

House Passes Innovation Act

December 12, 2013

Last Thursday, the House passed H.R. 3309 (the Innovation Act) by a 325-91 vote. This bill would make dramatic changes to patent enforcement and defense. Key issues are summarized below.

The bill changes the traditional rule that attorney's fees and costs are not awarded to a prevailing party absent some abuse of the patent system, e.g., inequitable conduct or willful infringement, or an abuse of the litigation process. Instead, it directs that "The court shall award, to a prevailing party, reasonable fees and other expenses incurred by that party . . . unless the court finds that the position and conduct of the non prevailing party or parties were reasonably justified in law and fact." The bill further provides that, if the non prevailing party cannot pay, interested third-parties can be forced to pay the winner's attorneys' fees. An assignee, a person that "has a right, including a contingent right, to enforce or sublicense the patent or patents at issue; or has a direct financial interest in the patent or patents at issue" can be joined. There is a carve out for law firms who are enforcing patents on a contingent fee basis. At present, the full consequences of these provisions of the bill are unknown but it may decrease the value of patent rights and may discourage settlements.

The bill also delays full discovery until claim construction has occurred. This would delay most cases by months and will likely place even more emphasis on the use of intrinsic evidence in claim construction, which may not always be the best guide for how claim terms are understood by those of ordinary skill in the relevant art.

Under the bill, pleading requirements for patent cases are enhanced significantly. A complaint, counterclaim or cross claim for patent infringement will require "a clear and concise statement of [] where each element of each [asserted claim] is found in the accused instrumentality; and with detailed specificity, how each [asserted] claim is met by the accused instrumentality;" i.e. a full claim chart. Additionally, upon filing suit, the plaintiff will be required to fully disclose the identities of those with financial interests underlying an asserted patent.

Our United States patent system has created an environment that, while not perfect, has unquestionably encouraged innovation and has helped us be worldwide leaders in creativity. Fundamentally altering the patent cost/benefit paradigm by creating a presumption that a non prevailing party - and, moreover, its nonparty financial supporters - should pay the prevailing party's fees and expenses is not a change that



should occur without a clear understanding of how it will affect the future value of patents--the currency of future innovation.

Please contact us if you would like a full copy of the bill or would like to discuss it.