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PATENT LITIGATION

BLOWN AWAY

Patent litigation has been changed forever. A lot of lawyers preferred the old way.

BY LISA SHUCHMAN

PATENT LITIGATION ISN'T WHAT IT USED TO BE.

Monumental changes to U.S. patent law have changed the rules of the litigation game. Basic assumptions about patent law that existed just a few years ago no longer apply. The changes have raised new questions about venue, costs and validity. The shifts in the patent landscape are forcing companies and their counsel to re-evaluate their intellectual property portfolios. Some in the patent bar are calling it a "brave new world."

To be sure, companies still actively seek patents, which remain valuable assets. And patent suits are still crowding district judges' dockets. In fact, 4,429 cases were filed in U.S. district courts between Jan. 1 and Sept. 30 of this year, compared with 3,941 filed in the same period of 2014, according to legal analytics company Lex Machina.

This sheer volume of cases, in addition to the added complexities of patent law, has prompted law firms to add IP counsel to their ranks, often poaching patent lawyers from rival firms.

The firms that have adapted, that have demonstrated their IP expertise and that have proved they can handle the increased workload are the ones that appear in Corporate Counsel's 2015 Patent Litigation Survey, which ranks law firms according to the number of federal district court patent suits they handled in 2014.

Some of the top-ranked firms are quite familiar to the list. Fish & Richardson, for example, topped the survey for the 12th consecutive year, having handled 201 cases in 2014—more than any other firm. Fish is on track to surpass that number this year, according to Lex Machina, which crunches IP data for companies and law firms.

Finnegan, Henderson, Farabow, Garrett & Dunner again ranked second in the survey, with 94 cases. Most of the others in the top 10 showed slight movement. Perkins Coie, No. 5 in last year's survey, moved up one to the No. 4 spot, for example, and DLA Piper, which ranked No. 3 last year, dropped to No. 5.

But Foley & Lardner, which was No. 14 last year, moved up to No. 7, handling 62 cases. And in the most dramatic shift, Troutman Sanders,

WHO GOT THE BUSINESS?

The law firms that snagged the most IP cases

RANK 2015	RANK 2014	FIRM NAME	DEFENDANT	PLAINTIFF	TOTAL DISTRICT COURT CASES
1	1	Fish & Richardson	151	50	201
2	2	Finnegan	45	49	94
3	**53**	**Troutman Sanders**	**18**	**69**	**87**
4	5	Perkins Coie	62	13	75
5	3	DLA Piper	66	8	74
6	7	Knobbe Martens	37	27	64
7	14	Foley & Lardner	47	15	62
8	7	Alston & Bird	51	9	60
9	4	Kirkland & Ellis	40	17	57
10	9	Latham & Watkins	40	16	56
11	23	Quinn Emanuel	38	17	55
11	12	Winston & Strawn	45	10	55
13	16	Morrison & Foerster	42	10	52
14	10	Kilpatrick Townsend	39	10	49
15	21	Baker Botts	40	8	48
15	30	Goodwin Procter	40	8	48
15	13	Jones Day	32	16	48
18	20	Cooley	36	10	46
19	11	Greenberg Traurig	36	8	44
19	23	Wilson Sonsini	35	9	44
21	48	Fitzpatrick	6	37	43
22	6	Akin Gump	40	1	41
22	44	Barnes & Thornburg	21	20	41
24	21	Baker & Hostetler	30	8	38
25	NA	Hogan Lovells	17	19	36
25	NA	Locke Lord	16	20	36
27	NA	Fox Rothschild	24	10	34
28	22	McDermott	27	6	33
28	31	Ropes & Gray	28	5	33
30	NA	Blank Rome	24	8	32

which ranked No. 53 in last year's survey, jumped to the No. 3 spot, having handled 87 district court cases in 2014, according to the survey. Corporate Counsel's annual Patent Litigation Survey is based on self-reported data provided by each firm.

Federal district courts, however, are no longer the defining measure of a firm's IP litigation activity. The Patent Trial and Appeal Board (PTAB), which has been hearing patent challenges at the U.S. Patent and Trademark Office for three years, has become a vitally important venue in patent disputes, and law firms have been ramping up their activity there.

"If anybody told you three years ago the PTAB would be as popular as it is, you wouldn't have believed it," says Karl Renner, a partner at Fish & Richardson who co-chairs the firm's post-grant practice group. "But the general consensus is that the PTAB has proven really potent and has become a material part of any defense strategy."

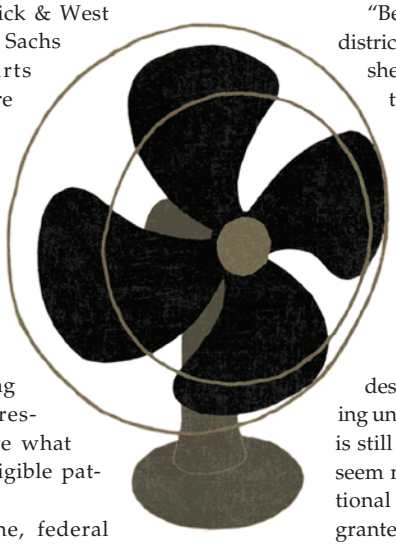
When the America Invents Act introduced the new proceedings, which allow third parties to challenge the validity of patents before a panel of administrative law judges at the PTO, the initial projections forecast about 420 patent challenges a year. But between September 2012, when the new procedures took effect, and Oct. 1 of this year, almost 4,000 patent validity challenges have been filed at the PTAB. This year, filings have averaged more than 140 a month. The procedures, which include inter partes review, covered business method challenges and post-grant review, move more quickly and are generally less expensive than district court litigation because discovery is limited and the mandated time to trial is one year after acceptance of a petition. They also can stay any parallel litigation that is pending in district court. Patent counsel say clients often want to pursue challenges at the PTAB—either in lieu of or in addition to litigation in district court. This has created a whole new practice area—one in which the rules are still changing, making it a challenge for lawyers to keep up.

In addition, PTAB proceedings have upset the status quo for IP attorneys because defending a patent's validity can be a lot harder there. It only takes a preponderance of the evidence to invalidate a patent claim at the PTAB, a standard that is lower than the clear and convincing evidence standard required in court.

Randall Rader, former chief judge of the U.S. Court of Appeals for the Federal Circuit, famously referred to PTAB judges as "death squads, killing property rights." Clearly, that has not played out. But in the first two years of the PTAB's existence, about 70 to 80 percent of challenged patent claims were canceled. In recent months, however, there has been a marked increase in the number of patent claims that have survived.

But if the PTAB wasn't enough to disrupt the comfort zone of patent lawyers, a number of recent court decisions have also changed long-held assumptions and practices.

First and foremost, is *Alice v. CLS Bank*. The U.S. Supreme Court decision on the ineligibility of abstract ideas for patent protection, which held that claims directed to implementing abstract ideas on a computer are not patentable, has had huge repercussions. Suddenly, software and business methods once believed to be patent eligible are not. District courts and the Federal Circuit are invalidating these patents at such a rapid pace that Fenwick & West partner Robert Sachs says the courts invalidated more patents in the 14 months post-*Alice* than they did in the five years before *Alice*.



"The Supreme Court decision means judges are being forced to aggressively eviscerate what counts as an eligible patent," Sachs says.

In July alone, federal courts issued 21 decisions, with 17 of them (81 percent) invalidating 36 patents, Sachs wrote in Bilskiblog, a Fenwick blog that examines changes in the law governing patentable subject matter and where Sachs tracks the impact of *Alice* in posts he tags #AliceStorm.

"Ten years ago, it was unusual to bring a motion to dismiss on these grounds, and those that were brought were routinely denied," Sachs says. "But now, it's grounds for malpractice if you don't bring one."

For companies with software patents, there are now risks. And for those seeking new patents, there are a lot of unknowns. But some are taking the long game, Sachs says, betting that a large number of appeals will eventually force the courts to revisit the issue and the invalidation pendulum will swing back the other way.

"But it's going to be a long process," Sachs says. "For now, companies are concerned about the impact this is having on their patent portfolios and are looking for guidance."

TWO 2014 SUPREME COURT DECI-sions, *Octane Fitness* and *Highmark*, have also been game changers. They lowered the standard for recovering attorney fees in patent cases and granted district courts more discretion in deciding fee awards.

It is too early to gauge the full effect of the decisions, but Hannah Jiam, a third-year law student at the University of California's Berkeley School of Law, has studied the impact they've had on patent litigation so far. Her findings were recently published by the Berkeley Technology Law Journal.

"The PTAB has proven really potent," says Fish & Richardson partner Karl Renner.

In the 10 months following the Supreme Court's decision, there's been a notable increase in the number of motions made for attorneys fees, Jiam found. Even more significant, there's also been a considerable increase in the number of fee awards to prevailing parties.

"Between April 29, 2014, and March 1, 2015, district courts awarded fees in 27 out of 63 cases," she says. "This is a grant rate that is at least two times greater than the rate before *Octane*."

Fee shifting is by no means automatic, but the threat of having to pay an opponent's fees may discourage non-practicing entities with weak cases from filing lawsuits, lawyers say. So-called patent trolls may negotiate settlements or drop cases before they are forced to pay.

While deterring patent trolls may be a desired effect of *Octane*, the law may be having unintended consequences as well. While data is still limited, some district courts, Jiam notes, seem more willing to rule that the new "exceptional case" standard has been met, and have granted attorney fees. If this continues to play out, attorneys are likely to do some forum shopping for patent cases, she says.

OTHER COURT DECISIONS HAVE ALSO forced patent attorneys to reconsider how they handle some cases. The Supreme Court ruled, for example, that deference should be given to factual findings on claim construction issues, upending the Federal Circuit's long-standing practice of applying a de novo review standard to claim construction cases. The high court also made it easier, at least theoretically, to prove a patent claim is invalid for indefiniteness, adding yet another weapon to the arsenal for invalidating patents.

So do all these recent changes in patent law mean the sky is falling? Hardly. None of the changes taken alone are likely to destroy the U.S. patent system. Taken together, they do have an impact. But that just means attorneys are being forced to adapt to a new patent litigation landscape. Sometimes a ruling will prompt them to call for legislation to counter a court ruling. More often, they will develop new strategies and find ways to take advantage of the new laws.

"Patent law is dynamic and it's always been that way," says Jiam. "That's what makes it exciting." ■