a range of economic sanctions against TikTok, whether in such forms as a reversal of lower court decisions, a new sanctions regime, or national security

³⁸ https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds176_e.htm.

³⁹ BIS, Huawei Entity List FAQs (Updated Dec. 3, 2020), <https://www.bis.doc.gov/index.php/documents/pdfs/2447-huawei-entity-listing-faqs/file>.

⁴⁰ See also 31 CFR Sec. 515.311.

⁴¹ *Id.*, see also 31 CFR Sec. 510.309, 310 (general definitions) (<https://www.govinfo.gov/content/pkg/CFR-2010-title31-vol3/pdf/CFR-2010-title31-vol3-sec500-308.pdf>).

⁴² 31 CFR Sec 515.310 (Cuban Assets Control Regulations).

controls over technology transfers of the type imposed under other sanctions regimes, may have affected the timing of TikTok's decision to initiate this IPR. Whether or not TikTok sought to utilize a moratorium on further actions in economic sanctions imposed against it in initiating this IPR, past IEEPA precedent suggests that the possibility of a suspension of that moratorium implicates Section 316's provisions requiring the USPTO to review "the ability of the Office to timely complete proceedings."

B. TikTok's Privacy Violations Pose Economic Risks to the United States That Should Not Be Condoned by Initiating of an IPR

28. TikTok's inadequate protection of privacy presents distinct economic risks that threaten the United States. The following are some privacy regulatory actions in addition to those previously cited in prior efforts by the President to sanction TikTok under IEEPA:

(a) On February 27, 2019, pursuant to the Children's Online Privacy Protection Act (COPPA), the Federal Trade Commission fined "the operators of Musical.ly, now known as TikTok" \$5.7 million, for "fail[ing] to seek parental consent before collecting names, email addresses, and other personal information from users under the age of 13."⁴³ This was the largest COPPA fine to date.

(b) In February 2021, a class action suit, which had consolidated 21 different cases, was settled. The plaintiffs alleged "the TikTok app infiltrates its users' devices and extracts a broad array of private data including biometric data and content that Defendants use to

⁴³ FTC, *Video Social Networking App Musical.ly Agrees to Settle FTC Allegations That it Violated Children's Privacy Law* (Feb. 27, 2019) <https://www.ftc.gov/news-events/press-releases/2019/02/video-social-networking-app-musically-agrees-settle-ftc>; the Stipulated Order is available at https://www.ftc.gov/system/files/documents/cases/musical.ly_proposed_order_ecf_2-27-19.pdf.

track and profile TikTok users for the purpose of, among other things, ad targeting and profit.” In addition, the complaint alleged that TikTok “do[es] not adequately disclose that user data collected from Plaintiffs is stored and shared with affiliates in countries outside the United States, such as China (conduct which TikTok denies).”⁴⁴ Claims were made under Federal and State laws, as well as the Illinois Biometric Information Privacy Act (BIPA), 740 ILCS §14/1, et seq. On February 21, 2021, TikTok agreed to pay \$92 million to settle this dispute.

(c) Congress has identified TikTok’s app as posing direct threats to the U.S. government and has sought to prohibit its use in government devices. Some federal agencies, such as the Department of Defense already ban TikTok from being installed on their devices.⁴⁵ By banning use of the TikTok app, the U.S. government has implicitly recognized that the app presents risks to U.S. security as well as consumer privacy.

(d) TikTok is also facing lawsuits and investigations in numerous other countries over its privacy policies, notably including its privacy policies involving minor children.⁴⁶

⁴⁴ In *Re TikTok, Inc.*, Consumer Privacy Litigation, MDL No. 2948, Master Docket No. 20-cv-4699 (Judge John Z. Lee), *Plaintiff’s Motion for Preliminary Approval of Class Action Settlement*, <https://assets.documentcloud.org/documents/20491862/plaintiffs-motion-for-preliminary-approval-of-class-action-settlement.pdf>.

⁴⁵ To address the specific risks posed by TikTok, Congress has proposed “S. 3455, the No TikTok on Government Devices Act,” <https://www.congress.gov/congressional-report/116th-congress/senate-report/250>.

⁴⁶ See BBC, *TikTok sued for billions over use of children’s data* (April 21, 2021), <https://www.bbc.com/news/technology-56815480>; Melissa Heikilla, *European Consumer Groups File Complaint on TikTok*, (Feb. 15, 2021), <https://www.politico.eu/article/european-consumer-groups-file-complaint-on-tiktok/>; Natasha Lomas, *TikTok Hit With Consumer, Child Safety and Private Complaints in Europe* (Feb. 15, 2021), https://techcrunch.com/2021/02/16/tiktok-hit-with-consumer-child-safety-and-privacy-complaints-in-europe/?guccounter=1&guce_referrer=aHR0cHM6Ly93d3cuZ29vZ2xlLmNvbS8&guce_referrer_sig=AQAAAJKKuJ2K6Rs_qNL9PjOg2egRspVv14obzOQpQmas6hQGYiZ7dwP0pA2TSsFiDvysaXuu601hBigtwuYmjH6

29. These privacy regulatory concerns are tightly connected to the proposed cause of action.

By way of example, the FTC had determined that TikTok failed to seek parental consent before collecting names, email addresses, and other personal information from users under the age of 13. These data points likely constitute “informational assets” within the meaning of the ‘030 Patent. One of the claims of the ‘030 Patent is specifically directed to “retrieving user social network information from at least one source external to the presented first composite digital media display, wherein the user social network information contains one or more user attributes” and utilizing that information to customize digital information. The ‘030 Patent specifically contemplates utilizing specific informational assets such as images “that can be replaced with other assets.”

30. The close connection among the ‘030 patent, privacy concerns, and TikTok’s breaches of privacy protections, do not, in my opinion, merit the privilege of initiating an IPR.

Acceptance of the IPR could further enable TikTok to misappropriate private data. On the other hand, if 10Tales were to succeed with the civil litigation, TikTok’s activities that violate the ‘030 patent and violate the privacy concerns of American citizens may be constrained by any injunctive relief or settlement obtained by 10Tales, lending some measure of control to a U.S. entity.

31. In light of the foregoing, it is my opinion that the Director should consider TikTok’s privacy policies in determining whether this proceeding presents a risk of not being completed in a timely fashion. In addition, the Director should consider the close

connectedness between the '030 patent and TikTok's privacy violations in evaluating the economic impact of initiating this IPR.

IV. INITIATING THE IPR WOULD HAVE A DISPARATE ECONOMIC IMPACT ON A SMALL INVENTOR IN THE UNITED STATES COMPETING WITH CHINA

32. A final economic reason for the USPTO to decline initiating an IPR relates to United States policies to promote innovation of Small Medium Enterprises (SMEs), and the relatively weak position that U.S. SMEs, such as 10Tales, enjoy in China.

33. China's IP environment supports Chinese SMEs through several policy mechanisms not unlike the industrial policy mechanisms previously described. These policies create an environment where SMEs play an important role in China's innovation plans. In evaluating the economic impact of initiating this IPR, it is important for the USPTO to recognize that the economic impact is not only of a large Chinese company on a small U.S. company, or a large Chinese violator of privacy rights on a small U.S. tech company, but that smaller IP-intensive Chinese companies also enjoy certain privileges in China⁴⁷ which, by comparison, place small companies such as 10Tales at an even greater disadvantage in global trade.

34. The role of SMEs in IP in China is often analyzed through the statistical importance of "non-service" patents, which are patents filed outside of an employment relationship.

⁴⁷ There are differences in classification of what constitutes an SME in the United States and China both in terms of business promotion and use of each country's IP system. The current Chinese definition of SMEs in the "all other" category is based on a company having 300 employees or less. A medium sized enterprise is 100 employees or less, and a micro entity is 10 employees or less. See MIIT, Gongxinbulianqiye 300 (2011), Standards for SMEs, 中小企业划型标准规定, Art. 16. http://www.gov.cn/jzwgk/2011-07/04/content_1898747.htm. LinkedIn lists TikTok has having 11,696 employees in California. <https://www.linkedin.com/company/tiktok/jobs/>.

The difference in filing activity by foreign and domestic SMEs in China is extreme. The total number of non-service patent applications filed in China by individuals outside of their employment for only the first 11 months of 2020 was 970,931 applications. This number is so large that if the total of non-service patent applications from Chinese inventors in China for only the first 11 months of 2020 were constituted as separate patent office, it would be the second largest patent office in the world, with about 50% more patents of all types of patents than the USPTO received from all sources for its various types of patents during the 2020 fiscal year (653,311).⁴⁸

35. This same data also reveals the insignificant role that foreign non-service inventors play in China's IP environment. In first 11-month data for 2020, 11.1% of invention patents, 20.1% of utility model patents, and 41.6% of design patent applications from China were filed outside of the employment relationship. The corresponding numbers of foreign non-service invention applications during this time period in these categories was 1.8%, 6.1% and 5.4% for a paltry total of 3,767 patents, or about 0.39% of the Chinese total.⁴⁹
- The United States does not currently have an equivalent statistical typology. Prior to the AIA, American "independent inventors" filing in the United States have however

⁴⁸ Unfortunately, full-year 2020 data is not available, as the Chinese government has stopped publishing data based on applications most likely because of a recognition that patent quality may be suffering due to a focus on quantity. See Mark A. Cohen, *CNIPA Does A Statistical Switcheroo* (Feb. 16, 2021), <https://chinaipr.com/2021/02/16/cnipa-does-a-statistical-switcheroo/>. For comparisons to US data, I relied upon the 2020 USPTO Performance and Accountability Report, 188 (603,764 total applications filed for FY 2020), <https://www.uspto.gov/sites/default/files/documents/USPTOFY20PAR.pdf>.

⁴⁹ CNIPA, *Dec 2020 CNIPA Application and Registration Monthly Reports*, 2020 年 11 月国家知识产权局审查注册登记统计月报 https://www.cnipa.gov.cn/module/download/down.jsp?i_ID=155701&colID=246

generally been a much smaller cohort than Chinese non-service inventors.⁵⁰ Today, micro entity applications at USPTO in FY 2020 constituted 2.5% of total applications, with domestic applicants constituting 4.2% and foreigners 1.01%.⁵¹ Overall, the data suggests that SMEs/non-service inventors played a much larger role in the Chinese system than in the United States, and that foreign non-service inventors play a much smaller role in the Chinese market than foreign independent inventors or micro entities play in the United States market.

36. Chinese court dockets also reveal the active role of Chinese SME inventors in China.

According to one recent study, non-practicing entities filed 44.7% of all patent infringement lawsuits in 2015 and 2016. Individual inventors, instead of professional businesses, also accounted for 99.6% of NPE cases (1,528).⁵² Foreigners, who may constitute less than 1% of the current overall IP docket in China, are unlikely to be a significant share of the individual inventor patent docket in China.

37. Chinese SME inventors have flourished for many reasons. Patent and trademark application fees are inexpensive and have been subsidized by the state. Utility model and design patents are issued quickly, without substantive examination, and are

⁵⁰ Mark A. Cohen, *Understanding Service Inventions Data* (Dec. 1, 2012), <https://chinaipr.com/2012/12/01/understanding-service-inventions-data/>; see also the link included in this blog for a comparison of 2011 USPTO and SIPO data:

<https://chinaipr2.files.wordpress.com/2012/12/serviceinventions.pptx>.

⁵¹ USPTO, *Performance and Accountability Report (2020)* at 206, <https://www.uspto.gov/sites/default/files/documents/USPTOFY20PAR.pdf>.

⁵² Renjun Bian, *Patent Trolls in China: Some Empirical Data*, in 40 COMPUTER L. & SECURITY REV (2021), <https://www.sciencedirect.com/science/article/abs/pii/S0267364920301229#:~:text=Some%20evidence%20indicates%20that%20trolls,a%20potential%20lower%20patent%20quality.&text=Others%2C%20by%20contrast%2C%20have%20found,those%20owned%20by%20operating%20companies>.

generally favored by Chinese independent inventors. Inexpensive and fast enforcement mechanisms, including limited discovery and expedited adjudication, reduce barriers to entry for small company litigants. First instance cases are required by China's Civil Procedure Law to be completed with six months, and second instance cases are completed in three months. Of 12,824 Chinese patent cases analyzed by one database, which include 7,885 first instance cases, the average case duration was 5.9 months.⁵³ Chinese domestic IP litigation is generally completed in about half the time of the eighteen months required for an IPR.

38. Foreign SMEs, however, do not enjoy expedited civil procedures equivalent to their Chinese counterparts in China. Section 270 of China's Civil Procedure Law suspends relevant statutory timeframes when a foreign litigant is involved, leaving timing to the discretion of the court hearing the case, which may thereafter take years to resolve the matter.⁵⁴ In addition, China interposes burdensome and discriminatory procedures and practices on foreign litigants, such as notarization and consularization requirements with powers of attorney for initiating lawsuits in China⁵⁵ and denial of licenses to U.S. law firms to practice law in China or to hire lawyers with active licenses in China that can further delay proceedings.⁵⁶

⁵³ CIELA database, www.cielacn.com (search performed May 13, 2021).

⁵⁴ See translation of Civil Procedure Law (2017) at <https://www.chinajusticeobserver.com/law/x/civil-procedure-law-of-china-20170627>. See also Mark Cohen, *China IP Time and the New York Minute* (the Wuhan Jingyuan foreign-related case took 16 times longer than the time required for a domestic case), <https://chinaipr.com/2012/11/21/china-ip-time-and-the-new-york-minute/> (Nov. 21, 2012).

⁵⁵ See Mark Cohen, *Ministry of Justice Issues Report on Notarization in IP Matters* (Aug 2, 2015), <https://chinaipr.com/2015/08/01/ministry-of-justice-issues-report-on-notarization-in-ip-matters/>.

⁵⁶ Mark A. Cohen, *International Law Firms in China: Market Access and Ethical Risks*, 80 FORDHAM L. REV. 2569 (2012), <https://ir.lawnet.fordham.edu/flr/vol80/iss6/9>.

39. China also provides support to its SMEs in foreign-related IP litigation overseas in a range of practices, some of which are detailed below:

(a) China encourages SME inventorship through promoting “mass innovation.” A State Council plan on “mass innovation” states that China will “strengthen the protection of intellectual property rights for entrepreneurship ... and improve the rapid intellectual property rights protection and rights protection assistance mechanism, and shorten the period of validity review and infringement handling.”⁵⁷

(b) China has traditionally provided extensive subsidies for patent applications, including support for overseas applications. While China has issued rules to reduce the low-quality patents attendant to such subsidies, it is too soon to tell if these new policies will be effective or adversely affect the privileged position of China’s small inventors.

(c) China’s IP Early Warning Systems, previously described in this opinion, actively support Chinese SMEs. In addition to the EWS, Chinese IP agencies and other offices provide support such as patent filing subsidies and other financial support, overseas consultations, and support for SMEs IP-related business activities.⁵⁸

⁵⁷ State Council, Opinion Concerning Strengthening the Promotion of Mass Enterprise and Innovation, 关于大力推进大众创业万众创新若干政策措施的意见 Guofa 32 (2015), http://www.gov.cn/zhengce/content/2015-06/16/content_9855.htm.

⁵⁸ CNIPA, Politics to Develop the Innovation of SMEs, 政策护航中小企业创新发展 (Apr. 25, 2021), available at https://www.cnipa.gov.cn/art/2021/4/25/art_55_158749.html. This recent policy calls for “exploring the establishment of an overseas service system for SMEs, consolidating the service mechanism for the international development of SMEs, and providing assistance to SMEs in terms of international business legal consultation, intellectual property protection, technical trade measures, and quality certification.” 探索建设中小企业海外服务体系，夯实中小企业国际化发展服务机制，在国际商务法务咨询、知识产权保护、技术性贸易措施、质量认证等方面为中小企业提供帮助。 See also the 2008 proposal of the Guangdong People’s Consultative Congress Proposal Concerning

40. The various policies supporting Chinese domestic SMEs contrast with the weak position foreign SMEs face in protecting their IP rights domestically and in China. There are a range of scattered programs to support U.S. SMEs to protect their IP at the USPTO and in other government agencies, such as the USITC and SBA. Senator Marco Rubio also identified the need in his Committee's report on MIC2025 for the U.S. government to establish "a national priority for value chain progress and its attendant workforce benefits to skills and pay.... [the] approach would likely favor startups and small businesses with the ability to act anew in the application of new technology over more trenchant large firms."⁵⁹ A recent GAO report similarly concluded that "the Patent Office doesn't evaluate whether its small business programs work as intended, and efforts to foster better collaboration between the agencies in this area are incomplete."⁶⁰
41. Addressing IP-related challenges by SMEs in China has also been part of several efforts by foreign governments. The European Union has also set up a separate "help desk" to

Establishing an SME Export Quality and IP Dispute Response and Early Warning System, 关于“尽快建立中小企业出口贸易质量及知识产权纠纷应对与预防机制”的建议
http://www.gdszx.gov.cn/zxhy/qthy/2008/wyta/200801/t20080118_60277.htm; see also the Beijing IP Office 2017 Budget Table Four, Project Budgets, 2017 北京市知识产权局 2017 年预算 04 表_项目支出预算表.xls, providing support to SMEs in 2017 for intellectual property innovation and entrepreneurship (知识产权助力中小企业创新创业专项), among other activities.
<http://zscqj.beijing.gov.cn/attach/16/cce4af7bae5c4e0586949df8ab27a66e.pdf>.

⁵⁹ *Made in China 2025 and the Future of American Industry*, 13,
<https://www.rubio.senate.gov/public/files/Rubio-China-2025-Report.pdf>.

⁶⁰ GAO Report 20-556, *Intellectual Property: Additional Agency Actions Can Improve Assistance to Small Businesses and Inventors* (Sept 28, 2020), <https://www.gao.gov/products/gao-20-556>.

better enable SMEs to handle IP issues in China.⁶¹ The Commerce Department established an SME China IPR Advisory Program in 2005, and various training programs have been initiated over the years to help SMEs navigate China's legal system, such as USPTO's "China Road Shows."⁶² I contributed to creating many of these programs. Unfortunately, these programs have not led to demonstrable progress on foreign SMEs accessing China's IP system, as the data previously cited on patent filings demonstrates.

42. In his recent address on World IP Day, President Biden spoke to the critical role that SMEs play and their economic impact. He noted that small businesses "make up 90% of businesses in the United States, and create two-thirds of new jobs" and that they are the "engines of our economic progress."⁶³ It is incumbent upon the USPTO to also consider the economic impact on SME inventors under Sec. 316(b), particularly where—as in this case—there is a strong-trade related component to the IPR initiated by TikTok. As far as I am aware, thus far there has been no consideration of the challenges faced by SMEs when their patents are in trade-sensitive technologies. By comparison, the USITC has a dedicated Trade Remedy Assistance Office to help SMEs navigate filing a Sec. 337 complaint, which will often involve IP-related claims.⁶⁴ U.S. SMEs face Chinese competition in all IP-related venues, including at the USPTO or USITC. They not only must face non-market oriented foreign competition from China. They are also facing two other

⁶¹ European Commission, China SME Helpdesk, available at https://intellectual-property-helpdesk.ec.europa.eu/regional-helpdesks/china-ipr-sme-helpdesk_en.

⁶² https://flood.itd.doc.gov/NewsRoom/PressReleases_FactSheets/DEV01_005233.html.

⁶³ White House, *A Proclamation on World IP Day*, (April 23, 2021), <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/04/23/a-proclamation-on-world-intellectual-property-day-2021/>.

⁶⁴ Trade Remedy Assistance Office, https://www.usitc.gov/press_room/trao/trao_program_info.htm.

trade-related burdens: large, globally dominant Chinese companies challenging their patents in their home market, and a highly circumscribed role and biased position against them in the Chinese market.

V . CONCLUSION: AN ARTICLE III COURT IS THE APPROPRIATE VENUE

43. There are three areas of economic concern under Sec. 316(b) that the PTO should consider in determining whether to initiate the IPR: (a) a “whole of society” set of targeted industrial policies of China intended to diminish the value of the ‘030 and other technology in the ‘030 patent CPCs; (b) the close connectedness between the ‘030 patent and TikTok’s privacy practices which can result in denial of the privilege of IPR initiation to TikTok; and (c) the disparate treatment of U.S. SME’s in China compared to Chinese SMEs in China which adversely affects the U.S. economy under Sec. 316(b). I have also shown that there are concerns about the impact on the “integrity of the patent system” by reason of initiating an IPR where there are state-directed “non-market practices” that distort the integrity of the market-oriented system. Finally, I have noted that there may be challenges in the ability of the USPTO to “timely complete” an IPR in light of the overhang of trade sanctions.

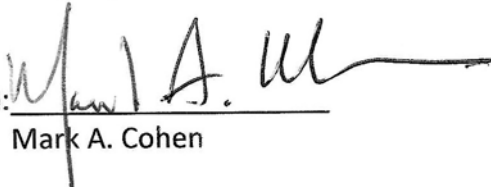
44. My opinion is based on available published data, and not on specific inquiries into TikTok, its patent profile, and strategies. A more exhaustive analysis could require hundreds of pages of additional opinion supported by considerable research. My purpose, however, is not to convince the USPTO that TikTok is a malevolent actor deserving of our opprobrium, but rather to surmount an initial burden of demonstrating

that this case involves complex issues and equities that are beyond the jurisdictional mandate of an IPR.

45. The solution to these complicating factors is quite simple: TikTok can continue to pursue its patent remedies itself before an Article III court, where further background on its motivations and plans can be discovered, and the court can consider the public interests in accordance with applicable law before that proceeding. An IPR is not an appropriate venue for an SME and a globally dominant firm such as TikTok to resolve issues under Section 316(b) that involve the intersections of such areas as Chinese industrial policy, U.S. trade law, trade sanctions, privacy doctrine, and U.S. intellectual property law.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.

Dated: May 16, 2021

Signed: 
Mark A. Cohen