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## House Passes Patent Litigation Bill

2013-12-06

On December 5, 2013, the House of Representatives passed the Innovation Act (H.R. 3309) (the “Act”) by a vote of 325-91. The Act proposes several changes to the patent litigation system such as enhanced pleading requirements, fee shifting, discovery limits, patent ownership disclosures, and stays of customer suits. The Act also amends certain aspects of America Invents Act (AIA) proceedings, codifies obviousness-type double patenting for first-to-file patents, and provides for a reduction of patent term adjustment. Some of the proposed changes of the Act are described below.

### **Pleading Requirements in Litigation**

The Act requires a party alleging patent infringement to include in the initial complaint an identification of each patent and each claim allegedly infringed, and an identification of each accused process, machine, manufacture, or composition of matter alleged to infringe (unless the information is not reasonably accessible). The pleadings would also require a statement of where each element of each asserted claim is found within or met by the accused instrumentality. The complaint must also provide an identification of the right of the party to assert the patent and information on whether any patent at issue has been specifically declared by a standard-setting body to be “essential, potentially essential, or having potential to become essential to that standard-setting body.”

### **Fees and Expenses**

The Act provides that reasonable fees and other expenses shall be awarded to the prevailing party in a litigation unless the court finds that the position and conduct of the non-prevailing party were reasonably justified in law and fact or that special circumstances make an award unjust. A party that unilaterally offers a covenant not to sue is considered a non-prevailing party for purposes of awarding fees and costs, unless such party would have been entitled to voluntarily dismiss the action without a court order. If a non-prevailing party is unable to pay and has no substantial interest in the subject matter at issue other than asserting the patent claim in litigation, the court may join an “interested party” and make it liable for the unsatisfied portion of the award. An “interested party” can be a patent assignee, a party that has contingent rights to enforce or sublicense the patent, or a

party that has financial interest in the patent.

### **Discovery Changes**

With some exceptions, the Act provides that, when claim construction is required, discovery shall be limited to information necessary for determining the meaning of the claim terms until a claim construction decision is issued.

The Act also instructs the Judicial Conference of the United States to develop rules and procedures to “address the asymmetries in discovery burdens and costs” in patent cases. Such rules and procedures shall include how and when payment for discovery beyond core documentary evidence is to occur, and what information must be presented to demonstrate financial capacity before permitting additional discovery.

### **Patent Ownership Disclosure Requirements**

The Act provides that a party asserting a patent must disclose to the United States Patent and Trademark Office (USPTO), the court, and to each adverse party the identity of the patent assignee, any entity with a right to sublicense or enforce the patent, any entity with a financial interest in the patent, and the ultimate parent entity.

### **Stays of Suits Against Customers**

The Act provides that, when a manufacturer and its customer are both sued for infringing the same patent, the suit against the customer is to be stayed if the customer agrees to be bound by any issues that it has in common with the manufacturer.

### **Willful Infringement**

The Act provides that a claimant seeking to establish willful infringement may not rely on evidence of pre-suit notification of infringement unless that notification identifies with particularity the asserted patent, the product or process accused, and the ultimate parent entity of the claimant, and explains, to the extent possible following a reasonable investigation, how the product or process infringes one or more claims of the patent.

### **Changes to AIA Proceedings**

#### *(a) Limitation of the scope of Post-Grant Review (PGR) estoppel*

The Act proposes narrowing the scope of the estoppel in PGR for future civil actions from grounds that the petitioner “raised or reasonably could have raised” to only the grounds “raised” in the PGR.

#### *(b) Change of claim construction standard in Inter Partes Review (IPR) and PGR to that of a district*

*court*

The Act states that each claim of a patent shall be construed as such claim would be in a civil action to invalidate a patent, including construing each claim of the patent in accordance 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. If a court has previously construed the claim in a civil action in which the patent owner was a party, the USPTO shall consider such claim construction. This is a change from the current broadest reasonable interpretation standard which is used in these proceedings.

*(c) Expansion of prior art in Covered Business Method (CBM) proceedings*

The Act proposes expansion of prior art for CBM proceedings, by providing that earlier filed patents or published patent applications can be used as prior art as of their filing dates.

**Double Patenting is Codified for AIA Patents**

The Act codifies the judicially created doctrine of obviousness-type double patenting in cases where both patents are issued from first-inventor-to-file (i.e., AIA) applications.

**Effect on Patent Term Adjustment (PTA)**

The Act eliminates certain patent term adjustment if an applicant files a Request for Continued Examination later than three years from the patent application filing date. The appropriate PTA calculation in such a circumstance is currently the subject of cases pending before the Federal Circuit.

The Innovation Act will now move to the Senate, where a bill introduced by Senator Leahy (S. 1720) is currently pending.