In this 10th installment in a series of Bloomberg BNA Insights by attorneys at Ropes & Gray LLP addressing PTAB-related subjects, the authors review the relatively recent phenomenon of “reverse trolling” attacks against patents in post-grant proceedings.


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The advent of inter partes review (IPR) has attracted a new breed of participants. While traditional players, such as patent litigation defendants, remain active in IPR filings at the Patent Trial and Appeal Board (PTAB), new players have emerged, ranging from enterprising physicians to not-for-profit organizations to hedge funds, all of whom have used IPRs tactically. Some have dubbed the use of IPRs by non-traditional patent dispute participants a “reverse patent troll” strategy.1

Two drivers appear to be behind IPR filings from non-traditional patent players—(1) recognition that “the best defense can be a good offense,” and (2) financial gain. We explore each motivation in further detail below.

I. Motivation #1: The Best Defense Is a Good Offense

The adage of “the best defense is a good offense” appears to have animated several of the first offensive IPR


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petition filings. The offensive use of IPR petitions may be a new wrinkle, but it aligns with one of the original drivers that led to passage of the Leahy-Smith America Invents Act (AIA)—the need for a mechanism to combat patent trolls. The players motivated by defense-related goals are not uniform in their aspirations, however. First, non-profit organizations such as the Electronic Frontier Foundation have sought to challenge, on behalf of the public, what they perceive as bad patents. For example, after embarking on a fundraising campaign to “Save Podcasting,” the EFF successfully invalidated patent claims asserted against podcasters in a recent win before the PTAB.

Other players, such as defensive entity Iron Dome, have reportedly filed IPRs against patent owners intending to benefit their constituents or clients. The emergence of non-traditional participants has even evolved new monikers for challengers, including Iron Dome’s self-styled “chief of patent surgery.”

Finally, the motivation of some filers remains a mystery. In late 2013, an entity called New Bay Capital dropped its pursuit of IPR petitions it filed against patents held by non-practicing entity VirnetX. VirnetX subpoenaed New Bay Capital to see if it was secretly working at the behest of a target of VirnetX’s patent litigation. New Bay Capital denied that it was, but the scenario suggests that a benevolent third party could swoop in to challenge patents in litigation that a litigant could be prevented from challenging because of the one-year bar rule for IPRs.

Patent holders must be cognizant of the array of new challengers enhancing the risk of IPR filings. Whether motivated by altruistic aspirations, client concerns or other reasons, patent holders need to prepare for the prospect of entities initiating challenges at the PTAB.

II. Motivation #2: Financial Gain

In a twist, another apparent motive behind offensive PTAB challenges petitions dovetails with a major factor in creating such post-grant proceedings in the first place. The AIA post-grant procedures were implemented in large part as a response to counter assertions by non-practicing entities (NPEs) or “patent trolls” seeking to exploit patents for financial gain. The desire for financial gain is now also at the forefront of this “reverse patent troll” phenomenon. The use of offensive inter partes reviews to profit, as opposed to provide additional protection to defendants as contemplated by the AIA, has prompted criticism. In one form of “reverse patent trolling,” as exemplified by New Bay Capital, an entity identifies a patent owner who has just won a large damages award or extracted a large settlement, threatens to file a petition with the PTAB challenging the validity of the patent, and offers to drop the petition in exchange for payment. Targets of these offensive IPRs have derided pre-filing settlement demands as “extortion.” If the entity proceeds with the IPR, the entity may actually lose leverage in settlement demands, as patent owners face the prospect of a “hundred-headed hydra”—there is generally nothing to stop another entity from re-filing the same petition. Defendants in infringement suits have already revived previously terminated IPRs filed by other parties, and a patent owner facing a demand from a reverse patent troll should consider the risk of future re-filings before writing a large settlement check to any one party.

Another IPR approach has been deployed by hedge fund manager Kyle Bass and his “Coalition for Affordable Drugs.” Under the self-styled banner of challenging patents in an effort to drive down drug costs for the public, Bass has filed several IPR petitions against patents covering well-known brand name pharmaceuticals used for treating multiple sclerosis and narcolepsy, among others. At the same time, Bass and his investors have reportedly bet against targeted pharmaceutical companies by taking a short position on their stock, a strategy Bass is said to have used to great success when betting against the subprime mortgage market. This strategy’s success thus far is unclear, as there have been multiple targets, and not all stock prices have been significantly affected. Nonetheless, the strategy continues to earn significant attention, including in ongoing debates on Capitol Hill over new patent-related legislation.

III. What’s Next?

Whether or not “reverse patent trolling” is here to stay remains to be seen. Currently, the hurdles to filing

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5 See, e.g., Haggin, supra note 1 (noting IPRs filed by Iron Dome).
7 Id.
12 See e.g., Walker & Copeland, supra note 1 (noting the negative reaction of the pharmaceutical industry).
14 Haggin, supra note 1.
16 See Walker & Copeland, supra note 1.
17 Haggin, supra note 1.
19 The offensive use of IPRs to profit, as opposed to provide additional protection to defendants as contemplated by the AIA, has prompted criticism.
an IPR petition are not high for parties willing to commit the necessary resources: The basic filing fee is $23k,20 and there is no requirement that the petitioner be a litigation target in order to have standing.21 Thus, critics of this new phenomenon are contemplating ways to counter offensive IPRs.

One counter-measure, which has thus far not been effective at least on its first attempt, is the use of Racketeer Influenced and Corrupt Organizations (RICO) Act claims alleging extortion. One target of Iron Dome, the non-practicing entity Chinook Licensing DE LLC, filed a complaint against Iron Dome and related defendants in Delaware federal court, alleging that Iron Dome’s threat of an IPR and concomitant settlement demands constituted extortion, mail fraud and other RICO predicate offenses.22 Judge Leonard P. Stark dismissed Chinook’s claims and agreed with the defendants that an unprovoked threat to initiate an IPR—even when accompanied by a draft settlement proposal contradictorily admitting the validity of the patent—cannot constitute extortion or fraud.23 Thus, at least one court has held that a third-party IPR challenge was not an improper “shakedown.”24

While existing defenses such as RICO claims may not have gained traction, patent holders and interested parties are lobbying for legislative remedies. The post-AIA success of petitioners before the PTAB has prompted some to call for reform to swing momentum back towards patent holders.25

Three different patent reform bills have been proposed this Congress—the Innovation Act,26 the STRONG Patents Act of 201527 and the PATENT Act.28 Of these proposals, only the STRONG Patents Act squarely tackles the perceived abuse of IPRs by “reverse trolls.” The STRONG Patents Act would amend 35 U.S.C. § 311 to add the requirement that an IPR petitioner must have been either sued for infringement or charged with infringement such that the petitioner would have federal declaratory judgment standing.29 Interested parties may argue that such a requirement would prevent Kyle Bass and others from filing IPRs strictly to earn a financial windfall.

Whether further patent reform passes Congress and becomes law remains to be seen. The reaction to the reverse patent troll trend is reminiscent of the backlash against the wave of qui tam false marking claims filed after the Federal Circuit’s decision in Forest Group, Inc. v. Bon Tool Co., 590 F.3d 1295, 93 U.S.P.Q.2d 1097 (Fed. Cir. 2009) (79 PTCJ 247, 1/8/10). The America Invents Act quashed the rise of “marking trolls who [brought] litigation purely for personal gain,”30 as it removed the statutory per-item penalty available to private litigants.31 Thus far the number of reverse patent troll filings is less dramatic than the flood of false marking suits, particularly in proportion to the overall number of filings at the PTAB, but the concept may be as amenable to legislative attention.

Whether “reverse patent trolling” is durable and its proponents have staying power remains to be seen. In the meantime, patent holders should be prepared for collateral attacks on their patent assets.

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20 37 C.F.R § 42.15.
23 Id. at 46-47.
24 Id. at 8.
29 S. 632, 114th Cong. § 102(d) (2015).
30 Forest Group, 590 F. 3d. at 1303 (internal citation and quotation marks omitted).