

# Patent Public Advisory Committee Quarterly Meeting

## Legislative Update



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May 22, 2014



## Various proposals/approaches to address abusive patent litigation:

### White House Announcement (June 4, 2013) -- *7 legislative recommendations:*

- ✓ 1. Require applicants to disclose the “Real Party-in-Interest”
- ✓ 2. Permit more discretion to the court to award fees to prevailing parties
3. Expand the PTO’s Transitional Program for Covered Business Methods
- ✓ 4. Protect off-the-shelf use by consumers and businesses
5. Change the ITC standard for obtaining an injunction
- ✓ 6. Use demand letter transparency to help curb abusive suits
7. Ensure the ITC has adequate flexibility in hiring qualified Administrative Law Judges

**4 out of 7  
recommendations  
addressed in current  
bills.**

### Statement of Administration Policy (SAP) (December 3, 2013)

*“The Administration supports House passage of H.R. 3309 ...The bill builds on the important patent reforms contained in the America Invents Act (P.L. 112-29) and successfully implemented by the U.S. Patent and Trademark Office. The bill would improve incentives for future innovation while protecting the overall integrity of the patent system.” (NOTE: SAP also expressed some concerns*

### President’s State of the Union (January 28, 2014)

*“And let’s pass a patent reform bill that allows our businesses to stay focused on innovation, not costly and needless litigation.”*



## *Administration Executive Actions (@ USPTO)*

### **June 2013 Actions:**

- **Promoting Transparency** — Proposed rule to ensure patent owners accurately record and regularly update ownership information when they are involved in proceedings before the USPTO.
- **Making Patents Clear**—Developed and implemented patent examiner training programs to rigorously examine so-called “functional claims” to ensure claims are clear and can be consistently enforced.
- **Protecting Main Street from Abuse**—Launched an Online Tool Kit to ensure that consumers and main-street retailers know their rights before entering into costly litigation or settlements. Better inform players in the process.
- **Expanding Outreach & Focused Study** —Expansion of USPTO’s Edison Scholars Program to focus more research and study on abusive litigation issues. Continued engagement with stakeholders to discuss legislative proposals.

### **Feb 2014 Actions:**

- **Crowdsourcing Prior Art**— USPTO effort to expand ways for companies, experts, and the general public to help patent examiners, holders, and applicants identify the most relevant “prior art.”
- **More Robust Technical Training** —Expansion of USPTO’s Patent Examiner Technical Training Program to help patent examiners keep up with fast-changing technological fields.
- **Pro Bono and Pro Se Assistance** —To increase the accessibility of the patent system, the USPTO will dedicate educational and practical resources to assist inventors who lack legal representation, appoint a full-time Pro Bono Coordinator, and help expand the existing America Invents Act pro bono program to cover all 50 states.



## H.R.3309, “The Innovation Act” (as passed by the House)

### Procedural Highlights:

- **Introduced** 10/23/2013 (Goodlatte, R-VA)
- **Amended and Reported out of Committee** by a 33-5 vote
- **Passed** by the House on 12/5/2013 by a 325-91 vote (D: 130-64, R: 195-27)

### Substantive Highlights:

<b>Transparency &amp; Demand Letters</b>	<ul style="list-style-type: none"> <li>○ Real-Party-in-Interest disclosure in pleadings</li> </ul>
<b>Patent Infringement Actions</b>	<ul style="list-style-type: none"> <li>○ Shifts presumption and enhances fee-shifting under 35 USC 285.</li> <li>○ Establishes core discovery; Limits discovery before <i>Markman</i> claim construction hearing</li> <li>○ Directs the Judicial Conference to consider/issue rules related to discovery</li> <li>○ Provides heightened pleading requirements</li> <li>○ Customer stay based on consent of manufacturer or supplier</li> </ul>
<b>Studies, Technical Changes and Clarification</b>	<ul style="list-style-type: none"> <li>○ Extends term of patent cases pilot from 10 to 20 years</li> <li>○ Switch from BRI to district court claim construction</li> <li>○ Clarifies law as it relates to treatment of IP in bankruptcy cases</li> <li>○ Codifies language on obvious-type double patenting for FITF patents</li> <li>○ Requires USPTO and GAO to conduct studies on secondary market oversight, government patents, examination quality and patent small claims court</li> <li>○ Makes technical changes and clarifications               <ul style="list-style-type: none"> <li>✓ Revises language under “Inventor’s Oath or Declaration”</li> <li>✓ Codifies patent term adjustment calculations (<i>In Re Exelixis</i>)</li> <li>✓ Codifies language on obvious-type double patenting for FITF patents</li> <li>✓ Changes estoppel for PGR appeals (strikes “or could have raised”)</li> </ul> </li> </ul>



## *S.1720, “Patent Transparency and Improvements Act of 2013” (as introduced)*

### **Procedural Highlights:**

- *Introduced 11/18/2013 (Leahy, D-VT)*
- *Committee Hearing held Dec. 17, 2013*

### **Substantive Highlights:**

<b>Transparency &amp; Demand Letters</b>	<ul style="list-style-type: none"><li>○ Real-Party-in-Interest disclosure in pleadings</li><li>○ “Bad-faith” demand letters subject to FTC Act as unfair or deceptive acts or practices</li></ul>
<b>Patent Infringement Actions</b>	<ul style="list-style-type: none"><li>○ Customer stay based on consent of manufacturer or supplier</li></ul>
<b>Studies, Technical Changes and Clarification</b>	<ul style="list-style-type: none"><li>○ Switch from BRI to district court claim construction</li><li>○ Clarifies law as it relates to treatment of IP in bankruptcy cases</li><li>○ Codifies language on obvious-type double patenting for FITF patents</li><li>○ Requires USPTO and GAO to conduct studies on secondary market oversight, government patents, examination quality and patent small claims court</li><li>○ Includes other technical changes and clarifications similar to the House bill.</li></ul>

**Note:** *S.1720, as introduced, did not include provisions on expanding CBM, enhancing fee-shifting, or limiting discovery; these issues have been actively negotiated in the Senate in recent months.*



## *S.1720, "Patent Transparency and Improvements Act of 2013" (as introduced)*

In recent months, Sens. Leahy (D-VT), Schumer (D-NY) and Cornyn (R-TX) drove process toward a compromise bill.

In a statement yesterday, Sen. Leahy pulled the bill from the markup schedule:

*"Because there is not sufficient support behind any comprehensive deal, I am taking the patent bill off the Senate Judiciary Committee agenda. If the stakeholders are able to reach a more targeted agreement that focuses on the problem of patent trolls, there will be a path for passage this year and I will bring it immediately to the Committee."*



## S.1720, “Patent Transparency and Improvements Act of 2013” (as introduced)

*Key provisions discussed as likely additions/amendments for a Manager’s Amendment:*

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### **Patent Infringement Actions:**

- Fee Shifting
- Heightened Pleading
- Discovery

- **Fee shifting:** Directs courts to award reasonable attorney’s fees to a prevailing party if the court finds that the position of the non-prevailing party was not objectively reasonable.
- **Heightened Pleading:** Requires greater disclosure in initial pleadings in cases alleging patent infringement.
- **Discovery:** Limits discovery in certain cases pending the court’s ruling on claim construction. Competitors may be exempt. Also, directs Judicial Conference to develop specific rules regarding discovery cost sharing and the extent to which each party may seek non-core documentary evidence.

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### **Bad-Faith Demand Letters**

- Identifies widespread sending of demand letters alleging patent infringement as an unfair or deceptive act or practice within the meaning of section 5 of the FTC Act to clarify FTC current authority to pursue an investigation and/or action against a patent assertion entity.
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## Other Considerations for the remainder of the 113<sup>th</sup> Congress

- **Continued Interest in Patent Legislation and Executive Actions**
- **Continued interest/activity on Trade Secrets Legislation** -- S.2267, The “Defend Trade Secrets Act of 2014” - Sen. Coons (D-DE)
- **USPTO Satellite Offices**
  - ✦ Continued interest from Capitol Hill
  - ✦ Providing local support for outreach and education (in Detroit and in Silicon Valley, Denver, Dallas)
  - ✦ June 30<sup>th</sup> Office Opening in Denver, CO
  - ✦ Hill staff briefing planned on the Detroit Office in June
  - ✦ Meet and Greet for John Cabeca and Debbie Cohn in San Jose (April)
- **Green Paper on, “*Copyright Policy, Creativity, and Innovation in the Digital Economy*”**
  - ✦ Additional roundtable and multi-stakeholder discussions continuing in 2014 throughout the country
- **International Treaties**
  - ✦ The Geneva Act of the Hague Treaty on Industrial Designs (implementation underway)
- **IP Awareness – On and Off the Hill :**
  - ✦ Increased interest in our IP Attaché Program
  - ✦ Supporting STAFDELS and CODELS to China, Thailand, and elsewhere
  - ✦ Supporting Meetings with Judiciary Committee Members/Staff, and New Members, Congressional Caucuses
  - ✦ Participated in a Department of Commerce, “Commerce Day on Capitol Hill” Event (May 20)
  - ✦ Planning for “Day in the Life” visits with Congressional Staff later this year (TBD)



*Thank you.*

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