June 8, 2015

Senate Judiciary Committee Approves Patent Troll Bill

Today the Senate Judiciary Committee marked up S. 1137, the "PATENT Act," and by a vote of 16-4 ordered the bill favorably reported to the Senate.

The first action of the Committee was to adopt a Manager's Amendment consisting of an Amendment in the Nature of a Substitute to the bill as introduced. A copy of the Substitute is attached. The Substitute consists of the provisions of the bill as introduced on April 29, with the addition of several amendments to the Inter Partes Review (IPR) and Post Grant Review (PGR) provisions that were enacted in the America Invents Act of 2011. These IPR and PGR amendments are found on pages 42-59 of the Substitute.

The Substitute also includes additional language in the fee-shifting provisions of the bill. As introduced S. 1137 provides that a court need not order fee-shifting if "special circumstances would make an award unjust." The Substitute inserts "undue economic hardship to a named inventor or an institution of higher education" as an example of such special circumstances. The Substitute also includes a specific statement that "The prevailing party shall bear the burden of demonstrating that the prevailing party is entitled to an award."

In introductory remarks regarding the Substitute, Chairman Grassley indicated that further discussion and negotiations regarding claims amendment in IPR/PGR proceedings will be ongoing before the bill is taken up in the full Senate, and that the provisions in the Substitute on this issue should be considered to be a "placeholder" for new language to come.

Amendments Adopted

The Committee adopted two amendments before voting to report the bill favorably.

S. 1137 contains provisions that identify information that must be included in a patent infringement demand letter sent prior to filing suit, and provides an additional 30 days for the defendant to reply if suit is filed without compliance with this requirement. The Committee adopted an amendment by Senator Feinstein providing that a demand letter must not contain demand for a specific monetary settlement, with an additional 30 days for the defendant to reply if such a demand was made.

The Committee also adopted an amendment by Senator Cornyn that would expand micro entity status, and the resulting entitlement to reduction in patent fees, to institutions of higher education outside the United States and to tax exempt organizations that hold patents on behalf of institutions of higher education.

Copies of the Feinstein and Cornyn amendments are attached.

Amendments Defeated
By wide bipartisan margins of 3-1 or greater, the Committee defeated six other amendments:

- A Durbin amendment that would provide that the fee-shifting provisions of the bill do not apply to suits in which the party alleging infringement is an institution of higher education, a non-profit technology transfer organization, or a licensee of such an institution or organization.

- A Vitter amendment providing that in an action brought by a small business, independent inventor, or non-profit organization, the provisions of the bill relating to enhanced pleadings, discovery delay, and fee-shifting do not apply.

- A Coons amendment to strike the heightened pleading requirements of the bill.

- A Coons amendment to provide an exception to the heightened pleading requirement if the suit is brought by a party that has never previously brought an action for infringement, or the patent in suit has never been the subject of litigation in any previous civil action.

- A Coons amendment to provide an exception to the heightened pleading requirements if the party bringing the action certifies that if not remedied the alleged infringement will result in the loss of at least 20 manufacturing or research jobs.

- A Coons amendment to provide an exemption from the bill's discovery delays if the party bringing the action certifies that it has created at least 20 manufacturing or research jobs during the preceding 3-year period.

Attachments:

- Managers’ Amendments
- Feinstein Amendments
- Cornyn Amendments

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