

THE COALITION FOR 21ST CENTURY PATENT REFORM

Protecting Innovation to Enhance American Competitiveness

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H.R. 3309 Meaningfully Advances Patent Reform However, Improvements Are Still Needed to Provide Appropriate Incentives for American Manufacturers

The Coalition for 21st Century Patent Reform (“21C”) believes that the passage of H.R. 3309 by the House of Representatives is a meaningful first step toward finding appropriate solutions to curb certain abusive patent litigation practices. As currently drafted, however, several of its provisions remain overly broad and will make it much more difficult and expensive for American manufacturers and innovators to prevent infringing products from threatening their businesses.

On the positive side, H.R. 3309 authorizes courts to award attorney’s fees to prevailing parties to discourage frivolous suits filed for the sole purpose of leveraging nuisance settlements. It also allows for the stay of cases brought against customers and end users instead of manufacturers or suppliers. In addition, the legislation makes a number of important technical corrections to the America Invents Act (AIA) to ensure that it works as intended. For example, the 21C is pleased that H.R. 3309 properly requires the USPTO, when construing patent claims in the AIA’s new PGR and IPR proceedings, to use the same standards applied by the courts.

We also welcome the adoption of the amendment to remove the section of H.R. 3309 that would have repealed §145. Though seldom used, this procedural alternative can be critical for an inventor to establish patentability by supplementing the record through the introduction of additional evidence in a district court, evidence that may not have been available or accessible during the proceedings in the USPTO.

The 21C is also pleased that H.R. 3309 does not expand the AIA’s Transitional Program for Covered Business Method Patents, but is disappointed that it exempts Covered Business Method Patent transitional reviews from the claim construction requirements to be applied in all other post grant proceedings.

The 21C is grateful that certain amendments offered in the House were not adopted. For example, the Committee on Rules did not “make in order” the proposal for a bonding requirement that would only allow discovery beyond certain core documentary evidence unless the party seeking discovery posts a bond sufficient to cover the estimated costs of providing such discovery. Such a requirement would make it difficult, if not impossible, for independent inventors, start-ups, small businesses and universities to enforce their rights. Bonds are expensive to obtain and could lead to costly collateral disputes over the need for, and amount of, any bond at the outset of almost every case.

On the other hand, certain provisions of H.R. 3309 intended to curb certain abusive patent litigation practices are not sufficiently focused and would adversely impact American business by making it more difficult and expensive for American manufacturers and other American innovators to prevent infringing “knock-offs” from threatening their businesses. For example, H.R. 3309 will make patent infringement actions against infringing products more expensive and time consuming by imposing a mandatory delay of a year or more before the evidence necessary to prove the case can be gathered. Section 3(d) would bring almost every newly filed

patent case to a virtual standstill while the parties wrangle over the semantics of the terms used in the asserted patent claims and the court issues its so-called “Markman” ruling stating what those claims mean. In the meantime, American businesses will suffer, as infringers continue to sell “knock-offs,” resulting in the loss of market shares, profits, and American jobs.

While H.R. 3309 as passed now provides an exception for “Actions Seeking Relief Based on Competitive Harm,” it does not go far enough. This amendment only exempts cases where preliminary injunctions are sought. This is far too narrow to protect American manufacturers, and should be broadened to exempt all competitor cases. The focus of H.R. 3309 is to curb abusive patent assertions by certain Non-Practicing Entities (“NPEs), and broadening the exemption to competitor cases would not impact the targeted NPE cases in the slightest.

As this important reform effort now moves to the Senate, the 21C commits to continue working with Members of the House, as well as the Senate Judiciary Committee and other Members of the Senate, to address these concerns in order to achieve measured, targeted legislative reforms that will curb litigation abuse without imposing unnecessary limitations on the ability of manufacturing firms, universities, and independent inventors to enforce their patents.

The Coalition has approximately 50 members from 18 diverse industry sectors and includes many of the nation’s leading manufacturers and researchers. The coalition’s steering committee includes 3M, Caterpillar, General Electric, Johnson & Johnson, Eli Lilly and Procter & Gamble. Visit <http://www.patentsmatter.com> for more information.