

Why the Shield Act, HR 6245 is a Bad Idea

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To put it simply, the Shield Act, otherwise known as "Saving High-Tech Innovators from Egregious Legal Disputes Act of 2012"², increases the risk in defending patents. Accordingly, it deters innovation. This Act specifies that a Court may award costs, including attorneys fees, to the defendant in a patent infringement suit in a computer technology, if the Court finds that the patentee "did not have a reasonable likelihood of succeeding."

No patentee knows for sure, at time of filing suit, that they are going to win the suit. There are simply too many unknowns. The Act would impose the additional uncertainty on the patentee of the potential of a hindsight based determination by the Court supporting punitive damages. While the Act would have the impact of reducing litigation, it would also deter investment in computer technology innovators, and allow large corporate players to take into consideration in their business dealings the possibility of trampling on the legitimate patent rights of small entity patentees, without consequence.

If Congress wants to raise the costs of patent litigation on the theory that patent litigation is bad public policy, it has the power to do so. However, that power should be exercised in a symmetric manner. For example, the Act could be modified to providing symmetric litigation risks to both the plaintiff and the defendant. For example, the Act could be modified to also specify that the Court may award costs, including attorneys fees, to the *plaintiff*, in a patent infringement suit in a computer technology, if the Court finds that the *defendant* "did not have a reasonable likelihood of succeeding," in computer technologies.

1. I can be reached via telephone at: 1-703-415-0012 and via the firm's web site: Neifeld.com.
2. The Shield Act reads, HR 6245, as introduced into the second session of the 112th Congress, reads as follows:

A BILL

To amend chapter 29 of title 35, United States Code, to provide for the recovery of computer hardware and software patent litigation costs in cases where the court finds the claimant did not have a reasonable likelihood of succeeding, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the 'Saving High-Tech Innovators from Egregious Legal Disputes Act of 2012'.

SEC. 2. RECOVERY OF LITIGATION COSTS FOR COMPUTER HARDWARE AND SOFTWARE PATENT.

(a) Amendment- Chapter 29 of title 35, United States Code, is amended by inserting after section 285 the following new section:

'Sec. 285A. Recovery of litigation costs for computer hardware and

software patent

‘(a) In General- Notwithstanding section 285, in an action disputing the validity or alleging the infringement of a computer hardware or software patent, upon making a determination that the party alleging the infringement of the patent did not have a reasonable likelihood of succeeding, the court may award the recovery of full costs to the prevailing party, including reasonable attorney's fees, other than the United States.

‘(b) Definitions- In this section:

‘(1) COMPUTER- The term ‘computer’ means an electronic, magnetic, optical, electrochemical, or other high-speed data processing device performing logical, arithmetic, or storage functions, and includes--

‘(A) any data storage facility or communications facility directly related to or operating in conjunction with such device; and

‘(B) any processor or peripheral, such as a monitor or input device, directly related to or operating in conjunction with such device.

‘(2) COMPUTER HARDWARE PATENT- The term ‘computer hardware patent’ means a patent that covers computer hardware, including a device or component of such device.

‘(3) SOFTWARE PATENT- 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).’

(b) Technical and Conforming Amendment- The table of sections for chapter 29 of title 35, United States Code, is amended by inserting after the item relating to section 285 the following new item:

‘285A. Recovery of litigation costs for computer hardware and software patent.’

(c) Rule of Construction- Nothing in this section, or the amendments made by this section, shall be construed as amending or interpreting categories of patent-eligible subject matter set forth under section 101 of title 35, United States Code.

(d) Effective Date- The amendment made by subsection (a) shall take effect on the date of the enactment of this Act and shall apply to any action involving the validity or infringement of a computer hardware or software patent (as such terms are defined under section 285A of title 35, United States Code, as added by subsection (a)) for which a complaint is filed on or after the date of the enactment of this Act.