

CLIENT ALERT

Patent Reform Roundup – May 2015 Edition

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In the wake of last year's patent reform efforts by Congress, which came to an abrupt halt in the Senate, the newly seated 114th Congress recently introduced four patent reform bills for consideration: the STRONG Patents Act (S. 632), the PATENT Act (S. 1137), the TROL Act (H.R. 2045), and the reintroduced Innovation Act (H.R. 9, previously H.R. 3309).

The following chart highlights some of the important provisions in each bill:

Bill	Innovation Act (H.R. 9)	Support Technology and Research for Our Nation's Growth (STRONG) Patents Act (S. 632)	Protecting American Talent and Entrepreneurship (PATENT) Act (S. 1137)	Targeting Rogue and Opaque Letters (TROL) Act (H.R. 2045)
Heightened Pleading Requirements	Yes. Also requires information regarding the real party in interest.	Yes	Yes. Also requires information regarding the real party in interest.	No
Fee Shifting Provisions	<ul style="list-style-type: none"> Mandatory, unless nonprevailing party's position "reasonably justified" or there are special circumstances that would make an award unjust. Fee shifting provision applies to a patentee that unilaterally extends the other party a covenant not to sue. Allows joinder of real party in interest to pay the 	No	<ul style="list-style-type: none"> Yes, but only if the losing party's position or conduct was not "objectively reasonable". Fee shifting provision applies to a patentee that unilaterally seeks to dismiss the case and offers the other party a covenant not to sue. 	No

	fee award if nonprevailing party is unable.			
Demand Letter Requirements	Requires additional information in the demand letter, if the demand letter is to be used to support willful infringement.	<ul style="list-style-type: none"> • Sending demand letters in bad faith violates Section 5 of the FTC Act as an unfair or deceptive trade practice. • Preempts all state legislation relating to communications about assertion of patent rights. • Empowers the FTC to act on abusive patent-related demand letters. • (Mirrors the TROL Act provisions) 	<ul style="list-style-type: none"> • Yes, and demand letter must conform to these requirements if a patentee seeks to use the letter as a basis for willful infringement. • Sending demand letters in bad faith violates Section 5 of the FTC Act as an unfair or deceptive trade practice. • Empowers the FTC to act on abusive patent-related demand letters. 	<ul style="list-style-type: none"> • Sending demand letters in bad faith violates Section 5 of the FTC Act as an unfair or deceptive trade practice. • Preempts all state legislation relating to communication about assertion of patent rights. • Empowers the FTC to act on abusive patent-related demand letters.
Changes to PTO Practice	<ul style="list-style-type: none"> • Changes the "broadest reasonable interpretation" claim construction standard at the PTAB to the narrower "ordinary and customary meaning" standard. • Requires patentee to record 	<ul style="list-style-type: none"> • Changes the "broadest reasonable interpretation" claim construction standard at the PTAB to the narrower "ordinary and customary meaning" standard. • Provides a presumption of validity of the patent 	Requires patentee to record assignments at the USPTO.	N/A

	<p>assignments at the USPTO.</p>	<p>at the PTAB.</p> <ul style="list-style-type: none"> • Requires invalidity to be proven by "clear and convincing evidence" for previously issued claims at the PTAB, rather than the current preponderance of the evidence. • Permits discovery of real party in interest of the petitioner. • Ends Congress's practice of taking USPTO fees for other uses, known as "fee diversion." 		
<p>Changes to Litigation Practice</p>	<ul style="list-style-type: none"> • Discovery is limited until after a claim construction ruling. • Allows for stays of lawsuits against customers where manufacturer is also sued. • Requires the Judicial Conference to develop further rules to limit discovery burdens and costs. 	<ul style="list-style-type: none"> • Overrides <i>Limelight v. Akamai</i>, which requires the "single-entity" rule for divided infringement. • Changes the willfulness standard to require only that, "by a preponderance of the evidence," infringement was "willful or in bad faith." 	<ul style="list-style-type: none"> • Delays discovery until after preliminary motions, such as a motion to dismiss. • Allows the manufacturer of an accused infringing product to intervene, while the lawsuit against the customer is stayed. • Requires the Judicial Conference to 	<p>N/A</p>

			develop further rules to limit discovery burdens and costs.	
Original Sponsors	Rep. Goodlatte and 19 co-sponsors	Sen. Coons and Sens. Durbin and Hirono	Sens. Grassley and Leahy, with five co-sponsors	Rep. Burgess and five co-sponsors
Current Status	Referred to the House Committee on the Judiciary on February 5, 2015. Committee hearings held on March 18 and 19, 2015 and on April 14, 2015.	Referred to the Senate Committee on the Judiciary on March 3, 2015. Hearings held in the Committee on Small Business and Entrepreneurship on March 19, 2015.	Referred to the Senate Committee on the Judiciary on April 29, 2015.	Referred to House Committee on Energy and Commerce on April 28, 2015. Marked-up in Committee on April 29, 2015. Approved 30-22 by Committee.

Each Bill attempts to curb patent assertion entities (PAEs, sometimes referred to as "patent trolls") in a different way, although there is some overlap among the various proposals. The STRONG Patents Act is generally directed toward modifying USPTO practice, particularly in *Inter Partes* Review and Post-Grant Review proceedings in front of the Patent Trial and Appeals Board (PTAB). It also incorporates the provisions of the TROL Act, which is directed solely to more strict requirements on demand letters from patentees to potential infringers. The PATENT Act proposes patent reform by looking toward litigation practice, while the Innovation Act attempts a combination of reform proposals—both in litigation and at the USPTO.

There is still much debate in Congress over the particulars of patent reform, such as whether fee shifting should be presumed (as in the Innovation Act), or permissive as in the current state of the law (the STRONG Patents Act), or on a lower burden (the PATENT Act). All proposals dealing with broad patent reform, however, seek to place more scrutiny on patent infringement complaints, eschewing the low bar set by Form 18 to the Federal Rules, which does not even go as far as the general pleading requirements under Federal Rule 8 and the Supreme Court's landmark decisions in *Twombly* and *Iqbal* nearly a decade ago. Interestingly, the Judicial Conference has already committed to eliminating Form 18 as of December 2015, regardless of any movement from Congress on the above proposals.

While much work is still to be done, Senator Charles Schumer has predicted that 2015 "WILL be" the year Congress takes action on "patent troll" reform. Whether Senator Schumer's statement is prescient or merely optimistic is unclear at this point. In the meantime, we will continue to cover any developments on this front.

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