

IPWatchdog: Innovator Concerns Grow over Innovation Act

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CQ Roll Call reported last week that House Judiciary Chairman, **Congressman Bob Goodlatte** (R-VA), is fast tracking the **Innovation Act** (HR 3309) despite growing bi-partisan concerns of those on the House Judiciary Committee. Reportedly, a markup of the legislation will be held at some time during the week of November 18, 2013.

But calling the Innovation Act fast-tracked doesn't do justice to what is really happening. The Innovation Act was only officially introduced on October 23, 2013, and the Committee has not heard from any independent inventors or small businesses. Even the innovator community that stands to lose big is just warming up, this past week with a substantial coalition of University groups and the Biotechnology Industry Organization (BIO) weighing in for the first time, with BIO concluding that the "proposals are not supportable without significant amendment." The University groups weighing in against the Innovation Act are the Association of American Universities, American Council on Education, Association for American Medical Colleges, Association of Public and Land-grant Universities, Association of University Technology Managers and Council on Government Relations, collectively referred to in their position statement as "the Higher Education Community."

If Goodlatte is already planning a markup in days and at the same time Universities and BIO are weighing in it almost seems as if the handwriting is on the wall, which it may well be in the House. Still, there are important reasons to want to stop the Innovation Act at least until significant, legitimate concerns are addressed and the bill is amended.

Statement from the Higher Education Community (i.e., AAU, ACE, AAMC, APLU, AUTM and COGR):

The bill includes several provisions intended to reduce abusive practices, including fee shifting, heightened pleading standards, increased transparency of patent ownership, and limitations on discovery. Although each of these provisions, if appropriately balanced and circumscribed, could help achieve the goal of reducing abusive litigation practices, their overbroad scope as written raises the specter of unintended problems and thereby raises particular concerns for universities.

Higher Education Community on fee-shifting:

[T]he burden of proof and substantive standards for the nonprevailing party to avoid fee shifting weight these provisions heavily in favor of fee-shifting as the default outcome. The amplitude of these impacts will interfere with ordinary enforcement of patent

exclusive rights and defenses available in patent proceedings, including proceedings wherein the central issue is not patent infringement at all but may entail contract disputes. The chilling effect of the uncertainty about whether such an expense would be due and who ultimately would pay it is disproportionately adverse for parties of limited means such as universities, their nonprofit technology transfer organizations, and their small business licensees.

Higher Education Community on joinder:

The definition of “interested party” in Sec. 299(d)(3) is extremely broad. Taken together, the all-encompassing fee-shifting and joinder language would bring higher education institutions and their inventors, non-profit technology transfer organizations associated with those institutions, federal laboratories, and federal agencies within the fee-shifting purview. The combination of fee-shifting provisions and mandatory joinder would likely constitute an unfunded mandate on universities, both public and private. These effects constitute a substantial disincentive for universities and startups to enforce patents on new technologies and innovations, which undermines the goal of the patent system.

Higher Education Community on limitations of discovery:

Judges already have discretion to limit discovery, and the federal judicial branch is taking steps to address the issue of unreasonable and abusive discovery demands. It would seem best, therefore, to leave limitations on discovery to the discretion of courts.

Higher Education Community on expansion of the Covered Business Method Program:

We believe that the expansion in new Sec. 9(e) of the kinds of patents that can be challenged under that AIA’s post-grant review procedures for covered business method (CBM) patents is extremely problematic. Changes in the definition or interpretation of the definition of covered business method patents and the authority for the USPTO to waive the \$12,000 filing fee for a CBM petition threaten to expand the scope of patents that can be challenged under what was intended as a transitional program that just recently went into effect.

What follows is an excerpt of the BIO letter to Congressman Goodlatte:

Some of the provisions in the legislation would complement the 2011 patent reforms in beneficial ways, and should be supported. However, other provisions are problematic as currently drafted because, in sum, they would erect unreasonable barriers to access to justice for innovators, especially small start-ups that must be able to defend their businesses against patent infringement in a timely and cost-effective manner, and without needless and numerous procedural hurdles or other obstacles.

BIO supports the provisions that protect IP licenses in bankruptcy proceedings, harmonize the claim interpretation standards in administrative patent litigation with

those in district court, and clarify how the doctrine of “double patenting” applies to related patent applications under the new first-inventor-to-file system. BIO also appreciates the bill’s recognition of the already existing and specific statutory schemes that apply to certain types of litigation in the biopharmaceutical sector. Unfortunately, other provisions included in the bill are concerning in their current form. This list includes provisions that:

- Routinely defer or suspend discovery and litigation on the merits in patent infringement cases, whether in whole or against certain parties;
- Permit infringers to add additional parties to the litigation under overly broad criteria; and permit parties to seek reimbursement of their litigation costs from other parties under a vaguely-defined and potentially very broad set of patent-related cases;
- Require unreasonable amounts of pleading specificity and disclosure and public recordation of patent ownership, litigation interests, and other business or confidential information;
- Direct courts and judges how to handle patent case management in an overly-prescriptive and one-size-fits-all manner that would unduly interfere with the responsibility of judges and courts to craft case-appropriate management orders that reflect the complexity of the matters at issue and the respective positions of the parties; and
- Single out patents on certain technologies for unfavorable treatment in open-ended administrative litigation, contrary to long-standing U.S. policy and international treaty obligations.

Taken as a whole, the provisions bulleted above create opportunities for systematic delays in patent litigation by inviting piecemeal discovery and adjudication that would push back a determination of patent infringement liability until much later in the case, and by the inclusion of potentially numerous and unnecessary parties – raising the time and expense of patent litigation, contrary to the legislation’s purported goals... Accordingly, such proposals are not supportable without significant amendment.