

**MARK CHANDLER’S RESPONSES TO  
SENATOR GRASSLEY’S QUESTIONS FOR THE RECORD  
HEARING ON “S. 1137, THE “PATENT ACT” – FINDING EFFECTIVE SOLUTIONS TO  
ADDRESS ABUSIVE PATENT PRACTICES”  
UNITED STATES SENATE COMMITTEE ON THE JUDICIARY  
MAY 7, 2015**

- 1. We have heard about perceived inequities with the Patent and Trademark Office’s IPR and PGR proceeding. Some are concerned that the proceedings are unfair and put patent holders at a disadvantage. Do you share these concerns? In your opinion, are the proceedings working as intended by the America Invents Act?**

The Patent and Trademark Office’s IPR and PGR proceedings are fair to patent owners. The proceedings are contested and patent owners have a full opportunity to tell their side of the story. The challenged patents are examined twice by a panel of three judges, first at the institution decision (approx. six months after filing) and second at the final written decision (approx. 18 months after filing). These decisions are made by Administrative Patent Judges who have both legal and technical training. In fact, the PTAB has found 62% of challenged claims to be valid either through termination in a denial of institution or in final written decision.<sup>1</sup> The patent owner has the right to appeal an unfavorable decision by the PTO.

Many of the concerns that have been raised do not take into account that typically only the weakest patents are subject to the procedure. Unlike district court litigation, IPR and PGR procedures are optional. Petitioners file IPRs and CBMs only after evaluating the prior art and analyzing whether an IPR is justified. Pursuing an IPR or PGR is expensive for the petitioner and means foregoing many arguments in litigation due to estoppel. Since the inception of the AIA in 2012, only 12% of the almost 13,000 litigated patents in district courts have been challenged in AIA proceedings.<sup>2</sup>

When the AIA was enacted it was widely understood that the massive proliferation of low quality patents imposed tremendous costs in wasteful abusive litigation and foregone innovation. The proceedings were created to promote patent quality and are working as intended by providing an efficient and cost-effective process for invalidating weak patents.

- 2. In its last term, the Supreme Court handed down two decisions, *Octane Fitness* and *Highmark*, which provide district courts with greater authority to award attorney fees. As the general counsel of a company**

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<sup>1</sup> <http://unifiedpatents.com/2015-ptab-update/>

<sup>2</sup> *Id.*

**that enforces patents against infringement and also defends against infringement claims, do you believe that the PATENT Act's fee shifting provision will act as a more effective mechanism to prevent abusive patent litigation.**

The PATENT Act's fee shifting provisions will act as a more effective mechanism to prevent abusive patent litigation.

Although *Octane Fitness and Highmark* improved fee shifting jurisprudence, the current 35 USC 285 still only allows fee shifting in "exceptional" cases. Unfortunately, abusive litigation conduct is commonplace today rather than exceptional. The PATENT Act instead focuses on whether the conduct and positions of the losing litigant were objectively reasonable. Having an objective standard will promote uniformity between judicial districts. The Federal Circuit Bar Association notes that district courts have awarded attorneys fees more often *post Octane*. In the eleven months *post Octane* and *Highmark*, district courts granted 36% of motions for fees<sup>3</sup> under 35 U.S.C. § 285 versus 13% in the twelve months *pre Octane*. However, the data also shows that different courts have applied the standard very inconsistently, thus encouraging forum shopping and continued abusive patent litigation. A standard based on objective reasonableness will drive uniformity and deter abusive patent suits nationally.

Next, the legislation addresses judgment-proof patent assertion entities. NPEs are frequently thinly capitalized shell entities that own few assets other than the patents at suit. Fee shifting will not serve as a deterrent if the speculators and manipulators behind the NPEs can hide behind judgment-proof shells. The PATENT Act wisely addresses this problem directly. A party whose primary business is the assertion of patents through litigation must certify that it would be able to pay attorneys fees if awarded or give notice to other parties with a financial interest that they may be on the hook for such an award. The PATENT Act will deter abusive patent litigation both by creating an objective and uniform fee shifting standard but also by assuring that fee awards cannot be avoided through shell games.

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<sup>3</sup> Federal Circuit Bar Association. *A Comparison of Pre Octane and Post Octane District Court Decisions on Motions for Attorney's Fees Under Section 285*. April 13, 2015.