Section by Section – Innovation Act

October 2013

Sec. 3. Patent infringement actions:

1) **Heightened initial pleading requirements** – provides for enhanced initial pleading requirements that would require a patentee to identify the patents and claims infringed, and more specificity as to exactly how they are infringed.

2) **§285 Fee Shifting** – aligns fee shifting in patent cases with the standard that is used for awarding fees against the U.S. under the Equal Access to Justice Act (28 U.S.C. §2412(d)). The EAJA was enacted in 1980, and there is now a well-developed body of case law explaining what "substantially justified" means in the fee-shifting context. The standard is reasonably fair and predictable and is reliably enforced. The provision also allows for limited joinder of parties (ex: parent entity) to satisfy a fee-shifting award.

3) **Joinder provision** – allow courts to join parties that have an interest in the patent or patents at issue.

4) **Discovery in patent cases** – gives courts ability to limit discovery until claim construction occurs.

Sec. 4. Transparency of Patent Ownership:

1) Upon filing the initial complaint the plaintiff is required to provide parties, the Court and the PTO with basic information about the patent (ex: ultimate parent entity, parties with a financial interest, etc.). Also requires the patentee to keep that information updated for the life of the patent.

Sec. 5. Customer-suit exception:

1) Allows a manufacturer to intervene in a suit against his customers, and allows the action to be stayed as to the customer, if both the manufacturer and customer agree. The goal is to allow a manufacturer/supplier to intervene and stay cases against downstream alleged infringers, provided that there is an adequate remedy against the intervener. The provision accounts for indemnity agreements and help prevent gamesmanship. (Such suits tend to be coercive and are an abusive patent litigation tactic).

Sec. 6. Procedures and Practices to Implement and Recommendations to the Judicial Conference:

1) Requires the Judicial Conference to promulgate rules and procedures on core document discovery.

2) **Case Management** – provides for procedures to ensure initial disclosure and early case management conference practices in District Courts, to help identify any potentially case-dispositive issues.

3) **Revision of form for filing a patent infringement case** – includes eliminating Form 18 and allows for development of an updated form.

4) **Protection of IP licenses in bankruptcy** – ensures that U.S. law is followed and not foreign law, that IP licenses are not eliminated in bankruptcy. Section 365(n) of title 11 prevents a bankruptcy trustee from terminating licenses to patents and other intellectual-property of the debtor. When Congress enacted § 365(n) in 1989, it recognized that allowing patent and other IP licenses to be revoked in bankruptcy would be extremely disruptive to the economy and damaging both to patent owners and to licensing manufacturers. Manufacturers often invest billions of dollars in reliance on their right to practice a technology pursuant to a license. Allowing the license to be eliminated in bankruptcy would create commercial uncertainty and would undermine manufacturing investment.
Sec. 7. Small Business Education, Outreach, and Information Access:

1) PTO educational resources and outreach programs for small business concerns arising from patent infringement and abusive patent litigation practices.

2) Develop PTO website to include patent transparency information.

Sec. 8. Studies on Patent Transactions, Quality, and Examination:

1) Study on secondary market oversight for patent transactions to promote transparency and ethical business practices.

2) Study on patents owned by the U.S. government.

3) Study on patent quality and access to the best information during examination.

Sec. 9. Improvements and Technical Corrections to the Leahy-Smith America Invents Act:

1) Section 145 - with the AIA in place, section 145 is no longer needed. Every entity who could pursue a section 145 to have new evidence considered can accomplish the same consideration administratively through a continuation application.

2) Post-Grant Review technical amendment – estoppel fix (“issues raised”), ensures that we promote high quality patents going forward and that PGR functions effectively.

3) Post-Grant and Inter Partes claim construction – ensures that claims of issued patents be construed as a matter of law in post-grant and inter partes review, since the proceedings are an adjudication of the validity of issued patent claims and not a reexamination of the claims of an issued patent. Ensures that the proceedings are implemented in line with Congressional intent, and brings consistency to PTO proceedings, which uses judicial claim construction in reexaminations where the claims are no longer permitted to be freely amended. Provision ensures that PTO considers prosecution history, prior statements, etc. to help reach proper claim construction.

4) Prior art in cases of double patenting – codifies the double-patenting doctrine and applies it to first to file patents, controlling the effects of exceptions to prior art that permit a patentee to obtain multiple patents for what is basically the same invention and then sell those patents to different parties, requiring others to obtain multiple licenses from multiple parties to practice the invention.

5) Business Method Patent Reviews – codifies PTO’s current practices that are in line with AIA legislative intent, and eliminates the opportunity for gamesmanship by applying the program to all first to invent patents. Clarifies several aspects of the definition of “covered business method patent,” codifying the interpretation of the words “practice, administration, or management of a financial product or service” to that adopted by the PTAB decision in SAP v. Versata.

6) Clarification of limits on patent term adjustment – provision clarifies that no “B delay” patent-term adjustment (PTA) may be awarded for any of the time accrued after an applicant has restarted prosecution by filing an RCE (request for continued examination). If not corrected would allow indefinite PTA for RCEs that are filed after three years of prosecution.