



THINK FORWARD

As passage of legislation on patent trolls appears imminent, IP attorney looks at its swift evolution

May 16, 2014

ANN ARBOR – Following two years of brisk bill writing to address the impact of non-practicing entities (NPEs) on patent litigation across the country, legislation may soon be passed, thanks to the bi-partisan support of several current bills. James Cleland, a shareholder in the Ann Arbor office of Brinks Gilson & Lione, one of the largest intellectual property law firms in the U.S., said the evolution in patent reform legislation to curb frivolous patent litigation reflects a shift from attempting to define NPEs, often referred to as ‘patent trolls,’ to focusing instead on behavior that abuses the litigation process and threatens innovation.

“With earlier bills, the legislation attempted to define a patent troll, which often resulted in entities such as universities or large companies falling under the definition,” said Cleland. “The focus of legislation in the past year has moved away from definitions to directly targeting unfair and deceptive practices in asserting patents, as well as frivolous patent litigation.

“The new legislation is focused on clearly identifying the entities who assert patents, requiring a detailed basis for their claims, protecting customers and making patent plaintiffs more accountable for bad faith patent assertion, including potential attorney fee shifting provisions that put additional skin in the game for patent plaintiffs.”

Despite a Congress that is overwhelmingly divided on most issues today, the need for patent reform legislation has bi-partisan support, according to Cleland.

“We saw it with the 325-91 House of Representatives vote in December 2013 for the passage of The Innovation Act (H.R. 3309), a bill sponsored by House Judiciary Committee Chairman Robert W. Goodlatte (R-Va.). We continue to see movement with the Patent Transparency and Improvements Act (Senate bill 1720), a bill sponsored by Senate Judiciary Committee Chairman Patrick Leahy (D-Vt.), which contains a number of provisions that mirror provisions from the Innovation Act that passed in the House,” said Cleland. “The Senate is currently working behind the scenes on the most contentious provisions, but a Senate version may be passed in the next month if those provisions can be addressed and resolved. President Obama mentioned patent reform legislation in his January State of the Union address, and has indicated that he will sign patent reform legislation that comes out of Congress and crosses his desk.”

Cleland identifies the three hot button provisions, which were included in the Goodlatte legislation but removed from the Leahy legislation:

1. Attorney fee shifting, wherein the prevailing party is awarded attorney’s fees.
2. Heightened pleading standards, which, among other things, would require a patent plaintiff to provide much more detail than is currently required upon filing a case, including each claim infringed and each accused product or process, as well as an explanation of the alleged

infringement and a description of any licensing commitments for the asserted patent.

3. Core discovery and discovery fee shifting (also referred to as docket control), which requires early claim construction, limits discovery prior to claim construction, only allows expanded discovery to prevent manifest injustice, limits discovery to a set of “core documentary evidence,” and shifts the cost to parties seeking additional discovery.

“Any kind of fee shifting discussion, even if intended to address an imbalance in cost between NPE plaintiffs and their targets, tends to be divisive because it alters the traditional American Rule in litigation,” said Cleland. “However, the April 29, 2014 Supreme Court decision in [Octane Fitness, LLC v. ICON Health & Fitness, Inc.](#) provides District Courts with broader discretion to award attorney fees in patent cases, so that decision may impact the debate. In the patent and business communities, we are very focused not only on how patent reform legislation will alter the patent litigation landscape, but also on the resulting impact to both large and small businesses. Most believe that change is coming, and I think we will have our answer as to the exact nature of that change in the near future.”

Brinks Gilson & Lione

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