Fixing Notice Failure: How to Tame the Trolls and Restore Balance to the Patent System

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FIXING NOTICE FAILURE: HOW TO TAME THE TROLLS AND RESTORE BALANCE TO THE PATENT SYSTEM

ABSTRACT

Patent litigation has become more frequent, more uncertain, and more expensive. Much of this can be traced to the rise of patent trolls asserting vague and uncertain software patents. Trolls have been derided as bringing frivolous and vexatious suits against productive companies, sapping the very same innovativeness that the patent system is supposed to encourage. Instead, companies are subject to nuisance-value suits as an ordinary course of business; for less established companies, such suits can threaten their very existence. Often, because of uncertain rules about claim construction and the granting of very broad patents, the accused infringer has no notice of any potential infringing behavior until the suit is brought or a demand letter is sent. This lack of notice—or “notice failure” as it is called—is a serious problem that disturbs the careful balance the patent system tries to achieve. In exchange for a limited monopoly in the invention, the patentee must disclose to the public what was invented. But if the public is not given proper notice of the full scope of the invention, the quid pro quo is turned on its head, favoring the patentee at the expense of the public. This Note proposes strengthening the notice requirement of the patent system. In particular, damages should be limited to behavior occurring after actual notice is given to an accused infringer where a patent troll asserts a software patent.
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INTRODUCTION

Patent reform is being clamored for from various quarters—from Industry, \(^1\) from the Academy, \(^2\) from members of the Judiciary, \(^3\) from the Press, \(^4\) from public interest groups, \(^5\) and even from some less traditional sources. \(^6\) The passage of the America Invents Act (AIA), \(^7\) although helpful to some degree, \(^8\) largely ignored the most pressing problems of the patent system. \(^9\) Among these pressing problems are: overcompensating infringement

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6. See David Holmes, *The Patent Song*, PANDOTAILY (Oct. 1, 2012), http://pandodaily.com/2012/10/01/pandohouse-rock-the-patent-song (singing about patent reform with such lyrics as “we all hate trolls right?” and “reform is the only way”).
9. See, e.g., Brian T. Yeh, CONG. RESEARCH SERV., R42668, *An Overview of the “Patent Trolls” Debate* (2013) (“However, the AIA contains relatively few provisions
verdicts, a vague and difficult-to-apply standard for determining “reasonable royalties”,
uncertain patent scope, the high cost of defending even spurious patent claims, and the flurry of “troll” suits that all this invariably encourages. Despite widespread attention being brought to these issues, that arguably might impact [NPEs] ....


there are disagreements about what, if anything, ought to be done.\textsuperscript{16} In particular, the software and pharmaceutical industries are often seen as occupying opposing camps, a result of the underlying differences between those two groups.\textsuperscript{17}

Some worry that large patent-infringement verdicts are becoming a trend.\textsuperscript{18} Just recently, Apple won more than $1 billion in a verdict from Samsung, largely from patent infringement claims.\textsuperscript{19} But even where a case results in a finding of non-infringement or invalidity, it may be a pyrrhic victory for many companies that are unable to shoulder large legal expenses.\textsuperscript{20} Given the high stakes, the uncertainty involved, and the costs of even successfully defending a patent-infringement action, there are strong incentives for companies—small, medium, or large—to settle.\textsuperscript{21} Enter patent trolls—known among polite company as Non-Practicing Entities (NPEs).\textsuperscript{22} Attempting to exploit this situation to their advantage and effectively immune from infringement counterclaims, NPEs target a wide array of companies, expecting many to settle quickly.\textsuperscript{23} The economic costs from this practice are enormous, estimated by some at $29 billion for
2011, or over $1.5 trillion over the period from 1990 to 2010. While NPEs have their defenders, the value they add to the patent system or the economy more broadly is far from clear. Indeed, some observers have concluded from all this that patents have an overall deleterious effect on innovation, contrary to their intended and constitutional purpose. Some members of Congress have proposed legislation directly targeting the pernicious effects of NPEs on the patent system. Even the FTC—following the lead of the President—is planning an inquiry into frivolous patent lawsuits and the behavior of patent trolls.

Concerns with the state of patent law are especially pressing for technology companies. Software patents, in particular, have been the subject of intense dispute. Technology companies are now acquiring large patent


25 See Risch, supra note 22, at 497–99; see also supra note 24.


27 See H.R. 6245, 112th Cong. (2012) (requiring NPEs to pay attorneys’ fees if they lose, but applying only to software patents); H.R. 845, 113th Cong. (2013) (same, but applying generally to all utility patents); see also Lisa Shuchman, Revamped SHIELD Act Again Seeks to Thwart ‘Patent Trolls,’ CORP. COUNS. (Feb. 28, 2013, 5:06 PM), http://www.corpcounsel.com/id=1202590122842.


29 See, e.g., YEH, supra note 9, at 15; Posner, Competition and Creativity, supra note 3.

portfolios, mostly as a defensive position. These patent portfolios can then be used either for cross-licensing or as an implicit threat of an infringement counterclaim if sued. The so-called “patent thicket”—the reality that sophisticated technological products are covered by thousands or hundreds of thousands of patents—encourages this strategy of mutually assured destruction. Whatever the value of this practice, it offers no defense against NPEs who do not produce anything to be countersued over. Particularly troublesome where software patents are concerned is what is called “notice failure,” where broadly written claims and lax enforcement of definiteness requirements mean that companies often do not know they


See, e.g., MASKUS, supra note 20, at 18; Rawls, supra note 30. But such portfolios are not invariably defensive. Consider this story, for instance:

An awkward silence ensued. The blue suits did not even confer among themselves. They just sat there, stonelike. Finally, the chief suit responded. “OK,” he said, “maybe you don’t infringe these seven patents. But we have 10,000 U.S. patents. Do you really want us to go back to Armonk [IBM headquarters in New York] and find seven patents you do infringe? Or do you want to make this easy and just pay us $20 million?”

After a modest bit of negotiation, Sun cut IBM a check, and the blue suits went to the next company on their hit list.


See, e.g., MASKUS, supra note 20, at 18; Rob Goodier, Patent Trolls: How Bad Is the Problem?, POPULAR MECHS. (Oct. 25, 2011, 4:00 PM), http://www.popularmechanics.com/technology/gadgets/news/patent-trolls-how-bad-is-the-problem (“Large stockpiles of patents can lead to a legal détente between tech giants simply because both companies own enough patents to sue the other repeatedly.”); Rawls, supra note 30. Curiously, given the purpose of the patent system, such patent portfolios are not, as a rule, used for innovation. See Boldrin & Levine, supra note 26, at 7 (“To learn more about the actual effect of patents in the real world, let us consider the response of Google to being pursued legally by a large competitor. One response is their recent purchase of Motorola Mobility.... Why the interest of Google? It is buying Motorola Mobility for its patent portfolio. Not for the ideas and innovations in that portfolio—few if any changes or improvements to Google’s Android operating system will result from the ownership or study of these software patents. The purpose of obtaining this patent portfolio is purely defensive: it can be used to countersue Apple and Microsoft and blunt their legal attack on Google.” (emphasis added)).

See, e.g., YEH, supra note 9, at 10–11.

may be infringing a patent until an infringement action is brought. Technology companies have not been shy about raising these concerns. Indeed, many of the members of the Coalition for Patent Fairness—such as Google, Dell, Oracle, CISCO—are technology companies. Neither has the problem gone unnoticed at the Patent Office.

One way to counter the problems of notice failure and curb the more troubling aspects of NPEs is to strengthen notice requirements. Notice requirements, although weak, especially with regard to NPEs, are not unknown in the patent law. Generally, a company that manufactures a patented product must mark the product with its patent number. That mark constitutes constructive notice to potential infringers. If a company fails to mark a product, damages do not begin to accrue until actual notice is given by the patentee to an infringer. The marking requirement is only applicable when there is a product to mark, however, and so NPEs generally are not subject to any such marking requirement because they do not (by definition) practice their patents. Therefore, the only notice that potential infringers have in NPE suits is the patent as filed with the USPTO. This notice, especially for software patents, is often inadequate.

This Note will argue that for software patents being asserted by NPEs, actual notice ought to be given to alleged infringers before damages begin to accrue. Part I of this Note will discuss how this requirement best enforces

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35 See, e.g., YEH, supra note 9, at 9 (describing notice failure and the underlying causes of notice failure as both “fuzzy boundaries” of claims and the infeasibility of searching through existing patents in this field); BURK & LEMLEY, supra note 2, at 46–72.
38 See David Kappos, Under Sec’y of Commerce for Intellectual Prop. & Director of the USPTO, Keynote Address at the Center for American Progress: An Examination of Software Patents (Nov. 20, 2012), http://www.uspto.gov/news/speeches/2012/kappos_CAP.jsp (“[W]e know that inconsistency in software patent issuance causes uncertainty in the marketplace and can cause threats of litigation that in turn can stifle innovation and deter new market entrants.”).
39 See infra Part III.
40 See 35 U.S.C.A. § 287(a) (West 2014); see also infra Part III.
41 See § 287(a); see also infra Part III.
42 This Note focuses only on software patents asserted by NPEs; the case for requiring notice here is particularly acute. Where a product is marked, but a software patent is later
the public purposes of the patent system. Part II will discuss the rationale of
the marking requirement, and why it is logical to extend this notice require-
ment to NPEs and software patents. Part III will consider what a notice re-
quirement might look like in practice.

I. SOFTWARE PATENTS AND THE PURPOSES OF THE PATENT SYSTEM

This Note will argue that software patents are different from other
types of patents; that patents affect the software industry differently than
other industries; that because of this, an individualized approach toward
software patents is proper; and, that this individualized approach, guided
by the public purposes of the patent system, should strengthen notice re-
quirements, particularly being directed at NPEs.

A. Software Patents Are Different from Other Patents

Software patents are different, fundamentally, from other types of pa-
tents, and in particular, from those in the pharmaceutical or biotechnology
fields.43 Compared to other fields, software development is cheap.44 Soft-
ware patents tend to be more abstract, and, consequently, the metes and
bounds of a patent claim in software is much fuzzier than in other fields.45
Additionally, the software industry relies less on patent protection than
other industries, especially the pharmaceutical or biotechnology industries.46
Software patents are also different, empirically, from other patents, in that
they tend to have higher rates of litigation and higher rates of claim con-
struction problems.47
1. Software Development Is Cheap Compared to Other Fields of Innovation

It is much cheaper to develop new software than it is to develop a new drug or other product. In pharmaceutical development, huge outlays are spent on research and development, drug testing, and regulation compliance. Moreover, the vast majority of drugs turn out to be ineffective or otherwise do not make it to market, increasing the real costs of development. It takes on average ten to fifteen years to develop a new drug. And, once developed, these drugs typically are useful at least throughout the life of the patent. Indeed, generic drugs, typically entering the market after patent expiration, account for a large portion of the total amount of filled prescriptions. In addition, this research and development is being spent on relatively few drugs, for which relatively few patents are issued.

In software development, in contrast to pharmaceutical and most other development, innovation tends to happen quickly and incrementally. Instead of expensive capital investments, often the primary cost in software development is the labor of the software developer. In addition to innovation being quick and incremental—and perhaps because of it—once developed, software has a relatively short life span, being quickly superseded by other technology. And the large sums that big technology companies

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48 See Posner, supra note 3.
50 Id. at 6 (stating that only 1 in 5,000–10,000 compounds tested reach consumers and that only 3 in 10 drugs generate enough money to match or exceed the research and development costs for the drug).
51 Id. at 4.
52 See, e.g., Generic Drug Entry Prior to Patent Expiration, FTC (July 2002), http://www.ftc.gov/sites/default/files/documents/reports/generic-drug-entry-prior-patent-expiration-ftc-study/genericdrugstudy_0.pdf (identifying the large market share that generic drugs have).
54 Wiggins, supra note 17, at 283.
spend on research and development,\(^5\) to the extent that such research covers patentable subject matter, results in a large number of patents.\(^6\) By way of comparison to the pharmaceutical industry, which also spends large sums on research and development, in 2012 Glaxo Limited, the subsidiary through which GlaxoSmithKline produces pharmaceuticals,\(^7\) received sixty-eight patents to IBM’s 6457—and many of the top patent recipients in terms of total patents issued by year are technology companies.\(^8\) The reality that complex technical products are covered by a large number of patentable subcomponents—the so-called “patent thicket”—also helps to explain why software development produces many patentable components. Indeed, some estimate that a smartphone is covered by hundreds of thousands of patents.\(^9\) In contrast, a given drug developed by a pharmaceutical company is covered only by a few patents.\(^10\)

These differences are not superficial. Because software development does not require the huge outlays that pharmaceutical research does, development can happen more quickly and by a more diverse set of actors. That innovation in software is incremental means there is less risk that huge sums of capital and time will be spent on research paths that lead nowhere, which is a real and constant risk for pharmaceutical development where most drug ideas do not reach an end consumer and most drugs even at the later stages of development are not successful.\(^11\) That software development may produce many patentable components and subcomponents,\(^12\)

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5. See Posner: Who Needs Patents, Anyway?, IPNAV BLOG (July 19, 2012), http://www.ipnav.com/blog/posner-who-needs-patents-anyway/ (claiming that “[o]f the top 10 US companies ranked by R&D investment, only four are involved in pharmaceuticals,” and “the number one company is Microsoft,” with Cisco, Oracle, and Google also on the top-ten list).

6. For instance, compare supra note 53 with estimates that a smartphone contains over 250,000 patentable components. See Mike Masnick, There Are 250,000 Active Patents that Impact Smartphones, TECHDIRT (Oct. 18, 2012, 8:28 AM), http://www.techdirt.com/blog/innovation/articles/20121017/10480520734/there-are-250000-active-patents-that-impact-smartphones-representing-one-six-active-patents-today.shtml.


9. See supra note 9 and accompanying text.

10. See supra note 57 and accompanying text.

11. See supra note 53 and accompanying text.

12. See supra notes 49–50 and accompanying text.
for any given product, means that on average a given patent costs less than for pharmaceutical research, where expensive drug research will lead to only a few patents. That software innovation is quickly superseding older products further heightens this disparity between the cost of an individual software patent and an individual pharmaceutical patent, especially because pharmaceutical research takes so long—ten to fifteen years on average. Moreover, there are a fair amount of software development activities—fixing bugs, improving user interfaces, expanding system compatibility, documentation—that are not likely to lead to new patents. In contrast, most pharmaceutical research has, as a long-term aim, the development of a new and patentable drug. This makes a simple comparison of the research and development costs of large technology companies and drug companies misleading. The net effect of all this is that it is much cheaper to come up with a patentable software claim than a patentable pharmaceutical claim. The worth of software patents is quite different from other types of patents, especially pharmaceutical patents.

2. Software Patents Are More Indeterminate than Other Patents

Software patents have boundaries that are fuzzier than other patents; that is, notice failure is more pronounced for software patents than it is for other types of patents. This is in part because software claims tend to be more abstract than other types of claims. There are empirically more claim construction problems with software patents, which would be expected if

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64 See supra notes 53, 57–62 and accompanying text.
65 See supra note 49 and accompanying text.
66 Such as can be seen in supra note 56; see also Boldrin & Levine, supra note 26, at 4–6. It is also worth noting that software patents are not exclusive to technology companies. See, e.g., JAMES BESSEN & MICHAEL J. MEURER, PATENT FAILURE: HOW JUDGES, BUREAUCRATS, AND LAWYERS PUT INNOVATORS AT RISK 190 (2008) (“The general concern is over software patents, not the software industry per se. This distinction is important because almost all software patents are obtained by firms outside the software industry.”).
67 See supra note 45; BESSEN & MEURER, supra note 66, at 150–51 (giving reasons why patent notice failure became worse during the 1990s, including decisions regarding claim construction, the use of continuing patent applications, changes in software patents allowing for more abstract claims, and the increase in number of patents); id. at 189, 192 (describing the history of and continued opposition to software patents by technology companies); id. at 194 (“We believe that, on average, software patents suffer notice problems more acutely than patents drawn from most other areas of technology.”). See generally id. at 46–72 (discussing notice failure generally, and the importance of clear boundaries).
68 See BESSEN & MEURER, supra note 66, at 187 (“We argue that there is, in fact, something crucially different about software: software is an abstract technology.”).
the scope of software patents were more difficult to determine than other
types of patents. 69 Indeed, there is almost twice as high a reversal rate for
claim construction decisions involving software patents compared to pa-
tents generally. 70 As Bessen and Meurer argue, much of this may be be-
cause software is, itself, an abstract endeavor. 71 Some of the high reversal
rate may be explained by the indeterminacy of software claims, or because
of “complex software claim construction rules.” 72 The uncertain nature of
claim construction is a serious problem. 73 Miller concludes that, while
“claim construction law appears to be working quite well for non-software
patents .... [m]y results demonstrate that the same cannot be said of soft-
ware claim construction, which is highly unpredictable.” 74 For pharmaceu-
tical patents, on the other hand, claims tend to be much more precise. 75
Chemical formulas are anything but abstract. 76 That is not to say such
claims are not broad, but that the outer boundaries are, on average, more
determinate than for software claims.

Another issue with software patents is the uncertainty over what is pa-
tent eligible. Many software patents are business method patents 77—patents
on the way of doing business—and have become common-place in the
wake of Bilski v. Kappos. 78 That decision—dealing with a patent on a
method for hedging risk—did little, however, to provide firm footing to the
nature of patentable subject matter. 79 While the Court in Bilski held that no

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69 See supra note 2.
70 See Shawn P. Miller, Do “Fuzzy” Software Patent Boundaries Explain High Claim
p://ssrn.com/abstract=2139146 (finding a 40 percent reversal rate for software patent claims,
and an 18 percent reversal rate across all other patent claims).
71 See supra note 66.
72 See Miller, supra note 70, at 27.
73 See Bessen & Meurer, supra note 66, at 200 (“Nevertheless, in a broad range of
cases, significant uncertainty remains as to whether abstract claims would be upheld, and,
if so, how they would be interpreted if challenged in court.”).
74 See Miller, supra note 70, at 24.
75 Bessen & Meurer, supra note 66, at 153 (describing the “clear boundaries
provided by patents on chemical structures and compositions”).
76 Id.
77 See id. at 187 (claiming that “patents on business methods ... are largely
software patents”).
78 130 S. Ct. 3218 (2010); see Mark A. Lemley et al., Life After Bilski, 63 Stan. L. Rev.
1315, 1317–25 (2011) (“The patentability of software and business methods has a long and
tortured history.”).
79 See Lemley et al., supra note 78, at 1316 (“Put simply, the problem is that no one
understands what makes an idea ‘abstract,’ and hence ineligible for patent protection ....")
(citation omitted); see also Mark Connolly, Note, The Search for America’s Most Eligible
Patent: The Impact of the Bilski Decision on Obtaining Patents for Processes and Business
rule categorically barring business method patents was appropriate, it did not itself provide any rule to make clear what was subject-matter eligible. The problem has been compounded lately with a number of different subject-matter cases, which have so far not provided clear guidance as to what is patentable subject matter. In Prometheus, the Supreme Court recently found that a patent lacked subject matter eligibility under the law-of-nature exception. In Myriad, the Court reversed-in-part the Federal Circuit, after having remanded the case in light of Prometheus, finding that naturally occurring genes could not be patented but so-called cDNA could be patented. The Federal Circuit, for its part, although not providing any clear guidance, has dealt with a number of software-related subject-matter-eligibility cases, including Ultramercial, CLS Bank, and Bancorp.

Beyond uncertain subject matter requirements under § 101, lax definiteness requirements under § 112 further contribute to vague and unclear claims. While subject matter and definiteness concerns are not unique to software patents, they apply more to software patents than other patents. Business method patents, of which an appreciable subset are software patents, are particularly sensitive to subject matter concerns. Further, because many software claims are already abstract, any additional vagueness that lax definiteness requirements may impose only heightens the problem of determinacy.

An additional wrinkle to the notice failure of software patents is that software patents are hard to search. This is, in part, because of poor indexing and the ineffectiveness of keyword searching. When dealing with broad patent claims, it is difficult to effectively index everything such a
claim might reach. Another issue is that software patents are classified by their specific industrial use rather than the algorithm that the claims rely on. That is, although a claim might describe a novel algorithm which is used in one field, that claim might also cover a use of the same algorithm for some unrelated field—but it may not be an obvious thing to search for, to an innovator in the other field. Keyword searches are of limited value because computer science is an emerging field and terms have not been fixed to the degree that they are in other arts; because terms such as “data” are broad and, in any event, do not narrow the search meaningfully; and, because of the rapid pace of technological innovation, terms are sometimes changed, or no term yet exists to describe the innovation. Ultimately, the difficulty of searching for patent claims and the indeterminacy of many such claims compound the problems of notice failure for software patents.

3. The Software Industry Relies Less on Patent Protection than Other Industries

The software industry relies less on patent protection than other industries, especially the pharmaceutical or biotechnology industries. Whereas the pharmaceutical industry clamors for more and stronger patent protection, the software industry does just the opposite. The reason that the AIA—the recent patent reform act—did not do much to address NPEs or notice failure is that while technology companies testified to Congress about the need for such reform, pharmaceutical companies testified to Congress about the need for stronger patent protection for their industry, resulting in stalemate.
There are several reasons driving these industries into different camps regarding patent reform. Whereas in the pharmaceutical industry, drugs take over a decade to develop\(^{98}\) and are used for a long period of time,\(^{99}\) in the software industry, change happens incrementally and on a much faster scale.\(^{100}\) Additionally, it is much cheaper to copy a drug than to initially develop it.\(^{101}\) This makes patent protection critical in the pharmaceutical industry, but much less so for software. Moreover, in software, direct copying usually does not occur; rather, an infringer independently comes up with the same innovation.\(^{102}\) Indeed, so far from direct copying, the first notice an alleged infringer has of infringement is often the initiation of a lawsuit, especially with regard to NPEs. And while it is much cheaper to copy a drug than to develop it initially, the same is not true, at least to the same degree, for software patents. Because software patents do not disclose the computer code necessary to implement their claims, nor the many choices and tradeoffs involved in actual software development—even copying a software patent may not be significantly cheaper than designing around that patent.

Additionally, being first to market, having experience with the product, and the power of a brand, all provide strong benefits to an innovator, especially in such a quickly changing field as software.\(^{103}\) Indeed, the software industry thrived for many years before software patents really came onto the scene. Bessen and Meurer note that “[e]conomists have long understood that the patent system works substantially better in the chemical and pharmaceutical industries than in most other industries.”\(^{104}\) There are also cultural reasons why patents are not as critical in software. Early on much software innovation happened in the open, with developers

\(^{98}\) See Pharmaceutical Patents, supra note 49.

\(^{99}\) See id. at 12–14.

\(^{100}\) See supra note 17.

\(^{101}\) See, e.g., Posner, Competition and Creativity, supra note 3.

\(^{102}\) Christopher A. Cotropia & Mark A. Lemley, Copying in Patent Law, 87 N.C. L. REV. 1421, 1424 (2009) (“Copying seems to be the exception, not the rule in patent cases.”); Mark A. Lemley, Should Patent Infringement Require Proof of Copying?, 105 MICH. L. REV. 1525, 1526 (2007) (“In the information technology industries, it sometimes seems as though the overwhelming majority of patent suits are not brought against people who copied a technology, but against those who developed it independently.”).

\(^{103}\) See, e.g., Posner, Competition and Creativity, supra note 3.

\(^{104}\) BESSEN & MEUER, supra note 66, at 152.
freely sharing their work with each other.\textsuperscript{105} To some extent, this model still exists within the open-source development community. Companies such as RedHat, for instance, base their business model around the support that they provide, rather than on proprietary software.\textsuperscript{106} Even Google’s successful Android operating system is open-source and available to the public.\textsuperscript{107} Given the largely defensive role that patents play for technology companies,\textsuperscript{108} rather than seeking the protection provided by the patent system, it might better be said that these companies are seeking protection from the patent system.

\textbf{B. Damages and Incentives—Concerning the Public Purposes of the Patent System}

There is a strong incentive to avoid infringement in the patent law. Knowledge or notice of a patent is not a prerequisite to infringement, with a relatively small exception for marking.\textsuperscript{109} Willfulness of the infringer is only relevant for damages once infringement has been established.\textsuperscript{110} This makes patent infringement basically a strict-liability offense, which creates the incentive to proactively avoid infringing behavior. It does not, however, create an incentive for the patentee to actively enforce his rights. Except for a few weak exceptions,\textsuperscript{111} only market conditions act as incentives to actively enforce patent rights. While this balancing might make sense in the ordinary course, when dealing with NPEs, it creates an incentive to lie in wait

\begin{footnotes}
\item[108] See supra notes 31–32.
\item[109] See infra Part III. There is also a minor exception for indirect infringement under § 271(b) or (c), but knowledge of infringement does not affect liability for direct infringement under § 271(a). Additionally, there is some notice requirement for § 271(g). See 35 U.S.C.A. § 287(g) (2014); Process Patents Amendment Act of 1988, Pub. L. No. 100-418, §§ 9001–9007, 102 Stat. 1107, 1563–1567 (1988) (codified as amended at 35 U.S.C. §§ 154, 271, 287 (1988)). But these are minor exceptions and have limited relevance to this Note.
\item[110] See 35 U.S.C.A. § 284; In re Seagate Tech., LLC, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (“[T]o establish willful infringement, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.”).
\item[111] Damages only extend back six years, 35 U.S.C. § 286, and the equitable doctrines of laches and estoppel provide some weak incentive to actively enforce patent rights.
\end{footnotes}
for a product to become locked in and profitable. This is especially true for software patents, where notice failure is particularly high. Although such behavior may be in the interest of an NPE, it does not serve the public purposes of the patent system.

1. Incentive to Avoid Infringement

In order to avoid infringing an unknown patent, an inventor can conduct a patent clearance search to determine if an existing patent covers his invention. In the pharmaceutical field, for instance, this strategy makes a good deal of sense. Drugs give rise to well-defined claims, the scope of which are fairly determinable. Moreover, the huge initial development costs outweigh the much smaller costs of conducting a patent clearance search. That is not the case for software patents. The problem of notice failure is particularly acute for software patents, making a patent clearance search hard, costly to conduct, and likely inadequate. Particularly troublesome is this likely inadequacy of a search; even where a patent is known beforehand, it will not be uncommon that a reasonable person having ordinary skill in the art would not find infringement ex ante, although a court sometimes will ex post. Moreover, the much smaller development costs make the costs of a patent clearance search, which may itself prove inadequate, harder to justify. This has led some scholars to conclude that, in many circumstances, patent clearance is “especially fruitless.”

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112 See supra notes 67–74 and accompanying text.
114 See, e.g., supra notes 75–76 and accompanying text; see also Chien, supra note 113, at 290 (“[Patent] clearance is viewed as ‘manageable’ in commercial-biopharmaceutical settings.”).
115 See, e.g., supra notes 48–51 and accompanying text.
116 See supra notes 67–91 and accompanying text.
117 See, e.g., BESSEN & MEURER, supra note 66, at 50 (describing an infringement action between Kodak and Polaroid, in which despite a vigorous clearance search in which an expert had identified the patents-in-suit and concluded that they were either not infringed or invalid, ultimately infringement was found).
118 See supra notes 54–60 and accompanying text.
119 See BESSEN & MEURER, supra note 66, at 50 (“The costs of sorting through a large number of uncertain property rights is larger than the expected costs incurred when any one patent is asserted against the innovator.”); id. at 200 (“[T]he uncertainty about boundaries makes clearance difficult and subjects inventors to the risk of inadvertent infringement.”); see also Mulligan & Lee, supra note 87 (“[Clearance] costs are relatively low in pharmaceuticals and other chemical industries. As a consequence, the patent system serves these industries relatively well. In contrast, discovery costs in the software industry are so high that most firms don’t even try to avoid infringement.”).
120 See BESSEN & MEURER, supra note 66, at 71; see also FED. TRADE COMM’N, THE EVOLVING IP MARKETPLACE: ALIGNING PATENT NOTICE AND REMEDIES WITH
Although a clearance search is much more justifiable for pharmaceutical innovations than for software innovations, the incentive to avoid infringement is the same. The patent law creates this incentive to avoid infringement by having damages, consisting of at least a “reasonable royalty,” begin to accrue upon any infringing behavior, intent or knowledge notwithstanding—and those damages go back up to six years. Unlike in copyright law, where proof of copying is necessary, lack of knowledge of the patent provides no defense to infringement. Given the differences between the software and pharmaceutical industries; the problematic nature of software patents, as opposed to pharmaceutical patents, particularly regarding notice failure; and the resulting differences between clearance searches in each industry, it makes little sense to treat these conflicting situations with the same incentives.

It is worth examining why the patent law places such a strong incentive to avoid infringement upon independent inventors. Patent law is unique in intellectual or real property because patentees have the power “to control the use of their idea—even by those who independently develop a technology with no knowledge of the patent or the patentee.” Some have questioned whether this extraordinary right of exclusion is necessary to properly encourage innovation. Defenses of the right usually rest on the ability to fake independent inventorship, the weakening incentive to innovate that anything but strict liability would provide, or that while some industries might not be affected by this other industries which depend upon patent law more critically would be harmed. Given that the


121 The concept of willful infringement, see, e.g., In re Seagate Tech., LLC, 497 F.3d 1360, 1368 (Fed. Cir. 2007), is an additional incentive to avoid infringement. That, however, is of limited importance here, where the focus is on notice failure. A prerequisite to finding willful infringement is knowledge of (or objective recklessness as to) both the patent and its infringement. Id. at 1371.


123 See Lemley, supra note 102, at 1525; see also Cotropia & Lemley, supra note 102, at 1424 (“One of the most significant differences between patent law and other areas of intellectual property is that, in patent law, copying is irrelevant to the determination of infringement.”).

124 See Lemley, supra note 102; Samson Vermont, Independent Invention as a Defense to Patent Infringement, 105 MICH. L. REV. 475, 475 (2006) (“This Article argues that independent invention should be a defense, provided the independent inventor creates the invention before receiving actual or constructive notice that someone else already created it.”).

125 See Lemley, supra note 102, at 1527–32.
software industry relies less on patent protection than other industries;\(^\text{126}\) that the cost of clearance is harder to justify for software patents; and that NPEs usually do not invent anything, but most often acquire patent rights from others, it makes sense to view this strict liability aspect of the patent law more skeptically for software patents asserted by NPEs. Rather than proposing an independent inventor defense, however, this Note instead argues that damages should not begin to accumulate until the alleged infringer receives some notice of infringement.

2. Incentive for NPEs to Lie in Wait

There is an incentive for NPEs to lie in wait for a product to become locked in before bringing an infringement suit.\(^\text{127}\) As a rule, NPEs tend to assert old patents.\(^\text{128}\) This is because, in the current system, liability does not depend on knowledge of infringement.\(^\text{129}\) And, unlike in trademark law, there are only weak incentives to proactively enforce patent rights.\(^\text{130}\) To be sure, there is a six-year limit on damages,\(^\text{131}\) and the equitable doctrines of laches and estoppel exist,\(^\text{132}\) but these alone do not counterbalance the incentive to wait for a product to become locked in. The longer a product or a component of a system is in use, the more it can be relied

\(^{126}\) See supra Part I.A.3.

\(^{127}\) See Sannu K. Shrestha, Note, Trolls or Market-Makers? An Empirical Analysis of Nonpracticing Entities, 110 COLUM. L. REV. 114, 140 (2010) (describing how an NPE may wait “until a manufacturer [has sunk] investments into developing and marketing a successful product that infringed its patent and then threaten[] the manufacturer with an injunction to obtain high licensing fees.”).


\(^{129}\) See supra notes 123–24 and accompanying text.

\(^{130}\) Compare Dawn Donut Co. v. Hart’s Food Stores, Inc., 267 F.2d 358, 366 (2d Cir. 1959) (stating that federal trademark law “places an affirmative duty upon a licensor of a registered trademark to take reasonable measures to detect and prevent misleading uses of his mark by his licensees or suffer cancellation of his federal registration”), with infra notes 131–32 and accompanying text.


\(^{132}\) See A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1028 (Fed. Cir. 1992) (describing the elements of laches and equitable estoppel in patent cases). Note that the six-year statutory limit on damages is distinct from the six-year period that creates a presumption of laches. Id.
upon, and therefore, the harder it is to subsequently change. If a patentee knows of infringement early on, bringing an infringement action or beginning licensing negotiations may cause an infringer to seek a design-around. But if the patentee waits until the product has become locked in and profitable, he gets the two-fold benefit of being able to seek increased damages over a longer period of time, and having the product or component of a system being more expensive to replace. That gives the patentee increased leverage during settlement or licensing negotiations. Thus, although the six-year limit on damages does encourage some proactive enforcement of patent rights, there is a much stronger incentive to lie in wait, especially since the years that such a rule exclude are likely to produce less in damages than when a product has become more mature.

There are incentives to sleep on patent rights, but no strong legal incentives to proactively enforce patent rights. However, there can be strong market incentives to do so. This is true when a patent holder is in direct competition with an infringer. A stark illustration of this principle is the so-called “smartphone wars”—where Apple has pursued a number of Google affiliates in an effort to protect its smartphone market share—which are being waged largely on the patent battlefield.\textsuperscript{133} Even when there is not direct competition, it may sometimes be in a patentee’s interest to discourage infringement as a means of making a product distinctive. But for NPEs, who do not produce anything and so are not in direct competition and have no brand to protect, these economic incentives to proactively enforce patent rights do not exist.

3. The Public Benefits from Prompt Patent Enforcement

The public benefits from having patent rights actively enforced. Most clearly, active enforcement can encourage a potential infringer to design around a patent and thereby provide new innovation to the public.\textsuperscript{134} But active enforcement can also serve to make the scope of the patent clearer, as


\textsuperscript{134} See Slimfold Mfg. Co. v. Kinkead Indus., Inc., 932 F.2d 1453, 1457 (Fed. Cir. 1991) (“Designing around patents is, in fact, one of the ways in which the patent system works to the advantage of the public in promoting progress in the useful arts, its constitutional purpose.”); Lindholm, supra note 87, at 88 (“Patents indirectly encourage inventors to find multiple solutions to problems.”).
decisions come down clarifying the scope of a patent or finding a patent invalid. This is beneficial to the public because it helps to correct the problems of notice failure. It will tend to make licensing or settlement negotiations more certain and lower transaction costs as a result. And, to the extent that patent scope is made clearer, such enforcement can work to aid in disclosure of the patent claims, which is one of the fundamental purposes involved in the quid pro quo of the patent system. The economic incentives of the patent system generally depend upon patent claims being publicly available. Those incentives—invention, designing around, disclosure, and commercialization—are therefore strengthened, to the extent that prompt patent enforcement makes otherwise obscure or uncertain patent claims public.

The purpose of the patent system is not to create private fortunes. The system grants certain monopoly rights in exchange for public disclosure of the invention. But the purpose of it is to bring the benefits of innovation and commercialization to the public. That an NPE might stand to gain more by lying in wait is of no consequence, especially where such behavior is contradictory to the public purposes of the patent system. Indeed, where the incentives are so out of order, it creates a strong argument that change is needed to right the system.

C. Requiring Notice of Infringement Before Damages Begin to Accrue

To correct the incentives of the patent system, notice ought to be given to an alleged infringer before damages begin to accrue, at least for software patent claims asserted by NPEs. This will create an incentive for NPEs to proactively enforce their patent rights and will serve to counter-balance the negative effects previously described. Moreover, because of the problems of notice failure, particularly regarding software patents, it makes sense to put some burden on the patentee to police his rights. Indeed, it is the patentee who is often in a better position to detect infringing

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135 See, e.g., Universal Oil Prods. v. Globe Oil & Ref. Co., 322 U.S. 471, 484 (1944) (“As a reward for inventions and to encourage their disclosure, the United States offers a seventeen-year monopoly to an inventor who refrains from keeping his invention a trade secret.”); Rebecca Eisenberg, Patents and the Progress of Science: Exclusive Rights and Experimental Use, 56 U. Chi. L. Rev. 1017, 1028 (1989) (“The incentive to disclose argument ... rests on the premise that in the absence of patent protection inventors would keep their inventions secret in order to prevent competitors from exploiting them. Secrecy prevents the public from gaining the full benefit of new knowledge and leads to wasteful duplicative research.”).

136 See Lindholm, supra note 87, at 110.

137 See infra Part IV (explaining what such a notice requirement might look like).
behavior than parties, who are not familiar with the patent or are uncertain of its scope.

1. The Case for Requiring Notice

Notice failure in patent law is a serious problem, as this Note has demonstrated. It creates uncertainty and risk for companies trying to create new products. It weakens the economic incentives of the patent system, calling into question the wisdom of giving patent holders exclusionary rights in their patented claims. Requiring notice of infringement before damages begin to accrue corrects some, but not all, of these problems. Notice after the fact, for instance, cannot correct the uncertainty of patent scope, or mitigate all the risk that companies face due to that uncertainty, prior to developing a new product. Although it has the effect of limiting damages, companies may still face the threat of an injunction. The possibility of an injunction might be an incentive for a patent holder to lie in wait, instead of actively enforcing his patent rights. However, following eBay v. MercExchange, the likelihood of an NPE obtaining an injunction is considerably reduced.138

Although requiring notice before allowing damages to begin to accrue may not fix all the problems of notice failure, it can significantly ameliorate them. Principally, requiring notice will encourage NPEs to bring suit earlier than they otherwise would. This is because most of the advantages of waiting for product lock-in are gone—damages will only be forward looking, which will also decrease the overall cost of seeking a design around or license, and the threat of an injunction is small. This will also encourage NPEs to be more careful about the suits they bring because NPEs will face smaller overall damage awards or settlements as a result of litigation, causing litigation costs to consume more of their operating expenses. Prompt enforcement of patent rights, which a notice requirement would encourage, also benefits the public purposes of the patent system.

2. The Case for Targeting Software Patents

Having a notice requirement before damages begin to accrue is meant to correct the problems of notice failure in the patent law. This notice failure is most critical for software patents.139 Clearance searches for such patents are often “especially fruitless”—expensive, uncertain, and unlikely

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139 See supra notes 67–91 and accompanying text.
to ward off any risk of future litigation. Moreover, the technological industry relies less on patent protection than other industries, particularly the pharmaceutical industry. Given that problems with notice are heightened for software patents, and that the patent system provides less support to the technological industry, it makes sense to specifically target software patents. After all, as already described, software patents are different from other types of patents.

3. The Case for Targeting NPEs

As this Note has explained, there is a particular worry about NPEs sleeping on their rights, lying in wait for a product to become locked in before bringing an infringement action. The notice requirement this Note proposes, therefore, specifically targets NPEs. As explained, the market incentives that exist for companies that produce a product to enforce their rights do not influence NPEs. Additionally, NPEs are generally free from any marking requirements that other companies face. This only compounds the problems of notice failure. NPEs are also known to read their claims more broadly than other patentees. This results in significantly lower findings of infringement and also increases the tendency for notice failure. There is, therefore, a good reason for targeting NPEs over other types of entities.

II. RATIONALE OF PATENT MARKING AND WHY ITS PUBLIC-NOTICE FEATURE SHOULD BE EXTENDED TO COVER NPEs ASSERTING SOFTWARE PATENTS

The marking statute requires that patentees, who market and sell their patented products, mark their products in a manner that makes the patent rights conspicuous to the public. Where marking is feasible and is not done, damages do not begin to accrue until the patentee provides actual notice of infringement. Indeed, the public notice function of the marking statute is deemed so important that the patentee must provide actual notice even where the infringer is already aware of the patent and its

140 See supra notes 117–20 and accompanying text.
141 See supra notes 92–108 and accompanying text.
142 See supra Part I.A.
143 See supra notes 127–33 and accompanying text.
144 See infra Part II.
145 Cf. Risch, supra note 22, at 484 (noting that NPEs assert overly broad claim constructions resulting in a low rate of actual infringement being found).
147 Id.
infringement. Moreover, where the patentee marks a product with an inapplicable patent or invalidated patent, he may be subject to penalties for false marking.

A. Why Marking?

Marking serves an important notice feature of patent law by helping to avoid innocent infringement, encouraging public notice, and identifying products as patented. The marking requirement protects an innocent infringer who might see an unmarked product for sale and assume its design is public. Thus, although patents are themselves publicly available, patent law requires that products be marked rather than rely on a purported notice from publicly available patent applications. This requirement to mark is important, both because the bounds of a patent are uncertain and because performing a clearance search can be costly and inadequate, especially for software patents. By requiring actual notice before damages begin to accrue, the marking statute highlights the importance of the disclosure incentive of the patent system.

B. Marking and Software Patents

The applicability of the marking requirement to software patents is not entirely clear, but it is clear that it does not apply in many common situations. In order for the marking statute to apply, there must be a tangible article. Additionally, the marking statute does not apply to pure method

148 See Jessica S. Siegel, Note, The Patent Marking & Notice Statute: Invitation to Infringe or Protection for the Unwary?, 36 Hous. L. Rev. 583, 602–03 (1999) (stating that an infringer’s independent knowledge of the patent does not affect the patentee’s duty to notify where marking is not done).
149 35 U.S.C.A. § 292. The AIA restricted standing on this to persons who have “suffered a competitive injury,” but false marking remains an important aspect of the public-notice requirement of marking. Id. § 292(b).
150 Nike, Inc. v. Wal-Mart Stores, Inc., 138 F.3d 1437, 1443 (Fed. Cir. 1998) (stating that the Marking Statute serves three purposes, namely: (1) “helping to avoid innocent infringement”; (2) “encouraging patentees to give notice to the public that the article is patented”; and (3) “aiding the public to identify whether an article is patented” (citations omitted)).
151 See John LaBarre & Xavier Gómez-Velasco, Ready, Set, Mark Your Patented Software!, 12 Rich. J.L. & Tech. 3, 27 (2005) (“It is protection against innocent infringement which is exactly what the Marking Requirement is supposed to cure.”); Siegel, supra note 148, at 585–87 (“[A] fundamental rationale supporting section 287 [is] supplying notice in order to prevent innocent infringement.” (quoting Motorola, Inc. v. United States, 729 F.2d 765, 772 (Fed. Cir. 1984))).
152 See LaBarre & Gómez-Velasco, supra note 151, at 13.
or mixed method-apparatus patents where only methods are asserted. These two thresholds to applying the marking statute raise an interesting question of what to make of software patents. Because software patents are sometimes pure method patents, because sometimes they are mixed method-apparatus patents where only method claims are asserted, and because there is not always an obvious tangible component to mark, the applicability of the marking requirement to software is murky. Additionally, change happens at a fast pace in software: consider a patented algorithm in an update to a device driver for a particular brand of a wireless keyboard, automatically downloaded from the internet. The lack of the applicability of the marking statute, or where it may arguably be applicable, its uncertain status, further contributes to notice failure for software patent claims. Of course, where there is no product to mark, as is the case for software patents asserted by NPEs, there is no marking requirement.

C. Extending the Public-Notice Feature of Patent Marking

The Federal Circuit identified three primary purposes of the marking statute: (1) avoiding innocent infringement; (2) encouraging public notice; and (3) aiding the public in identifying a patented article. Given the already observed problem of notice failure regarding software patents in particular, and especially with respect to NPEs, which have limited incentives to proactively enforce their rights as well as no product to mark, it makes at least as good sense to extend the public notice feature of patent marking to software patents asserted by NPEs. Doing so will help to avoid innocent infringement, since once an infringer is made aware of his activity, he will have the opportunity to switch to non-infringing activity, license with the patentee, or contest either that his activity infringes or the validity of the patent. Doing so will also help to encourage public notice; the alleged infringer must be given notice before damages can accrue, but other companies or individual inventors engaging in similar activity would also benefit from the required notice. Moreover, because of the acute problems of notice

153 Id.
155 See generally Goryunov & Polyakov, supra note 154; LaBarre & Gómez-Velasco, supra note 151; Lindholm, supra note 87.
156 Consider, for instance, a patented algorithm used to balance server load being used in e-commerce transactions, with all the software loaded on third-party computer systems, and as a component of a much larger system. Or a patented communication protocol, constantly being sent around the world through an interconnected network of third-party computers.
failure, the rationale of protecting the “innocent infringer” applies with at least as strong a force here as it does in the marking statute.

III. WHAT A NOTICE REQUIREMENT WOULD LOOK LIKE

The requirement that damages do not begin to accrue until actual notice is provided for software patents asserted by NPEs is relatively straightforward to implement. The key issues to settle are what constitutes a software patent, what constitutes an NPE, and what constitutes actual notice. Although there is by no means unanimous agreement on what any of these terms ought to mean, there has been much discussion of them in the literature, and, on the last term, actual notice, there is some guidance from the courts. All this is not to say that choosing particular definitions might not be contentious, but certainly some judicially enforceable choices exist.

A. Limit to Software Patents

The requirement that notice of infringement be given before damages begin to accrue should be limited to software patents. As demonstrated above, software patents are distinct from other types of patents, and in particular, the pharmaceutical industry and the software industry have very different sets of needs.158 The notion of treating different things differently is hardly novel and has also been proposed in other areas of intellectual property, such as in copyright law.159 David Drummond, Google’s Chief Legal Officer, has said, “I think what we need to do is move past the one-size-fits-all and start thinking about software patents more specifically.”160 The idea of software-specific rules has also found some support in the academy.161

Practically, there may be some dispute about what constitutes a software patent,162 but for most purposes it should be a straightforward matter to decide. There is, at the very least, a sharp divide between software patents

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158 See supra Part II.A.
159 See, e.g., WILLIAM PATRY, HOW TO FIX COPYRIGHT (2011).
on the one hand, and pharmaceutical patents on the other, such that a rule tailored to software patents is not likely to seriously affect pharmaceutical patents. Moreover, judges are expected to decide complex issues of claim construction, to consider nuanced arguments over the doctrine of equivalents, and to make fine distinctions over what constitutes patentable subject matter. That there may be some fuzziness on the edges of what constitutes a software patent hardly makes it a problem that judges cannot be expected to solve.

Congressmen Defazio and Chaffetz defined the term in recent legislation that they have proposed:

The term ‘software patent’ means a patent that covers—

‘(A) any process that could be implemented in a computer regardless of whether a computer is specifically mentioned in the patent; or

‘(B) any computer system that is programmed to perform a process described in subparagraph (A).’

This definition seems reasonable enough, and would not be too judicially taxing to enforce.

B. Defining Notice—Carryover from the Marking Statute

The notice requirement can be borrowed from the jurisprudence on the marking statute, which requires “actual notice.” Courts have required the allegation of infringement of specific patents by specific products. It is not enough to aver to a large patent portfolio, or to make vague suggestions of infringement. Because the purpose behind this notice requirement and the marking statute are similar, and because the proposed notice requirement is in some sense an extension of the marking statute, it is logical to adopt a similar concept of actual notice.

However, the two situations do differ in at least one important respect. It is not as necessary here to keep a requirement of actual notice where the infringer knows of the patent and knows his activity infringes that patent. The marking statute does require actual notice even where the accused infringer already has knowledge of the patent and the likelihood of infringement, and it does so, in part, because marking provides notice to the general public and should be encouraged. Here, however, the notice is meant primarily for the accused infringer, so it does not make as much sense to require actual notice where the accused infringer already has knowledge of the patent and the likelihood of infringement. Such a rule would, to be sure,

163 H.R. 6245, 112th Cong. § 2(a) (2012).
164 See supra Part III.
166 See supra Part II.
save judicial time, as it is a clear rule to apply. There would be no need for a contentious proceeding where the patentee goes to every effort to show the accused infringer’s knowledge of infringing behavior. But this judicial economy must be weighed against the potential safe harbor such a rule would give to willful infringers, as opposed to the “innocent infringers” the rule is designed to protect. Weighing these concerns, it does not appear that a rule requiring actual notice by the patentee, even where the infringer is aware both of the patent’s existence and of his infringement of the patent, best serves the public purposes of the patent system.

C. Defining Non-Practicing Entities

While patent trolls, or NPEs, are widely discussed in the literature, there are a number of different ways of defining the term. There are even a number of different terms being used, such as Patent Assertion Entities or Patent Monetization Companies. Some observers would include universities, others not. Some would include small, independent inventors, others not. Some would include formerly productive companies that have turned to litigation only after collapse, others not. In short, there are a number of choices in who exactly would be subject to the requirement. Ultimately, fine distinctions about who is or is not an NPE will not be terribly significant. Universities account for a vanishingly small percentage of patentees bringing infringement actions; the bulk of infringement actions brought by entities that might conceivably fit under the term NPE are brought by patent holding companies or other corporations formed for the express purpose of patent litigation, that is, the quintessential patent troll.

Congressmen Defazio and Chaffetz defined, in recent legislation they proposed to Congress, a non-practicing entity in terms of any entity that does not fit under one of these conditions:

(1) ORIGINAL INVENTOR.—Such party is the inventor, a joint inventor, or in the case of a patent filed by and awarded to an assignee of the original inventor or joint inventor, the original assignee of the patent.
(2) EXPLOITATION OF THE PATENT.—Such party can provide documentation to the court of substantial investment made by such party in the exploitation of the patent through production or sale of an item covered by the patent.
(3) UNIVERSITY OR TECHNOLOGY TRANSFER ORGANIZATION.—Such party is—
   (A) an institution of higher education (as that term is defined in section 101 of the Higher Education Act of 1965 (20 U.S.C. 1001); or

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168 See id. at 376,
This definition seems reasonable. While there may be corner cases or objections as to particular entities, the worst of the non-practicing entities or patent assertion entities or patent trolls—call them what you will—can be defined without including individual inventors or universities.

CONCLUSION

There is a general consensus that the current patent system is not optimal. For some, it can be crippling. It hinders innovation, creates risks and uncertainties, and encourages counterproductive behavior. Much of this can be traced to the problems of notice failure, which is particularly acute for software patents asserted by NPEs. Where patent rights are uncertain and their scope impossible to determine ex ante, there will necessarily be some entities seeking to profit from this state of affairs. Knowing the high stakes involved and the expense of even successfully defending an infringement action, even innocent parties are tempted to settle. Only the biggest of companies, willing to take a hard stand to make a point, can afford to defend themselves against repeated infringement claims. The situation demands reform.

The reform advocated by this Note, that damages do not accrue until actual notice is provided to an infringer when a software patent is asserted by an NPE, helps soften some of the more egregious effects of the current system. In particular, while helping technology companies against the overbearing threat of patent trolls, the proposal will keep in place the strong patent protections that other industries, in particular the pharmaceutical and biotechnology industries, depend upon. The tonic is a targeted one, designed to help the system where it is most damaged, but leave in place what is functioning properly. As such, despite the traditional antagonism between technology companies on the one hand, and pharmaceutical and biotechnology companies on the other, those industries need not work against each other with respect to the reform this Note proposes.

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169 H.R. 845, 113th Cong. § 2(a) (2013).
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