

114th Congress – Patent Litigation Bills and IPO Positions

	H.R. 9, post-markup on 6.11.15 – Goodlatte	S. 1137, post-markup on 6.4.15 – Grassley	IPO Position
1. Pleading Requirement	<ul style="list-style-type: none"> • Complaint must include: <ul style="list-style-type: none"> - Each patent allegedly infringed. - All claims necessary to identify each process, machine, manufacture or composition of matter alleged to infringe. - Each product/process accused (name, model # or description) - Theory of how each infringes. - Description of plaintiff's authority to assert patent. • Explanation and general description suffice where information not readily accessible after reasonable inquiry consistent with Fed. R. Civ. Pro. 11. • Confidential information may be filed under seal. • ANDA suit exception. 	<ul style="list-style-type: none"> • Complaint must include: <ul style="list-style-type: none"> - Each patent and claim allegedly infringed. - Each product/process accused (name, model # or description). - Theory of how each infringes. • Explanation and general description suffice where information not accessible after reasonable inquiry consistent with Fed. R. Civ. Pro. 11. Court may not dismiss if state plausible claim for relief per Fed. R. Civ. P. • Confidential information may be filed under seal. • ANDA suit exception. 	<ul style="list-style-type: none"> • SUPPORT patent pleading requirement consistent with <i>Twombly/Iqbal</i>. • SUPPORT efforts of district courts and Judicial Conference to provide clarity by requiring at least: one claim that is infringed, statement explaining infringement, and statement addressing indirect infringement, if alleged. • OPPOSE Congress dictating outcome of Judicial Conference deliberations, or bypassing its rulemaking, relative to pleading standard in patent cases.
2. Transparency of Patent Ownership	<ul style="list-style-type: none"> • Required initial disclosures by plaintiff in patent infringement suits: <ul style="list-style-type: none"> - Assignees - Entities with right to sublicense or enforce patent - Entities with financial interest in patent or plaintiff (>5%) - Ultimate parents of all above (defined in 16 CFR 801.1(a)(3)). - Description of plaintiff's principal business. - List of all other complaints filed related to asserted patent(s). - Licensing commitments, e.g. standard essential patents. • Same information must be disclosed to PTO. <ul style="list-style-type: none"> - Creates ongoing duty of disclosure; may not recover fees/treble damages related to period of noncompliance and court may award costs incurred as result of nondisclosure. • ANDA suit exception. 	<ul style="list-style-type: none"> • Required initial disclosures by patentee in patent infringement suits: <ul style="list-style-type: none"> - Assignees - Entities with right to sublicense or enforce patent. - Entities with financial interest in patent or patentee (>20%). - Ultimate parents of all above (defined in 16 CFR 801.1(a)(3)). - List of other complaints filed asserting patent in prior 3 years. - Licensing commitments, e.g., standard essential patents. • Same information must be disclosed to PTO; no ongoing duty of disclosure. • New requirement for all patents: <ul style="list-style-type: none"> - Must record with PTO upon grant name of assignee/ultimate parent and later assignments that change ultimate parent. May not recover fees/treble damages related to period of noncompliance and court may award costs incurred as result of nondisclosure. 	<ul style="list-style-type: none"> • DO NOT SUPPORT requiring disclosure of licensees or those with financial/control interests in asserted patent or patent owner, beyond those necessary to establish standing and real parties in interest. • SUPPORT requiring limited disclosure of titleholder information in PTO rules.
3. Customer Stay	<ul style="list-style-type: none"> • Required where manufacturer is party to same/other action on same patent relating to same product/process where customer agrees to be bound by issues finally decided as to manufacturer. • If manufacturer joined by customer, consent of both required. • Covered customer defined as retailer or end user accused of infringement based on sale/use without material modification. • Must be sought within (later of) 90 days or first scheduling order. • May be lifted where manufacturer suit will not resolve major issue in customer suit or unjust to party seeking to lift. • If manufacturer seeks or consents to consent judgment or does not appeal final decision, court may determine decision is not binding on customer. • Maintains court's discretion to grant or expand stays otherwise permitted by law. • ANDA suit exception. 	<ul style="list-style-type: none"> • Required where manufacturer is party to same/other action on same patent relating to same product/process where customer agrees to be bound by issues finally decided as to manufacturer. • If manufacturer joined by customer, consent of both required. • Covered customer defined as retailer or end user accused of infringement based on sale/use without material modification. • Must be sought within (later of) 90 days or first scheduling order. • May be lifted where manufacturer suit will not resolve major issue in customer suit or unjust to party seeking to lift. • If manufacturer seeks or consents to consent judgment or does not appeal final decision, court may determine decision is not binding on customer. • Maintains court's discretion to grant or expand stays otherwise permitted by law. • ANDA suit exception. 	<ul style="list-style-type: none"> • SUPPORT, provided that: <ol style="list-style-type: none"> 1. Manufacturer and customer consent. 2. Sought early in case. 3. Customer agrees to be bound by resolution of issues in common with manufacturer. 4. Based on readily discernible criteria. 5. Limited to retailer, end user or other customer accused of infringement based on sale/use without material modification. 6. Does not preclude patent owner from seeking damages or other relief directly from customer once stay is lifted that would have been available if the case were not stayed. 7. Maintains court's discretion to decide whether/to what extent stay is warranted beyond statutory stay.

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<p>4. Discovery Stay Prior to Resolution of Motions</p>	<ul style="list-style-type: none"> • Limited prior to ruling on defendant’s motions to dismiss (12(b)(6) and lack of personal jurisdiction), transfer venue, and sever claims or drop party to information necessary to resolve those motions and to resolve motions for preliminary injunction. • Parties may consent to exclusion from limitation. • ANDA suit exception. 	<ul style="list-style-type: none"> • Limited prior to ruling on motions to dismiss, transfer venue, and sever accused infringers to information necessary to resolve those motions. • Court must allow discovery to resolve motion for preliminary relief. • Court may allow discovery to preserve evidence or prevent prejudice to party. • Court not prohibited from requiring exchange of contentions during limitation. • Parties may consent to exclusion from limitation. • ANDA suit exception. 	<p>SUPPORT, in principle, staying discovery during pendency of motions to transfer under 28 U.S.C. §1404(a) as follows:</p> <ul style="list-style-type: none"> • In action for patent infringement or declaratory judgment, if defendant moves to transfer under 1404(a) on or before date by which defendant must, under Rule 12, answer or otherwise respond to complaint, then as between plaintiff and part(ies) filing the motion to transfer: <ul style="list-style-type: none"> (A) Until resolution of transfer motion, absent agreement otherwise: <ul style="list-style-type: none"> (i) no substantive motion may be decided except (a) motions for injunctive relief, and (b) case-dispositive motions; and (ii) discovery must be stayed, except such discovery court determines necessary to decide transfer motion or motions for injunctive relief. (B) Court may order, and local rules may require, exchange of contentions regarding infringement, non-infringement, invalidity, or other issues, by interrogatories or other written initial disclosures, at an appropriate time determined by court.
<p>5. Development of Discovery and Case Management Rules for Patent Cases</p>	<ul style="list-style-type: none"> • Requires Administrative Office of US Courts to designate at least 6 district courts in patent pilot program to develop rules on discovery and case management in patent cases including: <ul style="list-style-type: none"> - Scope of core documentary evidence - Whether parties are entitled to discovery of core documents and should bear cost of producing documents in their possession. - Appropriate timing of core document discovery. - Whether parties may seek additional discovery, should bear all associated costs, and should be required to post bond/security to cover costs. - Rules on electronic discovery including appropriate timing. - Case management procedures for patent suits. • After rules in effect for 2 yrs, Judicial Conference may implement some or all of the rules in district courts and Court of Federal Claims. • Requires study on discovery proceedings in patent cases. 	<ul style="list-style-type: none"> • Judicial Conference <i>should</i> develop rules addressing: <ul style="list-style-type: none"> - Scope of core documentary evidence - Whether parties are entitled to core documentary evidence and should bear cost of producing documents in their possession. - Appropriate timing of core documentary evidence discovery. - Whether parties may seek additional discovery, should bear all associated costs, and should be required to post bond/security to cover costs. - Rules on electronic discovery including appropriate timing. - Case management procedures for patent suits. 	<ul style="list-style-type: none"> • SUPPORT rules adopted by Judicial Conference to amend Fed. R. Civ. P. that go into effect on Dec. 1, 2015. • SUPPORT Judicial Conference developing and adopting rules to address issues of case management and discovery in patent cases. • OPPOSE Congress dictating outcome of Judicial Conference deliberations, or bypassing its rulemaking entirely, relative to rules of civil procedure on scope and sequencing of discovery in patent cases.
<p>6. Attorney Fees</p>	<ul style="list-style-type: none"> • Awards to prevailing party unless position and conduct of nonprevailing party reasonably justified in law and fact or special circumstances make unjust. • Plaintiff who seeks dismissal, extends covenant not to sue treated as nonprevailing. 	<ul style="list-style-type: none"> • On motion by prevailing party, court shall award it reasonable attorney fees upon finding non-prevailing party’s position not objectively reasonable in law and fact or conduct not objectively reasonable, unless special circumstances make unjust. • Plaintiff who seeks dismissal, extends covenant not to sue treated as nonprevailing. • In ANDA suits, court may award fees in exceptional cases. 	<ul style="list-style-type: none"> • SUPPORT awarding to prevailing party unless position and conduct of non-prevailing party were objectively reasonable and substantially justified unless exceptional circumstances make unjust.

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<p>7. Attorney Fees Recovery</p>	<ul style="list-style-type: none"> • Court may require any party to certify it will be able to pay fees if awarded. • Court may join interested party identified by plaintiff in initial disclosure upon showing by defendant that plaintiff has no substantial interest in patent other than asserting in litigation. • No later than two weeks before scheduling conference, defendant may state good faith belief plaintiff's primary business is asserting patent. • Plaintiff may certify that its finances are sufficient to satisfy fee award, demonstrate substantial interest in patent other than asserting in litigation, or certify that there are no other interested parties. • Interested party may renounce interest; otherwise may be required to pay any portion of fee award not paid by plaintiff. • Interested party includes assignee, right to enforce or sublicense, or direct financial interest including right to damages or licensing revenue, but does not include plaintiff's employees, attorney/firm, those with equity interest without ability to direct/control action. • Exception for university tech transfer organizations. 	<ul style="list-style-type: none"> • No later than two weeks before scheduling conference, defendant may state good faith belief plaintiff's primary business is asserting/enforcing patents. • Plaintiff must certify that its finances are sufficient to satisfy fee award, that its primary business is not patent assertion/enforcement, or identify interested parties. • Interested party may renounce interest; otherwise may be required to pay any portion of fee award not paid by plaintiff. • Interested party includes assignee, right to enforce or sublicense, or direct financial interest including right to damages or licensing revenue, but does not include attorney/firm, equity interest without ability to direct/control action, insured depository institution where sole basis for financial interest arises from debt obligation. • Exception for universities, non-profit tech transfer organizations, and ANDA suits. 	<p>n/a</p>
<p>8. Demand Letters</p>	<ul style="list-style-type: none"> • "Sense of Congress" that action including litigation stemming from sending purposely evasive demand letter should be considered fraudulent or deceptive practice and exceptional when considering whether litigation is abusive. • Claimant seeking to establish willful infringement may not use as evidence of pre-suit notification unless communication identifies asserted patent, product/process accused, ultimate parent entity of claimant, and explains with particularity, to the extent possible following reasonable investigation or inquiry, how product or process infringes. 	<ul style="list-style-type: none"> • Plaintiff may not use as evidence of pre-suit notification to establish willful infringement unless identifies each patent and at least one claim of each patent allegedly infringed, product/process accused, alleged infringement, notifies recipient of possibility of customer stay, identifies persons with right to enforce patent, and explains proposed compensation. • If initial written notice does not contain this information, defendant's time to respond to subsequent complaint is extended by 30 days. • Does not apply to communications regarding existing licensing arrangements or to subsequent communications if initial communication complied with requirements. • Treats as violation of FTC Act engaging in widespread demand letter abuse where communications misrepresent whether litigation has been or will be filed related to the alleged infringement, contain a pattern of false representations or lack reasonable basis in law and fact, or fail to include facts such as sender's identity, patent at issue, or at least one product/process alleged to infringe. • Prohibits demand for specific monetary amount in its first written communication. • Does not preempt state legislation. 	<ul style="list-style-type: none"> • SUPPORT legislation to make high volume sending of bad faith demand letters, to end users who are not resellers, a deceptive act or practice within the meaning of § 5(a)(1) of the FTC Act, provided it is carefully tailored to differentiate between abusive activity and legitimate, lawful activity. Should include clear identification of objective acts/practices that would deceive recipients. • OPPOSE legislation to require overly burdensome and detailed disclosures in bad faith demand letters, e.g., information that could trigger DJ jurisdiction or confidential information. • SUPPORT federal preemption of state legislation.

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<p>9. Post Grant Review and Inter Partes Review</p>	<ul style="list-style-type: none"> • Eliminates provision barring PGR petitioner from later asserting in civil action that claim is invalid on any ground petitioner “reasonably could have raised” during PGR. • Requires PTO to use district-court claim construction in IPR/PGR. • Requires IPR/PGR petitioner to certify that it does not own and will not acquire financial instrument designed to hedge or offset decrease in market value of equity security of patent owner after filing petition and that it has not demanded payment from patent owner in exchange for commitment not to file petition unless petitioner charged with infringement. • Requires Director to consider due process rights of patent owners and petitioners when prescribing regulations. • Allows preliminary responses to be supported by affidavits or declarations of supporting evidence. • Clarifies IPR joinder provision to allow joinder of filer of later filed petition concerning patent involved in pending IPR. 	<ul style="list-style-type: none"> • Eliminates provision barring PGR petitioner from later asserting in civil action that claim is invalid on any ground petitioner “reasonably could have raised” during PGR. • Allows preliminary responses to be supported by affidavits or declarations of supporting evidence as Director may require by regulation. • Clarifies that Director may choose not to institute proceeding if would not serve interests of justice, for example where grounds of unpatentability set forth in petition are same/substantially same as those in prior judicial proceeding or proceeding before PTO. • States that IPR may not be instituted on basis that PTO evidentiary standard differs from federal court standard to adjudicate claim(s) challenged in petition, and may not be instituted with respect to particular claim if petition filed more than 1 year after date petitioner served with complaint alleging infringement of claim. • Requires party in IPR/PGR to be bound in subsequent PTO or judicial proceeding by representations regarding claim construction made during IPR/PGR with respect to prosecution history of patent adopted by PTO. • Requires PTO Director to prescribe regulations to provide either party with right to have live testimony heard, to require PTAB to use district claim construction in IPR/PGR; to allow patent holder amendments to propose substitute claims that narrow scope of canceled claims to respond to grounds of unpatentability involved in trial. • Clarifies that patents challenged in IPR/PGR proceedings are to be presumed valid. 	<ul style="list-style-type: none"> • SUPPORT requiring PTO to change approach to claim construction in PGR, IPR, and CBM proceedings. • SUPPORT eliminating provision barring PGR petitioner from later asserting in civil or ITC action that claim is invalid on any ground petitioner “reasonably could have raised” during PGR.
<p>10. Venue</p>	<ul style="list-style-type: none"> • Limits to judicial districts where: <ul style="list-style-type: none"> - Defendant principal place of business or is incorporated. - Defendant committed act of infringement and has regular and established physical facility giving rise to infringement. - Defendant consent to be sued in instant action. - Named inventor conducted R&D leading to application for patent. - Party regular and established physical facility (not to create venue) and engaged in significant R&D or implemented manufacturing of invention. • Defendant regular and established physical facilities do not include: <ul style="list-style-type: none"> - Retail facilities where defendant fails to qualify as retailer - Residences of defendant’s employees. • For foreign defendants not incorporated or without regular and established physical facilities in U.S., 28 U.S.C. §1391(d) controls. 	<p>n/a</p>	<ul style="list-style-type: none"> • SUPPORT amending 28 U.S.C. § 1400(b) to limit as follows: <ol style="list-style-type: none"> (A) In patent infringement action, should be limited to district: <ol style="list-style-type: none"> 1. where defendant has principal place of business or is incorporated, or if defendant is an individual, where defendant resides; 2. where defendant has committed acts of infringement and has regular and established physical facility where defendant’s acts of infringement occurred; 3. where technological activities relating to invention that led to application for patent(s)-in-suit – such as inventing, substantial R&D, or manufacturing – have taken place; 4. where plaintiff or subsidiary has regular place of business, not operated primarily to create venue, that is engaged in substantial: (a) management of R&D or manufacturing activities for product or process related to patent(s) in dispute; (b) R&D of product or process related to patent(s) in dispute; or (c) manufacturing activities of product or process related to patent(s) in dispute; 5. where defendant has agreed/consented to be sued in instant action; or 6. where, for foreign defendants that do not meet any of the above, venue proper according to 28 U.S.C. § 1391(c)(3). (B) In declaratory judgment action, should be determined according to 28 U.S.C. § 1391. (C) In considering motion to transfer venue involving retailer that sells consumer products alleged to infringe the patent(s)-in-suit, the location of such retail sales should be afforded no weight in deciding the transfer motion if they occur in all of the judicial districts under consideration.