Patent Reform in the U.S. Congress: An overview of recent legislation
June 23, 2015
Feb. 14, 2013 - President Obama calls for additional reform


Dec. 5, 2013 - H.R. 3309 House passed the Innovation Act

Mar. 3, 2015 - S. 632 STRONG Patents Act introduced in the Senate

June 4, 2015 - S. 1137 STRONG Patents Act introduced in the Senate

June 2013 - White Paper from the Office of the President

Nov. 18, 2013 - S. 1720 Patent Transparency and Improvements Act introduced in the Senate

Feb. 5, 2015 - H.R. 9 Innovation Act re-introduced in the House

Apr. 29, 2015 - S. 1137 PATENT Act introduced in the Senate

June 11, 2015 - H.R. 9 Markup in the House
• **H.R. 9, Innovation Act**
  - Introduced Feb. 5, 2015 by Chairman Goodlatte (VA)
    - Bipartisan bill (original co-sponsors: Representatives Issa (CA), Lofgren (CA) and Nadler (NY))
  - Identical to the bill that passed the House by 325-91 vote in Dec. 2013
  - Largely focused on reducing abusive patent litigation
  - **House Judiciary Committee Hearing on April 14, 2015**
    - USPTO Director Michelle Lee testified at the hearing
    - Related hearings:
      - Feb. 12, 2015 – Recent S. Ct. Cases
      - Mar. 25, 2015 – Abusive Patent Litigation
  - **Markup, June 11, 2015 passed the House Judiciary Committee 24-8**
S. 1137, PATENT Act (Protecting American Talent and Entrepreneurship)

- Introduced Apr. 29, 2015 by Sen. Grassley (IA)
  - Bipartisan bill (original co-sponsors: Senators Cornyn (TX), Hatch (UT), Leahy (VT) and Schumer (NY))
- Hearing May 7, 2015, to address “Finding Effective Solutions to Address Abusive Patent Practices”
- Markup, June 4, 2015 passed the Senate Judiciary Committee 16-4
S. 632, STRONG Patents Act (Support Technology & Research for Our Nation’s Growth)

- Introduced Mar. 3, 2015 by Senator Coons (DE)
- Proposes changes to proceedings before the Patent Trial and Appeal Board
- Proposes Federal Trade Commission address claims of patent infringement demand letters sent in bad faith
• **H.R. 2045, Targeting Rogue and Opaque Letters (TROL) Act**
  - Approved April 29, 2015 by House Energy & Commerce Committee
  - Similar to the draft considered in 2014; two hearings held
  - Proposes Federal Trade Commission address claims of patent infringement demand letters sent in bad faith
  - Preempts state law where communications relate to the assertion of patent rights

• **H.R. 1832, the Innovation Protection Act**
  - Introduced April 16, 2015 by Rep. Conyers (MI)
  - Provide permanent funding for USPTO
• **H.R. 1896, the Demand Letter Transparency Act**
  - Introduced April 20, 2015, Sponsor Rep. Polis (D-CO)
  - Requires disclosure of information related to patent ownership

• **H.R. 1791 / S. 926, Grace Period Restoration Act**
  - Would add a new section 102(b)(3) to clarify grace period issue for first-inventor-to-file applications
  - S. 926 introduced Apr. 16, 2015 by Sen. Baldwin (WI)
• Fee-Shifting & Recovery
• Heightened Patent Pleadings
• Discovery and Expenses
• Patent Ownership Transparency
• Stays of Customer Suits
• Bad Faith Demand Letters (Federal and State)
• AIA Trial Proceedings
• Additional Provisions in Amendments
Brooks Furniture (Fed. Cir. 2005)
- Implements strict standard for obtaining fee award
- To get attorney's fees, must show by clear and convincing evidence either:
  - Material inappropriate conduct; OR
  - Litigation brought in bad faith AND objectively baseless

Octane Fitness (U.S. Supreme Ct. April 2014)
- Rejected the rigid standard of Brooks Furniture
- Reduces burden of proof to preponderance of evidence
- Exceptional means "one that stands out from others with respect to the substantive strength of a party’s litigating position . . . or the unreasonable manner in which it was litigated"
• **Highmark Inc. (U.S. Supreme Ct. April 2014)**
  - S. Ct. rejected the Fed. Cir. objective/subjective review standard for attorneys’ fee awards
  - Court considered the standard of review that a case is “exceptional” under § 285 is a matter of discretion.
  - Court was unanimous in Highmark and nearly unanimous in Octane.
Under current bills, it will be easier to obtain attorney's fees as a prevailing party

- Innovation Act (House)
  - Presumption of attorney's fees and expenses unless court finds conduct was "reasonably justified in law and fact or that special circumstances... make an award unjust"
  - Burden of proof on non-prevailing party

- PATENT Act (Senate)
  - Attorney's fees awarded if court finds position "was not objectively reasonable in law or fact" or conduct "was not objectively reasonable"
  - Motion must be filed by prevailing party
  - Burden of proof on prevailing party

If a party unilaterally extends a covenant not to sue, then may be treated as a non-prevailing party under both bills
• Innovation Act (House) and PATENT Act (Senate) may require certification of a plaintiff’s ability to pay attorney's fees award or identification of interested parties
  ▪ Interested parties may renounce their interest, or may be held liable for unpaid attorney's fees awards

• Both bills include exception for institutions of higher education and non-profit technology transfer organizations
Innovation Act (House) requires:

- Identification of each patent
- Identification of “all claims necessary to produce the identification ... of each process, machine, manufacture, or composition of matter...”
- Identification of each accused device
- Theory of infringement, and
- Authority to assert patent
Patent Act (Senate) requirements:

- Identification of each patent, claim, and element allegedly infringed
- Identification of accused product, and
- Theory of infringement for each asserted claim
- The Court shall dismiss any count if the pleading requirements are not met
Both bills mandate the Supreme Court to eliminate Form 18 from the Appendix to the Federal Rules of Civil Procedure

- However, Judicial Conference has already voted to eliminate this with the change taking effect in Dec. 2015
- S. Ct. approved on April 29, 2015, now with Congress

With increased pleading requirements for plaintiffs, defendants may also be subjected to heightened requirements for counterclaims/cross-claims

- Plaintiffs have more time to complete and file pleadings, but defendants have limited time to respond (similar to ITC practice)
Both bills - limited discovery allowed at beginning stages of the case when a motion is filed to:
- Dismiss
- Transfer Venue
- Sever accused infringer (House includes motion to sever a claim)

Both bills allow discovery if necessary to resolve motions, or if deemed necessary by the court

PATENT Act still allows for local rules requiring the exchange of contentions
Under both bills, plaintiff's Initial Disclosures must include list of assignees, entities with rights to sublicense or enforce, entities with financial interest, and any parent entities.

- Both bills further require a list of other complaints filed
  - Innovation Act – no time limit
  - PATENT Act - in the past 3 years
- Innovation Act – state whether a standard setting body has declared a patent to be essential
- PATENT Act – list any licensing commitments for standard-essential patents

This information must also be disclosed to PTO

- Innovation Act creates an ongoing duty of disclosure
- PATENT Act requires recordation of any assignment changing the ultimate owning parent entity
Under both bills, a court "shall grant" a motion for stay by a customer defendant where its supplier/manufacturer is a party to the same or separate action on the same patent relating to the same product/process.

The customer must agree to be bound by the issues finally decided for or against the supplier/manufacturer:
- If manufacturer seeks or agrees to entry of consent judgment or decides to not appeal a final decision, the court may remove the binding effect.
- Only way to get out of being bound is to show that outcome would be unreasonably prejudicial and manifestly unjust.

Motion to stay must be sought within later of 120 days (90 days in PATENT Act) after complaint is served or the date on which the first scheduling order is entered.
Under both bills, a plaintiff may not rely on pre-suit notification for evidence of willful infringement unless the communications:

- Identify the asserted patent,
- Identify the product/process accused,
- Identify the ultimate parent entity of claimant, and
- Explain, with particularity, how the product/process infringes (to the extent possible following reasonable investigation)

PATENT Act creates an FTC Act violation for widespread demand letter abuse where misrepresentations, false statements, or assertions that lack a reasonable basis in fact or law are made in letters.
• Under both bills, no longer barred from asserting invalidity on grounds that "reasonably could have been raised" during post-grant proceedings at the PTO
  ▪ Language stricken from AIA § 325(e)(2)
  ▪ Only estopped on grounds actually raised

• Both bills require the PTO to construe claims as a district court would
  ▪ Ordinary and customary meaning rather than broadest reasonable interpretation
  ▪ If terms previously construed in litigation, PTO must consider those constructions
• **Innovation Act**—no PTAB challenges by a party owning a financial instrument in, or who have demanded value from the patent owner

• **PATENT Act**—more evidence allowed during PTAB proceedings and serial challenges disallowed
  - House bill designates as precedential 4 PTAB cases in an effort to limit serial or redundant challenges

• **PATENT Act - Composition of Panels**
  - Panel adjudicating and IPR or PGR cannot have more than 1 individual who participated in the decision to institute the IPR or PGR proceeding
Innovation Act - Venue - amends 28 U.S.C. Section 1400 - venue is proper only where:
- Defendant has principal place of business or is incorporated
- Infringement takes place and defendant has a regular and established physical facility
- Defendant agrees or consents to be sued
- Invention claimed in patent in suit was conceived or actually reduced to practice
- Party’s regular, established, controlled and operated facility
  - Engages in management of significant R&D in an invention claimed in a patent in suit
  - Manufactures a product that embodies an invention claimed in a patent in suit
  - Implements a manufacturing process that embodies an invention claimed in a patent in suit
  - For foreign defendants not meeting these requirements, look to 28 U.S.C. section 1391(d)

Mandamus
- Irremediable interim harm is caused if there is a “clearly and indisputably erroneous denial of a motion ... to dismiss or transfer....”
• **Innovation Act** -
  ▪ Codification of the Double-Patenting Doctrine
  ▪ OED – time limit for commencing misconduct proceedings
  ▪ Trademark cases – appeal to Court of Appeals for the Federal Circuit
  ▪ Trademarks and bankruptcy – definition of intellectual property in 11 U.S.C. Section 101 (35A) includes trademarks, service marks and trade names – as such section 365(n) of the Bankruptcy Code applies to protect US trademark licensees

• **Both bills:**
  ▪ Global Worksharing – USPTO may provide application to a non-US patent office if a corresponding appl. is filed in the non-US office
House Judiciary Committee - Republicans

- Robert Goodlatte (VA-6), Chairman
- F. James Sensenbrenner (WI-5)
- Lamar Smith (TX-21)
- Steve Chabot (OH-1)
- Darrell Issa (CA-49)
- J. Randy Forbes (VA-4)
- Steve King (IA-5)
- Trent Franks (AZ-8)
- Louie Gohmert (TX-1)
- Jim Jordan (OH-4)
- Ted Poe (TX-2)
- Jason Chaffetz (UT-3)
- Tom Marino (PA-10)
- Trey Gowdy (SC-4)
- Raul Labrador (ID – 1)
- Blake Farenthold (TX-27)
- Doug Collins (GA-9)
- Ron DeSantis (FL-6)
- Mimi Walters (CA-45)
- Ken Buck (CO-4)
- John Ratcliffe (TX-4)
- Dave Trott (MI-11)
- Mike Bishop (MI-8)
House Judiciary Committee - Democrats

- John Conyers, Jr. (MI-13), Ranking Member
- Jerry Nadler (NY-10)
- Zoe Lofgren (CA-19)
- Sheila Jackson Lee (TX-18)
- Steve Cohen (TN-9)
- Hank Johnson (GA-4)
- Pedro R. Pierluisi (PR)
- Judy Chu (CA-27)
- Ted Deutch (FL-21)
- Louis Gutierrez (IL-4)
- Karen Bass (CA-37)
- Cedric Richmond (LA-2)
- Suzan Delbene (WA-1)
- Hakeem Jeffries (NY-8)
- David Cicilline (RI-1)
- Scott Peters (CA-52)
# Senate Judiciary Committee

**Republican Members:**
- Chuck Grassley (IA), Chairman
- Orrin Hatch (UT)
- Jeff Sessions (AL)
- Lindsey Graham (SC)
- John Cornyn (TX)
- Mike Lee (UT)
- Ted Cruz (TX)
- Jeff Flake (AZ)
- David Vitter (LA)
- David Perdue (GA)
- Thom Tillis (NC)

**Democratic Members:**
- Patrick Leahy (VT), Ranking Member
- Dianne Feinstein (CA)
- Charles Schumer (NY)
- Richard Durbin (IL)
- Richard Whitehouse (RI)
- Amy Klobuchar (MN)
- Al Franken (MN)
- Chris Coons (DE)
- Richard Blumenthal (CT)
Thank you!