

As IT and Fintech Patent Grants Increase, PAE Confidence Grows

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As IT and Fintech patent grants trend upward again, Patent Assertion Entities (PAE) are gaining renewed confidence in their patent portfolios and filing more lawsuits.

In early 2019, new guidelines were issued by the United States Patent and Trademark Office regarding the patent-eligibility of computer-implemented processes. The new guidelines established a clearer path to patent eligibility for applications in fields such as IT and Fintech, a significant contributing factor to the recent upward trend.

Businesses may soon feel the costly repercussions of trying to protect themselves against patent infringement suits by PAEs. PAEs typically do not provide goods or services, but rather acquire and assert patents with the goal of obtaining licensing revenue.

An unexpected patent infringement lawsuit can be time-intensive, costly and stressful for in-house counsel and other business leaders. There are, however, some initial response steps to lawsuits by PAEs that can, in many cases, reduce the cost and time uncertainty that accompanies such lawsuits:

- Determine if the technology at issue involves equipment provided to your company by an outside supplier. A significant percentage of patents asserted by PAEs cover network or back-office computer systems. PAEs prefer to invest in such patents due to their wide applicability across the business world. A side effect of this tendency is that the patented methods are often executed on network or back-office turnkey systems provided by third party suppliers. These turnkey systems are typically accompanied by indemnity guarantees against patent infringement lawsuits. In such cases, the cost and stress of defending the lawsuit immediately transfers to the supplier. In fact, if the PAE has been active, the supplier may already have obtained a license to the patent to settle a previous lawsuit.
- Review the trajectory of past lawsuits by the PAE. You or your outside counsel likely subscribe to at least one service that enables a comprehensive docket search of the federal courts where all patent suits must be lodged. The details of previous lawsuits by the PAE often provide an accurate range for the time and cost that will be required to defend the suit against your company. For example, how many of the previous suits lasted more than a year before dismissal? If few or none, the PAE is likely not interested in investing in lengthy litigation, and a quick and relatively low settlement offer may be sufficient to end your suit. Next, how many of the previous suits progressed beyond the summary judgment stage? Has the patent in suit faced

a serious invalidity challenge yet? The answers to these questions can provide insight as to the willingness of the PAE to press the litigation if its initial licensing demands are not met.

- Make sure the complaint is specific to your company. Some PAEs rely on a “form” complaint that alleges infringement of each step of a computer-implemented method in general terms. A PAE may be reluctant to invest the resources to dig in to the facts surrounding your company’s alleged infringement of the accused technology. However, a failure to plead case-specific details of the alleged infringement of a method claim can be fatal to a patent infringement complaint. Did any previous defendants file a successful motion to dismiss? If so, you have a template from which to work. The PAE may be willing to accept a lower settlement offer rather than doing the legwork necessary to fix defects in the complaint.
- Note whether the asserted patent involves an industry standard. Patented computer-implemented methods that are adopted into a formally recognized industry standard are often subject to a requirement that they be licensed to interested parties at “reasonable and non-discriminatory” (RAND) terms (also known as “fair, reasonable, and non-discriminatory” (FRAND) terms). In such cases, the amount required for settlement of the lawsuit may be less than one would otherwise expect.

By working with outside counsel on these key steps, you can better estimate a range for the cost and time commitment your company may be facing as the target of a patent infringement lawsuit by a PAE.

Michael Longmeyer is a partner in Armstrong Teasdale’s Intellectual Property practice group in St. Louis. A former NASA engineer, Mike has extensive experience with the issues surrounding patent eligibility after the Supreme Court’s Alice decision, and has advised numerous clients on patent infringement issues.