# Deregulation Nation: USPTO and the U.S. Copyright Office

**June 10, 2025**


**Manny J. Caixeiro**
Partner | +1 310.229.9656 | mjcaixeiro@Venable.com

**Meaghan H. Kent**
Partner | +1 202.344.4481 | mhkent@Venable.com

**Michael P. Sandonato**
Partner | +1 310.229.9646 | msandonato@Venable.com


VENABLE LLP

# Our Panelists

**Manny Caixeiro**, IP Litigation, Venable LLP

**Meaghan Kent**, IP Litigation, Venable LLP

**Michael Sandonato**, IP Litigation (Technology Litigation Co-Chair), Venable LLP

VENABLE LLP

# USPTO & Patent Regulation

VENABLE LLP

# Policy Trends Re: Patent Regulation & USPTO

- Promoting patent enforcement
  - Limiting defendant-friendly inter partes review (IPRs)
  - Modifying ambiguous rules concerning patent eligibility
  - Proposed changes to infringement remedies
- Shifting discretionary authority away from bureaucratic administrative judges to presidentially-nominated PTO Director
- Viewing patent rights in context of international trade, diplomacy and tariffs
  - Role of International Trade Commission
- These changes will likely inure to benefit of non-practicing entities (NPEs)

VENABLE LLP

# Administration Perspectives on IP

- **President Trump**
  - **600+** trademarks, dozens of IP licensing deals

- **Howard Lutnick**, Secretary of Commerce
  - Named inventor on **800+** patents/applications
  - History of enforcing patents through litigation
  - Comments at Annual Inventors Hall of Fame (per IP Watchdog)
    - "For the first time, the Secretary of Commerce understands the Patent Office"
    - "You have a friend, you have a supporter, and you have an admirer"

VENABLE LLP

# Administration Perspectives on IP

- **John Squires**, Nominee to be Director of USPTO
  - Long career in patent counseling and litigation
  - Relationships in non-practicing entity community
  - Experience working with patent litigation funders, including some of the most successful funders in the industry
  - Chief IP counsel for Goldman Sachs – attuned to notions of patents as investment assets

- **Donald Trump, Jr.**
  - Reportedly invested in SIM IP, an IP monetization company with focus on EU / UPC enforcement

VENABLE LLP

# Synergy Between Trump Administration Philosophies and Enhanced Patent Enforcement

- Emphasis on traditional property rights
  - Patent rights memorialized in Constitution
  - Right to exclude trespassers
- Shrinking government, eliminating bureaucracy, and tearing down traditional walls between political and apolitical decision making
- Restricting Imports
  - Focus thus far has been on tariffs and trade deals
  - Within executive branch, International Trade Commission is a body that can prevent the importation or sale of foreign infringing goods
  - February 28, 2025: New policy at PTO giving patent office broad discretion to deny institution of defendant-friendly *inter partes* review where there are parallel proceedings at the ITC
    - Change in position from Biden administration, where the PTO's policy was that *inter partes* review should move forward regardless of ITC proceedings
    - Political appointee (Director of PTO) given authority to make that decision

VENABLE LLP

# Intersection Between Foreign Trade Policy and IP Policy

- Brazil Trade Reciprocity Law (April 11, 2025)
  - Authorizes retaliation against countries that apply, or threaten to apply, tariffs
  - Retaliatory measures include suspension of IP rights of foreign companies
- China reportedly considered a "probe into U.S. companies' China operations for the 'huge monopoly benefits' they have gained from intellectual-property right" (CNBC)
- *BSH Hausgeräte v. Electrolux* (Feb. 2025): EU Court of Justice rules that EU courts can decide patent infringement claims of foreign patents, and decide the validity of those patents, when defendant is an EU domiciliary
- PTO director has wide discretion to institute defendant-friendly IPRs
- ITC exclusion orders go to President for final review

VENABLE LLP

# *Inter Partes* Review (IPR)

- America Invents Act (2012): Created IPR proceedings at the patent office
  - Expedited way to challenge a patent's validity
  - Decided by panel of administrative judges at PTAB
  - Does preponderance of evidence prove patent anticipated or obvious in view of prior printed publications?
  - IPR must be initiated within 12 months after lawsuit filed
  - Within 6 months, PTAB considers whether to "institute" the IPR
    - Reasonable likelihood petitioner will demonstrate unpatentability of at least one claim?
  - Process involves expert discovery, briefing, and oral argument; discovery is rare and limited
  - Final decision within 12 months after institution
- Relatively high invalidation rates (per IP Watchdog, in 2024)
  - All claims invalidated **~70%** of time
  - Some claims invalidated **~15%** of time
  - **~78%** of claims invalidated

VENABLE LLP

# PTO Memos (Informal Rules)

- Gives Director of PTO authority to exercise discretion on institution decisions "in consultation with at least three PTAB judges"
  - Such decisions had previously been made by a panel of administrative judges
  - New, early briefing on the issue (occurs before merits consideration)
- Factors for the Director to consider include:
  - The existence of parallel proceedings (including at the ITC)
  - "the ability of the PTAB to comply with … statutory deadlines .., and other workload needs"
  - Strength of merits (although having a very strong invalidity case is not dispositive)
  - Petitioner's *Sotera* stipulations to be bound by IPR decisions are not dispositive
  - "**any … considerations bearing on the Director's decision**"

VENABLE LLP

# PTO Memos

- Early Impact: Institution rate down from **~60%** to **~45%** since the memo was issued (Law360)
  - Key factor = time to scheduled trial
  - Impact = if district court case is in venue that schedules an early trial, it is more likely there will be a discretionary denial of the IPR

VENABLE LLP

# International Trade Commission

- Administrative agency in executive department
- Alternative venue for enforcing patents
- Expedited trial-like proceedings re: patent infringement, trade secret misappropriation and more
  - Fast time to trial
  - Single petitioner can aggregate suit against multiple defendants
  - No preclusive effect on judiciary (multiple bites at apple)
- Domestic industry requirement is loosening
- Exclusive remedies:  exclusion orders and cease and desist orders
  - No money damages

***An already available venue in Executive Branch to prevent importation of offending products***

- PTO removing obstacles to parallel proceedings in ITC and PTAB

VENABLE LLP

# PREVAIL

## *Promoting and Respecting Economically Vital American Innovation Leadership Act*

- Reintroduced May 1, 2025
  - Senators Coons (D), Tillis (R), Durban (D), & Hirono (D); Representatives Moran (R) & Ross (R)
- Key Provisions
  - Petitioners limited to NPOs, defendants sued for infringement, parties with standing to seek declaratory relief, or parties who intend to engage in conduct that may lead to infringement allegations
    - Entities that financially contributed to an IPR cannot bring their own separate IPR
    - Establishes presumption against time-barred party joining another's petition
  - Invalidity decided under "clear and convincing evidence" standard
  - Limits multiple petitions by same petitioner
    - Cannot raise validity in both IPR and another forum (e.g., district court)
    - Petition to be denied/dismissed if another forum has upheld patent's validity
    - Must raise all arguments in single challenge
      - Estoppel applies at time of filing
  - Generally cannot raise arguments that were previously considered in another IPR

VENABLE LLP

# Proposed Reforms to Patent Eligibility Law

VENABLE LLP

# Patent Ineligibility Under 35 U.S.C. § 101

- Current statute: Any "new and useful process, machine, manufacture or composition of matter, or any new and useful improvement thereof" is eligible for a patent
- Judicially created exceptions to eligibility for laws of nature, natural phenomena, and abstract ideas
  - Alice/Mayo: Supreme Court's test for assessing whether an invention falls into an exception
    - **Step One**: Are the claims directed to an abstract idea, law of nature, or natural phenomenon?
    - **Step Two**: If so, does the claim recite additional elements that amount to significantly more than the judicial exception?
      - Is there an inventive concept beyond the exception?
- Section 101 challenges have become increasingly common, especially for computer science/software and life science/pharmaceuticals
  - Since 2020, across all district courts, approximately **50%** of Section 101 challenges granted or partially granted (per Docket Navigator)

VENABLE LLP

# PERA

***Patent Eligibility Restoration Act***

- Reintroduced May 1, 2005
  - Senators Tillis (R) & Coons (D); Representatives Kiley (R) & Peters (D)
- Key Provisions
  - Would eliminate judicially created exceptions and Alice/Mayo test
  - Four statutorily defined exclusions to eligibility for:
    - "A mathematical formula" that is not part of an otherwise patentable invention
    - "A mental process performed solely in the mind of a human being"
    - "An unmodified human gene, as that gene exists in the human body," whether or not isolated from the body
    - "An unmodified natural material, as that material exists in nature"
    - "A process that is substantially economic, financial, business, social, cultural or artistic"
      - Adding non-essential references to such a computerized process does not establish eligibility
      - But processes that cannot "practically be performed" without using a machine/computer are eligible

VENABLE LLP

# Proposed Reforms to Infringement Remedies

VENABLE LLP

# Availability of Injunctions under *eBay*

- Money damages are the primary remedy for patent infringement in the U.S.
  - Reasonably royalty or lost profits
- Injunctive relief is relatively rare
  - Supreme Court's *eBay* Decision: A successful patentholder can obtain a permanent injunction as a remedy only if they can prove the four traditional elements of an injunction
    - Irreparable harm
    - Inadequate remedies at law (e.g., money damages)
    - Equities / balance of hardships favor an injunction
    - Public not disserved by an injunction
  - Permanent injunctions are infrequent in competitor cases and virtually impossible in cases brought by non-practicing entities
- This is in contrast to other countries, where injunctions are a primary and/or common remedy for infringement
  - UK,  Germany, France, Spain, Italy, the Netherlands, Brazil, China, Japan

VENABLE LLP

# RESTORE

***Realizing Engineering, Science, and Technology Opportunities by Restoring Exclusive Patent Rights Act***

- Co-sponsored by Senators Coons (D) and Cotton (R)
- Key Provisions
  - "*If, in a case under this title, the court enters a final judgment finding infringement of a right secured by patent, the patent owner shall be entitled to a rebuttable presumption that the court should grant a permanent injunction with respect to that infringing conduct.*"
  - Rebuttable presumption applies regardless of:
    - the nature of the patent
    - the nature of the infringing product
    - the nature of the patent holder's business
    - whether there are other alternatives in the market
  - Does not specify what would suffice to rebut the presumption
  - Does not limit remedy to injunction (i.e., money damages presumably also available)

VENABLE LLP

# U.S. Copyright Office

VENABLE LLP

# U.S. Copyright Office Positioning and Role

**Library of Congress**

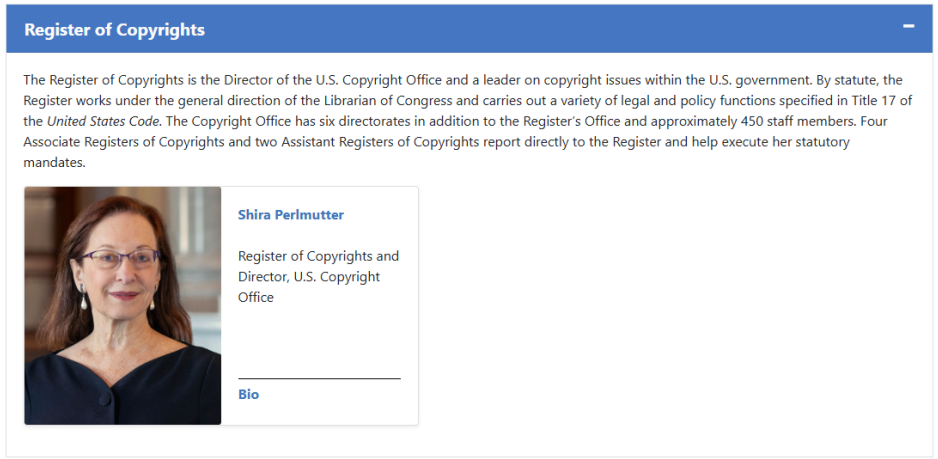
- Established in 1800 as an agency that Congress has designated as a part of the legislative branch of the U.S. government. 2 U.S.C. § 171(1).
- Led by the Librarian of Congress, who is appointed by the President and confirmed by the Senate for 10 year terms. See 2 U.S.C. § 136-1(a).
- Comprised of several divisions, including the U.S. Copyright Office. 17 U.S.C. § 701.

**U.S. Copyright Office**

- Registers copyright claims, records information about copyright ownership, provides information to the public, and assists Congress and other parts of the government on a wide range of copyright issues.
- Led by the Register of Copyrights, who is appointed by the Librarian of Congress. 17 U.S.C. § 701(a).
- The Register is statutorily required to advise Congress on national and international copyright matters, conduct studies and programs regarding copyright, testify upon request, provide ongoing leadership and impartial expertise on copyright law and policy, and serve as a member of the U.S. delegation on copyright matters. 17 U.S.C. § 701(b).

VENABLE LLP

# U.S. Copyright Office – Leadership Dismissals



**Register of Copyrights**

The Register of Copyrights is the Director of the U.S. Copyright Office and a leader on copyright issues within the U.S. government. By statute, the Register works under the general direction of the Librarian of Congress and carries out a variety of legal and policy functions specified in Title 17 of the *United States Code*. The Copyright Office has six directorates in addition to the Register's Office and approximately 450 staff members. Four Associate Registers of Copyrights and two Assistant Registers of Copyrights report directly to the Register and help execute her statutory mandates.



Certificate of Registration

This Certificate issued under the seal of the Copyright Office in accordance with title 17, *United States Code*, attests that registration has been made for the work identified below. The information on this certificate has been made a part of the Copyright Office records.

United States Register of Copyrights and Director

- May 8, 2025: Administration fired Dr. Carla Hayden, the Librarian of Congress
- Appointed Todd Blanche, Dep. AG at the DOJ, as acting LOC.
- May 10, 2025: Administration removed Shira Perlmutter, the Register of Copyrights
- May 22, 2025: Perlmutter sued and filed a TRO, which was denied because Judge Kelly found they had not show likely "irreparable harm," and emphasized not ruling on the merits.

VENABLE LLP

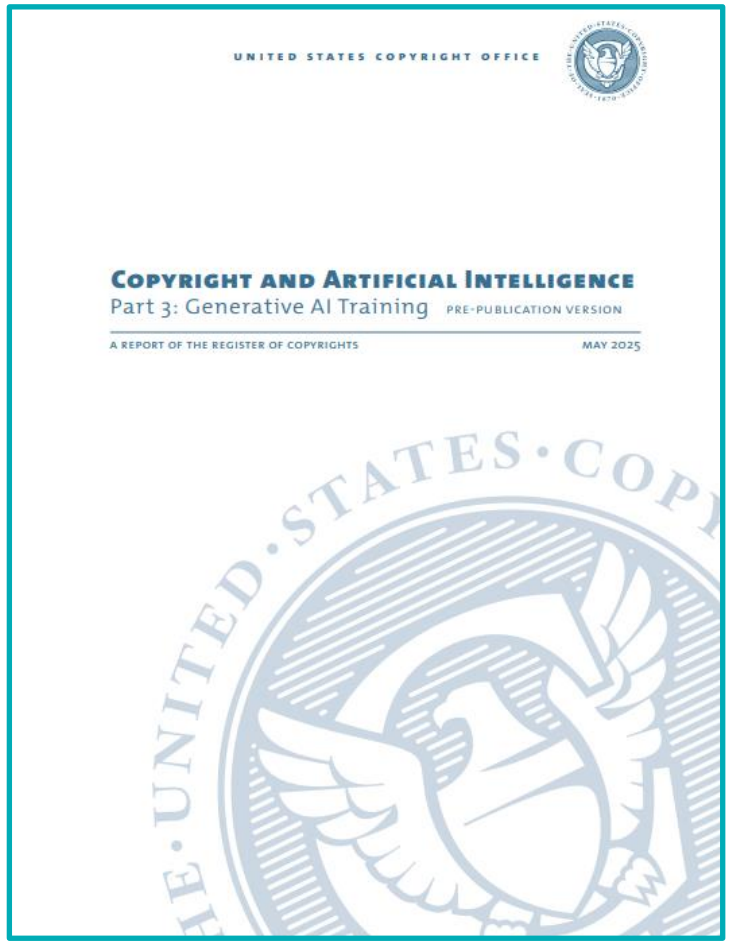
# U.S. Copyright Office and Artificial Intelligence

In August 2023, the Copyright Office issued a Notice of Inquiry to gather information from stakeholders regarding AI and copyright.

1. Digital Replicas:
   - whether a federal right of publicity law or other protections should be put in place to prohibit unauthorized creation of AI-generated outputs that imitate people or the style of a human creator.
2. Copyrightability:
   - Copyrightability of AI-generated outputs
3. Infringement:
   - Training of AI models; Output of generative AI; The AI models themselves
   - Fair use; Licensing; Copyright Management Information

VENABLE LLP

# U.S. Copyright Office Report on Artificial Intelligence




The Copyright Office issued its report in three parts to address these topics and evaluate the potential areas for congressional action.

1. July 31, 2024: Digital Replicas
2. January 17, 2025: Copyrightability of AI-generated works
3. May 9, 2025: Training AI Models Using Copyrighted Materials

VENABLE LLP

# Part 1: Digital Replicas Report (July 2024)

**"Digital replica" or a "Deepfake"**

"a video, image, or audio recording that has been digitally created or manipulated to realistically but falsely depict an individual … produced by any type of digital technology, not just AI."

The report summarizes existing legal frameworks, including state rights of privacy and publicity, identifies shortcoming of existing laws, and recommends for new federal protection.

**Namely, the report calls for a new right:**

a) Subject matter: "replicas that convincingly appear to be the actual individual being replicated"
b) Persons protected: "all individuals"
c) Term: no postmortem rights or <20 years with option to extend
d) Infringement: dissemination and not creation; not limited to commercial use
e) Direct liability: recommends "actual knowledge" standard for direct liability
f) Secondary liability: recommends a notice and takedown system and safe harbor
g) Transfer: ban on assignment; allow licensing with limits of 5-10 years
h) Preemption: recommends "supplementing" rather than preempting state law

VENABLE LLP

# Take It Down Act

**May 19, 2025, President Trump signed into law the Take It Down Act.**

- The new law imposes strict takedown obligations and creates new civil and criminal liabilities for individuals and platforms that distribute **nonconsensual intimate images** (NCII).
- "Covered Platforms" include any website, online service, application, or mobile app that (1) serves the public and (2) either (a) provides a forum for user-generated content (e.g., videos, images, messages, games, or audio), or (b) in the ordinary course of business, regularly publishes, curates, hosts, or makes available nonconsensual intimate visual depictions.
- Covered Platforms must now provide a **notice-and-takedown** notification process allowing affected persons to request the removal of intimate visual depictions of an identifiable individual posted without consent.
  - By **May 2026**, the Covered Platform must put in place a procedure such that when it receives a valid request to remove content, it will take the following steps: (1) remove the reported content within 48 hours, (2) make reasonable efforts to locate and remove identical copies of the same image or video, and (3) ensure its systems detect and prevent attempts to re-upload the offending content.

VENABLE LLP

# Digital Replicas Legislation

**NO FAKES Act (Nurture Originals, Foster Art, and Keep Entertainment Safe)**

- Reintroduced in both the House and Senate in April, 2025; Bipartisan
  - Creates a property right in a person's voice and visual likeness in a digital replica
  - Post mortem for 10 years after death, renewable for 5 years increments as used, max 70 years
  - Licensable for up to 10 years, but not assignable
  - Liability for unauthorized "display, distribution, transmission, or communication of" digital replica of an individual; actual knowledge requirement
  - Notice-and-takedown process (similar to 512)
  - Exclude certain digital replicas from coverage based on recognized First Amendment protections
  - Largely preempt State laws addressing digital replicas

2024: saw prior versions of NO FAKES, as well as Preventing Abuse of Digital Replicas Act (PADRA), and No AI Fraud Act

VENABLE LLP

# Part 2: Copyrightability (January 2025)

- Analyzes the type and level of human contribution sufficient for outputs created using generative AI to be eligible for copyright protection based on existing copyright principles.
- ***The report does not recommend new legislation to address copyright protection of AI outputs***.
- Concludes that existing principles of copyright law are still flexible enough to apply to generative AI technology.
- Human expression recognizable and identifiable in AI output may be copyrightable but concludes that prompts alone and/or "prompt engineering" are not sufficient human contribution to render the output copyrightable.

***Prompt***

*professional photo, bespectacled cat in a robe reading the Sunday newspaper and smoking a pipe, foggy, wet, stormy, 70mm, cinematic, highly detailed wood, cinematic lighting, intricate, sharp focus, medium shot, (centered image composition), (professionally color graded), ((bright soft diffused light)), volumetric fog, hdr 4k, 8k, realistic*

***Output***

VENABLE LLP

# Copyright Registration Determinations Align With Report

Stephen Thaler, DABUS, *A Recent Entrance to Paradise*.

- Copyright Office **refused** registration: lack of human authorship.
- DC District Court **affirmed**: human author requirement "rests on centuries of settled understanding."
- Court of Appeals for the DC Circuit **affirmed** requirement of human authorship

Jason M. Allen, Midjourney, *Théâtre D'opéra Spatial*.

- Copyright Office **refused** registration: lack of human authorship.
- **Prompts are insufficient**: 624 prompts "do not make him the author of the Midjourney Image"
- Appeal pending to Colorado District Court.

VENABLE LLP

# Part 3: Use of Copyrighted Materials for Training (May 2025)

**Does NOT recommend legislation**

"American leadership in the AI space would best be furthered by supporting both of these world-class [technology and creative] industries that contribute so much to our economic and cultural advancement. **Effective licensing options** can ensure that innovation continues to advance without undermining intellectual property rights. These groundbreaking technologies should benefit both the innovators who design them and the creators whose content fuels them, as well as the general public."

1. Overview of generative AI technology
2. Describes how copyrighted content used in training AI models
3. Detailed discussion of fair use.
   a. Weighed four fair use factors, highlighting the different positions of creators and authors (who say this will destroy artist livelihood and diminish human creativity) and the AI developers (who say requiring license or imposing liability would stifle development of AI technology).
   b. Determines that fair use is fact specific and depending on the uses, the training model, the outputs, the market for the work, there will be "*some uses of copyrighted works for generative AI training will qualify as fair use, and some will not*."
   c. Briefly discussed international applications, including the EU AI Act and TDM exceptions in various countries.
   d. Noted that the comments they received there was far more support for voluntary licensing and little support for compulsory licensing.

VENABLE LLP

# Administration: AI Action Plan

**AI Executive Order** Jan. 23, 2025 titled **"Removing Barriers to American Leadership in Artificial Intelligence"**

- Revoked prior AI EO.
- Directs development of an AI Action Plan by July 2025 to "sustain and enhance America's global AI dominance."
- White House statement that the AI Action Plan "will define priority policy actions to enhance America's position as an AI powerhouse and **prevent unnecessarily burdensome requirements** from hindering private sector innovation."
- Public Comments requested by **March 2025** and over **10,000 comments submitted**.

VENABLE LLP

# Request for Comments: Technology Co Examples

## Google

- Supports **codifying AI training as fair use**
  - "Three areas of law can impede appropriate access to data necessary for training leading models: copyright, privacy, and patents."
  - "Balanced copyright rules, such as fair use and text-and-data mining exceptions, have been critical to enabling AI systems to learn from prior knowledge and publicly available data, unlocking scientific and social advances. … Balanced copyright laws that ensure access to publicly available scientific papers, for example, are essential for accelerating AI in science, particularly for applications that sift through scientific literature for insights or new hypotheses."
- **Supports federal legislation to preempt state laws** and "that prevents a patchwork of laws at the state level"

## OpenAI

- Proposes that **copying for training must be found to be fair use**:
  - "The federal government can both secure Americans' freedom to learn from AI, and **avoid forfeiting our AI lead to the PRC** by preserving American AI models' ability to learn from copyrighted material."
  - "OpenAI's models are trained to not replicate works for consumption by the public. Instead, they learn from the works and extract patterns, linguistic structures, and contextual insights. This means our AI model training aligns with the core objectives of copyright and the fair use doctrine, using existing works to create something wholly new and different without eroding the commercial value of those existing works."
  - "Applying the fair use doctrine to AI is not only a matter of American competitiveness—it's a matter of national security. … If the PRC's developers have unfettered access to data and American companies are left without fair use access, the race for AI is effectively over. America loses, as does the success of democratic AI."
- **Proposes federal law to preempt state laws**, and a private sector and federal government partnership.

VENABLE LLP

# Request for Comments: Creator Examples

## Association of American Publishers

- **Supports licensing market and rejects need for fair use legislation**
  - "The White House must reject Big Tech's calls for sweeping exceptions to copyright, including a bloated fair use defense and an unworkable 'opt-out' regime, which would dismantle centuries of copyright law and destroy evolving licensing markets and future IP investment"
  - "**The U.S. will not become the global leader in AI by abandoning the fundamental principles of free markets and property rights that have fueled its success**."
  - Calls for the denouncement of training on content from "pirate sites" with repositories of pirated content

## News/Media Alliance

- **Proposes free market licensing, leaving fair use to the courts**
  - "publishers should not be forced to subsidize the development of AI models and commercial products without a fair return for their own investments, no more than cloud providers would be expected to bear the costs of compute without payment for their input."
  - "the AI Action Plan should encourage the continued development of **free market licensing** to support a symbiotic relationship between content creators, publishers, and AI developers, ensuring that 'American AI technology continues to be the gold standard worldwide.' … **Voluntary licensing is the foundation of our intellectual property marketplace**"
  - "AI companies rely on the long-criticized Chinese business practice of rampant copyright infringement to argue that we in America ought to abandon our historical commitment to protecting and promoting the development of intellectual property. **This argument wrongly suggests that American AI cannot compete without violating our laws**. Nothing could be farther from the truth."

VENABLE LLP

# “Big Beautiful Bill”

- On May 22, 2025, the U.S. House of Representatives advanced its 2025 Fiscal Year budget reconciliation bill, H.R. 1, the One Big Beautiful Bill Act (OBBBA)
- 10-year moratorium on State and local laws and regulations regulating AI models, AI systems, or automated decision systems

VENABLE LLP

# Other Proposed Reforms Affecting IP

VENABLE LLP

# Litigation Transparency Act

- Introduced February 2025
  - Representatives Issa (R), Fitzgerald (R), & Collins (R)
- Requires disclosure of any parties (other than counsel of record) with the contingent right to receive any payment or value from the outcome of the action or "group of actions"
- Requires production of agreements creating such a right
- Excludes disclosure/production of traditional loans and/or reimbursement of attorneys' fees
- Deals only with disclosure; no additional regulation or restriction on the substance of the funding
  - Does not prevent litigation funding in any way

VENABLE LLP

# Tackling Predatory Litigation Funding Act

- Introduced May 2025 by Senator Tillis (R)
- Would impose additional tax burdens on proceeds from funded litigations
  - Approx. 41% (i.e., top individual tax rate + 3.8%)
- Would apply to non-attorney third-parties who receive proceeds under a litigation financing agreement
- Taxable proceeds include US and foreign sources and cannot be offset by losses
- Exceptions for de minimis (sub 10K) recoveries, bona fide loans and funding within the same corporate hierarchy

VENABLE LLP

# Questions?

**Manny Caixeiro**
Partner
+1 310.229.9656
mjcaixeiro@Venable.com

**Meaghan Kent**
Partner
+1 202.344.4481
mhkent@Venable.com

**Michael Sandonato**
Partner
+1 310.229.9646
msandonato@Venable.com

VENABLE LLP

VENABLE LLP