



THINK FORWARD

Patent Litigation Reform Bill Passes in the House of Representatives

December 06, 2013

On December 5, 2013, the U.S. House of Representatives passed H.R. 3309, a bill entitled the Innovation Act. This bill has wide-sweeping provisions that, if enacted into law by passage of a similar bill pending in the Senate and with approval of the President, will profoundly alter the manner in which patent infringement actions are litigated.

Summary of the Major Changes to Patent Litigation By the House Bill

Although the bill was in large measure touted as a way to curb the behavior of non-practicing entities, so-called “trolls” who do not manufacture a product or provide a service in the marketplace other than to foster patent litigation, many provisions of the bill would affect all litigants. Provisions of the bill include:

More Detailed Patent Infringement Allegations in Pleadings

So as to not be dismissed at the pleadings stage, a pleading will have to identify each patent claim allegedly infringed, identify (e.g., by name or model number) each accused process, machine, manufacture, or composition of matter alleged to infringe, state where each element of each claim is found in, and how each limitation of each claim is met by, the accused process, machine, manufacture, or composition of matter. Also, the principal business of the party alleging infringement must be described, each complaint that asserted infringement of all patents-in-suit must be listed, and there must be a statement of whether any patent-in-suit has been declared as essential, or has potential to become essential by a standard-setting body, or whether any government has imposed specific licensing requirements as to any patent.

Presumption of Attorney Fees in Every Patent Case and Forced Joinder of Other Parties if Fees Unpaid

A prevailing party will be awarded reasonable attorney fees and other incurred expenses in any federal civil action where a party asserts a claim for relief relating to patents, unless the court makes a specific finding that the position and conduct of the nonprevailing party was reasonably justified in law and fact or that special circumstances (such as severe economic hardship to a named inventor) make the award unjust. Further, if a nonprevailing party is unable to pay the award, the court must grant a motion to join another interested party (a patent assignee, party that can enforce or sublicense the patent, or party with a direct financial interest in the patent) if it is shown that the nonprevailing party has no substantial interest at issue in the lawsuit other than to assert the patent in litigation.

Discovery Limited Before the Patent Claims Are Construed by the Court

If claim construction is required, then discovery is restricted to information necessary for the court to determine the meaning of the claim terms, and this limitation on discovery will continue until the court rules on claim construction. This limitation on discovery will not apply to any federal civil action relating to patents that has a specified time period (including a lawsuit that includes allegations based on 35 USC 271(e), such as infringement actions related to abbreviated new drug applications), to any preliminary injunction motion, or to parties that jointly stipulate to additional discovery. The court also has discretion to permit additional limited discovery if necessary to resolve a properly raised motion or

to prevent manifest injustice.

Prevents Use of Pre-Suit Patent Notification as Evidence of Willful Infringement Unless Certain Facts Disclosed

A pre-suit notification of a patent, such as a demand letter, cannot be relied upon as evidence of willful infringement unless the notification identifies the particular patent, identifies the accused product or process, identifies the ultimate parent entity of the party claiming patent infringement, and explains with particularity - to the extent possible following a reasonable investigation or inquiry - how the accused product or process infringes one or more claims of the patent.

Requires Disclosure of Relationships with Plaintiff Asserting Patent

Upon filing an initial complaint for patent infringement, a plaintiff must disclose to the U.S. Patent Office (USPTO), the court, and each adverse party the identity of the assignee(s), any entity with a right to sublicense or enforce the patent, any entity having a financial interest in the patent, and the ultimate parent entity of the identified entities. An entity with a financial interest includes an entity with any right to receive proceeds related to the assertion of the patent and, as to a plaintiff, direct or indirect ownership or control by a person of more than five (5) percent of the plaintiff. This duty of disclosure upon a plaintiff is ongoing, with the plaintiff to report any changes to the USPTO within 90 days after any change. Failure to comply with the disclosure requirements will prevent a plaintiff or subsequent owner from recovering reasonable attorney fees and expenses, as well as increased damages for willful infringement for activities occurring during the time when there was a failure of disclosure, unless it would be manifestly unjust.

Presumption of Staying All Patent Lawsuits Against Customers

A court must grant a motion to stay at least the portion of a federal case relating to a patent that is asserted against a customer of a manufacturer or supplier of a product or process accused of infringement, if the customer and manufacturer consent in writing to the stay, there is a federal case where a party is the manufacturer and it involves the same patent and accused infringement, and the customer agrees to be bound to a final decision on all issues common with the case involving the manufacturer. The court may lift the stay based upon a motion showing that the case against the manufacturer will not resolve a major issue in the customer lawsuit or that the movant is unreasonably prejudiced by the stay and it would be manifestly unjust to continue the stay. In addition, a lawsuit that includes allegations based on 35 USC 271(e)(2), such as an infringement action related to an abbreviated new drug application, is expressly exempted.

Judicial Conference Required to Promulgate Further Federal Rules of Procedure

The Judicial Conference of the United States is required to develop rules and procedures to address asymmetries in discovery burdens and costs in patent suits, including to what extent each party shall bear the cost of producing core documentary evidence and in making other discovery available, as well as the extent non-documentary discovery and electronic communications may be sought.

Amends Bankruptcy Code to Permit Trademark Licensees to Prevent a Bankruptcy Trustee from Terminating the License

The bankruptcy code is amended to include trademarks within the definition of intellectual property, thereby making trademark licenses subject to 11 USC 365(n), among other things, and to expressly state that 11 USC 365(n) applies to a foreign representative who attempts to reject or repudiate a contract under which the debtor is a licensor of intellectual property, so a licensee can exercise its rights under that section under such circumstances.

Limits the Scope of Post Grant Review Estoppel

The estoppel effect from post grant review proceedings under 35 USC 321 is limited to invalidity grounds that the petitioner raised. The current estoppel as to invalidity grounds that "reasonably could have been raised" would be eliminated by the bill.

Requires Claims To Be Construed Differently in Inter Partes Review and Post Grant Review

In inter partes review and post grant review proceedings before the Patent Trial and Appeal Board of the U.S. Patent and Trademark Office, claims are required to be construed in accordance with the ordinary and customary meaning as understood by one of ordinary skill in the art and the prosecution

history. This may be a more narrow construction than a manner of construction currently applied by the Patent Trial and Appeal Board in these proceedings, which is the broadest reasonable interpretation. In addition, if a court had previously construed a claim or claim term in a lawsuit in which a patent owner was a party, then the office must consider this claim construction.

Purports to Codify Obviousness Type Double Patenting Under the First inventor to File Regime
Adds a new condition for patentability, 35 USC 106, that attempts to codify the current judicially created doctrine precluding obviousness-type double patenting.

If you would like a copy of H.R. 3309, as amended by voice vote and recorded vote, [please click here](#).

If you have any questions or wish to discuss how this legislation may impact you, please contact an attorney at [Brinks Gilson & Lione](#).