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letter to the leaders of both the United States Senate and House of Representatives, urging them to take action regarding patent reforms, which the group says is necessary because of what it calls fraudulent litigation by some organizations that exist solely for suing over patent rights.

Isaac M. O'Bannon • Aug. 01, 2013



The [American Institute of Certified Public Accountants](#) has issued a statement and letter to the leaders of both the United States Senate and House of Representatives, urging them to take action regarding patent reforms, which the group says is

necessary because of what it calls fraudulent litigation by some organizations that

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litigation initiated by some Patent Holding Companies (PHCs) and Patent Assertion Entities (PAEs), more commonly known as patent trolls.

PHCs/PAEs are entities which acquire patents with a goal of finding inventors and companies that the PAE claims are infringing one or more of their patents. (It should also be noted that some patent aggregators license their aggregated patents to corporations to defend against patent litigation, not to initiate it). PAEs license patents without actually manufacturing or using the patented service or product. As President Obama has explained, these companies "don't actually produce anything themselves" and instead develop a business model to "essentially leverage and hijack somebody else's idea and see if they can extort some money out of them."

Some PAEs are bringing lawsuits against companies regarding patent infringement for mundane daily uses of technology, including document scanners, podcasts and Wi-Fi networks. Federal Trade Commission Chairwoman Edith Ramirez has noted that patent trolls file half of their lawsuits against non-tech companies that simply have IT software embedded in their products. AICPA member firms and state CPA societies are among the many small and medium sized businesses that have been targeted by trolls. And because most smaller businesses do not have the legal resources to contest such challenges, the vast majority of PAE lawsuits are settled out of court.

In the last two years, the number of lawsuits brought by PAEs has nearly tripled, and account for 62% of all patent lawsuits in America, according to a recent White House study. All told, the victims of PAEs paid \$29 billion in 2011, a 400% increase from 2005.

We seek legislative reforms to the patent system that protect off-the-shelf use by consumers and businesses, reduce costs and hurdles to defend against PAEs, increase transparency about PAEs, and shift costs to PAEs for unsuccessful litigation. We believe these four principles represent a solid foundation in reforming the patent litigation system.

We applaud the attention that Chairman Leahy and Chairman Goodlatte have given this

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Sincerely,

Barry C. Melancon, CPA, CGMA

President and CEO

American Institute of CPAs

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