

Patent Public Advisory Committee Quarterly Meeting

Legislative Update



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Curbing Abusive Patent Litigation: *113th Congress – Administration Statements/Positions*

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

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.” (NOTE: SAP also expressed 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.”



White House Executive Actions (USPTO-lead activities)

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:

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



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:

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

Note: *S.1720, as introduced, did not include provisions on expanding CBM, enhancing fee-shifting, or limiting discovery; these issues were actively discussed as part of a possible Manager’s amendment.*



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

Sens. Leahy (D-VT), Schumer (D-NY) and Cornyn (R-TX) drove a process toward a compromise bill. That effort was unsuccessful. In a statement dated May 21, 2014, Sen. Leahy pulled the bill from the markup schedule stating:

“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.”



As the 113th Congress heads towards its end...

...the discussion shifts to more narrow efforts to address “Patent Trolls.”

- **Patent “Demand” Letter Legislation** (Federal Preemption for FTC initiated actions and specific requirements for demand letters)
- **International Trade Commission (ITC) Reform** (codifying a domestic industry requirement)
 - ⇒ *House Ways and Means Committee; H.R. 4763, “Trade Protection Not Troll Protection Act” (Rep. Cardenas, D-CA-29) – introduced 5/29/2014*

Likelihood of these measures moving forward?
Unclear, but unlikely in the 113th



Activity on Demand Letters (various forums)

Legislation

- **S. 2049**, “Transparency in Assertion of Patents Act” (Sen. McCaskill, D-MO) – introduced 2/26/2014; subcommittee hearing held
- **H.R. ____**, “Targeting Rogue and Opaque Letters (TROL) Act” - DRAFT Bill (Rep. Terry, R-NE-2); adopted by E &C subcommittee 7/10/2014

State Attorneys General

- At least 12 states have enacted laws addressing “Bad faith assertions of patent infringement”
- 13 more states are considering legislation
- 42 State Attorneys General signed 2-24-14 letter to U.S. Senate urging federal legislation with concurrent FTC and State AG enforcement authority

Federal Trade Commission

- Studying activities of patent assertion entities

USPTO

- “I got a letter” resource website: www.uspto.gov/patents/litigation/i_got_a_letter.jsp



Other Considerations for the remainder of the 113th Congress

○ Continued interest/activity on Trade Secrets Legislation ***

↪ S.2267, “Defend Trade Secrets Act of 2014” - Sens. Coons (D-DE) and Hatch (R-UT), introduced

↪ H.R. 5233, “Trade Secrets Protection Act” - Rep. Holding (R-NC-13), introduced

***** Likely Movement in the “lame duck” congressional session**

○ USPTO Satellite Offices (Detroit, Denver, Silicon Valley, Dallas)

↪ Continued interest from Capitol Hill

↪ Providing local support for outreach and education

↪ Office in Denver, CO opened June 30, 2014; Office in Silicon Valley will open Spring 2015

○ Green Paper: “Copyright Policy, Creativity, and Innovation in the Digital Economy”

↪ Additional roundtable and multi-stakeholder discussions continuing in 2014

○ IP Awareness – On and Off the Hill :

↪ Increased interest in our IP Attaché Program

↪ Supporting STAFDELS and CODELs to China, Thailand, and elsewhere (USPTO has lead pre-trip briefings with members of Congress and facilitated discussions on the ground)



House Judiciary Committee Oversight Hearing (July 2014)

HOUSE JUDICIARY COMMITTEE, SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY AND THE INTERNET

Hearing on

“U.S. Patent and Trademark Office: The America Invents Act and Beyond, Domestic and International Policy Goals”

JULY 30, 2014

Issues raised by Members of the Subcommittee:

- USPTO Funding and Hiring
- USPTO Director Vacancy
- Detroit Satellite Office Vacancy
- Attaché Program and Status in Embassies
- IP Challenges in China and India
- IG Reports on TM Office Hiring, PTAB “Other Time”
- *Alice-CLS* Guidance; Impact on Allowances
- PTAB Trial Proceeding Costs
- Pre-GATT Patent Applications
- Pro-Bono Program
- Demand Letter Toolkit Effectiveness
- Cigarette Packaging Trademark Rule in Australia
- Impact of Covered Business Review Proceedings
- Patent Quality Controls, Impact on Number of Appeals
- Rejection of DotAmazon gTLD
- Trade Secret Legislation
- Trade Secret Protection in China

Written Questions for the Record Anticipated.



Thank you.

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