

# **An update on how recent IP legislation is being made (or not) from inside the Capitol**

“My dear, here we must run as fast as we can, just to stay in place. And if you wish to go anywhere you must run twice as fast as that.”

~Lewis Carroll, Alice In Wonderland

**\*My presentation and the thoughts and ideas conveyed within are my own and should not be attributed to any Member of Congress, the U.S. House of Representatives or the U.S. Congress.**

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- Overview of Committee Structures
- Comparison of Patent Legislation in House and Senate
- Next Steps

# House Judiciary Committee

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**Bob Goodlatte**  
**Chairman**



**John Conyers**  
**Ranking Member**

**22 Republican Members**

**15 Democratic Members**

# Senate Judiciary Committee

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**Chuck Grassley**  
**Chairman**



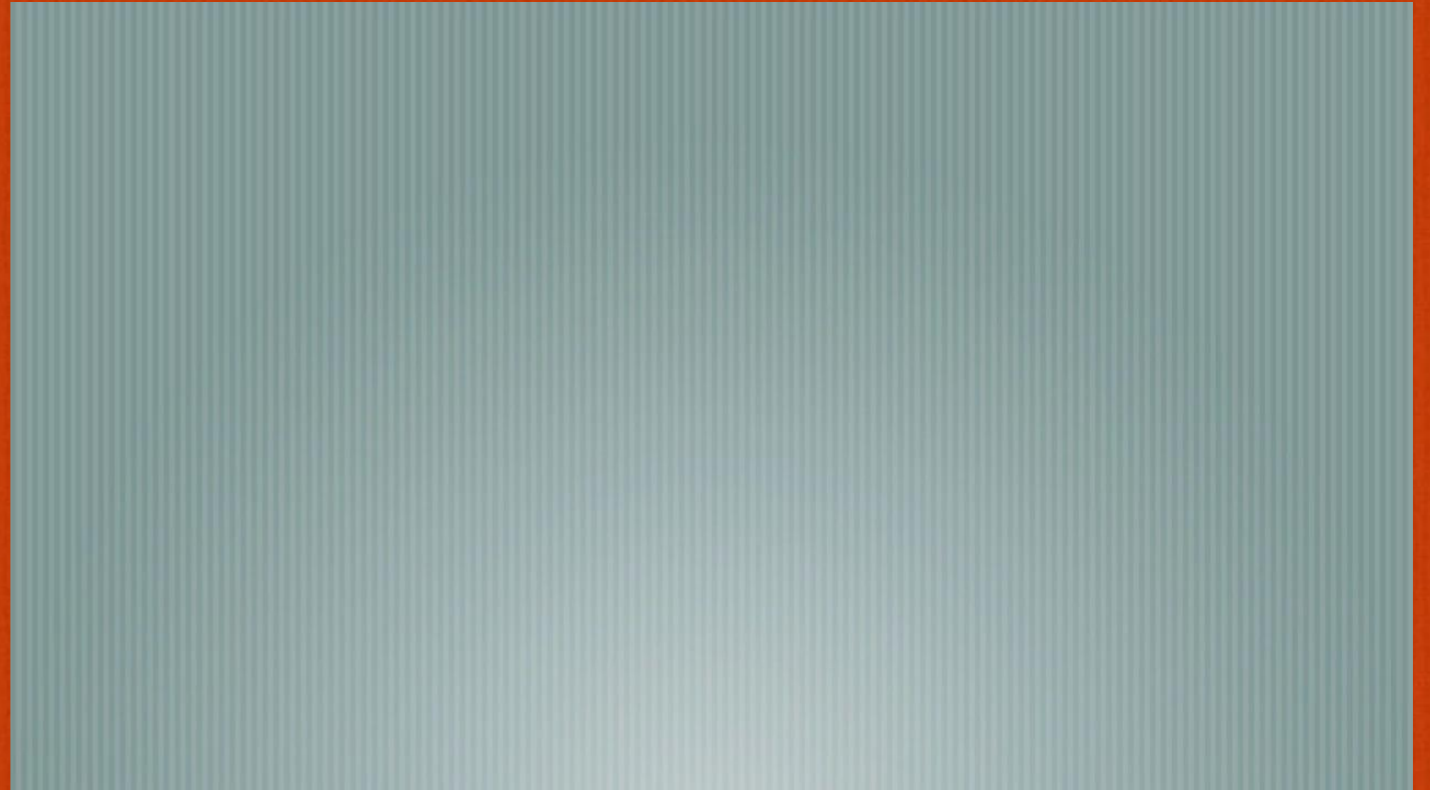
**Patrick Leahy**  
**Ranking Member**

**10 Republican Members**

**8 Democratic Members**

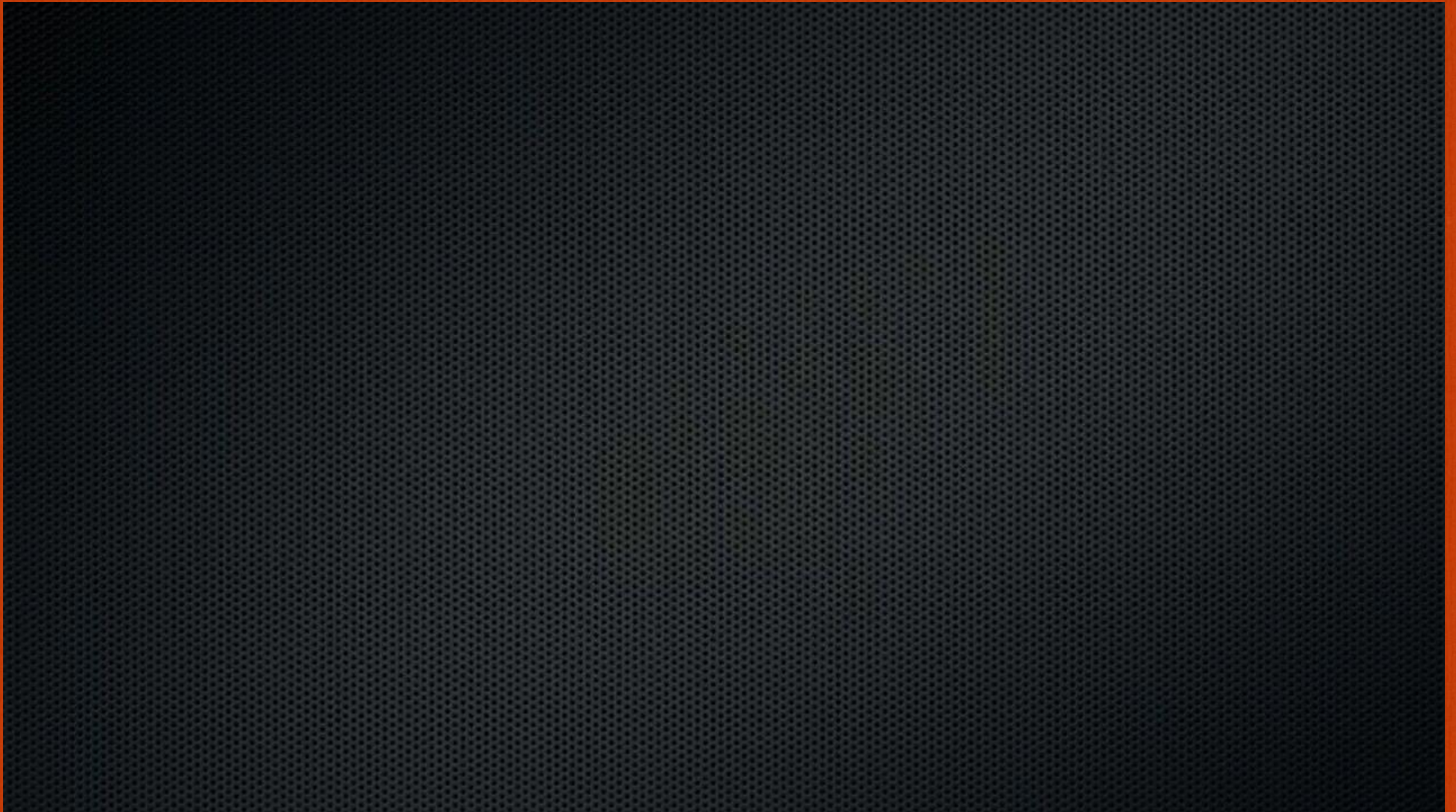
# The Problem

Chairman Grassley,  
Senate Press Conference  
S. 1137

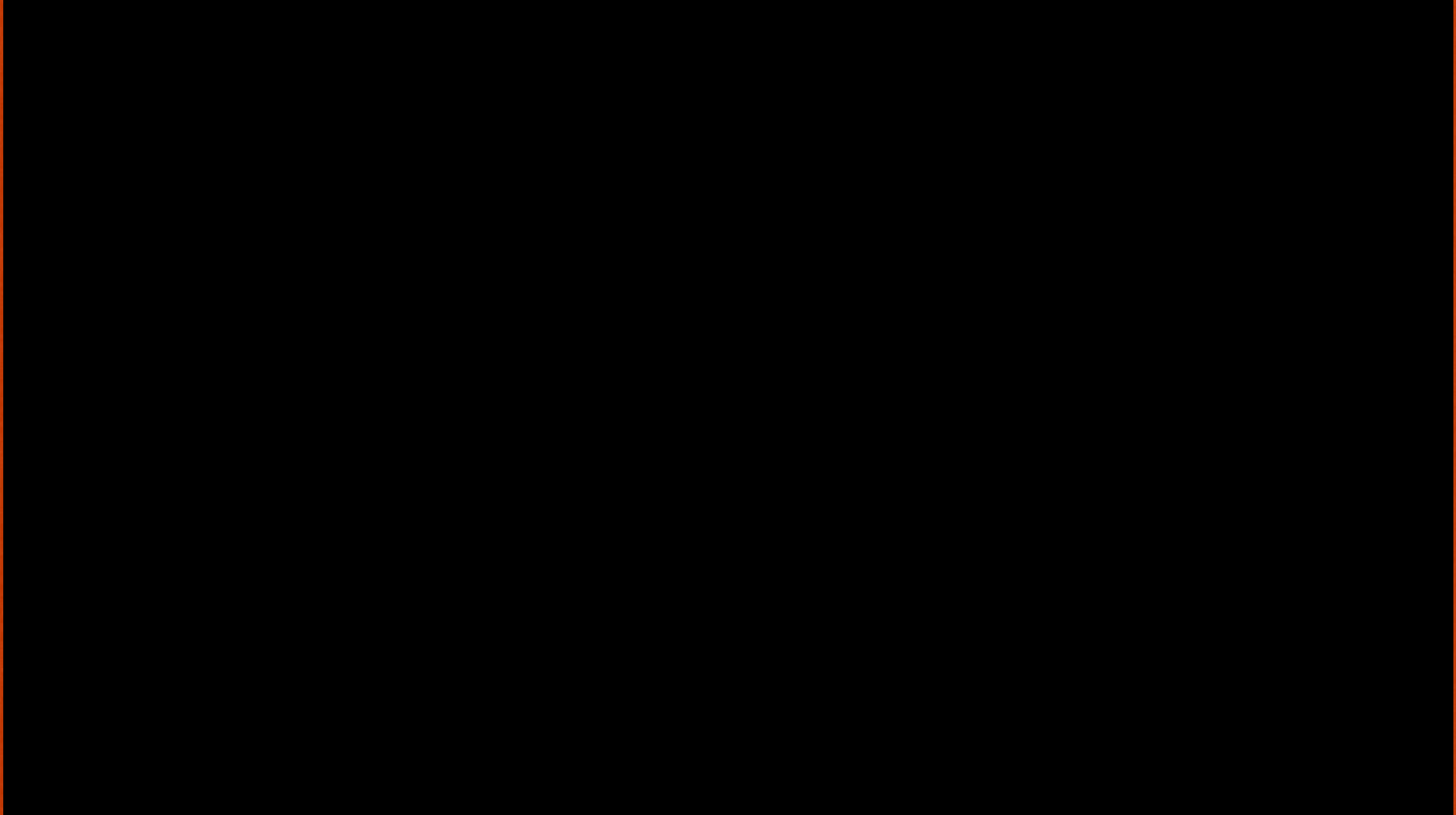


Congressman Jeffries  
House Judiciary Hearing on H.R. 9,  
the Innovation Act

# Possible Solution, H.R. 9



# Possible Solution, S. 1137



# Demand Letters

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## H.R. 9

- Sense of Congress + Willful Infringement
- H.R. 2045, “Targeting Rogue & Opaque Letters Act of 2015” (TROL Act)
- House Energy & Commerce Committee
- Reported out of E&C by 30Y-22N (party-lines)

## S. 1137

- In a civil action alleging patent infringement, the initial written notice shall contain (at a minimum):
  - ID of each patent believed to be infringed, including the patent number
  - ID of at least one claim of each patent believed to be infringed
  - ID of each product, process, apparatus or chemical composition believed to infringe
  - Clear and detailed description of the reasons why the plaintiff believes each patent identified is infringed
  - Notice that the recipient may have a right to stay the suit
  - ID of any person with the right to enforce each patent
  - If compensation is proposed, a short and plain statement of how it was determined
- If criteria are not met, defendants receive 30 day extension



# Heightened Pleading

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## H.R. 9

- Elimination of Form 18
- Complaint, counterclaim, cross-claim SHALL include:
  - ID of each patent allegedly infringed
  - ID of each claim allegedly infringed
  - ID of each accused process, machine, manufacture, composition of matter alleged to infringe
  - ID of the name or model number of each accused instrumentality OR a description (if no name)

## S. 1137

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# Heightened Pleading, cont.

## H.R. 9

- Clear and concise statement of the location of each claim in the accused instrumentality and how the limitations are met by accused instrumentalities.
- Authority of the party to assert the patent and grounds for the court's jurisdiction
- Clear and concise description of the plaintiff's principal place of business
- List of each complaint previously filed on the patents at issue (no time limit)
- Whether a standards setting body has deemed the patent(s) essential

## S. 1137

- Description of how accused instrumentalities infringe
- WITHIN 14 DAYS OF SERVICE OR FILING, patentee shall disclose to the court and adverse parties (USPTO, 30 Days):
  - ID of each assignee & ultimate parent thereof
  - Entity with a right to sublicense or enforce patent and ultimate parent thereof
  - Entity other than ultimate parent with financial interest
  - List of each complaint, counterclaim, cross-claim filed by patentee on the patent at issue during prior 3 years
  - Whether the patent is essential to a standard
  - Financial Interest Disclosures

# Heightened Pleading, cont.

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## H.R. 9

- Exceptions:
  - If information is not readily accessible, a general description of the information and the efforts to obtain the information must be disclosed
  - 271(e)(2)

## S. 1137

- Exceptions:
  - If information is not readily accessible, a general description of the information must be disclosed
  - 271(e)(2)
  - Clarification: nothing shall affect a party's leave to amend pleadings under the Federal Rules of Civil Procedure

# Transparency of Patent Ownership

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## H.R. 9

- Upon filing of an initial complaint, plaintiff shall disclose to USPTO, court and adverse parties the following ownership information:
  - Assignee of patent at issue
  - Entity with right to sublicense or enforce patent
  - Entity with financial interest in patent
  - Ultimate parent entity
- Exception: 271(e)(2)
- Ongoing duty of disclosure to USPTO
- Failure to Comply = lost right to recover fees under Section 285 or increased damages under Section 284 during the period of non-compliance

## S. 1137

- All assignment of substantial rights in an issued patent shall be recorded in the USPTO
- Shall include name or assignee and ultimate parent entity
- Failure to Comply = lost right to recover fees under Section 285 or increased damages under Section 284 during the period of non-compliance

# Discovery

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## H.R. 9

- Discovery stay until court determines claim construction ruling
- Discovery is limited to the information necessary to determine the ruling (including information necessary to determine claim meaning)
- Exemptions:
  - 271(e)
  - Discovery necessary to resolve motions raised by a party prior to Markman ruling
  - Court may allow discovery in special circumstances that would make denial of discovery a manifest injustice
  - Discovery limits shall not apply to actions seeking a preliminary injunction to redress harm
  - Voluntary consent by both parties lifts stay

## S. 1137

- Discovery stay until motions to dismiss, transfer venue, sever accused infringers are decided.
- Limited discovery necessary to resolve motions or motion for preliminary relief raised before or during pendency of any of the three stays
- Exceptions:
  - 271(e)
  - On motion, court may grant additional discovery “necessary to preserve evidence or otherwise prevent specific prejudice to a party”
  - Does not prohibit exchanges of contentions (as authorized by the court or local rules) regarding infringement, non-infringement, invalidity or other issues
  - Voluntary consent by both parties lifts stay

# Judicial Conference

## H.R. 9

- Judicial Conference shall develop rules and procedures to implement proposals on discovery burdens and costs, including:
  - Discovery of core documentary evidence (whether and to what extent each party is entitled to core documentary evidence)
  - Electronic communication/discovery
  - Rules for additional discovery
  - Case management procedures to ID early resolution of issues
  - Form 18

## S. 1137

- Judicial Conference should develop rules and procedures to implement proposals on discovery burdens and costs, including:
  - Discovery of core documentary evidence (to what extent each party is entitled to core documentary evidence and should be responsible for costs)
  - Electronic communication/discovery
  - Rules for additional discovery unless the parties mutually agree no party may be permitted additional discovery unless they post a bond or security sufficient to cover costs
  - Discovery sequence and scope
  - Case management procedures to ID early resolution of issues

# Customer Stay

## H.R. 9

- The court shall grant a motion to stay at least the portion of the action against a covered customer related to infringement of a patent involving a covered product/process IF:
  - Covered manufacturer and covered customer consent to the stay in writing
  - Covered manufacturer is party to the action or a separate action involving the same patent related to the same covered product/process
  - Covered customer agrees to be bound to any issues decided that the covered customer has in common with the covered manufacturer
  - Motion is timely filed
- LIFT: stay may be lifted upon motion if:
  - The action involving the covered manufacturer won't resolve a major issue in the suit against a covered customer -OR-
  - the stay unreasonably prejudices and would be manifestly unjust to the party seeking to lift stay

## S. 1137

- The court shall grant a motion to stay at least the portion of the action against a covered customer related to infringement of a patent involving a covered product/process IF:
  - covered manufacturer is a party to the action or a separate action in federal court involving the same patent relating to the same covered product/process
  - covered customer agrees to be bound as to issues determined without a full and fair opportunity to separately litigate any issue
  - Motion is timely filed
- If covered manufacturer has been made a party to the action on a motion by the covered customer, then a motion to stay may only be granted IF the covered manufacturer and covered customer agree in writing to the stay
- LIFT: stay may be lifted upon motion if:
  - The action involving the covered manufacturer won't resolve a major issue in the suit against a covered customer -OR-
  - the stay unreasonably prejudices and would be manifestly unjust to the party seeking to lift stay

# Customer Stay Definitions

## H.R. 9

- Covered Customer = a party accused of infringing a patent in dispute based on a covered product/process
- Covered Manufacturer = a person that manufactures or supplies, or causes the manufacture or supply of a covered product/process or relevant part thereof
- Covered Product/Process = a product, process, system, service, component, material, or apparatus that:
  - Is alleged to infringe the patent or patents in dispute -OR-
  - implements a process alleged to infringe the patent or patents in dispute

## S. 1137

- Covered Customer = retailer or end user that is accused of infringing a patent based on:
  - The sale or offer for sale of a covered product/process without material modification of the product/process in a manner that is alleged to infringe -OR-
  - Use by retailer/end user of a covered product/process without material modification of product/process in a manner alleged to infringe
- Covered Manufacturer = person who manufactures or supplies or causes the manufacture or supply of a covered product/process or relevant part thereof.
- Covered Process = process, method that is alleged to infringe when implemented by an apparatus, material, system, software or other instrumentality provided by the covered manufacturer.



# Customer Stay Definitions

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## H.R. 9

## S. 1137

- Covered Product = component, product, system, service that:
  - Is alleged to infringe
  - Implements a process alleged to infringe
- End User = can include affiliate of end user but not an entity that manufactures covered product/process
- Retailer = entity that generates its revenue through sale to public of consumer goods or services but not an entity that manufactures covered product/process.

# Fee Shifting

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## H.R. 9

- “The court SHALL award, to a prevailing party, reasonable fees and other expenses incurred by that party...(under the patent laws)...unless the court finds that the position and conduct of the non-prevailing party or parties were reasonably justified in law and fact or that special circumstances (such as severe economic hardship to a named inventor) make an award unjust.”

## S. 1137

- “UPON MOTION by a prevailing party, the court shall determine whether the position of the non-prevailing party was objectively reasonable in law and fact, and whether the conduct of the non-prevailing party was objectively reasonable.”
- If the court finds the position or conduct was not objectively reasonable, “the court shall award reasonable attorneys fees to the prevailing party unless special circumstances would make an award unjust.”

# Fee Shifting

## H.R. 9

- Joinder: the court shall grant a motion by the prevailing party to join an interested party if the prevailing party shows that the non-prevailing party has no substantial interest in the subject matter at issue other than asserting the patent in litigation.
- Court may make a party joined under Section 299(d) liable for an unsatisfied portion (if the party is given proper notice)
- A party extending unilateral covenant not to sue shall be deemed a non-prevailing party

## S. 1137

- 14 days before a scheduling conference/scheduling order is due, defendant may file a statement based on public information “that the primary business of the party alleging infringement is the assertion and enforcement of patents or licensing therefrom”
- 45 days from such service, plaintiff shall certify that it has “sufficient funds available to satisfy any award of reasonable attorney fees” or that its primary business is not patent assertion or identifies interested parties (if any)(JOINDER).
- Interested parties served with actual notice (prior to plaintiff’s certification with the court) may be held accountable for fees (or a portion of fees if the party alleging infringement cannot pay the full amount)
- Interested parties may renounce their interest
- If a party unilaterally seeks dismissal of an action and covenant not to sue, it MAY be “subject of a motion for attorney fees...as if it were a non prevailing party.”

# Fee Shifting

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## H.R. 9

- Exemptions:
  - Exemption for those providing legal counsel

## S. 1137

- Exemptions:
  - Institutions of higher education or non-profit technology transfer organizations “whose primary purpose is to facilitate the commercialization of technologies” may be exempt by filing a certification of qualification
  - Court may exempt any party “as the interest of justice requires”
  - Exemption from joinder for those providing legal counsel
  - Confirmation that 271(e) suits keep the exceptional case standard

# AIA Improvements and Technical Corrections

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## H.R. 9

- Amendment to Estoppel provision in PGR from “raised or reasonably could have raised” to now read “raised”
- Use district court claim construction in PGR and IPR by:
  - “construing each claim of the patent with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent”
- Clarifies the law of double patenting

## S. 1137

- Amendment to Estoppel provision in PGR from “raised or reasonably could have raised” to now read “raised”

# Miscellaneous

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## H.R. 9

- Protections for IP licenses in bankruptcy
- Small business and education outreach at USPTO
- Studies on patent transactions, quality and examination, patent small claims court, demand letters, and business method quality

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Next Steps...

Change in the House Discussion



## Other Items for Review

- Balance between heightened pleading and discovery stay
- How do to reconcile fee shifting?
- How to balance joinder provision with incentivizing investment
- To amend venue or not?
- Adding in provision to address alleged abuse of IPR and PGR
- How to resolve BRI discrepancies?



# Balance and Bipartisanship



# Thank you!

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