



Legislative Bulletin.....December 5, 2013

Contents:

H.R. 3309 – Innovation Act

H.R. 3309 – Innovation Act (Goodlatte, R-VA)

Order of Business: [H.R. 3309](#) is scheduled for consideration on Thursday, December 5, 2013, subject to a structured rule. The rule can be viewed [here](#).

Summary: This legislation contains several provisions intended to curb abusive patent litigation while protecting the patent system. It contains heightened pleading standards, the ability to recoup attorney’s fees, limits discovery to claim construction, provides more clarity to patent ownership, and provides a customer suit exception. Under the bill, plaintiffs will have to plead with specificity if they allege patent infringement. The changes to attorney’s fee provisions require a judge to make the loser pay reasonable costs for the lawsuit, if his position and conduct were not reasonably justified. This applies to both the defendant and the plaintiff and contains protections so that the loser does not have to pay in cases of “severe economic hardship”. It also contains several provisions aimed at providing more clarity in the patent process, such as requiring the U.S. Patent and Trademark Office to create and post a database on its website about patent ownership and whether these patents are involved in litigation. The bill requires the Judicial Conference of the United States to develop rules and procedures related to discovery that can be changed after four years.

Additional Background: This bill continues the work of reforming American patent law that was begun two years ago under the Leahy-Smith America Invents Act (AIA). AIA vastly altered the landscape but did not address many needed patent litigation reforms that are addressed in this bill. Testimony submitted to the House Committee on the Judiciary stated that “it costs \$5 million to defend [against] a patent through trial, and the average settlement demand is less than \$1 million, the [patent-assertion entities] have an economic advantage over the targeted defendants.” ([See Committee Report page 21](#)).

Chairman Goodlatte and Senator Lee authored an op-ed in support of the legislation that was published in the National Journal today. The op-ed can be viewed [here](#).

Committee on the Judiciary hearing and legislative timeline:

- March 14, 2013 – Judiciary’s Subcommittee on Courts, Intellectual Property and the Internet held a patent litigation [hearing](#).
- April 16, 2013 – Judiciary’s Subcommittee on Courts, Intellectual Property and the Internet held a related patent [hearing](#).
- May 23, 2013 – The House Committee on the Judiciary released its first public discussion draft of the patent bill.
- September 2013 – The House Committee on the Judiciary released its second public discussion draft of the patent bill.
- October 23, 2013 – The House Committee on the Judiciary introduced the Innovation Act (HR 3309).
- October 29, 2013 – The House Committee on the Judiciary held a full committee [hearing](#) on the Innovation Act.
- November 20, 2013 – The House Committee on the Judiciary held a full committee markup on the Innovation Act (reporting the bill out 33-5).

Additional information can be found in the Committee Report [here](#).

Section by Section Analysis As Detailed in the Judiciary Committee Report:

Section-by-Section Analysis

Section 1. Short title; table of contents.

This Act may be cited as the “Innovation Act.”

Section 2. Definitions.

Section 2 defines the terms “Director” and “Office.”

Section 3. Patent infringement actions.

(a) Pleading requirements

New § 281A establishes heightened pleading requirements for claims of patent infringement, to the extent that the required information is reasonably accessible to the claimant.

(b) Attorney’s fees

Subsection (a) of revised § 285 provides that fees and expenses shall be awarded to a prevailing party unless the position and conduct of the nonprevailing party was reasonably justified in law and fact or special circumstances (such as economic hardship to the inventor) make a fee award unjust. This standard reflects the Supreme Court’s clarification of the standard employed by the Equal Access to Justice Act (EAJA), which governs the award of fees against the Federal Government. Enacted over 30 years ago, EAJA offers a well-developed body of caselaw to guide application of revised § 285, and sets a standard that is predictable and fair.

Under this standard, there is no presumption that the nonprevailing party’s position was not reasonably justified simply because it lost the case. Even if a plaintiff’s complaint is rejected by the judge or jury, the plaintiff is immune from a fee award so long as its position had a reasonable basis in law and fact. Fees cannot be awarded if the nonprevailing party’s case was justified to a degree that could satisfy a reasonable person, or there was at least a dispute over which reasonable minds could differ.

When a case turns on a legal question, courts have looked to the clarity of the governing law—that is, whether judicial decision on the issue left the status of the law unsettled, and whether the legal issue was novel or difficult. On questions of statutory interpretation, for

example, courts have asked whether the Federal courts were split on the matter,¹¹² or whether the nonprevailing party interpreted a statute in a manner that is contrary to its plain language and unsupported by its legislative history.

Subsection (a) has been modified to further clarify that the special circumstances that justify the denial of a fee award to a prevailing party may include situations involving severe economic hardship to the inventor. The courts have discretion in special circumstances to protect from a fee award, for example, the unsophisticated independent inventor who brought a lawsuit to protect what he may have understood to be his claimed invention but whose complaint was ultimately determined not to be reasonably justified.

This analysis is not conducted issue by issue; rather, the nonprevailing party's litigation position is reviewed in the overall context. While the parties' postures on individual matters may be more or less justified, the reasonable-justification test favors treating a case as an inclusive whole, rather than as atomized line items. Also, when determining whether a party is prevailing party that is entitled to a fee award, courts consider the degree of success obtained by that party. A party whose "success" consists of a damage award that is only a very small fraction of what it originally sought is not entitled to a fee award.

As under the EAJA, a district court's decision to grant or deny a fee award under § 285(a) is reviewed for an abuse of discretion. This deferential standard, however, "does not mean that a mistake of law is beyond appellate correction. A district court by definition abuses its discretion when it makes an error of law."

Subsection (b) of § 285 provides that any party to the action may, upon motion, require another party to certify whether or not it will be able to satisfy a fee award in the event that such an award is made against such other party. This subsection also provides that a party joined in the action pursuant to § 299(d) may be required to pay the unsatisfied portion of a fee award.

Subsection (c) of § 285 closes a potential loophole that an abusive litigant otherwise might be able to exploit to impose substantial costs on the opposing party with an unjustified complaint while evading accountability under subsection (a). Under the Supreme Court's *Buckhannon* decision, the "prevailing party" that is potentially entitled to a fee award includes only a party that has obtained from the court an "enforceable judgment on the merits" or a "court-ordered consent decree." A defendant's "voluntary change in conduct," even if spurred by the plaintiff's lawsuit, is insufficient to make the plaintiff a prevailing party.

Under Federal Circuit precedent, moreover, a patent owner can deprive a court of Article III jurisdiction over an accused infringer's counterclaims for invalidity or noninfringement by giving the accused infringer a covenant not to sue for infringement—and thereby preclude the defendant from becoming a "prevailing party" on the basis of those counterclaims. *Highway Equipment* also held, however, that such a covenant does *not* deprive the court of jurisdiction over the patent owner's infringement complaint, and that fees may be awarded to the defendant if the covenant results in dismissal of the complaint with prejudice. *Highway Equipment* would thus appear to allow a defendant to obtain prevailing party status and hold a plaintiff accountable for an unjustified litigation position.

Courts have also held, however, that a defendant is *not* a prevailing party if a complaint is dismissed *without* prejudice—and district courts have discretion to determine whether a complaint is dismissed with or without prejudice. Moreover, *Highway Equipment* itself notes that the regional courts of appeals are divided as to whether even a dismissal *with* prejudice makes the defendant a prevailing party and potentially eligible for a fee award. And finally, several regional courts of appeals have held that when a case is dismissed as moot—which a

covenant not to sue would appear to require—the defendant is *not* a prevailing party and no fees may be awarded.

To avoid subjecting patent litigants to the uncertainty surrounding this still-developing area of the law, subsection (c) provides that an infringement claimant who unilaterally extends a covenant not to sue to the opposing party shall be deemed to be the nonprevailing party for purposes of subsection (a). Subsection (c) applies only if the plaintiff acts unilaterally—it does not apply if, for example, the parties jointly stipulate to dismissal of the case. Subsection (c) protects the rights of a defendant who believes that he has been the target of an abusive complaint, and who would have preferred to continue the litigation in order to hold the plaintiff accountable for his position or conduct under subsection (a). Subsection (c), by deeming the defendant the prevailing party, preserves only the possibility of a fee award. A plaintiff deemed nonprevailing under subsection (c) would not be subject to a fee award if its position and conduct were reasonably justified or special circumstances would make an award unjust.

An exception is made to subsection (c) for a plaintiff who seeks dismissal of his claims early in the litigation, when he would be allowed to do so without a court order under Rule 41. A patentee who timely reconsiders the wisdom of his infringement claims, extends a covenant not to sue to the opposing party, and seeks such early dismissal of his complaint would remain immune from the possibility of an award of attorney’s fees. The abusive litigant, however, who delays and forces the defendant to incur large costs—and who subsequently dismisses his complaint and unilaterally extends a covenant not to sue in order to moot the defendant’s counterclaims—could be held to account under subsection (a).

Section 3(b)(2)(B) of the Innovation Act strikes subsections (f) and (g) of § 273 of title 35. Subsection (f) deems particular cases “exceptional” for purposes of § 285—a standard that will no longer be employed by § 285. Subsection (g) provides that a patent shall not be deemed invalid solely because a defense is established under § 273. The subsection appears to have been enacted to address “a point of uncertainty” regarding whether a secret use of an invention that established a § 273 defense also would establish the invalidity of the patent at issue. Because it is now clear that the activities of an inventor who suppresses or conceals his invention cannot establish a pre-AIA § 102(g) defense,¹³² however, § 273(g) no longer serves any purpose.

Section 3(b)(3) of the Act applies revised § 285 to cases filed on or after the date that is 6 months prior to the enactment of the Act. This is in accord with precedents applying new fee-shifting statutes to pending cases,¹³³ and will preclude an unseemly rush to file cases in the period immediately prior to the enactment of the Act.

(c) Joinder

New § 299(d) of title 35 provides that if a plaintiff is unable to pay fees and expenses awarded pursuant to § 285, the court may join in the action any interested party of that plaintiff. Joinder may be sought only if the plaintiff is a patent-assertion entity—*i.e.*, a party that does not use, make, or sell the subject matter of the claimed invention, and that acquired the patent or patents at issue for the sole purpose of asserting them against alleged infringers.

(d) Discovery prior to claim construction

New § 299A of title 35 provides that in a case in which the court determines that a claim construction is necessary, discovery shall be limited to issues concerning such claim construction until the construction is entered. This limit will not apply in all cases. In many cases, it will be clear that a claim construction is required early in the case in order to bring the dispute into focus, and § 299A will limit discovery to information relevant to that construction. In other

cases, however, a party may need broader discovery in order to sharpen its infringement or invalidity contentions and bring into relief which claim terms and interpretations are relevant, and thus an early construction is not required.

(e) Effective date

This subsection applies the amendments made by section 3 to cases filed on or after the enactment of the Innovation Act, except where the individual subsections of section 3 supply their own effective dates.

(f) Sense of congress

This subsection states the sense of congress regarding demand letters.

(g) Demand letters

This subsection adds an undesignated paragraph to the end of § 284 of title 35 that provides that pre-suit notification of infringement may not be relied on to establish willfulness unless such notification identifies with particularity the patent and the accused products or process and explains why a claim is infringed to the extent possible following a reasonable inquiry.

Section 4. Transparency of patent ownership.

New § 290(b) of title 35 requires disclosure, upon the filing an infringement action, of the real-parties-in interest to the patent and its enforcement. In the event of noncompliance, awards of attorney's fees, and recovery of enhanced damages incurred during periods of non-compliance, are barred, and the adverse party may recover attorney's fees that it incurred in the course of uncovering correct ownership information.

Section 5. Customer-suit exception.

Revised § 296 of title 35 codifies and strengthens the common-law customer-suit exception to a patent plaintiff's presumptive entitlement to his choice of venue. It requires grant of a timely motion to stay the suit against the customer if the manufacturer and the customer agree to a stay, the manufacturer has joined the suit or filed a related suit, and the customer agrees to be bound by the final resolution of issues in the manufacturer's suit that the customer and manufacturer have in common.

Section 296 is voluntary—it allows a stay only if the customer and manufacturer have agreed that the manufacturer most appropriately bears the burden of defending against the infringement suit. Section 296 also eliminates inconsistencies in current law's application of the customer-suit exception. It authorizes a stay whether the manufacturer is a party to the customer suit or to a separate related action, and it allows the customer and manufacturer to obtain a stay despite the fact that the customer is the only party accused of directly infringing a method claim, the customer is accused of infringing because of its incorporation of a component into its own product, or the customer has been accused of inducement of infringement.

Subsection (c)(1) creates a limited exception to the customer and manufacturer's entitlement to a stay. Subparagraph (A) allows an exception for situations in which the manufacturer's action will not resolve a major issue in the suit against the customer. This would include, for example, a suit involving only method claims in which the manufacturer does not contest the validity of the patent or its alleged infringement by the customer, and instead contends only that the manufacturer is not liable for infringement because its product has substantial noninfringing use. It would also include a case in which it is clear that the major

dispute over infringement or invalidity will concern components or materials in the covered customer's product or process other than those supplied by the covered manufacturer.

Subparagraph (B) allows an exception when a stay unreasonably prejudices and would be manifestly unjust to the patent plaintiff. This would include, for example, a case in which it is clear that the manufacturer would be unable to satisfy a substantial damages judgment and the patent owner's only true recourse is against infringing customers.

Once a stay is imposed, the customer nevertheless remains a party to the suit, and limited discovery may be sought from the customer to the extent necessary to prove the case against the manufacturer. Thus, for example, when the manufacturer is sued for indirect infringement, discovery may be necessary to show that prerequisite direct infringement has, in fact, occurred. Customer discovery also may be necessary to identify all suppliers of allegedly infringing products, components, or materials.

The original version of § 296, which was enacted in 1992 and attempted to address the Eleventh Amendment immunity of states, was voided in its entirety in 1999 by the Supreme Court in its decision in *Florida Prepaid Postsecondary Education Expense Board v. College Savings Bank*. The Innovation Act reclaims this long dormant code section. To the extent that states and their subdivisions do not enjoy Eleventh Amendment immunity against patent infringement actions, that liability is codified and preserved by § 271(h) of title 35, which continues to provide that liability for patent infringement extends to “any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his official capacity.”

Section 6. Procedures and practices to implement and recommendations to the Judicial Conference.

Subsection (a) provides for an exchange of discovery of the core documents in a patent case. Costs of document discovery beyond the core documents would be shifted to the party that requests the discovery. In response to concerns expressed by witnesses at hearings before the Committee and Subcommittee, this provision has been modified to provide the Judicial Conference with the authority to make modifications to these rules.

Subsection (b) requires the Judicial Conference to develop case management procedures for patent cases. The Committee requests that the Conference, in the course of developing such procedures, address Rule 56(b), which relates to the time for filing a motion for summary judgment. Some district courts have declined to timely rule on or even allow early motions for summary judgment, thereby compounding the burden and expense of patent litigation. The Committee also suggests that Conference clarify that a litigant has an obligation under Rule 11 to withdraw a claim that has become frivolous.

Subsection (c) requires the Supreme Court to eliminate its current short-form patent complaint—Form 18—from the Appendix of the Federal Rules of Civil Procedure, and provides that the Court may prescribe a new form that, at minimum, notifies accused infringers of the asserted claim or claims, the products or services accused of infringement, and the plaintiff's theory as to how an accused product or service meets each limitation of each asserted claim.

Subsection (d), by adding 11 U.S.C. § 365(n) to the mandatory provisions that must apply in a Chapter 15 bankruptcy proceeding when relevant, provides certainty to licensees of patents and other intellectual property by guaranteeing that such licenses cannot be terminated in the United States via a foreign bankruptcy proceeding. The amendment also clarifies that trademark licenses are protected against being voided in bankruptcy, effectively codifying the Seventh

Circuit's approach in *Sunbeam Prods., Inc. v. Chicago Am. Mfg., LLC*.¹³⁷ Because of the importance of providing certainty to manufacturers that they will be allowed to practice licensed technology in the United States, the amendment is made fully retroactive, applying to cases pending at any level of appeal or review.

Section 7. Small business education, outreach, and information access.

Subsection (a) establishes a small business education and outreach program and directs the PTO to provide information to small businesses to address concerns arising from patent infringement. Subsection (b) directs the PTO to provide to the public on a website information about patent ownership that has been disclosed to the Office as a result of litigation.

Section 8. Studies on patent transactions, quality, and examination.

Subsection (a) directs the PTO to conduct a study of the developing secondary market for patents in the United States, and to make recommendations as to how to promote transparency and fairness in such markets.

Subsection (b) directs the PTO to conduct a study of patents owned by the United States, how such patents are licensed, and how different agencies maintain records of such licenses, and to provide recommendations as to whether restrictions should be imposed on the transfer of patents by the United States.

Subsection (c) directs the Comptroller General to conduct a study of patent examination and relevant technology.

Subsection (d) requires the Director of the Administrative Office of the United States Courts to conduct a study regarding proposals to create a patent small-claims court.

Subsection (e) requires the PTO to conduct a study regarding demand letters.

Subsection (f) directs the Comptroller General to conduct a study of litigation involving business-method patents.

Section 9. Improvements and corrections to the America Invents Act.

(a) Repeal of section 145

This subsection repeals the cause of action authorized by § 145 of title 35. The repeal applies with respect to any proceeding in which the Patent Trial and Appeal Board has issued a decision, whether on appeal or on rehearing, after the date of enactment of this Act.

(b) Repeal of could-have-raised estoppel for civil litigation following post-grant review

This subsection corrects the so-called scrivener's error in § 325(e)(2) of title 35, repealing the could-have-raised estoppel that was inadvertently applied by the AIA to civil litigation following the completion of a post-grant review. Estoppel in civil litigation will henceforth be limited to those issues that were actually raised and decided in the post-grant review. Could-have-raised estoppels will continue to apply to other PTO proceedings following the completion of a post-grant review, and to all proceedings following completion of an inter partes review.

(c) Use of district-court claim construction in post-grant and inter partes reviews

This subsection directs the PTO to follow civil-litigation standards of claim construction, currently authoritatively described in *Phillips v. AWH Corp.*,¹³⁸ in all inter partes and post-grant reviews. The PTO will be permitted to continue to give claims their broadest reasonable interpretation during examination and in other administrative proceedings.¹³⁹ This subsection also requires the PTAB to consider an existing district-court claim construction of relevant terms

in a patent when the PTAB is construing those terms, but allows the Board to reject a district-court interpretation that it finds to be clearly erroneous.

Regulations implementing this subsection's amendments, like all regulations promulgated pursuant to §§ 316 and 326 of title 35, must, pursuant to subsection (b) of those sections, be implemented with consideration of "the efficient administration of the Office" and "the ability of the Office to timely complete proceedings instituted under" chapters 31 and 32. District-court claim construction therefore must be adapted to the unique nature of inter partes and post-grant reviews, and should not be accompanied in those proceedings by unnecessary and time-consuming procedures such as a formal *Markman* hearing.

(d) Obviousness-type double patenting

This subsection codifies and reforms the doctrine of double patenting as it applies it to first-inventor-to-file patents. New § 106 is anchored in the foundational principles of double-patenting law that are reflected in the Sixth Circuit's decision in *Thomson-Houston Elec. Co. v. Ohio Brass Co.*, and in the PTO's 1967 Official Gazette Notice on double patenting.

Section 106 adopts as a threshold requirement for double patenting to exist with respect to two patents that, for at least one claimed invention in each of the two patents, neither claimed invention represents prior art to the other under § 102(a).¹⁴³ Section also adopts, at paragraph (1), the rule that a first patent's claimed invention can subject a second patent's claimed invention to the consequences from double patenting under § 106 only if the first was effectively filed on or before the effective filing date of the second. A subsequently-filed patent or application will never be the basis for imposing double-patenting consequences on an earlier filed application's claimed invention. Thus a broad patent for a basic invention cannot be invalidated for double patenting simply because a subsequently-filed improvement patent issued before the basic patent was granted.

In the case of patents arising from patent filings on the same day that name the same inventor, each of the two patents will be considered as the "second patent" vis-a-vis the other, and both patents will be separately subject to the § 106 consequences from double patenting. Similarly, each of two patents is separately subject to § 106 double-patenting consequences vis-a-vis the other if the respective claimed inventions of the two patents have the same effective filing date and, had the effective filing dates not been the same, a claimed invention of one of the two patents nevertheless would have been subject to a § 102(b)(2) prior art exception with respect to the other.

Finally, § 106 confines double patenting's reach to situations where § 103 does not apply to limit the issuance of obvious-variant patents. Where § 103 does apply of its own force—where no prior art exception applies—then § 106 does not apply.

The possible consequences of double patenting under § 106 are that the claimed invention of the first patent that is not otherwise prior art to the claimed invention of the second patent will become prior art for § 103 purposes,¹⁴⁶ or that the second patent will need to contain a § 106(3) disclaimer of the right to independently enforce the second patent.

Section 106 also replaces recent caselaw's parallel universe of double-patenting obviousness analysis with an ordinary § 103 analysis.

The recent common law has an "export version" quality, resembling, but lacking some of the precision of, conventional obviousness analysis. Section 106 requires courts reviewing potential double patents to employ the conventional § 103 analysis.

Some features of the common-law double-patenting doctrine are preserved in § 106. Section 106 looks only to the "claimed invention" as prior art. Also, the safe harbor of § 121

continues to apply—as do the courts’ byzantine consonance and other requirements for the application of that section. No change is made in the requirements or practices regarding the content and filing of terminal disclaimers, other than that § 106 gives the Director the authority to promulgate regulations consistent with the statute. Thus in the case of a second patent that is commonly owned with a first patent, paragraph (3)’s requirement of a disclaimer of independent enforcement can be satisfied by disclaiming the enforcement of the second patent except for periods when the patents are commonly owned.

Section 9(d)(4) of the Innovation Act makes common-law obviousness-type double-patenting rules inapplicable to any patent that is subject to § 106. Whether a particular first-inventor-to-file “second patent” is subject to § 106 will depend, however, on whether the “first patent” that is asserted against the second patent is a first-to-invent patent or a first-inventor-to-file patent. In the case of a family of commonly-owned patents and applications whose effective-filing dates cross the first-inventor-to-file rule’s March 16, 2013 effective date, a first-inventor-to-file “second patent” may be subject *both* to § 106 *and* to nonstatutory double patenting rules, depending on when the “first patents” at issue were effectively filed. In such a scenario, of course, the applicant could, pursuant to § 3(n)(1) of the AIA, convert his first-to-invent applications into first-inventor-to-file applications by amending them to claim subject matter with an effective filing date after March 16, 2013, thereby ensuring that any “second patent” is subject to § 106 alone.

Section 9(d)(5) of the Innovation Act applies § 106 to both patents and applications, thereby preserving PTO’s authority to reject an application on double-patenting grounds if it would, once issued, contain a claim that is invalid under § 106.

(e) PTO patent reviews

This subsection amends AIA § 18(a)(1)(C) to allow patents and published applications to be effective as prior art against a first-to-invent business-method patent as of their effective filing dates.

(f) Clarification of limits on patent term adjustment

The amendments made by this subsection clarify that no B-delay patent-term adjustment may be awarded for time consumed by a request for continued examination (RCE), regardless of when the RCE was requested. The amendments also clarify that B delay may not be awarded for any of the time accrued after the applicant has restarted prosecution by filing an RCE.

(g) Clarification of jurisdiction

To preclude a broad reading of *Gunn v. Minton*, this subsection establishes that avoiding inconsistent judgments as to the legal effect of the claims in a patent is a substantial Federal interest that is important to the Federal system—the test for “arising under” jurisdiction applied by *Gunn*—and that such cases therefore “arise under” Federal patent law. This subsection thus clarifies that it is not necessary to exclusive Federal patent jurisdiction that a case also require interpretation of a Federal statute or affect numerous parties or the Federal Government. This provision effectively codifies the Federal Circuit’s recent dicta in *Forrester Environmental Services*, and ensures the continuing viability of the Federal Circuit and regional circuits’ pre-*Gunn* precedents recognizing patents “arising under” jurisdiction over certain state-law business-disparagement and breach-of-contract actions.

This clarification is applied to all pending and future cases. It is applied to pending cases so that courts will not be required to determine whether *Gunn*’s enumeration of “substantiality” factors is intended to be exclusive, or what exactly *Gunn* means—in the absence of this subsection—with respect to state-law breach of contract and unfair competition cases that turn

on whether a product or process infringes a patent. An exception is made, however, for cases in which a Federal court already has determined its “arising under” patents jurisdiction—those courts will not be required to revisit such determinations, despite the enactment of this provision.

(h) Extension of patent pilot program

This subsection extends by an additional 10 years the duration of the patent pilot program operating in certain district courts that was established by Public Law No. 111–349 (2011).

(i) Technical corrections

(1) § 102

This paragraph makes a nonsubstantive stylistic correction to the Patent Code. It amends § 102 so that it consistently uses the term “the inventor or a joint inventor or another,” rather than alternating between that phrase and “the inventor or joint inventor or by another.” The change has no substantive effect, and creates linguistic uniformity and eliminates a potential ambiguity in the section.

(2) Inventor’s oath or declaration

Section 115 of title 35 was substantially revised by § 4(a) of the AIA, and was further modified by the AIA technical amendments. This paragraph makes two further changes to § 115. Section 115 currently represents a merely formal requirement that the inventor file an oath or declaration prior to the payment of the issue fee (*i.e.*, the fee that is paid after the examination of a patent application has been completed). The amendment made by clause (i) eliminates the § 115 requirement for applications that are filed by the inventor’s assignee, rather than by the inventor. Section 4(b) of the AIA amended § 118 of title 35 to permit the patent owner to seek a patent in cases where the inventor has assigned the right to seek a patent. For assignee-applicants, the filing of the separate assignment of the invention from the inventor to the assignee renders any additional § 115 requirement redundant. The amendment made by clause (ii) allows the Director to dispense with the filing of the § 115 statement as he deems appropriate. This could include, for example, with respect to continuing applications for patent under §§ 120 and 121, where the separate § 115 requirement can be a redundancy. The amendments thus remove unnecessary paperwork from the patent examination process.

(3) Assignee filers

Section 4(b) of the AIA amended 35 U.S.C. § 118 to broadly authorize assignees (rather than just inventors) to file their own patent applications. Per section 4(e) of the AIA, this authorization applies to all applications filed on or after the date that is 1 year after the enactment of the AIA (*i.e.*, September 16, 2012).

The AIA neglected, however, to make a conforming change to § 119(e)(1) to allow the assignee filer to claim the benefit of the filing date of an earlier provisional application. That section still requires that the application claiming the earlier date be filed “by an inventor or inventors named” in the provisional application. Although the courts might overlook this legislative mistake (which would otherwise vitiate the effect of the AIA’s changes to § 118 for provisional filers), the Committee thinks it best to simply correct this oversight in the present bill.

This paragraph also amends the language of § 120 to make a stylistic change similar to that made by paragraph (1), while also reenacting AIA § 3(f)’s conforming amendment for assignee filers and giving the new conforming amendment a proper effective date. The AIA amended § 120 that authorize assignee applicants (rather than just inventor applicants) to claim the benefit of the filing date of a parent application in a continuation application. Unfortunately, however, this conforming change to § 120 was included in § 3(f) of the AIA. Per § 3(n) of the

AIA, the changes made by AIA § 3(f) apply only to first-inventor-to-file patents. A large number of patents filed after September 16, 2012, however, will continue to be first-to-invent patents. Absent the revision made by this paragraph, there could be a substantial number of first-to-invent patents filed by assignees after September 16, 2012 whose owners would later discovered that they are unable to claim the benefit of a parent application's priority date. The revisions made by this paragraph ensure that the conforming change accommodating assignee filers will apply to all patents (including first-to-invent patents) for which § 4(b) of the AIA authorizes assignee filing. This paragraph also conforms § 120 to the proper linguistic formulation: "the inventor or a joint inventor." Sections 100(f) and (g) of title 35 now define "inventor" and "joint inventor." The former refers to the entire inventive entity (*i.e.*, all of the joint inventors), and thus should always be preceded by the definite article. The latter ("a joint inventor") is necessarily one of the several who invented the subject matter. This paragraph's edits, though nonsubstantive, ensure usage consistent with these meanings.

(4) Derived patents

This paragraph makes the same nonsubstantive stylistic change to § 291(b) of title 35 that paragraph (1) makes to § 102 of that title.

(5) Specification

This paragraph amends the effective date of the AIA's addition of subsections and titles to § 112 so that the new citation format will be used in all proceedings and matters after enactment of the present bill. This will simplify citation to § 112, which currently is understood to be required to be cited by its pre-AIA, undesignated paragraphs for patents issuing from an application filed before September 16, 2012: *Biosig Instruments, Inc. v. Nautilus, Inc.*, recently held that the AIA's addition of substructure to § 112 applies only with respect to patents issued after September 16, 2012. The only rational purpose of adding substructure to § 112, however, is to simplify citation to it—a purpose that is entirely defeated by the current approach. Under *Biosig*, the patent bar would be required, for the next quarter century, to first identify the issue date of a patent before it could determine whether to cite to the subsections of current § 112 or to the undesignated paragraphs of pre-AIA § 112. This paragraph avoids such absurdities by making the AIA's addition of subsections and titles to § 112 immediately applicable in all proceedings and matters, and thereby eliminating the need to ever again cite to the undesignated paragraphs of pre-AIA § 112.

(6) Time limit for commencing misconduct proceedings

This paragraph adds an additional year to the time by which the Director must commence a proceeding under 35 U.S.C. § 32 once the misconduct forming the basis for the proceeding is made known to an officer or employee of the Office. The amendment applies to all such proceedings commenced after the enactment of this Act.

(7) Patent owner response

Sections 316(a)(8) and 326(a)(8) of title 35 each provide for "the filing by the patent owner of a response to the petition under section 313 [or 323] after a . . . review has been instituted." The citation to §§ 313 and 323 is incorrect—reviews are instituted under §§ 311 and 321. Sections 313 and 323 only authorize the patent owner to file a preliminary response to the petition before the review is instituted. These amendments correct this miscitation.

(8) International applications

Paragraph (7) of section 202(b) of the Patent Law Treaties Implementation Act ("PLTIA") amends 35 U.S.C. § 361(c) to "authorize" the Director to allow the filing of a PCT application in a language other than English. The PCT and its regulations would require the

USPTO to review such an application for errors and to process requests for incorporation by reference. The USPTO has indicated, however, that:[t]he United States Receiving Office is simply not currently capable of conducting the review and processing required by the PCT for PCT applications filed in a language other than English. Creating a procedure under the PCT to provide for the initial filing of a non-English-language PCT application and later filing of an English-language translation for the purpose of subsequent review and processing would, under the provisions of the PCT and PCT Regulations, result in the resetting of the International Filing Date to the later date of submission of the English-language translation of the non-English-language PCT application.

This paragraph repeals PLTIA § 202(b)(7)'s amendments to 35 U.S.C. § 361(c), thereby relieving the United States Receiving Office of its authority to review PCT applications for errors and process requests for incorporation by reference in a language other than English.

Section 10. Effective date.

Except as otherwise provided in this Act, the amendments made by the Act shall be effective upon enactment of the Act, and shall apply to any patent issued or any action filed on or after such effective date.

Committee Action: The legislation was introduced on October 23, 2013, and referred to the House Committee on the Judiciary. On November 20, 2013, the Committee on the Judiciary favorably reported the bill by a [vote](#) of 33-5.

Administration Position: The Executive Office of the President issued a [Statement of Administration Policy](#) in support of the bill.

Cost to Taxpayers: According to the Congressional Budget Office [cost estimate](#) “implementing H.R. 3309 would cost \$3 million over the 2014-2018 period.”

Does the Bill Expand the Size and Scope of the Federal Government?: No.

Does the Bill Contain Any New State-Government, Local-Government, or Private-Sector Mandates?: Yes, but “the cost for public and private entities to comply with the mandate would fall below the annual thresholds established in UMRA [Unfunded Mandates Reform Act] for intergovernmental and private-sector mandates.”

Does the Bill Contain Any Federal Encroachment into State or Local Authority in Potential Violation of the 10th Amendment?: No.

Does the Bill Delegate Any Legislative Authority to the Executive Branch?: No.

Does the Bill Contain Any Earmarks/Limited Tax Benefits/Limited Tariff Benefits?: No.

Constitutional Authority: According to the sponsor, “Congress has the power to enact this legislation pursuant to the following: Clause 8 of Section 8 of Article I of the U.S. Constitution.” Chairman Goodlatte’s statement in the Congressional Record can be viewed [here](#).

Outside Organizations in Support: Several of the support letters can be viewed on the Patent Progress website [here](#).

- Americans for Tax Reform
- Americans for Prosperity
- American Consumer Institute
- [Generation Opportunity](#)
- Digital Liberty
- Discovery Institute
- Center for Individual Freedom
- The R Street Institute
- [Information Technology Industry Council](#) (“Key Voting”)
- Apple
- Sprint
- Alliance of Automobile Manufacturers
- American Gaming Association
- American Hotel & Lodging Association (including state associations from: Alaska, Arkansas, Arizona, California, Colorado, Connecticut, Florida, Georgia, Hawai’I, Illinois, Indiana, Louisiana, Maine, Maryland, Massachusetts, Michigan, Nebraska, New Hampshire, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Virginia, Washington, Wisconsin, Wyoming)
- Coalition for Patent Fairness
- Competitive Carriers Association
- Footwear Distributors & Retailers of America
- International Franchise Association
- MPA – The Association of Magazine Media
- National Association of Broadcasters
- National Cable and Telecommunications Association
- National Restaurant Association
- Newspaper Association of America
- Online Publishers Association
- Overstock.com, Inc
- Printing Industries of America
- U.S. Travel Association
- Group letter signed by 60 professors that teach and write about intellectual law and policy
- American Public Transportation Association
- [National Association of Realtors](#)
- IBM
- Consumer Electronics Association
- TechVoice
- Internet Infrastructure Coalition
- Engine Advocacy
- Association for Competitive Technology
- Application Developers Alliance
- The Internet Association
- BSA: The Software Alliance
- The Entertainment Software Association

- NTCA-The Rural Broadband Association
- TechNet
- Internet Infrastructure Coalition
- The Internet Association
- Computer & Communications Industry Association
- Competitive Carriers Association
- Public Knowledge
- AOL (according to the Committee)
- Adobe (according to the Committee)
- Akamai (according to the Committee)
- Amazon (according to the Committee)
- AMD (according to the Committee)
- Association for Competitive Technology (according to the Committee)
- Autodesk (according to the Committee)
- Automatic (according to the Committee)
- Bentley Systems (according to the Committee)
- Blackberry Limited (according to the Committee)
- Broadcom (according to the Committee)
- Charter Communications (according to the Committee)
- Ciena Corporation (according to the Committee)
- Cisco Systems, Inc. (according to the Committee)
- Comcast-NBC Universal (according to the Committee)
- Dell (according to the Committee)
- DIRECTV (according to the Committee)
- Direct Marketing Association (according to the Committee)
- DISH Network (according to the Committee)
- eBay, Inc (according to the Committee)
- Earthlink (according to the Committee)
- EMC (according to the Committee)
- Facebook (according to the Committee)
- Foursquare (according to the Committee)
- GM-General Motors (according to the Committee)
- Google (according to the Committee)
- Hewlett-Packard (according to the Committee)
- Independent Community Bankers (according to the Committee)
- Intel (according to the Committee)
- Intuit (according to the Committee)
- LinkedIn (according to the Committee)
- The MathWorks (according to the Committee)
- McAfee (according to the Committee)
- Micron (according to the Committee)
- Microsoft (according to the Committee)
- Minitab (according to the Committee)
- Microsoft (according to the Committee)
- MyWebGrocer.com (according to the Committee)
- National Retail Federation (according to the Committee)

- Retail Industry Leaders Association (according to the Committee)
- Rockwell Automation (according to the Committee)
- Rosetta Stone (according to the Committee)
- Sabre (according to the Committee)
- Salesforce.com (according to the Committee)
- Samsung (according to the Committee)
- SAS Institute, Inc. (according to the Committee)
- Semiconductor Industry Association (according to the Committee)
- Software and Information Industry Association (according to the Committee)
- Symantec (according to the Committee)
- Toyota (according to the Committee)
- Twentieth Century Fox (according to the Committee)
- Twitter, Inc. (according to the Committee)
- United Technologies (according to the Committee)
- Verizon Communications, Inc. (according to the Committee)
- VIXIO, Inc. (according to the Committee)
- XO Communications (according to the Committee)
- Yahoo, Inc. (according to the Committee)
- Yelp (according to the Committee)

Outside Organizations in Opposition:

- Eagle Forum
- The Weyrich Lunch
- American Conservative Union
- Club for Growth
- U.S. Business & Industry Council
- Entrepreneurs for Growth
- Arsenal of Democracy Project
- Campaign for Liberty
- CapStand Council for Policy and Ethics
- BIO: Biotechnology Industry Association
- BayBio
- BioCom
- California Healthcare Institute
- Connect
- OCTANe
- Tech Coast Angels
- CleanTech San Diego
- Innovation Alliance

Note: RSC Legislative Bulletins are for informational purposes only and should not be taken as statements of support or opposition from the Republican Study Committee.

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Summary of Amendments Proposed to be Made in Order:

1. **Goodlatte (R-VA):** (Old #26) (10 Minutes of Debate) *Manager's Amendment:* This [amendment](#) contains various technical changes to Section 3(d). Section 3(d) of the bill limits discovery prior to claim construction. The amendment allows for parties to voluntarily agree to be excluded from the limited discovery provisions and clarifies that this exclusion is available to biosimilars (referenced as section 271(e) in the amendment). In addition, the amendment also adds an exception to the limited discovery provision for actions seeking relief from competitive harm. The amendment changes section 6(d) of the bill to ensure that the intellectual property licenses of U.S. companies to U.S. patents and other IP are protected by U.S. law and cannot be voided in bankruptcy proceedings by foreign courts applying foreign law.
2. **Watt (D-NC):** (Old #17) (10 Minutes of Debate) This [amendment](#) alters the fee shifting provision of the bill to allow the court discretion to reduce or deny the amount of fees the loser has to pay if the prevailing party “unduly and unreasonably protracted the final resolution of the matter in controversy.”
3. **Polis (D-CO):** (Old #4 Revised) (10 Minutes of Debate) This [amendment](#) requires the plaintiff to identify its parent company during pre-suit notification in order to establish a “willful infringement” claim under Section 3 of the bill. Section 3 directs procedures in patent infringement actions.
4. **Massie (R-KY):** (Old #1) (10 Minutes of Debate) This [amendment](#) strikes section 5 of the bill. Section 5 of the bill contains the voluntary customer-suit exception, which allows a suit against a customer or end user to be stayed if the manufacturer of the accused product is a party to the litigation and is prepared to defend against the infringement suit. A summary of section 5 is found in the above Section-by-Section Analysis.
5. **Jackson Lee (D-TX):** (Old #7) (10 Minutes of Debate) This [amendment](#) makes changes to Section 5, the “Customer-Suit Exception”. Specifically, the amendment changes the term “covered customer” for purposes of the section to include parties accused of infringement who are also small business concerns as defined under section 3 of the Small Business Act (15 U.S.C. 632) that have an annual revenue of \$25 million or less. The current definition of “covered customer” in the bill does not have an annual revenue cap, and therefore would also protect medium and large retailers and grocery stores.
6. **Jackson Lee (D-TX):** (Old #8) (10 Minutes of Debate) This [amendment](#) requires that a study to be conducted on the impact of Sections 3, 4, and 5, on the ability of individuals and businesses owned by minorities, women, veterans, to assert patent rights. Section 3 details provisions related to patent infringement actions, Section 4 details provisions related to transparency of ownership, and Section 5 details provisions related to the customer-suit exception.

7. **Rohrabacher (R-CA):** (Old #20) (10 Minutes of Debate) This [amendment](#) strikes all of section 9(a) from the bill. Section 9(a) of the bill repeals a type of lawsuit that allows an applicant to obtain a patent without substantive review of the application by a technically-trained patent examiner – under section 9(a), all patent applications would be required to be reviewed by an examiner with a scientific background.

8. **Conyers (D-MI), Watt (D-NC):** (Old #15 Revised) (20 Minutes of Debate) *Substitute Amendment:* This [amendment](#) is a full substitute amendment to the bill that was passed out of the Committee by a [vote](#) of 33-5. The substitute amendment deletes the bill’s litigation reforms, including requirements that patent lawsuits identify the plaintiff, the accused product, and the patent claims. According to the summary posted on the Rules Committee website it “[p]romotes transparency in patent ownership; protects customers who are targeted in infringement suits; directs the PTO to develop educational resources for small businesses; instructs the PTO and others to prepare reports on several issues including the use of deceptive demand letters.”

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