DAVIS GILBERT

Patent Troll Suits Down, Not Out in 2018

6th Edition: Trends in Marketing Communications Law

Over the past half-decade, Congress and the courts have made aggressive efforts to curb the worst abuses of the patent system. In 2013, Congress passed the America Invents Act (AIA), which established the Patent Trial and Appeal Board (PTAB) to hear patent validity challenges outside of the federal court system. In 2014, the U.S. Supreme Court issued its landmark ruling in *Alice v. CLS Bank* (*Alice*), which led to thousands of software and business method patents being labeled unpatentable "abstract ideas." And, as we reported in the 2017 edition of *Trends in Marketing Communications Law*, the Supreme Court issued *TC Heartland v. Kraft Foods* (*TC Heartland*), which neutralized the patent-friendly Eastern District of Texas (ED Tex), and narrowed the potential venues for patent suits.

Although 2018 lacked any similar landmark cases, the Supreme Court and Federal Circuit issued a series of decisions meant to solidify the hard-won gains of the AIA, *Alice* and *TC Heartland*. In *Oil States v. Greene's Energy*, the Supreme Court affirmed the PTAB's critical role in the patent system by holding that PTAB reviews are constitutional. Then, in *SAS Institute v. Iancu*, the Supreme Court expanded the PTAB's mandate, holding that the PTAB must rule on the validity of all challenged claims before it. And in *Helsinn Healthcare v. Teva Pharmaceuticals*, the Supreme Court expanded the grounds under which a patent may be invalidated, holding that a confidential or secret sale of a product could be prior art. The Federal Circuit, drawing on these threads, rejected the efforts of patent holders to shield their patents from PTAB review through the assertion of sovereign immunity and permitted appellate review of a greater range of PTAB decisions.

These cases sent a clear message: the Supreme Court and Federal Circuit wish to rid the system of weak patents and make it more difficult for patent trolls to file and prosecute lawsuits for the sole purpose of extracting a settlement in order to avoid the costs of getting the claims dismissed. Their efforts appear to have been successful. In 2018, the number of patent lawsuits filed in federal district court dropped more than 10% from 2017 and more than 40% from 2015. Patent troll activity has taken an even more severe drop, with the number of cases filed by "high volume" patent trolls dropping 50% since 2015. And the patent cases that were filed are now more evenly spread throughout the country, with the number of cases filed in the ED Tex dropping dramatically.

Looking forward to 2019, the news for patent holders is not all grim. For example, in *WesternGeco v. ION Geophysical*, the Supreme Court opened the door to patent holders who lost profits on foreign sales — a particularly critical finding in the era of complicated global supply chains. Meanwhile, the Federal Circuit has made it more difficult to invalidate software and business method patents early in litigation by requiring the resolution of certain factual questions in discovery before deciding on patent eligibility. In addition, the United States Patent and Trademark Office (USPTO) has breathed life into previously extinct patents by issuing new and greatly streamlined patent eligibility guidelines, noting simply that software and business method patents which include meaningful limits on their core "abstract idea" should be issued.

After more than a half decade of reform-minded decisions limiting the rights of patent holders, it remains to be seen whether these patent-holder friendly decisions are a sign that the pendulum is swinging back in favor of patent holders. Accordingly, the impact of these decisions on patent litigants is a key issue to watch in 2019.

Key Takeaways

- In 2018, the Supreme Court and Federal Circuit issued a series of decisions solidifying the PTAB's authority, making it easier to invalidate bad patents and discouraging frivolous lawsuits.
- In 2019, a series of decisions making it easier to issue software patents, fight back patent invalidity challenges and recover damages for foreign sales may provide a lead to renewed efforts by patent holders.
- Patent infringement is a risk for all industries and requires a comprehensive risk management strategy integrated into every aspect of a company's business that includes filing for and enforcing patents, identifying and clearing patent risks, instituting contractual strategies for risk-shifting and defending allegations of patent infringement.

Related People

Marc J. Rachman
Partner
212 468 4890
mrachman@dglaw.com

Devin A. Kothari
Partner
212 468 4902
dkothari@dglaw.com