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NMHC/NAA Viewpoint

Patent trolls exploit the existing patent system, forcing U.S. businesses to divert precious resources away from economic growth and towards frivolous legal proceedings. Congress should enact comprehensive patent litigation reform that protects end users of technology while also protecting valid patents and incentivizing innovation.

Experts believe the cost of patent trolls on the overall American economy is as high as \$29 billion per year.

PATENT LITIGATION REFORM

Businesses of all sizes, including apartment companies and service providers to the industry, have recently been affected by the rise in patent infringement claims. With each passing day, technology becomes more important to the apartment industry. We depend on cutting-edge technology for resident marketing, payments, maintenance requests and other property-level communications. We also rely on off-the-shelf products like on-site security surveillance systems to conduct our daily operations and ensure the livability of our apartment communities. Yet, using these common technologies makes our industry vulnerable to possible legal action by patent trolls.

Patent trolls, also known as non-practicing entities, purchase extremely broad patents to make predatory claims of infringement without demonstrating that the patented technology was used without permission. These claims often come in the form of vaguely worded demand letters that threaten litigation unless a licensing fee is paid. In most cases, these patents are not for an idea or technology that the patent troll invented or even a product that they manufacture. Instead, the patents simply serve as a vehicle to extort money out of businesses for being an end-user of a product. Many times, businesses are left with no real recourse and pay the demanded licensing fee, or settle out of court, to avoid the slow and expensive legal process that they would encounter if they chose to fight back.

The Obama Administration and congressional leaders have made patent reform a priority, including efforts to address abusive demand letters and bring greater efficiency to the litigation process. Lawmakers must also work to ensure that the Patent and Trademark Office has the tools to strengthen patent quality and transparency. It's critical that lawmakers take steps to remove lucrative incentives that currently exist for patent trolls to unfairly target end-user businesses. In addition, they must work to ensure a legal system that protects American businesses, consumers and innovation.

NMHC/NAA supports comprehensive patent litigation reform. We encourage congress to address abuses in our patent system that hurt businesses, large and small, and are a drain on our nation's economy.