

THE WHITE HOUSE

FACT SHEET: WHITE HOUSE TASK FORCE ON HIGH-TECH PATENT ISSUES

LEGISLATIVE PRIORITIES & EXECUTIVE ACTIONS

Today the White House announced major steps to improve incentives for future innovation in high tech patents, a key driver of economic growth and good paying American jobs. The White House issued five executive actions and seven legislative recommendations designed to protect innovators from frivolous litigation and ensure the highest-quality patents in our system. Additionally, the National Economic Council and the Council of Economic Advisers released a report, Patent Assertion and U.S. Innovation, detailing the challenges posed and necessity for bold legislative action.

In 2011, the President signed the Leahy-Smith America Invents Act (AIA), a landmark piece of legislation designed to help make our patent system more efficient and reliable. As technology evolves more rapidly than ever, we must ensure our patent system keeps pace. As President Obama said in February, “our efforts at patent reform only went about halfway to where we need to go. What we need to do is pull together additional stakeholders and see if we can build some additional consensus on smarter patent laws.”

The AIA put in place new mechanisms for post-grant review of patents and other reforms to boost patent quality. Meanwhile, court decisions clarifying the scope of patentability and guidelines implementing these decisions diminish the opportunity to game the patent and litigation systems. Nevertheless, innovators continue to face challenges from Patent Assertion Entities (PAEs), companies that, in the President’s words “don’t actually produce anything themselves,” and instead develop a business model “to essentially leverage and hijack somebody else’s idea and see if they can extort some money out of them.” These entities are commonly known as “patent trolls.” Likewise, the so-called “Smartphone Patent Wars” have ballooned in recent years and today, several major companies spend more on patent litigation and defensive acquisition than on research and development.

Stopping this drain on the American economy will require swift legislative action, and we are encouraged by the attention the issue is receiving in recent weeks. We stand ready to work with Congress on these issues crucial to our economy, American jobs, and innovation. While no single law or policy can address all these issues, much can and should be done to increase clarity and level the playing field for innovators.

LEGISLATIVE RECOMMENDATIONS

In that spirit, the Administration recommends that Congress pursue at least seven legislative measures that would have immediate effect on some major problems innovators face. These measures would:

- 1. Require patentees and applicants to disclose the “Real Party-in-Interest,”** by requiring that any party sending demand letters, filing an infringement suit or seeking PTO review of a

patent to file updated ownership information, and enabling the PTO or district courts to impose sanctions for non-compliance.

2. **Permit more discretion in awarding fees to prevailing parties in patent cases**, providing district courts with more discretion to award attorney’s fees under 35 USC 285 as a sanction for abusive court filings (similar to the legal standard that applies in copyright infringement cases).
3. **Expand the PTO’s transitional program** for covered business method patents to include a broader category of computer-enabled patents and permit a wider range of challengers to petition for review of issued patents before the Patent Trial and Appeals Board (PTAB).
4. **Protect off-the-shelf use by consumers and businesses** by providing them with better legal protection against liability for a product being used off-the-shelf and solely for its intended use. Also, stay judicial proceedings against such consumers when an infringement suit has also been brought against a vendor, retailer, or manufacturer.
5. **Change the ITC standard for obtaining an injunction** to better align it with the traditional four-factor test in *eBay Inc. v. MercExchange*, to enhance consistency in the standards applied at the ITC and district courts.
6. **Use demand letter transparency to help curb abusive suits**, incentivizing public filing of demand letters in a way that makes them accessible and searchable to the public.
7. **Ensure the ITC has adequate flexibility in hiring** qualified Administrative Law Judges.

EXECUTIVE ACTIONS

Today the Administration is also announcing a number of steps it is taking to help bring about greater transparency to the patent system and level the playing field for innovators. Those steps include:

1. **Making “Real Party-in-Interest” the New Default.** Patent trolls often set up shell companies to hide their activities and enable their abusive litigation and extraction of settlements. This tactic prevents those facing litigation from knowing the full extent of the patents that their adversaries hold when negotiating settlements, or even knowing connections between multiple trolls. Today, the PTO will begin a rulemaking process to require patent applicants and owners to regularly update ownership information when they are involved in proceedings before the PTO, specifically designating the “ultimate parent entity” in control of the patent or application.
2. **Tightening Functional Claiming.** The AIA made important improvements to the examination process and overall patent quality, but stakeholders remain concerned about patents with overly broad claims — particularly in the context of software. The PTO will provide new targeted training to its examiners on scrutiny of functional claims and will, over

the next six months develop strategies to improve claim clarity, such as by use of glossaries in patent specifications to assist examiners in the software field.

- 3. Empowering Downstream Users.** Patent trolls are increasingly targeting Main Street retailers, consumers and other end-users of products containing patented technology — for instance, for using point-of-sale software or a particular business method. End-users should not be subject to lawsuits for simply using a product as intended, and need an easier way to know their rights before entering into costly litigation or settlement. Today, the PTO is announcing new education and outreach materials, including an accessible, plain-English web site offering answers to common questions by those facing demands from a possible troll.
- 4. Expanding Dedicated Outreach and Study.** Challenges to U.S. innovation using tools available in the patent space are particularly dynamic, and require both dedicated attention and meaningful data. Engagement with stakeholders — including patent holders, research institutions, consumer advocates, public interest groups, and the general public — is also an important part of our work moving forward. Roundtables and workshops that the PTO, DOJ, and FTC have held in 2012 have offered invaluable input to this process. Today, we are announcing an expansion of our outreach efforts, including six months of high-profile events across the country to develop new ideas and consensus around updates to patent policies and laws. We are also announcing an expansion of the PTO Edison Scholars Program, which will bring distinguished academic experts to the PTO to develop — and make available to the public — more robust data and research on the issues bearing on abusive litigation.
- 5. Strengthen Enforcement Process of Exclusion Orders.** Once the U.S. International Trade Commission (ITC) finds a violation of Section 337 and issues an exclusion order barring the importation of infringing goods, Customs and Border Protection (CBP) and the ITC are responsible for determining whether imported articles fall within the scope of the exclusion order. Implementing these orders present unique challenges given these shared responsibilities and the complexity of making this determination, particularly in cases in which a technologically sophisticated product such as a smartphone has been successfully redesigned to not fall within the scope of the exclusion order. To address this concern, the U.S. Intellectual Property Enforcement Coordinator will launch an interagency review of existing procedures that CBP and the ITC use to evaluate the scope of exclusion orders and work to ensure the process and standards utilized during exclusion order enforcement activities are transparent, effective, and efficient.