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Intellectual Property

Executive Actions Target 'Patent Trolls,' Abusive Practices

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Special to the Legal

The last few years have been eventful for patent law in the United States. Since the modern Patent Act was enacted in 1952, there were only modest amendments for nearly 60 years. The most significant changes to the Patent Act came in 2011, when President Obama signed into law the Leahy-Smith America Invents Act. Among other things, the AIA transformed the United States into a first-to-file system and expanded the post-grant opposition procedures. Since the AIA was enacted, the White House and Congress have continued their efforts to address perceived weaknesses in the patent law, primarily relating to non-practicing entities (so-called patent trolls) and abusive litigation tactics.

Obama discussed the potential for abusive litigation by patent trolls in his January State of the Union Address. The House of Representatives recently passed HR 3309, the Innovation Act, and the Senate is considering a variety of bills, including S 1720, the Patent Transparency and Improvements Act of 2013. These and similar bills address issues such as pleading requirements, transparency (i.e. identifying the real parties in interest), limits on discovery in litigation, bad-faith demand letters and fee shifting in patent litigation.

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While the prospect for further congressional action is promising, patent issues, like many other issues in Obama's second term, also are being addressed through executive actions. The White House recently issued a press release discussing the progress of various executive actions from 2013 relating to patent reform and announcing three new executive actions on related issues. The White House stated that these initiatives are designed to combat abusive litigation by patent trolls, further strengthen our patent system and foster innovation. Each of these executive actions is discussed below.

2013 EXECUTIVE ACTIONS

• Transparency in patent ownership.

Patent trolls often file suit using shell companies to hide the true identities of the interested parties bringing suit. This makes it difficult for defendants to learn the true nature of the adversary, shields the trolls and potentially increases the likelihood of frivolous patent actions. To address this problem, the United States Patent and Trademark Office recently proposed a new rule that would require the reporting of people or companies with ownership interests in a patent or application. According to the White House, this will provide the public with more complete information about the competitive landscape, facilitate more efficient technology transfer by making patent ownership information more readily available, and reduce abusive patent litigation by helping the public better defend itself against meritless assertions. The period for public comment on the proposed rule recently was extended until April 24. This issue also is being addressed in many of the

patent reform bills pending in Congress, including in the Innovation Act and the Patent Transparency and Improvements Act of 2013.

• **Improving claim clarity.**

A perennial complaint of the patent bar and the business community is the granting of overbroad claims by the USPTO, particularly with respect to functional claims in high-tech fields. To address this problem, the White House announced that the USPTO has developed a training program for all examiners and judges, focused on evaluating functional claims and improving examination consistency and the clarity of the examination record. The USPTO also launched a pilot program aimed at using patent specification glossaries to enhance the clarity of claim language. The details of these programs have not been disclosed, but it is encouraging that the USPTO is focused on addressing the problem.

• **Educating individual and small-business defendants.**

According to the White House, retailers, consumers and small businesses increasingly have found themselves on the receiving end of patent infringement allegations and demand letters, even in instances where a small business is using an off-the-shelf product. The targets of these letters then must decide how to respond, often with limited information. To increase the amount of information available to individuals and businesses, and to educate them about available resources, the USPTO has launched an online toolkit, which is available at www.uspto.gov/patentlitigation. The toolkit provides a wealth of useful information and resources, including answers to commonly asked questions about abusive patent litigation and links to databases where individuals and businesses can search for whether the patents have been asserted in other suits and whether others have received similar demand letters. This is a great resource for individuals and small businesses that may have limited or no experience with patent infringement actions.

• **Other executive actions.**

The White House also announced progress on two other significant executive actions. First, it outlined its public outreach efforts to engage key stakeholders in the high-tech community, trade and bar associations, business and university groups, and advocacy organizations. The goal of this effort is to obtain input on patent clarity, transparency and high-tech patents. Second, it discussed efforts by the Office of the United States Intellectual Property Enforcement Coordinator regarding a review of the processes and standards used during exclusion order enforcement activities by United States Customs and Border Protection and the United States International Trade Commission. The White House stated that the goal of the review is to improve the efficacy, transparency and efficiency of exclusion order enforcement activities.

NEW EXECUTIVE ACTIONS

• **Crowdsourcing prior art.**

The White House announced that the USPTO is exploring a series of measures to make it easier for the public to provide information about relevant prior art in patent applications, including by refining its third-party submission program, exploring other ways for the public to submit prior art to the agency, and updating its guidance and training to empower examiners to more effectively use crowdsourced prior art. The idea of using crowdsourcing in this area is not new, but a number of technology companies, such as Google, Microsoft and Yahoo, recently have taken steps to make technical material available to the public. The USPTO hosted a roundtable on these issues April 10. These efforts are intriguing, particularly if the administration can engage stakeholders, such as other high-tech companies, and convince them to share the vast amounts of nonpublic prior art in their possession.

• **More robust technical training and expertise.**

The White House also announced that the USPTO is going to enhance its existing Patent Examiner Technical Training Program and make it easier for technologists and engineers from industry and academia to provide relevant, technical training and expertise to patent examiners regarding the state of the art. Importantly, the USPTO is also making its four regional satellite offices permanent. The first of these regional offices opened in Detroit in 2012, and the other offices in Dallas, Denver and Silicon Valley will be operational this year. According to the White House, these offices will make it even easier for stakeholders to contribute in-person or virtually from these locations nationwide.

• **Patent pro bono and pro se assistance.**

Finally, the White House announced that it is appointing a full-time pro bono coordinator and that the USPTO will be providing dedicated educational and practical resources to pro se applicants. The USPTO will also work with the AIA Pro Bono Advisory Council to expand the AIA-established pro bono program to cover all 50 states.

Taken together, these executive actions represent steps in the right direction to address perceived weaknesses in the patent system. Not surprisingly, they have been lauded by various industry groups. Some significant issues, such as pleading requirements and discovery limitations, are yet to be addressed, but Congress appears to be poised to do so in a refreshingly bipartisan manner. Hopefully, actions by the White House and Congress will improve the patent system, foster innovation and curb abusive patent litigation. •