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Footsteps of the Patent Troll

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Meet a new breed of entrepreneurs: patent trolls. Proponents assert that patent trolls are entitled to extract value from underutilized patented technologies.¹ Critics contend that they are the ambulance chasers of the new millennium.² Patent trolls have inverted the traditional rationale for building an intellectual property (“IP”) portfolio. They obtain patents, not to make, use, or sell new products and technologies, but solely to force third parties to purchase licenses. Instead of investing capital to develop inventions, patent trolls wait for the industry to utilize a patented technology and then enforce their patents on the alleged infringers. And because patent trolls have no incentive to reach business solutions, target companies are left with two options: pay up or litigate. While countless patent troll victims have surrendered their corporate wallets, more and more companies have chosen to band together to effect change through legislation. The proposed Patent Reform Act of 2005 (“PRA”) is an example of the results of such lobbying efforts.³

This article discusses the growing occurrence of patent troll activity in the United States, and highlights three examples of patent troll attacks. It also evaluates the potential repercussions of the PRA on patent trolls. The PRA, should it become law, contains changes that will provide relief to target companies being held hostage by patent trolls asserting overly broad, and potentially dubious, patents.

I. PATENT TROLLS—COMING SOON TO AN INDUSTRY NEAR YOU

Patent trolls come in a variety of flavors. Some purchase other companies’ controversial patents for the purpose of asserting them

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1. Brenda Sandburg, *A Modest Proposal*, THE RECORDER, May 9, 2005, at 4, available at <http://www.law.com/jsp/article.jsp?id=1115370308794> (quoting Intellectual Ventures’ founder Nathan Myhrvold saying that patent trolls help investors get a share of the profits from their inventions (i.e. a legitimate objective)).

2. *Id.* at 4 (quoting Intel Corp.’s chief patent counsel David Simon saying that patent trolls are buying patents and suing companies at an alarming rate (i.e. improperly suing)).

3. H.R. 2795, 109th Cong. (2005).

against an industry (Acacia Technologies Group, BTG).⁴ Some are companies that originally sold products, but have either completely or largely closed their operations to focus only on patent licensing (Forgent, Patriot Scientific).⁵ Others are agents that help assert patents on behalf of patent owners for a cut of the action (IPValue Management, Inc., Thinkfire Services USA, Ltd.).⁶ Some high-profile law firms are even getting in on the act. Robins, Kaplan, Miller & Ciresi in Minneapolis is risking its own capital to help exploit its clients' IP on contingency.⁷ Dallas' McKool Smith has been given the keys to license patent portfolios from companies such as Ericsson, Lockheed Martin, and the State University of New York—all on a contingency basis.⁸

Increasingly, IP speculators are making significant up-front investments in the hopes of hitting the jackpot. The highly publicized December 6, 2004 auction of patents owned by Commerce One, a bankrupt Silicon Valley software company, is a good example.⁹ The patents thought (but not proven) to have very broad coverage over widely-used internet commerce technology were auctioned off to a pool of bidders who were subject to a \$100,000 deposit and \$1,000,000 minimum bid.¹⁰ Some of the most intense bidding occurred between two patent trolls: Thinkfire and Brissac Acquisition Entity L.L.C. (an alias used by Intellectual Ventures).¹¹ At the end of the day, the portfolio was sold for \$15.5 million to a mysterious company called JGR Acquisitions Inc.¹² Although there were rumors that a large company such as Microsoft or IBM may have used JGR as front for a preemptive strike to retire the patents to the public domain, others feared that JGR could simply be a new patent troll poised to launch a campaign to extract hundreds of millions of dollars from the industry in royalties or settlements.¹³ In May 2005, Novell revealed that it was the secret acquirer of the patents.¹⁴ Robert Glushko, one of the inventors of the Commerce One patents, congratulated Novell on its "defensive purchase" stating, "Novell did the Web services world a great service

4. See Acacia Technologies, About Us, http://www.acaciatechnologies.com/aboutus_main.htm (last visited Sep. 4, 2005). See also BTG, How We License Technologies, http://www.btgplc.com/portfolio/how_license.php (last visited Sept. 4, 2005).

5. See Forgent Company, <http://www.forgentnetworks.com/company/index.shtml> (last visited Sep. 4, 2005). See also *Patriot Scientific Reports First Quarterly Profit in its 18 Year History*, BUSINESS WIRE, Apr. 5, 2005 (reporting profits due to licensing and patent enforcement strategy).

6. See IPValue Company, <http://www.ipvalue.com/company/index.html> (last visited Sept. 4, 2005). See also ThinkFire, <http://www.thinkfire.com/> (last visited Sept. 4, 2005).

7. Mark Voorhees, *Ethereal Asset*, INTELL. PROP. L. & BUS., June 2004 at 40, available at <http://www.ipwm.com/texts/0604/etereal0604.html>.

8. *Id.*

9. *Id.* at 14. See also Alorie Gilbert, *Web Services Patent Fetch \$15.5 Million*, NEWS.COM, Dec. 6, 2004, http://news.com.com/2100-1038_3-5480341.html.

10. Victoria Slind-For, *Who Done It?*, INTELL. PROP. L. & BUS., Jan. 2005, at 14.

11. *Id.*

12. Gilbert, *supra* note 9.

13. John Markoff, *Secretive Buyer of Some E-Commerce Patents Turns Out to be Novell*, N.Y. TIMES, May 2, 2005, at C3.

14. *Id.*

by keeping these key patents out of the hands of patent trolls and Intellectual Ventures.”¹⁵

The technology industry’s principal complaint is that patent trolls have no interest in finding business solutions or “win-win” scenarios. A patent troll’s only goal is to extract quick cash, not to create technology development, partnerships, or cross-licensing opportunities. The business model patent trolls employ is relatively uniform at its most basic level: (1) accuse a company of infringing a patent and offer a license for a royalty on sales; and (2) if the target company does not agree to a license, sue them. This “stick” based model is a boon to patent litigation firms, and translates into an increase in revenue opportunities.¹⁶ It is no coincidence that the rate of patent lawsuits is rising faster than any other type of litigation,¹⁷ or that Fortune 500 companies are being sued far more frequently by unknown non-product entities.¹⁸ But this increase should not be a surprise, given the growing number of law firms like McKool Smith, who troll for infringers on a contingency basis, or Kirkland & Ellis, who act as the litigation muscle for ThinkFire.¹⁹

The current environment is a perfect breeding ground. The United States Patent and Trademark Office (“USPTO”) is busier than ever, yet it continues to remain underfunded and understaffed.²⁰ The National Research Council estimates that there are around 3000 examiners handling over 350,000 patent applications annually, and spending an average of only seventeen to twenty-five hours per application from start to finish, including a validity search.²¹ The end result

15. *Id.*

16. Chloe Gladstone, Tom Broucksou & Lisa Lerer, *The Expanding Universe*, INTELL. PROP. L. & BUS., July 2005, at 23, available at <http://www.ipwww.com/texts/0705/survey0705.html> (discussing that as the number of patent lawsuits continues to grow, so do the amount of litigation costs and awards).

17. Erik Larson, *Industry Groups Alarmed by Sharp Rise in Patent Litigation*, IP LAW BULLETIN, Aug. 1, 2005, available at http://brodyberman.com/articles/IPLawBulletin_2005Aug.htm. The article specifically states that

Patent litigation is rising at a pace faster than all other federal disputes, prompting concerns about a growing threat of frivolous lawsuits and a flood of weak patents coming out of the U.S. Patent and Trademark Office. In the past decade, the number of patent lawsuits filed in U.S. district courts rose by 78%, even as the total number of district-court cases - including labor-law, personal-injury and bankruptcy cases - rose only 12%, according to statistics from the Administrative Office of the U.S. Courts.

Id. See also, NAT’L RES. COUNCIL, A PATENT SYSTEM FOR THE 21ST CENTURY 21, 51, 53 (Stephen A. Merrill et al. eds., 2004) [hereinafter A PATENT SYSTEM FOR THE 21ST CENTURY], available at <http://www.nap.edu/html/patentsystem/0309089107.pdf> (reporting that from 1988 to 2001, the number of patent infringement lawsuits resolved in federal courts doubled from 1200 to 2400 cases per year, excluding the many cases that settled out of court).

18. Sandburg, *supra* note 1.

19. Vorhees, *supra* note 7, at 40.

20. According to statistics published by the USPTO, over 365,000 patent applications were received in 2003. From 1983 to 2003, the number of patent applications received by the USPTO more than tripled, from 112,000 patent applications per year to 366,000. According to a 2004 report published by the National Academies of Science, the number of examiners at the USPTO has decreased by 20% over the last four years, leaving a pool of inexperienced examiners to handle an increased number of more complex applications. Thus, it is no surprise that the USPTO approves 85 to 97% of all patent applications filed, or why a significant portion of examiner decisions have been reversed on appeal. A PATENT SYSTEM FOR THE 21ST CENTURY, *supra* note 17, at 32, 51, 53.

21. *Id.* at 51.

is that thousands of ambiguous and dubious patents are issued every year,²² leading to confusion in the scope and coverage of any one patent. For patent trolls, these ambiguous or “bad” patents are effective weapons. Bad patents have very broad claims that probably should not have issued over the prior art. These overbroad claims allow patent trolls to cast a relatively wider net over a technology base and more easily assert infringement against a larger group of target companies. Overbroad patents also simplify an infringement analysis for the patent troll by reducing the amount of pre-assertion work; the broader and more ambiguous the claims, the less room there is for discrete claim interpretation and for non-infringement arguments. The validity of such patents can be questionable, but a validity challenge is typically harder to prove and more costly for the target company than a non-infringement defense.²³ As a result, company resources diverted from critical areas such as research and development (“R&D”) to litigation, and the “uncertainty about the validity of previously issued patents may deter investment in innovation and/or distort its direction.”²⁴

For the companies that become targets of patent trolls, litigation is a high-risk, high-cost proposition. Judges and juries are unpredictable and inconsistent; a staggering fifty percent of all patent verdicts are reversed on appeal.²⁵ With this uncertainty the cost of litigating a patent lawsuit, particularly in the United States, is enormous for any company.²⁶ These significant litigation costs provide a strong incentive for most competing companies that are involved in an IP dispute to find a path to resolution outside of litigation.

A company’s avenues for defense against a patent troll are severely constrained compared to the rules of engagement in patent disputes with competing businesses. A company’s own patent portfolio, a shield or bargaining chip in a traditional IP dispute, has little value when dealing with a patent troll. And because patent trolls do not make or sell products the target company has no basis for filing a countersuit, and thus has no leverage to create an incentive for a cross-license or any other business resolution. The only downside for the patent troll is spending money to assert its patents. Considering that a bad patent verdict could cripple or destroy a company, many target companies make the difficult but practical decision to take a license, even when the asserted patent is suspect.²⁷

22. *Id.* at 48.

23. HERBERT F. SCHWARTZ, *PATENT LAW AND PRACTICE* 52 (4th ed. 2003).

24. A PATENT SYSTEM FOR THE 21ST CENTURY, *supra* note 17, at 95.

25. *Id.* at 62.

26. Dawn Kawamoto, *Microsoft: Patent Overhaul Needed Now*, NEWS.COM Mar. 11, 2005, http://ecoustics-cnet.com.com/Microsoft+Patent+overhaul+eeded-ow/2100-1014_3-5611047.html (discussing that Microsoft spends on average \$100 million annually to defend itself against patent infringement lawsuits).

27. Ian Austen & Lisa Guernsey, *A Payday for Patents ‘R’ Us; Huge Blackberry Settlement is Grist for Holding Company*, N.Y. TIMES, May 2, 2005, at C1 (Nokia conceded to taking a license).

II. CASUALTIES OF WAR

Many of today's most popular and pervasive technologies have already felt the sting of patent trolls. Consider these noteworthy cases:

eBay has over one hundred million users worldwide.²⁸ MercExchange is a failed online travel company that holds a portfolio of patents relating to online services. MercExchange sued eBay for patent infringement over features of eBay's online auction service. On May 27, 2003, the jury found eBay liable for \$35 million in damages for willfully infringing one of MercExchange's patents.²⁹ Both parties appealed, and in March 2005, the United States Court of Appeals for the Federal Circuit upheld the district court's ruling: affirming the validity of MercExchange's patent and the willful infringement of that patent by eBay.³⁰ The court also recommended an injunction specifically directed to eBay's "Buy It Now" feature.³¹

Nearly two million people use Research In Motion's ("RIM") Blackberry devices.³² NTP is a private holding company whose only assets are a portfolio of wireless email patents. It has been alleged that patent lawyer Donald Stout and engineer Thomas Campana started NTP as "a kind of virtual company, to make money . . . from patents."³³ In November 2001, NTP sued RIM for patent infringement over its Blackberry devices, and the jury found that RIM infringed eleven of NTP's patents.³⁴ The district court judge increased the jury's damage award and also issued an injunction against RIM, which was stayed pending appeal.³⁵ In 2004, the United States Court of Appeals for the Federal Circuit upheld the district court's ruling,³⁶ and RIM finally agreed to settle the long-running case for \$450 million.³⁷

Microsoft's Internet Explorer is by far the most widely used web browser in the world.³⁸ Eolas Technologies is a company founded by University of California Professor Mike Doyle who holds a portfolio of patents relating to web browsing technology. In February 1999, Eo-

28. eBay Explained, <http://pages.ebay.co.uk/help/ebayexplained/newtoebay/> (last visited Sept. 4, 2005).

29. MercExchange, L.L.C. v. eBay, Inc., 275 F. Supp. 2d 695, 698 (E.D. Va. 2003) (discussing procedural history of trial), *aff'd*, 401 F.3d 1323 (Fed. Cir. 2005), *petition for cert. filed*, 74 U.S.L.W. 3051 U.S. (July 25, 2005) (No. 05-130).

30. 401 F.3d 1323 (Fed. Cir. 2005), *petition for cert. filed*, 74 U.S.L.W. 3051 U.S. (July 25, 2005) (No. 05-130).

31. *Id.* at 1339.

32. Ron Deruyter, *Growing the Blackberry*, THE GUELPH MERCURY, Oct. 21, 2004, http://www.guelphmercury.com/techspot/techspot_04102111540.html.

33. Austen & Guernsey, *supra* note 27.

34. NTP, Inc. v. Research In Motion, Ltd., 418 F.3d 1282, 1287 (Fed. Cir. 2005).

35. *Id.*

36. *Id.*

37. Press Release, Research In Motion, Research In Motion and NTP Agree to Resolve Litigation, (Mar. 16, 2005), *available at* http://www.rim.net/news/press/2005/pr-16_03_2005-01.shtml.

38. Press Release, WebSideStory, Inc., Firefox's Market Share Reaches 7 Percent, (May 10, 2005), *available at* <http://www.websidestory.com/products/web-analytics/datainsights/spotlight/05-10-2005.html> (showing that Internet Explorer had an 88.86% market share on April 29, 2005). *See also* Paul Thurrott, *Internet Explorer Downloaded 1 Million Times in Five Days*, WINDOWSITPRO, Mar. 24, 1999.

las sued Microsoft for inducing others to infringe its patent through the use of Internet Explorer.³⁹ The jury found infringement and awarded damages to Eolas of \$521 million.⁴⁰ The judge also granted Eolas's request to enjoin Microsoft from distributing Internet Explorer, which was stayed pending appeal.⁴¹ However, the tide of the case may be turning—in March 2005, the United States Court of Appeals for the Federal Circuit affirmed portions of the district court's claim construction and vacated and remanded the district court's decision to grant judgment as a matter of law in Eolas's favor.⁴² In rare fashion, the Director of the USPTO also initiated a reexamination of the Eolas patent, and the examiner's initial review has found the Eolas patent to be invalid.⁴³ At the end of the day, even if Microsoft prevails, it will have spent millions for its defense.

III. FIGHTING BACK

The impact of patent trolls has led to more industry-wide cooperation. Many companies have joined forces to combat patent trolls through legislation. The Information Technology Industry Council ("ITI") is an elite group of thirty-two high-tech companies that includes Agilent Technologies, Inc., Apple Computer Inc., Applied Materials, Inc., Cisco Systems, Inc., eBay Inc., Hewlett-Packard Co., IBM Corp., Intel Corp., Microsoft Corp., National Semiconductor Corp., Oracle Corp., and Sony Electronics, Inc.⁴⁴ ITI functions as one of the most active lobbying organizations in Washington, addressing a variety of issues with patent reform as one of its highest priorities.⁴⁵ The Business Software Alliance ("BSA") is another organization that includes members such as Adobe Systems Inc., Apple Computer Inc., Dell Inc., Cisco Systems, Inc., Hewlett-Packard Co., IBM Corp., Intel Corp., and Microsoft Corp., and is the self-proclaimed "voice of the world's commercial software industry."⁴⁶ In a January 2005 report, the BSA wrote that "[c]hanges need to be made to improve the quality of issued patents and to ensure patents are not misused for tactical purposes, and that the threat of frivolous litigation does not become a

39. *Eolas Technologies, Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1328 (Fed. Cir. 2005).

40. *Id.*

41. *Id.*

42. *Id.*

43. Letter from Tim Berners-Lee, Director of World Wide Web Consortium, to Hon. James E. Rogan, Director of United States Patent and Trademark Office (Oct. 28, 2003), *available at* <http://www.w3.org/2003/10/27-rogan.html> (discussing that only 2 out of 7000 reexaminations are initiated by the Patent Office Director, and in the *Eolas* case, the Director-initiated reexamination was probably due to the urging of Tim Berners-Lee).

44. Info. Tech. Indus. Council, *Who We Are*, <http://www.itic.org/whoweare/who.html> (last visited Sept. 4, 2005).

45. Press Release, Info. Tech. Indus. Council, ITI Praises Smith's Patent Reform Bill (June 8, 2005), *available at* http://www.itic.org/archives/articles/20050608/iti_praises_smiths_patent_reform_bill.php ("The business model of these firms is to make money by forcing other companies to pay licensing fees for questionable patent claims. Patent trolls game the legal system in hopes of inflicting the nuisance value of a settlement.").

46. About BSA, <http://www.bsa.org/usa/about/> (last visited Sept. 28, 2005).

drag on investment and innovation.”⁴⁷ The BSA spent months compiling a list of proposals to reduce costly patent litigation by patent trolls, which it then sent to Congressman Lamar Smith, who subsequently folded their proposals into his recently proposed Patent Reform Act.⁴⁸

IV. GUILLOTINE OR PAPER TIGER? WHAT DOES THE PATENT REFORM ACT OF 2005 MEAN FOR PATENT TROLLS?

On June 8, 2005, Congressman Lamar Smith, a Republican congressman from Texas and chairman of the House IP subcommittee, introduced the Patent Reform Act of 2005 (“PRA”).⁴⁹ Smith described the Act as “the most comprehensive change to U.S. patent law since Congress passed the 1952 Patent Act.”⁵⁰ As explained more fully below, a number of the issues addressed by the PRA specifically affect patent trolls. Smith stated, “[t]he bill will eliminate legal gamesmanship from the current system that rewards lawsuit abuses over creativity. It will enhance the quality of patents and increase public confidence in their legal integrity.”⁵¹

The PRA should bring relief to industry. The PRA resets the table on issues of liability and remedies in ways that will encourage industry and discourage patent trolls. By lowering the threshold for invalidating a patent, the PRA will give targeted companies new opportunities to challenge the dubious patents that trolls are so good at exploiting. By reducing the likelihood of a doomsday scenario for a valid patent, the PRA lowers the risk that a successful assertion will kill a company, another pressure point that trolls have leveraged to their benefit. We highlight three significant sections of the PRA below.

A. WILLFUL PATENT INFRINGEMENT

If a company is found to have knowingly infringed a patent, it may be liable for willful infringement, which gives a court discretion to increase damages up to three times the amount found pursuant to 35 U.S.C. § 284 (2000).⁵² Knowledge of a patent, whether an alleged infringer is notified by the patent owner or discovers the patent on its own, can be sufficient to trigger the notice requirement of a willfulness claim.⁵³

The PRA’s proposed changes to 35 U.S.C. § 284 raise the threshold for the notice required by a plaintiff to establish a charge of willful

47. Business Software Alliance, BSA - CEO Initiative for the Future, <http://www.bsa.org/ceoinitiative> (last visited Sept. 4, 2005).

48. Sandburg, *supra* note 1.

49. Press Release, Smith Introduces Patent Reform Bill (June 8, 2005) available at <http://lamar.smith.house.gov/News.asp?FormMode=Detail&ID=669>.

50. *Id.*

51. *Id.*

52. SCHWARTZ, *supra* note 23, at 218.

53. *Id.* at 220, n.177.

infringement.⁵⁴ Although section six of the PRA does not specifically preclude courts from awarding increased damages based on a company's mere knowledge of a patent, it strongly suggests that mere knowledge of a patent is no longer enough to establish the notice required for willfulness. The PRA explicitly states that a finding of willful infringement requires the patent owner provide a "written notice . . . alleging acts of infringement"⁵⁵ to the alleged infringer and "identify with particularity each claim of the patent, each product or process that the patent owner alleges infringes the patent, and the relationship of such product or process to such claim."⁵⁶ In order to preserve a claim for willful infringement, and the threat of treble damages under the PRA's language, the patent troll would need to undertake far more investigation before asserting its patents than currently required.⁵⁷ The patent troll would no longer be able to assert patent infringement and preserve willfulness claims against hundreds of companies simply by launching an extensive letter campaign. Instead, the patent troll will have to provide its targeted victims with detailed notification of infringement in order to preserve a future charge of willfulness and enhanced damages. The additional burden of specificity will reduce the likelihood that companies which are only marginally relevant to a potential claim will be dragged into a patent battle in the first place.

The PRA's proposed changes to the willfulness issue also contribute to an environment that better enables target companies to smoke out patent troll IP at an earlier stage. The PRA eliminates much of the confusion and fear that has inhibited many companies from implementing a formal patent review process or pre-clearance patent search.⁵⁸ A pre-clearance search helps companies become more aware of third-party (and patent troll) IP in relation to their own product development and R&D, but many companies refrain from conducting searches in order to avoid any inadvertent exposure to future claims of willfulness; a "see-no-evil" approach. The increased awareness helps companies steer clear of potential patent infringement. By instituting patent clearance procedures at an early stage, in the course of product development or R&D, companies will be able to avoid technology paths fraught with IP traps set by the patent trolls.

54. H.R. 2795, 109th Cong. § 6(b) (2005).

55. *Id.* § 6(b)(2)(i).

56. *Id.* § 6(b)(2)(ii).

57. *Id.* § 6(b)(1).

58. The current dilemma for a responsible company that decides to perform a pre-clearance patent search in product development is that by implementing a patent review process that helps to identify potentially infringed patents, the company becomes exposed to a future charge of willful infringement. Because of this, many companies put blinders on technical personnel and actively discourage patent review or any review of patent claims to determine if there are relevant third-party patents. The end result is that companies often do not review or understand patented technology in the context of their own development, and it contributes to an environment where the patent troll is better able to keep its IP arsenal hidden for as long as possible, maximizing the adoption of infringing practices and technology by unsuspecting companies.

B. INJUNCTIONS

Federal statute 35 U.S.C. § 283 (2000) provides courts with the option to “grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”⁵⁹ An injunction can be a death sentence for a company, especially an emerging technology firm without a diversified product portfolio. Patent trolls often target such companies for quick cash because the targets cannot afford to risk an injunction. For small companies, the patent troll’s threat of injunction translates into corporate life or death. Soon after its birth, the Federal Circuit set a very low bar for granting injunctions, stating that as long as “validity and continuing infringement have been clearly established . . . immediate irreparable harm is presumed.”⁶⁰ Ever since that ruling, the number of preliminary injunctions has increased at an alarming rate.⁶¹

Section seven of the PRA attempts to set forth additional guidance with respect to “principles of equity” by stating that “the court shall consider the fairness of the remedy in light of all the facts and the relevant interests of the parties associated with the invention.”⁶² While this additional language does not articulate any of the fairness factors that may be considered in determining equity, including whether or not the patent holder actually commercializes the patented invention,⁶³ it appears directed (in part) to tipping the scales against issuing an injunction where the plaintiff is not a competitive entity with a business, as opposed to purely financial, interest in its lawsuit. Given the PRA’s failure to articulate the fairness factors, however, the patent troll’s ability to obtain an injunction under the PRA is unknown. If the courts determine that commercialization of a product constitutes a “relevant interest” in deciding whether to grant an injunction, as the BSA originally proposed,⁶⁴ the patent troll will lose significant leverage in persuading companies to take a license. With the fear of injunction removed, companies will be more willing to consider alternative options and accept the financial consequences associated with challenging the patent troll.

59. 35 U.S.C. § 283 (2000).

60. *Smith Int’l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1581 (Fed. Cir. 1983).

61. Allen H. Gerstein, *Injunctions in Patent Cases: On the Brink of Leaving the Provincial for the Mainstream*, in 376 PRACTISING LAW INSTITUTE, PATENTS, COPYRIGHTS, TRADEMARKS, AND LITERARY PROPERTY COURSE HANDBOOK SERIES 213 (1993).

62. H.R. 2795, 109th Cong. § 7 (2005).

63. Sandburg, *supra* note 1.

64. *Id.*

C. PATENT POST-GRANT CHALLENGE PROCEDURE

An issued patent carries a strong presumption of validity,⁶⁵ tilting the tables in favor of the patent troll. Once in litigation, proving infringement merely requires a preponderance of the evidence,⁶⁶ while a successful patent validity challenge requires the defendant to demonstrate *clear and convincing* evidence.⁶⁷ This is a difficult standard to meet and a costly endeavor to convince jurors that the government's patent experts made a mistake. Outside of litigation, a party may request a reexamination proceeding in the USPTO, typically by raising prior art that presents a "substantial new question of patentability" affecting one or more claims of the patent.⁶⁸ However, a reexamination proceeding can take years to complete and a challenger's ability to participate in the process is severely limited.⁶⁹ There are also major risks associated with filing for reexamination because the process affords the patentee the opportunity to amend its claims and add new claims. Further, there is always a chance that mistakes will be repeated because the reexamination process is performed by an overworked examiner, similar to the overworked examiner who negligently prosecuted the application in the first place.

Section nine of the PRA proposes a Post-Grant Opposition Procedure ("Opposition Procedure") by which third parties would be able to challenge the validity of patents within nine months of issuance.⁷⁰ The process would introduce a number of improvements over the current system: (1) the Director of the USPTO would assign three qualified administrative patent judges to hear the case and oversee all discovery and briefing;⁷¹ (2) the time allotted for the entire process and disposition would be strictly limited to no more than eighteen months;⁷² and, most significantly; (3) the burden of proof for a validity challenge would be reduced to a lower "preponderance of the evidence" standard.⁷³ Overall, the proposed Opposition Procedure should reduce the costs of challenging patents, lessen a patent's presumption of validity, and allow the courts to focus on infringement issues. This would allow companies wider latitude to challenge dubi-

65. See 35 U.S.C. § 282 (2005); *Union Carbide Chems. & Plastics Tech. Corp. v. Shell Oil Co.*, 308 F.3d 1167, 1187 (Fed. Cir. 2002).

66. *Centricut, LLC v. ESAB Group, Inc.*, 390 F.3d 1361, 1367 (Fed. Cir. 2004).

67. SCHWARTZ, *supra* note 23, at 52.

68. 37 C.F.R. § 1.510 (2005).

69. See U.S. PAT. & TRADEMARK OFF., REPORT TO CONGRESS ON INTER PARTES REEXAMINATION (2004), available at http://www.uspto.gov/web/offices/dcom/olia/reports/reexam_report.htm (discussing that the rules governing reexamination proceedings limit the type of evidence that the challenger can present and the opportunities in which the challenger can be heard, and that many judges as a matter of course do not stay patent litigation pending the results of a reexamination request).

70. H.R. 2795, 109th Cong. § 9 (2005).

71. *Id.*

72. *Id.* § 337.

73. *Id.* § 332.

ous patents and, ultimately, provide fewer ambiguous patents for trolls to assert.

Unfortunately, the PRA includes another provision that significantly undermines the purpose of the proposed Opposition Procedure. Section 325(d) states “[i]f the owner of a patent files suit alleging infringement of the patent before the 9-month or 6-month period for filing an opposition, the Director, if requested by the patent owner, shall stay the opposition proceeding until judgment in the suit and all appeals thereof, have become final.”⁷⁴ This provision gives patent trolls the ability to stay an opposition simply by filing a lawsuit. For many target companies, initiating an Opposition Procedure would be no different from posting a sign that said, “Please sue me!” If the purpose of the proposed Opposition Procedure is to provide companies with an avenue for challenging overbroad patents *outside* of litigation, then there is no reason why it should include language that simultaneously encourages the patentee to litigate.

V. CONCLUSION

If adopted in its current form, the PRA helps industry and hurts patent trolls. By lowering the chances that a patent troll can “shoot the moon” in court, rational patent trolls accordingly should be willing both to lower their demands for licensing fees from “good” patents and be less likely to assert “bad” patents.⁷⁵ With the rising tide of multimillion dollar jury verdicts and the size of private licensing deals, however, trolls are not going to disappear. Patent trolls are smart, sophisticated, and well funded, and will continue to find ways to leverage patents, without advancing science or technology.

74. *Id.* § 325(d).

75. The impact will be greatest to those companies with the resources to monitor the Patent Office for new patents and invest resources in researching and opposing questionable ones, as well as have the muscle to fight the patent trolls in court, or at least make a troll think twice before asserting a marginal patent.

