Yet Another Attempt by Congress to Solve the Patent Troll Problem

Part I

by: Robert Fletcher, President, IPISC

Two bills are pending in Congress that are intended to address the problem of abusive patent litigation, many times referred to as patent trolling. Patent Trolling is the disapproved, yet fully legal, practice involving the act of acquiring (typically over-broad) patents that serve as the basis of a lawsuit against an individual or a small company. Because patent litigation is very expensive, it is frequently cheaper for the accused to simply settle the lawsuit rather than go through extensive, expensive litigation even though a victory is possible. The patent assertion entities, i.e. those that practice patent trolling, are mostly interested in bringing suit and settling quickly.

A previous bill, the America Invents Acts, was passed to thwart these abusive litigation tactics. Unfortunately, it left loopholes and carried with it unintended consequences. However, not to be dissuaded, Congress has once again stepped up to address the troll problem. There are two pending bills, one in the House of Representative and one in the Senate. The House Bill is HR9-Goodlatte and the Senate bill is S1137-Grassley. The provisions of both bills can be neatly classified into four areas. The first is the change in **pleading requirements** from existing law. The second is **transparency,** or disclosure requirements **of patent ownership**. Third is provisions relating to customers (those innocently purchasing accused infringing products) **suits being stayed** while the manufacturer of the infringing product is being sued. The last relates to **limitations** on evidence discovery during the initial stages of the lawsuits.

The pleading requirements in both bills essentially cover the same subject matter. In the House bill, the patent assertion entity/Troll is required to show authority to assert the patent, while in the Senate bill there is no such requirement. In the Senate bill there is a provision that says the court may not dismiss the suit if the patent assertion entity/Troll states a plausible claim according to the federal rules of civil procedure.

In the transparency of ownership, both bills are similar except the House bill - Goodlatte creates an ongoing duty of disclosure, while the Senate bill - Grassley does not have such an ongoing duty of disclosure. It merely provides that changes in ownership must be disclosed.

In the provisions relating to stays of the lawsuit against customers, the House bill - Goodlatte provides a stay must be granted where the parties consent to the stay and consumer agrees to be bound by the decision that applies to the manufacturer. In the House bill - Grassley, the court's decision to grant or expand stays, otherwise permitted by

law, stands except where the manufacturing party and the customer both agree to a stay. In this regard, the Senate bill goes further to provide a definition of covered customer as a retailer or end user accused of infringement based on sales/use without material modification. The House bill has no such definition.

In the discovery provision, the House bill - Goodlatte, limits discovery to claim construction until a Markman hearing is held. It also provides that a court must allow discovery where resolution of an issue within a select period affects the rights of a party. In contrast, the Senate bill limits discovery, prior to ruling, on motions to dismissal transference venue and release of accused infringers. The court may allow discovery to preserve evidence or prevent prejudice to a party. The Senate bill has an exception for discovery in abbreviated new drug application (ANDA) suits. While the House bill does not.

This brief discussion covers the first for material provisions of the respective bills.

From the above discussion above and the next continuation of this discussion (Part II), it will be shown to be clear that the provisions in either bill are not earth-shaking and carry a higher risk of unintended consequences rather than providing a real solution to the patent troll problem. Indeed, the private sector solution of an Intellectual Property Troll Defense Insurance or Troll Insurance, is a much preferred solution.

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