CLIENT ALERT

Legislation Targeting So-Called 'Patent Trolls' Continues To Gather Steam

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Following a slew of false starts on individual bills to address allegedly abusive patent litigation by non-practicing entities (derisively called "patent trolls") earlier in the year, momentum seems to be coalescing around the bipartisan Innovation Act (H.R. 3309). The Innovation Act seeks to limit abusive patent litigation by heightening pleading standards for patent infringement complaints, adjusting the fee-shifting provision of 35 U.S.C. § 285, and providing greater clarity regarding ownership, among other things.

The Innovation Act would require all patent infringement complaints to set forth a particularized statement "with detailed specificity" explaining "how the terms in each claim [asserted by the plaintiff] correspond to the functionality of [each] accused instrumentality." Upon filing, a plaintiff would be required to also disclose its "ultimate parent entity." This change is perceived as helpful given the penchant among non-practicing entities to utilize multiple corporate entities to make counterclaims and collection efforts difficult. Additionally, the Innovation Act would award attorneys fees to a prevailing party as a matter of course "unless the court finds that the position of the nonprevailing party or parties was substantially justified or that special circumstances make an award unjust." The Innovation Act, notably, applies to all patent cases regardless of whether the plaintiff is a non-practicing entity.

The Innovation Act may be succeeding where earlier efforts have failed by virtue of the fact that House Judiciary Committee Chairman Bob Goodlatte (R-Va.) and Senate Judiciary Committee Chairman Patrick Leahy (D-Vt.) circulated two discussion drafts, and have incorporated public and Congressional comments. Additionally, the more recent September 23 draft significantly differed from the original May 23 draft, as it incorporated several different proposals from various other pending bills. [See previous client alerts on March 4, 2013 and July 17, 2013]. As with those two discussion drafts, the Innovation Act seeks to "build[] on the reforms that were made last Congress in the America Invents Act" and target abusive patent litigation while protecting the patent system.

Members of the Senate seem to be moving toward a similar goal. Senate Commerce Subcommittee on Consumer Protection Chairwoman Claire McCaskill (D-Mo.) stated in a hearing Thursday that she may be proposing legislation directed towards law firms that represent non-practicing entities. Along with ranking member Sen. Dean Heller (R-Nev.), Sen. McCaskill seeks to create a registry of demand letters that law firms send to accused infringers on behalf of their non-practicing entity clients. Sens. McCaskill and Heller have yet to introduced proposed legislation.

Members of Congress have found many advocates for the Innovation Act, including in a recent Silicon Valley technology forum. In early November, California Assemblyman Paul Fong (D-Cupertino) organized a discussion at Google, Inc.'s headquarters with California technology companies on so-called "patent trolls" as part of a series of panels focused on patent litigation and reform. Also in attendance were Assemblyman Bob Wieckowski (D-Fremont), Assemblywoman Joan Buchanan (D-Alamo), Assemblyman Das Williams (D-Santa Barbara), and Assemblyman Ed Chau (D-Monterey Park). News sources reported overwhelming support

for the effort to curb abusive patent litigation brought by non-practicing entities and a generally favorable response to the Innovation Act in particular.

Voices against the Innovation Act have been hard to find, but several prominent people have urged some caution in legislative efforts to fix "the problem." Former Federal Circuit Chief Judge Paul Michel, for example, has worried aloud about the unintended consequences of Congressional action, given members' lack of expertise in patent infringement litigation. On October 15, Judge Michel went so far as to suggest that some of the legislation proposed to combat abusive litigation would be contrary to the Constitution's grant of an "exclusive right" to patent holders. Judge Michel further argued that Thomas Edison and the Wright Brothers would be considered non-practicing entities subject to the attorney fees provision and other penalties of several pending bills, as neither produced any products for commercial sale.

The House Judiciary Committee has already held a hearing on the Innovation Act, and the Committee may hold several more before the House puts the bill to a vote. All IP practitioners should follow the Innovation Act, as it proposes the most significant changes to the patent system since the Leahy-Smith America Invents Act two years ago.

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