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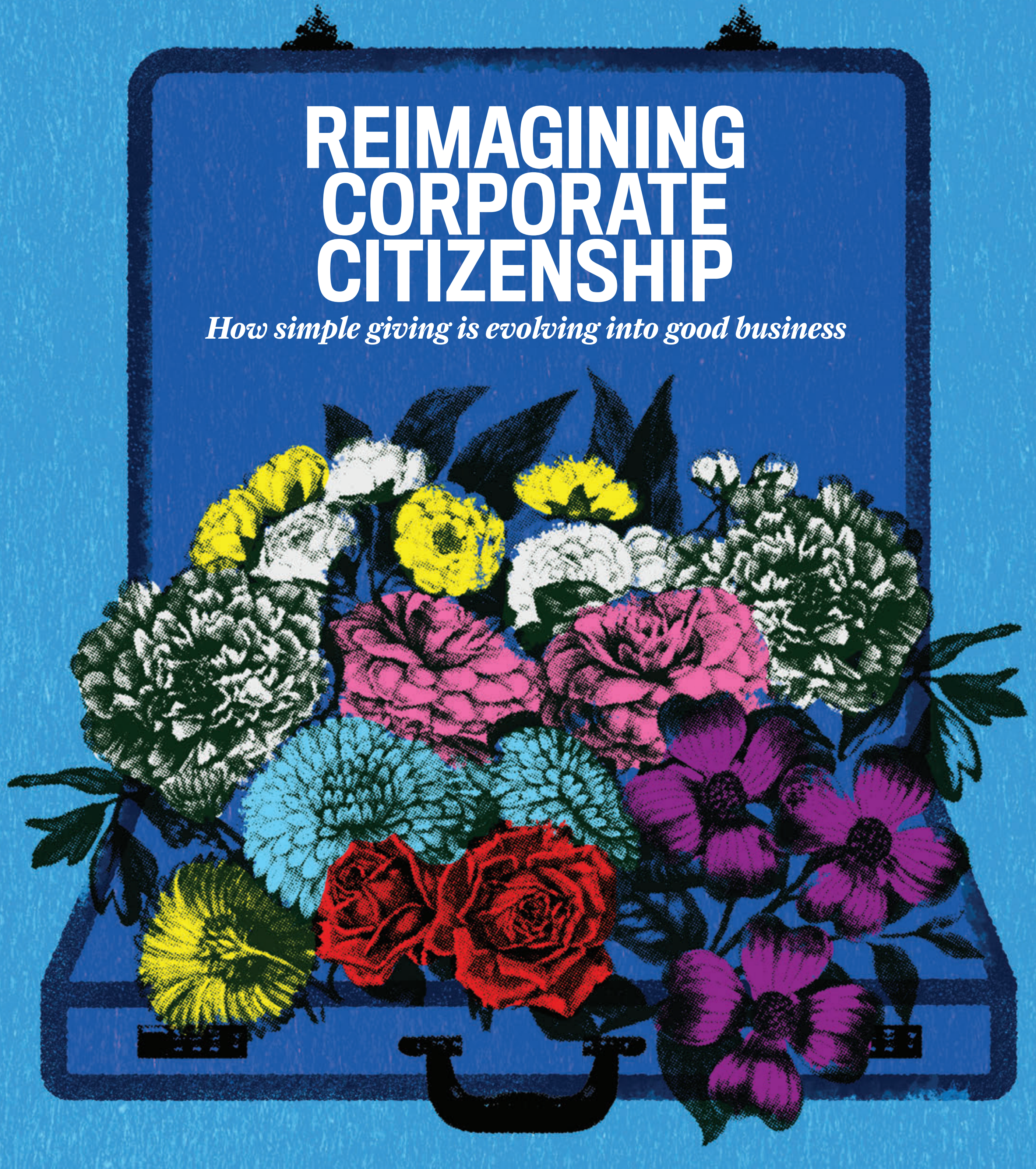

Patent Sea Changes

New compass points four years into the America Invents Act

By Josh Pond

FOUR YEARS AGO THIS MONTH, the United States embarked upon broad patent reform with the America Invents Act, seeking to curb skyrocketing patent litigation, costs and perceived abuses—particularly by non-practicing entity "trolls."

The new laws appear seaworthy. According to PricewaterhouseCoopers, U.S. patent infringement suits dropped for the first time in five years, from a crest of almost 6,500 in 2013, to less than 5,700 in 2014; and fewer of those suits are from trolls. Conversely, patent validity challenges before the U.S. Patent & Trademark Office, particularly newly enacted Inter Partes Reviews, rose to almost 1,900 in 2014. These challenges are swift, laser-focused and less-costly—they are now standard-operating-procedure for accused infringers striking back against patentees.

Four other developments have further reshaped U.S. patents in these four years. First, winning litigants are getting less money—court-awarded damages to patentees that prevail are down to their second-lowest level in 20 years. Second, accused infringers have a better shot at reclaiming attorneys' fees from patentees behind spurious suits, in the wake of the Supreme Court's *Octane* and *Highmark* rulings. Third, that high court's *Alice* ruling has increased scrutiny of claims to business method software. And fourth, you now have to be "first-to-file" a patent application, rather than "first-to-invent"—thus the new "race to the patent office." In sum, those attempting to gain and enforce patents in America are facing rougher seas.

Still, it is a huge ocean out there, with patent stakes higher than ever: intellectual property-intensive U.S. industries account for over $5 trillion in value-added each year—almost 35 percent of U.S. gross domestic product. Accordingly, more U.S. patents are pursued than ever before—330,000 were granted in 2014 alone, an all-time high.

Trimming your company's sails for the new patent seas is clearly a worthy endeavor—three new compass points to guide by:

1. Reengineer your patent portfolio process— to best harvest and enhance your technological edge. Expedite invention disclosure (and review) to be first-to-file. And draft patent claims away from scrutinized business methods, toward more patentable technology—focus on the hardware, for instance, at least as much as the software.

2. Modernize patent enforcement— rigorously develop claims to withstand USPTO validity challenges. Particularly avoid claims to computer implementation of long-standing abstract ideas. Provision your litigation to weather a stay pending a validity challenge, as now happens in most U.S. District Court suits. Or, bring your complaint to the U.S. International Trade Commission to block infringing imports, as these expedited proceedings are generally not stayed for validity challenges. On defense, always consider challenging validity at the USPTO, but take heed: a failed challenge can bullet-proof a patent for litigation. And look for ill-founded allegations, as you are now more likely to win back attorneys' fees for a forceful defense, or at least to contain damages such that the ship stays afloat.

3. Communicate your patent course— both internally, to foster a culture of capturing innovation, and externally, to attract investment. And consider aligning against trolls: innovative new collaborations are pioneering creative tactics.

As the America Invents Act turns four, some seas remain unsettled, with Congress considering even further patent reform. But new compass points have indeed emerged, opening new blue-ocean opportunities.

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