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SCOTUS Gives Potion to Innovators to Vanquish Patent Trolls

Legal Alert

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On Monday, June 20, 2016, the U.S. Supreme Court took advantage of its first real opportunity to analyze procedures brought to the forefront by the recent Leahy-Smith America Invents Act ("AIA"), which was enacted in 2011. Specifically, the high court reviewed the enforceability of the U.S. Patent and Trademark Office's decision to re-examine patents, namely at the request of other private entities. SCOTUS not only found the inter partes procedures implemented by the USPTO to be valid, but also found that the decision to re-examine a patent is nonappealable. *Cuozzo Speed Technologies, LLC v. Lee, Under Secretary of Commerce for Intellectual Property and Director, Patent and Trademark Office*, Supreme Court docket number 15-466.

This decision could have wide-ranging implications for the patent world, and, in particular, for those companies burdened with fending off costly litigation. Prior to the creation of the Patent Trial and Appeal Board ("PTAB") Inter Partes Review procedure, companies, both large and small, were forced to fend off predatory patent trolls by either spending substantial resources defending their patents and products in court or settling through a payment, often referred to as a nuisance-value settlement. That nuisance value did not mean the amount was not substantial; only that the amount was often a reasonable tradeoff for costly legal fees, time and other expenses that would be incurred in defending the lawsuit. As a result of Monday's decision upholding the validity and finality of the PTAB's decision to institute re-examination proceedings, companies can now initiate a preemptive strike against patent trolls, by asking the PTAB to re-examine the patent troll's only weapon…a pre-existing questionable patent.

While most people perceive patent trolls as only targeting large entities, such as Apple, Amazon, Microsoft and other Fortune 500 companies that may be in a better position to settle with patent trolls, approximately 50% of all targets of patent trolls are small businesses, with revenue of less than $10 million annually. For these smaller businesses, defending a lawsuit against a patent troll could be catastrophic financially. However, it is now possible for such businesses to request the PTAB to re-examine a patent owned by a patent troll. This re-examination procedure is likely to be considerably less expensive than the defense of a patent litigation. Therefore, it is now in the interest of companies who are threatened with defending against a charge of patent infringement to consider taking a proactive approach to protecting their business.

If you wish to learn more about the information presented in this alert, we invite you to contact Jeffrey A. Cohen, or any member of Flaster Greenberg's Intellectual Property Department.

ATTORNEYS MENTIONED

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