

## Insights

## Inventors Rights Act Could Significantly Change Patent Ownership Strategy

Article  
12.19.2019

A bill introduced in the U.S. House of Representatives Wednesday, December 18, 2019 could significantly affect strategies for patent ownership in the United States. The Inventors Rights Act (H.R. 5478), sponsored by Reps. Danny Davis, (D-Ill.), and Paul Gosar, (R-Ariz), provides two new advantages to inventors who own their patents, or who hold their patents in an entity controlled by them. Firstly, such patents would be immune from review by the Patent Trial and Appeal Board. Secondly, inventor-owned patents would be entitled to a disgorgement of profits of an infringer. These two changes alone, if they make their way into law, will require patent owners and those entities looking to acquire inventor-owned patents to re-think the way patent ownership is held. There are other aspects of the new bill that are advantageous to inventor-owners as well, such as easier access to injunctive relief. As many patent owners have discovered, injunctive relief has been under attack in recent years in the battle to reduce “patent troll” lawsuits.

The impact of these prospective changes to the U.S. patent code can hardly be understated. Currently, the threat of PTAB challenges to patent validity has a stifling effect on the filing of patent infringement lawsuits due to the expense of defending the inevitable challenge to patent validity in a PTAB proceeding. In addition, the PTAB has a record of invalidating patent claims altogether. The proposed bill's promise of immunity could have dramatic effect on inventor-owners' willingness to bring claims of infringement. Even further, if damages available to inventor-owners are increased to include disgorgement of profits, as opposed to the current damages measure that only allows recovery of no less than a reasonable royalty, inventor-owners may now be able to justify the costs of litigation against large entities who are infringing their patent rights. Those entities know full well that, under the current law, inventor-owners are not likely to pursue infringement claims due to the cumulative costs of the underlying patent infringement case and patent defense before the PTAB, especially when the underlying infringement case will almost certainly be stayed pending the outcome of the PTAB challenge. Currently, the cost of the resulting protracted litigation is simply too much for the typical inventor-owner to bear. The new bill upends this calculus.

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Between September 12, 2012 and October 31, 2018, 81% of patents subject to PTAB written decisions (i.e. cases that were not dismissed or settled) resulted in at least some of the claims of the subject patents being dismissed. In 64% of the cases decided by the PTAB, all of the claims of the subject patent was dismissed, effectively leaving the patent owner no enforceable rights, according to the USPTO 2018 report on Trial Statistics (IPR, GPR, and CBM) published here. It seems pretty obvious why inventor-owners would be excited by H.R. 5478.

Those entities acquiring patent rights would be well advised to consider the impact of taking an assignment if this new bill becomes law. Taking an assignment from an inventor-owner could result in opening up the patent to PTAB challenges to patent validity, and could also significantly reduce awardable damages in any infringement action.

We will see how far this bill progresses. But, even if it doesn't make its way into the U.S. patent code, it is another indicator that the pendulum may finally be swinging back in favor of inventors. Now more than ever it is critical that patent owners and licensees in the U.S. secure competent patent counsel before entering into licensing or assignment agreements.