NEWS

Trolling In Financial Waters: The Increasing Threat of Patent Infringement Lawsuits by Trolls in the Financial Services Industry

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As the financial services industry increases its use of technology to match consumer demand and expectations for mobile banking and applications, check imaging and requisite security and encryption features, it has increased its profile as a target of Non-Practicing Entities (NPE's, sometimes known as patent trolls) and their "business method" patents.

As most know, the NPE business model focuses not on developing or commercializing patented inventions, but on purchasing and asserting patents, often against companies that independently have created and have long been using the technology. NPEs generated an estimated $29 billion in revenues from defendants and licensees in 2011, a significant jump in the last five years, increasingly coming at the expense of financial institutions.

Recognizing this challenge, Congress has passed legislation aimed at stemming the tide of NPE patent litigation. But financial services companies cannot rely on these measures alone and should take their own measures to diminish or delay the NPE attacks against them.

Last year's America Invents Act ("Act") expanded procedures through which the United States Patent and Trademark Office (PTO) will evaluate validity challenges to issued patents, affording potential defendants an earlier and cheaper venue to invalidate dubious patent claims. In just a few days (September 16, 2012), the Transitional Program for Covered Business Method Patents, ? 18 of the Act, will allow parties accused of infringing "business method" patents to use "post grant review" to attack patents regardless of whether the patents were enacted under the historic "first to invent" or new "first to file" system.

More recently, an August 1, 2012 Bill titled the Saving High-Tech Innovators from Egregious Legal Disputes (SHIELD) Act was introduced in the House of Representatives. The SHIELD Bill includes a loser-pays regime, allowing defendants to recover attorney's fees and costs if a court rules that the plaintiff doesn't have a reasonable likelihood of succeeding. The real value of the SHIELD Act, however, may only be determined after the language of the bill is revised or the courts interpret what constitutes a reasonable likelihood of success in such matters. Significantly, the SHIELD Act is not limited to suits by NPEs, but it may reduce a plaintiff's willingness to file an action without greater certainty as to its infringement allegations, an issue most associated with NPEs. And while the SHIELD Act is restricted to suits claiming infringement of computer hardware or software patents, these are the types of patents being asserted against the financial services industry.

Companies in the financial services industry are now direct targets of the NPE assault. While taking advantage of the Act and other congressional measures, if enacted, these businesses must also take matters into their own hands, expanding their own patent portfolios, ensuring their indemnity rights from the licensing and use of technology and software, watching and attacking business method patents in the PTO, and preparing to file Declaratory Judgment actions to

control the forum of any patent infringement lawsuit threatened against them.

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