

## What Is A Bad Patent?<sup>1</sup>

Critics chastise the United States Patent and Trademark Office (PTO) for issuing “bad patents”, or “questionable patents” or patents of “poor quality”.<sup>3</sup> Le-gions of legal scholars have alleged that the patent system is broken because there are too many bad patents, it is too hard to invalidate them, and consequently, they have advocated for aggressive patent reform.<sup>4</sup> But to date, there exists no definition for these patents.<sup>5</sup> Without an adequate definition, how can anyone expect to solve whatever problems are allegedly caused by these so-called “bad patents”?

### INTRODUCTION

A coterie of critics of the patent system alleges that there are too many “bad patents,” that patent quality has decreased, the patent system is broken and that these “bad patents” are harming the economy.<sup>6</sup> Despite the fact that research has shown that many of the critics’ allegations are not accurate, mostly because the critics fail to consider all the elements of a claim,<sup>7</sup> the arguments advanced by the critics often find themselves cited in testimony before Congress by advocates for patent reform.<sup>8</sup>

This article will explore various methods of determining when a patent might be considered a “bad patent” and then will briefly discuss what appears to be the real problem. The article will reveal that there is no definition or solution to “bad patents” and that the problem is not with the patents, but with the parties asserting the patents. Solutions, therefore, should not rely on legislative or rule-making changes of the patent system

that apply to all patents and patent holders, but rather on judicial remedies to dissuade specific litigation conduct.

### WHAT IS A BAD PATENT?

Many legal scholars, whose work has been cited by advocates for wholesale patent reform, refer to silly patents as representative of a “bad patent.”<sup>9</sup> If this were an acceptable definition of a “bad patent,” then there should be no problem with the patent system because

1. This article is a revised and updated version of an article by the same title published in *Pat. Trademark & Copyright Journal*, 73 *PTCJ* 525 (Mar. 2, 2007). Copyright 2007 by The Bureau of National Affairs, Inc. (800-372-1033) <http://www.bna.com>.
2. Patrick Doody is an Intellectual Property partner at Goodwin Procter, resident in the firm’s Washington, D.C. office. He can be reached at [pdoody@goodwinprocter.com](mailto:pdoody@goodwinprocter.com). The views expressed herein are solely those of the author, and should not be attributed to the law firm or any of its clients.
3. These patents will be referred to collectively as “bad patents”.
4. Patent Act of 2005: Hearings before the Subcommittee on Courts, the Internet and Intellectual Property of the House Committee on the Judiciary, 109<sup>th</sup> Cong. No. 24 (June 9, 2005); The Patent Reform Act of 2006, S. 3818, 109<sup>th</sup> Cong. 2d Sess., (August 3, 2006); The Patent Reform Act of 2007, H.R. 1908, S. 1145, 110<sup>th</sup> Cong. (Apr. 18, 2007); and most recently The Patent Reform Act of 2009, H.R. 1260, S. 515, 111<sup>th</sup> Cong. (Mar. 3, 2009).
5. A colleague once defined a bad patent as a patent you don’t like. That may be the best definition yet.
6. Critics’ writings include, for example, Jaffe, A.B., Lerner, J., “Innovation and Its Discontents, How Our Broken Patent System Is Endangering Innovation and Progress, and What To Do about It,” Princeton University Press, Princeton, New Jersey (2004) (most articles critical of the patent system published since this book represent synopses of the book in one form or another, and not independent or original work); Merges, R.P., “As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform,” *Berkeley Technology Law Journal*, Vol. 14, pp. 577-615 (1999); “To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy,” FTC report (Oct. 2003); “A Patent System for the 21<sup>st</sup> Century,” National Academy of Sciences, (2004); “U.S. Patent and Trademark

Office: Transforming to Meet the Challenges of the 21<sup>st</sup> Century,” National Academy of Public Administration (2005); Lemley, M., Lichtman, D., Sampat, B., “What to do About Bad Patents,” *Regulation*, Vol. 28, No. 4, pp 10-13, Winter 2005-2006. The most recent assault on the patent system comes from the Council on Foreign Relations, Maskus, K., “Reforming U.S. Patent Policy: Getting the Incentives Right,” November 2006.

7. See, e.g., Katznelson, Ron D., “Bad Science in Search of ‘Bad’ Patents,” *Federal Circuit Bar Journal*, Vol. 17, No. 1, pp. 1-30, August 2007. Available at <http://works.bepress.com/rkatznelson/1/>; Doody, P., “The Patent System is Not Broken,” *Intellectual Property & Technology Law Journal*, Vol. 18, No. 12, pp 10-24 (Dec. 2006). A simple example illustrates this point. Jaffe and Lerner (see, n. 6, *supra*) make reference to U.S. Patent No. 6,080,436, entitled: “Bread Refreshing Method,” in making the following sweeping unsupported allegation: “the granting of patents despite clear evidence of invalidity... has become all too common.” *Id.*, at page 34. The authors then allege the ‘436 patent is invalid, without any clear evidence of invalidity, by stating: “U.S. Patent No. 6,080,436, ‘Bread Refreshing Method,’ which as the award states, is an ‘invention concerned with the process and apparatus for refreshing bread products, particularly open face items such as sliced rolls, buns, muffins, and the like... via exposure to high heat’—what most people would call toasting. Anyone who has recently browned a slightly stale hot dog bun over a barbeque has probably infringed this award.” *Id.*, at 34. The authors fail to appreciate, however, the plain language of the patent claims, especially the preamble, which recites a method of “refreshing” the bread. Toasting and browning are not “refreshing.” This is hard to imagine, however, since there are only three (3) claims, and the patent is only a few pages long. The ‘436 patent claims require placing the bread product in an oven having a heating element, setting the heating element to a temperature between 2500 and 4500 °F and ceasing exposure after 90 seconds. A backyard barbeque is not an “oven” and would not have a heating element at that temperature. Such simplistic, unqualified allegations of patent validity, which support the critics’ ultimate conclusions regarding patent quality, seriously undermine the critics’ credibility.
8. *Patent System Revision: Before the Subcomm. On Courts, the Internet, and Intellectual Property of the H. Comm. On the Judiciary*, 110<sup>th</sup> Cong. 2, 4 (2007) (statement of Daniel B. Ravicher, Executive Director, Public Patent Foundation): “all of them paint a very clear picture that patent quality today in America is extremely poor.”
9. See, n. 6, *supra*. Jaffe, Lerner, and Lemley, refer to patents covering a wrist watch on a Teddy Bear, or a method of training a cat using a laser pointer, or the crustless peanut butter and jelly sandwich as examples of “bad patents.”

these patents are not asserted.<sup>10</sup> In addition, the PTO has been issuing silly patents ever since it opened its doors, and there is no empirical evidence to suggest that the PTO is issuing more silly patents today than it did in years prior.<sup>11</sup> Silly patents present no threat to the patent system or to our economy, so silly patents should not be considered “bad patents” of the type the critics allege are harming innovation and our economy.<sup>12</sup>

Some have defined a “bad patent” as one that is invalid.<sup>13</sup> The Federal Trade Commission (FTC) report defines a “poor quality” or “questionable” patent as “one that is likely invalid or contains claims that are likely overly broad.”<sup>14</sup> Likely invalid or overly broad to whom? Validity is a matter of opinion and a patent that is “likely invalid” to one patent attorney or judge could be and often is “likely valid” to another. While anticipation may be a factual inquiry,<sup>15</sup> one must first ascertain the meaning of the patent claims, which is a question of law.<sup>16</sup> Even anticipation is a matter of legal opinion, which obviously will vary depending on the one interpreting the claims.

The Federal Circuit itself has struggled with claim interpretation, finding one interpretation of a patent’s claims in one case and a different interpretation of the very same claims in another case.<sup>17</sup> The same is true for patent application claims, where the claims are interpreted as broadly as possible, whereas in litigation they sometimes can be accorded a narrower interpretation.<sup>18</sup> Given the fact that the brightest legal minds in the country might disagree over the interpretation of a patent claim, it is no wonder that assessing validity, even in light of an alleged anticipatory prior art reference, is a matter of variable opinion.<sup>19</sup>

Whether an issued patent claim would have been obvious invites even greater variability in opinion. Obviousness is a question of law based upon several factual inquiries.<sup>20</sup> Obviousness also requires consideration of secondary indicia of non-obviousness, which may

10. With only one exception, the crustless peanut butter and jelly sandwich patent, these patents are not litigated. That patent (US Patent No. 6,004,596), as all of the critics bemoan, was asserted by J. M. Smuckers against Albie’s. The case was stayed quickly after Albie’s filed a request for reexamination and the patent claims were ultimately canceled during the reexamination process. Even if some time and effort were expended by Albie’s, and even if the claims were not allowed during reexamination (the Board reversed the examiner’s rejection on obviousness over prior art but newly added claims were rejected by the Board under 35 U.S.C. §112), Smuckers had good reason to believe its patent was not invalid and was being infringed.
11. Silly patents typically are those in which most people believe have no marketability. There are web sites devoted to silly patents, such as *patentlysilly.com* and a book entitled “Patently Absurd.” Of course, what we consider silly today may not have been silly years ago. For example, in 1878, some may have considered U.S. Patent No. 198,748, entitled “Sled-Runner Attachment for Vehicles,” a silly patent. Some may consider the butterfly-shaped comb reflected in the 1870 design patent D4,523 a silly patent. Patent critics alive at the turn of the 20<sup>th</sup> century surely would have bemoaned the issuance on May 21, 1901 of U.S. Patent No. 674,720, entitled “Wheel for Vehicles,” alleging that someone patented the wheel, even though a thorough reading of the patent reveals that it covers a very specific wheel. The author’s practical experience as both a patent examiner and as a practicing patent attorney has been that the most difficult patent claims to present colorable arguments of invalidity (or unpatentability) often are those that evoke a visceral reaction that there’s no way something that broad could be patentable. The “feeling” that some claim may be “too broad” or “invalid” does not mean the claim is invalid. See, e.g., *In re Miller*, 441 F.2d 689 58 C.C.P.A. (1971), and MPEP 2173.04; “Breadth of a claim is not to be equated with indefiniteness.” If claims are too broad, they can be rejected or invalidated as lacking description, non-enabling, or anticipated by the prior art. *Id.*
12. The patent system itself is not curbing innovation either, as set out in Doody, P., “The Patent System is Not Broken,” *Intellectual Property & Technology Law Journal*, Vol. 18, No. 12, pp 10-24 (Dec. 2006).
13. Even the author fell prey to this definition in, Schreiner, S., Doody, P., “Patent Continuation Applications: How the PTO’s Proposed New Rules Undermine an Important Part of the U.S. Patent System with Hundreds of Years of History,” *JPTOS*, Vol. 88, No. 6, June 2006;

Schreiner, S., Doody, P., “Patent Continuations—How Proposed Rule Changes Will Undermine our System and Create New Problems,” *ABA, IPL Newsletter*, Vol. 24, No. 2, Spring 2006, pp. 38-48; Schreiner, S., Doody, P., “Limiting Continuation Applications to Fix the PTO Backlog Would Be Like Banning Chevrolets from the Highway to Fix Traffic Congestion,” *IP Law & Business*, May 2006. Here, the author defined a bad patent as one that was asserted and found invalid during litigation.

14. “To Promote Innovation: The Proper Balance of Competition and Patent Law and Policy,” FTC report (Oct. 2003); n. 4 *supra*, at 14. See n. 11 *supra*. An overly broad claim must be invalidated under other grounds, not simply because it is “overly broad” or because it just seems “too broad.” *In re Miller*, 441 F.2d 689, 692 58 C.C.P.A. (1971), (“breadth is not to be equated with indefiniteness, as we have said many times”).
15. *General Electric Co. v. Nintendo Co.*, 179 F.3d 1350, 1353 (Fed. Cir. 1999).
16. *Markman et al v. Westview Instruments, Inc.*, 517 U.S. 370 (1996).
17. In *CVI/Beta Ventures Inc. v. Tura LP*, 112 F.3d 1146 (Fed. Cir. 1997), one panel of the court interpreted the expression “greater than 3% elasticity” or “at least 3% elasticity” in two patents to mean the ability of the component to return completely and spontaneously to its original shape after stress is applied and then removed, whereby the percentage refers to the amount of strain to which the component is subjected. Prior to that case, in *CVI/Beta Ventures v. Custom Optical Frames, Inc.*, 1996 U.S.App. LEXIS 14763 (Fed. Cir. 1996), unpublished, a different panel of the court affirmed the trial court’s interpretation of the same claim elements in the same patents by stating that, “it is clear that 3% elasticity does not mean complete recovery,” even though the accused infringer argued that 3% elasticity required complete recovery. In contrast, the Federal Circuit in *Burke, Inc. v. Bruno Independent Living Aids, Inc.*, 183 F.3d 1334 (Fed. Cir. 1999) relied on a prior nonprecedential Federal Circuit opinion that addressed construction of the claims against different accused infringers.
18. See, MPEP 2111. During patent examination, the pending claims must be “given their broadest reasonable interpretation consistent with the specification.” The Federal Circuit recognized this in *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005). In *In re Morris*, 127 F.3d 1048 (Fed. Cir. 1997), the Federal Circuit held that the PTO is not required, in the course of prosecution, to interpret claims in applications in the same manner as a court would interpret claims in an infringement suit. It does not necessarily follow, however, that the PTO can simply ignore and not be bound by the interpretation already accorded a claim by the Federal Circuit, and, in fact, most would agree that the PTO should be bound by the narrower interpretation.
19. Due to this variability, readers should give little weight, if any, to the untrained patent critics’ arguments regarding the validity or “quality” of a patent.
20. *Grabam v. John Deere Co.*, 383 U.S. 1, 17-18 (1966); *Al-Site Corp. v. VSI Int’l Inc.*, 174 F.3d 1308 (Fed. Cir. 1999).

render non-obvious a patent claim that otherwise, would have been *prima facie* obvious.<sup>21</sup> Given this variability, alleging that a patent is a “bad patent” because it would have been obvious is even more suspect.

Some argue that “bad patents” are those that are asserted, but are invalidated. Again, validity itself is a poor indicator of whether or not a patent is a “bad patent.” In fact, patents that are litigated through trial and appealed where validity is at issue typically are those in which the validity question was a very close call.<sup>22</sup> Surely few would consider Pfizer’s Lipitor patent a “bad patent” even though the asserted claim was invalidated by the Federal Circuit on 35 U.S.C. §112, fourth paragraph grounds.<sup>23</sup> A patent with one claim found invalid on such questionable grounds, and which likely could be corrected by a certificate of correction, can hardly be called a “bad patent.”

“Bad patents” are not silly patents, nor are they necessarily invalid patents, so perhaps some consider a “bad patent” one with claims that could be interpreted to cover more than what is disclosed in the specification.<sup>24</sup> However, a patent claim that can be construed to cover more than what is disclosed in the specification, or that covers an invention the inventor never thought of, would be invalid under the written description requirement of Section 112, or under 35 U.S.C. §102(f).<sup>25</sup>

A “bad patent” does not appear to be capable of clear definition. It therefore is illogical to attempt to solve a problem incapable of definition. If the problem does not concern “bad patents,” then what is the problem?

## WHAT IS THE PROBLEM?

The patent itself is not “bad” rather, it is either the party that is assert-

ing the patent or the overzealous enforcement of the claims against third parties, either through licensing or litigation, that is bad. It would appear that this is the chord that resonates most frequently with patent practitioners when speaking of “bad patents.”

Consider the following hypotheticals, and then ask yourself whether you would consider the patents “bad patents” or the result “unjust.” What if NTP’s patent were asserted by AT&T against Blackberry? What if MercExchange’s patents were asserted by Amazon against eBay?<sup>26</sup> Would the public have been as enraged by the multi-million dollar settlement in the Blackberry case if the party asserting the patent was not so easy to dislike or disparage as a non-practicing patent holder?<sup>27</sup> Few would have argued that the patents were “bad patents” or of “poor quality” if they were asserted by large corporations. Accordingly, it is clear that the problem is not with the underlying patent.

It is not the patent itself, but the widespread enforcement, coupled with an offer to license at a nominal expense by a non-practicing patent holder, that is the alleged “problem.”<sup>28</sup> Justice Kennedy even noted in his concurrence in the *eBay* case: “[i]n cases now arising... the nature of the patent being enforced and the economic function of the patent holder

21. Objective evidence of non-obviousness includes copying, long felt but unsolved need, failure of others, commercial success, unexpected results created by the claimed invention, unexpected properties of the claimed invention, licenses showing industry respect for the invention, and skepticism of skilled artisans before the invention. *In re Rouffet*, 149 F.3d 1350, 1355 (Fed. Cir. 1998).

22. An asserted patent that is clearly anticipated by the prior art likely would be reexamined or dropped from the litigation. In a similar vein, an accused infringer that cannot find sufficient prior art (or other grounds) to present at least a colorable invalidity argument likely will settle or lose on summary judgment.

23. *Pfizer Inc. v. Ranbaxy Labs., Ltd.*, 457 F.3d 1284 (Fed. Cir. 2006).

24. See, e.g., Lemley, M.A., Moore, K.A., “Ending Abuse of Patent Continuations,” *Boston Univ. Law Review*, Vol. 84, pp. 63-123, 76 (2004). “In the most extreme cases, patent applicants add claims during the continuation process to cover ideas they never thought of themselves, but instead learned from a competitor.”

25. 35 U.S.C. §112, first paragraph; 35 U.S.C. §102(f): “A person shall be entitled to a patent unless—... (f) he did not himself invent the subject matter sought to be patented.” Amended July 28, 1972, Public Law 92-358, sec. 2, 86 Stat. 501; Nov. 14, 1975, Public Law 94-131, sec. 5, 89 Stat. 691.

26. Many critics and bloggers complain that both the MercExchange and NTP patents are undergoing reexamination and were initially rejected by the patent office, although it appears that some claims have survived reexamination in both instances. But this does not mean they are bad patents. Thousands of issued patents have been reexamined, most if not all are initially rejected, and most survive reexamination.

27. The public, and unfortunately the patent bar, have fallen prey to denigrating such patent holders by referring to them using the pejorative noun “troll.” This discrimination has soiled professional patent attorneys, and has made it easy to treat the non-practicing patent holder with disdain.

28. This scenario was made popular by the enforcement of a series of patents invented by Jerome Lemelson, which ultimately were found unenforceable under the doctrine of prosecution history laches. *Symbol Technologies, Inc. et al. v. Lemelson Medical Education and Research Foundation, LP, et al.*, 422 F.3d 1378 (Fed. Cir. 2005). Another popular litigant of late is Ronald S. Katz Technology Licensing LLP, who was found to have 20 of the top 106 most-litigated patents this past decade. See Allison, et al., “Extreme Value or Trolls on Top? The Characteristics of the Most-Litigated Patents,” 158 *Univ. of Penn. Law Rev.* 1, at n. 39, also available at <http://ssrn.com/abstract=1407796>. This same article found that non-practicing entities (licensing companies and sole inventor/start-ups) accounted for 53.4% of the most-litigated patent suits. But if the problem existed solely because of non-practicing entities, a legislative fix would be simple. Many countries have “working” requirements for patent holders, and any patent owner not working his or her patented invention is forced into compulsory license arrangements. See, e.g., Pires de Carvalho, *The TRIPS Regime of Patent Rights*, 2nd Ed., Aspen Publishers, Inc., Maryland (2005). This could easily be implemented in the United States if the problem truly were with non-practicing entities (the author will leave for another day the incongruities that exist between working requirements and patent rights—a patent does not confer the right to make, use, or sell anything—hence, a patent holder may not be able to “work” his or her invention without infringing a different patent). Unfortunately, many non-practicing entities, such as universities, sole inventors, start-up companies, and the like, have perfectly legitimate claims and should not be discouraged or otherwise prevented from bringing such actions.



present considerations quite unlike earlier cases. An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining licensing fees.<sup>29</sup>

The Patent Reform Act of 2006 was supported heavily by the Coalition for Patent Fairness, which asserts in its support of the legislation that it is the patent holder that is the problem, and not the patent itself.<sup>30</sup> Testimony before Congress regarding the Patent Reform Act of 2005 also focused on the behavior of the patent holder and not the patent itself.<sup>31</sup> The critics also almost universally address the alleged problem with the patent system by referring to select instances of what they perceive as overzealous enforcement of a patent.<sup>32</sup> Finally, much of the Congressional Testimony urging passage of the Patent Reform Act of 2009 focused on litigation misconduct and the need to reform patent litigation rules.<sup>33</sup>

## HOW DO WE SOLVE THE PROBLEM?

Having now determined that the real culprit is not a “bad patent,” but the overzealous enforcement of patents, a solution should be much easier to implement.<sup>34</sup> Reform measures that make it easier to invalidate patents do not solve the problem, but create more problems. Reform measures that seek to improve the “quality” of patents or improve the quality of patent judges also do not solve the problem.<sup>35</sup>

The most effective manner to curb overzealous enforcement of patents will require judicial intervention. One possible solution would be to provide judges with the incentive to dispose of these cases expeditiously, and to penalize improper conduct more frequently.<sup>36</sup> Indeed, the Federal

Rules of Civil Procedure provides courts with the authority to deter repetition of misconduct.<sup>37</sup> Litigants and courts might consider claims for violations of the Racketeer Influenced and Corrupt Organizations Act, 18 U.S.C. §1961 et seq. (RICO) when patent holders file patent suits and seek small settlements shortly thereafter,<sup>38</sup> as the Illinois District Court did in *Google, Inc. v. Central Mfg. Inc.*<sup>39</sup>

Courts are often reluctant, however, to curb litigation by sanctioning this type of behavior.<sup>40</sup> As a consequence, another possible solution would be for industry representatives to pool their resources to reduce the filing of such lawsuits. The financial services industry appears to be the most frequent target of such suits.<sup>41</sup> Financial services industry groups could establish a defense fund to defend against such suits so that even if just one representative were sued at a time, there would be sufficient resources to adequately defend against the lawsuit and prevent further lawsuits on the same patent(s).<sup>42</sup>

Others more creative than the author will no doubt foresee additional solutions to the real problem of overzealous enforcement of patents. One thing should be clear—the patent system does not need to become encumbered by an even thicker coat of legislative and regulatory sludge than already exists. More focused judicial solutions to curb overzealous enforcement would appear better suited to solve the problem. ■

29. *eBay Inc. v. MercExchange, LLC* 126 S.Ct. 1837, 1842 (2006) (Kennedy, J., concurring). This quote of Justice Kennedy's concurrence reveals his misunderstanding of the rights of a patent holder, not unlike the misunderstandings of the patent critics. Patents cannot be used as a basis for producing or selling goods. They do not confer upon the patent

holder the right to produce anything. Rather, patents merely confer upon the patent owner the right to exclude others from making, using, selling, offering to sell, and importing into the United States, the claimed invention. Thus, patents have never been used as a basis for producing and selling goods.

Interestingly, an entirely new industry appears to have arisen in just two months after the Federal Circuit's decision in *The Forest Group, Inc. v. Bon Tool Co.*, No. 09-1044 (Fed. Cir. Dec. 28, 2009). In *Forest Group*, the Federal Circuit affirmed the District Court's ruling that, even though the patent in suit was not invalid and not infringed, the patentee was liable for “false marking” and that damages are assessed for each instance of false marking, up to \$500 per instance. Two months later an organization named “Patent Compliance Group Inc.” filed four lawsuits in just one week's time alleging various companies have falsely marked products. The four lawsuits were filed in the Northern District of Texas between February 12, 2010 and February 16, 2010. It would appear from the complaints that Patent Compliance Group, Inc. is an organization established to “police” patent markings on products, and when it finds violations, it files a lawsuit hoping to cash in on the decision in *Forest Group*. Since January 1, 2010, more than 150 *qui tam* lawsuits have been filed for false patent marking, establishing a new cottage industry for patent lawyers.

30. See, Coalition for Patent Fairness, “The Patent Reform Act of 2006, S. 3818, Enhances Innovation and Promotes Economic Growth”. The entire 11 page article focuses on what it refers to as “abusive litigation” of patents. “The strategy is to go after the small guys first. They just ask a small enough sum that it doesn't pay to fight. Not that it's always nickel and dime. Some of our clients have paid six-figure settlements. But it still beats litigating.” *Id.* at page 3. The article provides no evidence or even argument that there are problems with the patent that is being asserted (other than the broad-brush barb that the patent is of “poor quality” or “too broad”), but expends significant effort on explaining the alleged abusive practices in attempting to enforce a patent.
31. Testimony of Chuck Fish, Vice President & Chief Patent Counsel, Time Warner, before the U.S. House of Representatives Committee on the Judiciary Subcommittee on Intellectual Property, “Patent Trolls: Fact or Fiction?” June 15, 2006, (“rather we believe that a focus on behaviors and the consequences of those behaviors is essential.”)
32. See, n. 6, *supra*. For example, the authors of “A Patent System for the 21<sup>st</sup> Century” National Academy of Sciences, (2004), while agreeing that the continuing high rates of innovation suggest that the patent system is working well (page 1), urged reform because patents were being more actively acquired and vigorously enforced (page 28). The FTC report noted that there were more lawsuits filed by organizations not active in the market.
33. See, e.g., Congressional Testimony of the numerous individuals found at [www.patentfairness.org/learn/testimony](http://www.patentfairness.org/learn/testimony). Representative Issa introduced an amendment into the Patent Reform

- Act of 2009 to initiate a patent litigation pilot program (HR 5418) that would allow judges who have more expertise in patent litigation to “opt in” the program so that they would be more likely to hear patent cases.
34. One of the primary purposes of this article is to continue a dialog on how best to solve the real problem instead of wasting time and energy on wholesale patent reform, which does not seem warranted or needed at this time.
35. These legislative reform measures often are overreaching and apply across the board, thus doing more harm than good, especially when the problem really lies with a small group of patent holders.
36. Courts can sanction frivolous lawsuits under Fed. R. Civ. P. 11(b). *See, e.g., View Engineering, Inc. v. Robotic Vision Systems, Inc.*, 208 F.3d 981 (Fed. Cir. 2000). More recently, the W.D. of Washington awarded Rule 11 sanctions in *Eon-Net, L.P. v. Flagstar Bancorp, Inc.*, 2006 WL 2959280 (W.D. Wash., Oct. 4, 2006), but the Federal Circuit vacated and remanded because, in its view, it was improper to grant summary judgment without allowing Eon-Net opportunity to respond. *Eon-Net, L.P. v. Flagstar Bancorp, Inc.*, No. 2007-1132, 2007 WL 2818634 (Fed. Cir. Sept. 27, 2007).
37. Fed. R. Civ. P. 11(c)(2), sanctions should be “sufficient to deter repetition of such conduct or comparable conduct by others similarly situated.” *See also Matter of Yagman*, 796 F.2d 1165 (9<sup>th</sup> Cir. 1986).
38. This is especially true when the patentee seeks a settlement for less than what it would cost in attorneys fees just to assess the merits of the complaint, which typically can range from \$25,000 to well over \$200,000, depending on the complexity of the case. When a patentee files a lawsuit with multiple patents and claims at issue and soon thereafter seeks settlement for less than a few hundred thousand dollars, it is not unreasonable to infer that this behavior is a classic “shake down” of the defendant.
39. 1:07-cv-00385 (N.D. Ill); see Permanent Injunction and Final Judgment entered by the court on October 16, 2009, finding the defendants liable for violating the RICO act. In the *Google* case, the alleged trademark holder threatened Google with a lawsuit that would cost them \$150,000 to defend and that they would be better off just paying him \$100,000. Many of the patent cases might be distinguishable from the *Google* case, but the scenario is similar—the alleged property holder threatens the alleged trespasser with a lawsuit (or files the suit), and then requests settlement for an amount less than it would take to even assess the merits of the lawsuit.
40. For example, while the district court did sanction this type of behavior in the *Eon-Net, L.P.* case, (*see n. 36 supra.*) the Federal Circuit vacated and remanded because, in its view, it was improper to grant summary judgment without allowing Eon-Net opportunity to respond. *Eon-Net, L.P. v. Flagstar Bancorp, Inc.*, No. 2007-1132, 2007 WL 2818634 (Fed. Cir. Sept. 27, 2007). The Federal Circuit’s remand may have a chilling effect on future district courts’ ability to curb this type of litigation behavior through sanctions.
41. Josh Lerner, *The Litigation of Financial Innovations 2*, Nat’l Bureau of Econ. Research, Working Paper No. 14324, 2008, (finding that financial-services patents are litigated 27 to 39 times more than ordinary patents), *cited in Allison, et al.*, “Extreme Value or Trolls on Top? The Characteristics of the Most-Litigated Patents,” 158 *Penn Law Rev.* 1, at n. 66.
42. *See, e.g., In re Katz Interactive Call Processing Patent Litigation*, 2:07-ml-01816, (C.D. Cal.) in which over 250 defendants teamed together and obtained summary judgment of invalidity on 46 asserted claims.