

## Innovation Act (H.R. 9) and PATENT Act (S. 1137): A Comparison of Key Provisions

TOPIC	Innovation Act—H.R. 9	PATENT Act—S. 1137
<p><b>Post Grant Review (“PGR”) Proceedings</b></p>	<ul style="list-style-type: none"> <li>• <b>Claim Construction:</b> Each patent claim “shall be constructed as such claim would be in a civil action to invalidate a patent under section 282, including construing each claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent” (H.R. 9, pp. 49-50).</li> <li>• <b>Prior Court Construction:</b> Requires the USPTO to consider prior claim construction by a court in a civil action. (H.R. 9, p. 50).</li> <li>• Eliminates provision barring PGR petitioner from later asserting in a civil action that a claim is invalid on any ground that the petitioner “reasonably could have raised” during PGR. (H.R. 9, p. 48).</li> <li>• <b>Amendment—Preliminary Response:</b> Patent owner is allowed to submit “affidavits or declarations of supporting evidence and opinions.” (H.R. 9 Amendment, pp. 54-55).</li> <li>• <b>Amendment—Review Prohibited by Hedge Funds:</b> A review may not be instituted unless the petitioner certifies that the petitioner and real parties in interest will not acquire a financial instrument “that is designed to hedge or offset any decrease in the market value of an equity security of the patent owner or an affiliate of the patent owner, during a period following the filing of the petition to be determined by the Director; and have not demanded payment, monetary or otherwise, from the patent owner or an affiliate of the patent owner in exchange for a commitment not to file a petition under section 311 with respect to the patent that is the subject of the petition” unless also “charged with infringement of the patent, during a period to be determined by the Director.” (H.R. 9 Amendment, p. 55).</li> </ul>	<ul style="list-style-type: none"> <li>• Eliminates provision barring PGR petitioner from later asserting in a civil action that a claim is invalid on any ground that the petitioner “reasonably could have raised” during PGR. (S. 1137, p. 50).</li> <li>• <b>Amendment—Claim Construction:</b> Each patent claim “shall be constructed as such claim would be in a civil action to invalidate a patent under section 282, including construing each claim in accordance with the ordinary and customary meaning of such claim as understood by one of ordinary skill in the art and the prosecution history pertaining to the patent.” (S. 1137 Manager’s Amendment, p. 54).</li> <li>• <b>Amendment—Prior Court Construction:</b> Requires the USPTO to consider prior claim construction by a court in a civil action. (S. 1137 Manager’s Amendment, pp. 54-55).</li> <li>• <b>Amendment—Construction Estoppel:</b> A party is bound in a subsequent proceeding before the USPTO or civil action by any representations regarding claim construction made by the party with respect to the prosecution history of the patent that were adopted in rendering a decision. (S. 1137 Manager’s Amendment, p. 50).</li> <li>• <b>Amendment—Preliminary Response and Reply:</b> The patent owner’s preliminary response may be supported by affidavits or declarations of supporting evidence and opinions. The petitioner may seek leave to file a reply to respond to new issues raised in the preliminary response. (S. 1137 Manager’s Amendment, pp. 52-53).</li> <li>• <b>Amendment—Testimony:</b> Either party may have testimony (including cross-examination of adverse witnesses) heard live by the panel deciding the review where the panel finds that such testimony would facilitate resolution of the case. (S. 1137 Manager’s Amendment, p. 53).</li> <li>• <b>Amendment—Substitute Claims:</b> Patent owner may propose one or more substitute claims that are narrower in scope than the cancelled claim and without introducing new matter. Petitioner shall have the burden of proving a proposition of unpatentability of the substitute claims by a preponderance of the evidence. (S. 1137 Manager’s Amendment, pp. 55-56).</li> <li>• <b>Amendment—Composition of Adjudicating Panels:</b> Panels convened to adjudicate PGR proceedings may not consist of more than one individual who participated in the decision to institute such proceeding, and the decision to institute a proceeding may be made by designees of the Director other than members of the PTAB. (S. 1137 Manager’s Amendment, p. 57).</li> </ul>

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<p><b>Inter Partes Review (“IPR”) Proceedings</b></p>	<ul style="list-style-type: none"> <li>• <b>Claim Construction:</b> Same as for PGR, above. (H.R. 9, pp. 48-49); (H.R. 9 Amendment, p. 53).</li> <li>• <b>Prior Court Construction:</b> Same as for PGR, above. (H.R. 9, p. 49).</li> <li>• <b>Amendment—Review Prohibited by Hedge Funds:</b> Same as for PGR, above. (H.R. 9 Amendment, p. 54).</li> <li>• <b>Amendment—Preliminary Response:</b> Same as for PGR, above. (H.R. 9 Amendment, p. 54).</li> <li>• <b>Amendment—Reply:</b> Petitioner may reply to new issues raised by patent owner in its Preliminary Response upon the director’s grant of a request to file such a reply. (H.R. 9 Amendment, pp. 58-59).</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Amendment—Statutory Bar:</b> An IPR may not be instituted to a particular claim of a patent if the petition requesting the proceeding is filed more than one year after the date on which the petitioner is served with a complaint alleging infringement of that patent claim. This does not apply to a request for joinder. (S. 1137 Manager’s Amendment, p. 45).</li> <li>• <b>Amendment—Joinder:</b> A petitioner may petition to add additional patent claims in an IPR in which the petitioner is a party, if such petition is made within one year after the date on which the petition is served with an amended complaint for the first time alleging infringement of those patent claims to be added. (S. 1137 Manager’s Amendment, p. 45).</li> <li>• <b>Amendment—Claim Construction:</b> Same as for PGR, above. (S. 1137 Manager’s Amendment, p. 48).</li> <li>• <b>Amendment—Prior Court Construction:</b> Same as for PGR, above. (S. 1137 Manager’s Amendment, p. 48).</li> <li>• <b>Amendment—Construction Estoppel:</b> Same as for PGR, above. (S. 1137 Manager’s Amendment, p. 46).</li> <li>• <b>Amendment—Preliminary Response and Reply:</b> Same as for PGR, above. (S. 1137 Manager’s Amendment, p. 43).</li> <li>• <b>Amendment—Testimony:</b> Same as for PGR, above. (S. 1137 Manager’s Amendment, p. 47).</li> <li>• <b>Amendment—Substitute Claims:</b> Same as for PGR, above. (S. 1137 Manager’s Amendment, p. 48).</li> <li>• <b>Amendment—Composition of Adjudicating Panels:</b> Same as for PGR, above. (S. 1137 Manager’s Amendment, p. 57).</li> </ul>

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<p><b>Bad Faith Demand Letters</b></p>	<ul style="list-style-type: none"> <li>• Articulates the “sense of Congress” that it is an abuse of the patent system and against public policy for a party to send out purposely evasive demand letters to end users alleging patent infringement. Any actions or litigation stemming from sending a purposely evasive demand letter should be considered “a fraudulent or deceptive practice and an exceptional circumstance when considering whether the litigation is abusive.” (H.R. 9, pp. 14-15).</li> <li>• Claimant asserting willful infringement “may not rely on evidence of pre-suit notification unless such notification identifies with particularity the asserted patent, identifies the product or process accused, identifies the ultimate parent entity of the claimant, and explains with particularity, to the extent possible following reasonable investigation or inquiry, how the product or process infringes.” (H.R. 9, pp. 15-16).</li> </ul>	<ul style="list-style-type: none"> <li>• Initial written notice in a civil action alleging infringement of a patent shall contain: (A) identification of each patent and at least one claim of each patent alleged to be infringed; (B) identification of each product that is believed to infringe one or more claims; (C) a detailed description of the reasons why plaintiff believes each patent is infringed; (D) notice to infringer that they may have the right to a stay of any suit; (E) the identity of any person with the right to enforce each patent; and (F) a short and plain statement as to how a proposed compensation was determined if compensation is proposed. (S. 1137, pp. 32-34).</li> <li>• Claimant asserting willful infringement “may not rely on evidence of pre-suit notification” unless such notification complies with the standards set out above. (S. 1137, p. 35).</li> <li>• Does not apply to communications regarding existing licensing arrangements or any communications after the initial written communication. (S. 1137, pp. 36-38).</li> <li>• It shall be “an unfair or deceptive practice,” and a violation of the Federal Trade Commission Act, for a person to send a written communication alleging infringement if the sender falsely: <ul style="list-style-type: none"> <li>• represents that administrative or judicial relief has been sought against the recipient; or</li> <li>• threatens litigation if compensation is not paid or the communication is not responded to; and</li> <li>• there is a pattern of false statements having been made without litigation or other relief having been sought. (S. 1137, p. 36).</li> </ul> </li> <li>• It shall be “an unfair or deceptive practice” if assertions contained in the communication lack reasonable basis in fact or law because: <ul style="list-style-type: none"> <li>• the sender is not a person with the right to license and enforce the patent;</li> <li>• communications seek compensation based on activities after a patent has expired;</li> <li>• communications seek compensation for a patent that has been held to be invalid or unenforceable in a final or administrative judicial proceeding that is not appealable.</li> <li>• communications seek compensation for activities the sender knows do not infringe the patent because such activities are authorized by the patentee;</li> <li>• communications falsely represent that an investigation of the alleged infringement has occurred; or</li> <li>• communications falsely state that litigation has been filed against or a license has been paid by persons similarly situated to the recipient. (S. 1137, pp. 37-38).</li> </ul> </li> <li>• It shall be “an unfair or deceptive practice” if the content of the written communication is likely to mislead a recipient because the content fails to include facts to inform recipient of: <ul style="list-style-type: none"> <li>• the identity of the person asserting a right to license or enforce the patent;</li> <li>• the patent alleged to have been infringed; and</li> <li>• at least one product or other activity that is alleged to infringe the identified patent or patents and, unless readily available, an explanation of the allegation. (S. 1137, pp. 38-39).</li> </ul> </li> </ul>

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<b>Venue</b>	<ul style="list-style-type: none"><li>• <b>Amendment—Venue for Civil Actions:</b> A civil action for patent infringement may be brought only in a judicial district where the defendant has its principle place of business or is incorporated; has committed an act of infringement and has a regular and established physical facility; has consented to be sued; where the invention was conceived or reduced to practice; where significant research and development of an invention claimed occurred at a regular and established physical facility; and where a party has a regular and established physical facility where management of research, manufacturing, and implementation of manufacturing process of the claimed invention of the patents-at-suit occurs. (H.R. 9 Amendment, pp. 19-20).</li></ul>	<ul style="list-style-type: none"><li>• N/A</li></ul>

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<p><b>Cost Shifting Including Attorneys' Fees</b></p>	<ul style="list-style-type: none"> <li>• Court shall award fees to prevailing party unless the position and conduct of nonprevailing party were reasonably justified in law and fact or special circumstances (e.g., severe economic hardship to named inventor) make such an award unjust. (H.R. 9, p. 6).</li> <li>• If nonprevailing party is unable to pay, court may make fees recoverable against joined “interested party” (an assignee, a party with right to enforce or sublicense the patent, or a party with direct financial interest in the patent). (H.R. 9, p. 6).</li> <li>• Party asserting claim, who later extends covenant not to sue, is deemed “nonprevailing party” unless that party would have been entitled at the time of extending the covenant to voluntarily dismiss the action. (H.R. 9, p. 7).</li> </ul>	<ul style="list-style-type: none"> <li>• Articulates the “sense of Congress” that, in patent cases, reasonable attorneys’ fees should be paid by a nonprevailing party whose litigation position or conduct is not objectively reasonable. (S. 1137, p. 24).</li> <li>• The court shall determine whether the position of the nonprevailing party was objectively reasonable in law and fact, and whether the conduct of the nonprevailing party was objectively reasonable. If not, the court shall award fees to prevailing party unless special circumstances (e.g., severe economic hardship to named inventor) make such an award unjust. (S. 1137, pp. 24-25). <ul style="list-style-type: none"> <li>• <b>Amendment</b>—Special circumstances include undue economic hardship to a named inventor or an institution of higher education as defined in section 101(a) of the Higher Education Act of 1965. (<b>S. 1137 Manager’s Amendment, p. 24</b>).</li> <li>• <b>Amendment</b>—The prevailing party shall bear the burden of demonstrating that the prevailing party is entitled to an award. (<b>S. 1137 Manager’s Amendment, p. 24</b>).</li> </ul> </li> <li>• A party defending against a claim of infringement may file a statement holding a good faith belief that the primary business of the party alleging infringement is the assertion and enforcement of patents. In response to being served with such a statement, a party alleging infringement shall file a certification that: (i) establishes that it will have sufficient funds to satisfy an award of reasonable attorneys’ fees; (ii) demonstrates that its primary business is not assertion and enforcement of patents; (iii) identifies interested parties; or (iv) states that it has no such interested parties. (S. 1137, pp. 25-27).</li> <li>• Notice to interested parties shall be provided prior to filing of the certification by the party defending against the claim of infringement. (S. 1137, pp. 27-28).</li> <li>• Any interested parties who are timely served with notice and do not renounce their interest may be held accountable for any fees, or a portion thereof, in the event that the party alleging infringement cannot satisfy the full amount of the award. (S. 1137, p. 28).</li> <li>• Institutions of higher education may exempt themselves from the applicability of this subsection. (S. 1137, p. 29).</li> <li>• Claims under section 271(e) (Hatch-Waxman cases) are exempt from this subsection; the court may award reasonable attorneys’ fees to the prevailing party in exceptional cases. (S. 1137, p. 31).</li> </ul>

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<p><b>Pleadings and Disclosure of Real Party-in-Interest (“RPI”)</b></p>	<ul style="list-style-type: none"> <li>• A complaint must include each patent, claim, and element allegedly infringed; the allegedly infringing products or processes; the plaintiff’s authority to assert each patent; a description of the plaintiff’s principal business; a list of all other complaints filed related to each asserted patent; and any licensing commitments. (H.R. 9, pp. 2-5).</li> <li>• A complaint must also include a theory of how each accused product or process is allegedly infringing each identified patent. (H.R. 9, pp. 3-4).</li> <li>• Upon filing of an initial complaint for patent infringement (except in ANDA cases), the plaintiff shall disclose to court, USPTO, and adverse parties the identity of the following parties as related to the patent at issue: <ul style="list-style-type: none"> <li>• the assignee, and ultimate parent entity thereof,</li> <li>• any entity with a right to sublicense or enforce the patent, and any parent entity thereof,</li> <li>• any entity, other than the plaintiff, that the plaintiff knows to have a financial interest in the patent or patents at issue or the plaintiff. (H.R. 9, pp. 16-17).</li> </ul> </li> <li>• Financial interest is defined as ownership/control of &gt;5% of plaintiff or right to receive proceeds from assertion of patent. (H.R. 9, p. 18).</li> <li>• Court may join “interested party” upon showing by defendant that plaintiff has no substantial interest in the subject matter at issue other than asserting the patent in litigation. (H.R. 9, p. 8).</li> </ul>	<ul style="list-style-type: none"> <li>• Form 18 is eliminated. A party alleging infringement must identify each patent and claim allegedly infringed. For each such claim, the pleading shall also include “an identification of each accused process, machine, manufacture, or composition of matter,” and for each such accused instrumentality, the pleading shall include “the name or model number of each accused instrumentality” or a description if no model number exists. (S. 1137, pp. 2-4).</li> <li>• For each allegedly infringing claim, the pleading shall also include a “description of the elements thereof that are alleged to be infringed by the accused instrumentality and how the accused instrumentality is alleged to infringe those elements.” (S. 1137, p. 4).</li> <li>• For each claim of indirect infringement, there shall be a requirement of a “description of the acts of the alleged infringer that are alleged to contribute to or induce the direct infringement.” (S. 1137, p. 4).</li> <li>• These heightened requirements do not apply to claims under the Hatch-Waxman Act. (S. 1137, p. 5).</li> <li>• Upon filing an initial complaint for patent infringement, the plaintiff shall disclose to court, USPTO, and adverse parties the identity of the following parties as related to the patent at issue: <ul style="list-style-type: none"> <li>• the assignee, and ultimate parent entity thereof,</li> <li>• any entity with a right to sublicense or enforce the patent, and any parent entity thereof,</li> <li>• any entity, other than the plaintiff, that the plaintiff knows to have a financial interest in the patent or patents at issue or the plaintiff. (S. 1137, pp. 7-8).</li> </ul> </li> <li>• Financial interest is defined as ownership/control of &gt;20% of plaintiff or right to receive proceeds from assertion of patent. (S. 1137, p. 6).</li> </ul>

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<b>Stays of Litigation Against End Users</b>	<ul style="list-style-type: none"> <li>• Court shall grant a motion to stay at least the portion of the action against a covered customer related to infringement of a patent if (H.R. 9, p. 22):               <ul style="list-style-type: none"> <li>• the covered manufacturer and the covered customer consent in writing to the stay</li> <li>• the manufacturer is a party to the action or to a separate action involving the same patent or patents related to the same covered product or process</li> <li>• the covered customer agrees to be bound by any issues that are in common with the covered manufacturer and are finally decided.</li> </ul> </li> <li>• Motion must be filed within the later of 120 days or the date the first scheduling order is entered.</li> <li>• Customer must agree to be bound by any issues finally decided as to the manufacturer. (H.R. 9, p. 23).</li> <li>• If manufacturer seeks or consents to entry of a consent judgment or does not appeal a final decision, court may determine that decision is not binding on customer. (H.R. 9, pp. 23-24).</li> <li>• The stay may be lifted where manufacturer suit will not resolve major issue in customer suit or is unjust to the party moving to lift the stay. (H.R. 9, pp. 23-24).</li> </ul>	<ul style="list-style-type: none"> <li>• Court shall grant a motion to stay at least the portion of the action against a covered customer related to infringement of a patent if (S. 1137, pp. 13-14):               <ul style="list-style-type: none"> <li>• the manufacturer is a party to the action or to a separate action involving the same patent or patents related to the same covered product or process</li> <li>• the covered customer agrees to be bound by any issues that are in common with the covered manufacturer and are finally decided, but only for those issues for which all elements of issue preclusion are met.</li> </ul> </li> <li>• Motion must be filed within the later of 120 days or the date the first scheduling order is entered (S. 1137, p. 14).</li> <li>• Motion may be granted only if the manufacturer and customer agree in writing to the stay (S. 1137, p. 14).</li> <li>• The stay may be lifted where manufacturer suit will not resolve major issue in customer suit or is unjust to the party moving to lift the stay. (S. 1137, pp. 14-15).</li> <li>• If manufacturer obtains or consents to entry of a consent judgment or fails to appeal a final decision, court may determine that decision is not binding on customer. (S. 1137, pp. 15-16).</li> </ul>
<b>Expanding Transitional Program for Covered Business Method Patents</b>	<ul style="list-style-type: none"> <li>• Amends scope of prior art to include 102(e) prior art (in addition to 102(a) prior art). (H.R. 9, p. 53).</li> <li>• Allows USPTO Director to waive fee. (H.R. 9, p. 54).</li> </ul>	<ul style="list-style-type: none"> <li>• NA</li> </ul>

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<b>Identification of Core Discovery and Discovery Fee Shifting</b>	<ul style="list-style-type: none"> <li>• Discovery prior to claim construction ruling shall be limited to information necessary to construe claims or resolve motions. Limit does not apply to actions seeking a preliminary injunction based on competitive harm or if parties voluntarily consent to be excluded. (H.R. 9; pp. 12, 14).</li> <li>• Court shall expand discovery limits in actions where resolution-specified period of time necessarily affects the rights of a party with respect to a patent, to ensure timely resolution of the action. (H.R. 9, pp. 13-14).</li> <li>• Permits court to allow additional discovery as necessary to prevent manifest injustice. (H.R. 9, p. 14).</li> <li>• The Judicial Conference shall develop rules on payment and prerequisites for document discovery in addition to core documentary evidence; provides specific proposals the Judicial Conference should consider on discovery of core and additional documentary evidence, electronic communication, and discovery timing. (H.R. 9, pp. 27-28).</li> <li>• The Judicial Conference “shall study efficacy of rules and procedures” for first four years after implementation and authorizes modification following this study; authorizes modification during the first four years after implementation to prevent a manifest injustice, the imposition of an excessively costly requirement, or an unintended result. (H.R. 9, p. 34).</li> </ul>	<ul style="list-style-type: none"> <li>• Discovery shall be stayed pending resolution of: (i) a motion to dismiss; (ii) a motion to transfer venue; and (iii) a motion to sever accused infringers. (S. 1137, p. 17).</li> <li>• Court may allow limited discovery to resolve these motions or a motion for preliminary relief, or if it finds that additional discovery is necessary to preserve evidence. (S. 1137, p. 17).</li> <li>• Parties may consent to be excluded, in whole or in part, from discovery limitations. (S. 1137, p. 18).</li> <li>• Claims under section 271(e) (Hatch-Waxman cases) are excluded from discovery limitations. (S. 1137, p. 18).</li> <li>• The Judicial Conference shall develop rules on payment and prerequisites for document discovery in addition to core documentary evidence; provides specific proposals the Judicial Conference should consider on discovery of core and additional documentary evidence, electronic communication, and discovery sequence and scope. (S. 1137, pp. 19-23).</li> <li>• The Judicial Conference shall develop case management procedures to be implemented by U.S. district courts and the Court of Federal Claims for all patent-related actions, including initial disclosure and early case management conference practices. ( S. 1137, p. 23).</li> </ul>
<b>Bankruptcy Protection</b>	<ul style="list-style-type: none"> <li>• Bars bankruptcy trustee from terminating certain licenses. (H.R. 9, pp. 37-38).</li> <li>• Adds trademarks to definition of “intellectual property” in Title 11. (H.R. 9, p. 37).</li> <li>• Regarding trademarks, holds bankruptcy trustee to any contractual obligation to monitor and control the quality of a licensed product or service. (H.R. 9, p. 38).</li> </ul>	<ul style="list-style-type: none"> <li>• Bars bankruptcy trustee from terminating certain licenses. (S. 1137, p. 43).</li> <li>• Adds trademarks to definition of “intellectual property” in Title 11. (S. 1137, p. 43).</li> <li>• Regarding trademarks, holds bankruptcy trustee to any contractual obligation to monitor and control the quality of a licensed product or service. (S. 1137, p. 44).</li> </ul>
<b>Double Patenting</b>	<ul style="list-style-type: none"> <li>• Codifies doctrine of double patenting for first-inventor-to-file patents. (H.R. 9, pp. 50-52).</li> </ul>	<ul style="list-style-type: none"> <li>• NA</li> </ul>

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<b>Transparency of Patent Transfer</b>	<ul style="list-style-type: none"> <li>• NA</li> </ul>	<ul style="list-style-type: none"> <li>• An assignment shall be recorded with the USPTO not later than the date on which the patent is issued, and when any subsequent assignment is made that results in a change to the parent entity, not later than three months after the date assignment is made or six months after the closing date of a corporate acquisition. (S. 1137, pp. 40-41).</li> <li>• If the party asserting infringement failed to disclose the assignment, the party may not recover increased damages of attorneys' fees unless this denial would be manifestly unjust. (S. 1137, pp. 41-42).</li> </ul>
<b>Small Business Provisions</b>	<ul style="list-style-type: none"> <li>• NA</li> </ul>	<ul style="list-style-type: none"> <li>• The USPTO shall develop educational resources for small businesses to address concerns arising from patent infringement, and provide a user-friendly section on the official website that is searchable by patent number and notifies the public of patent cases brought in federal court. (S. 1137, pp. 45-46).</li> </ul>
<b>Studies on Patent Transactions, Patent Quality, and Patent Examination</b>	<ul style="list-style-type: none"> <li>• NA</li> </ul>	<ul style="list-style-type: none"> <li>• Provides for a study on developing greater transparency and accountability in patent transactions occurring on the secondary market. (S. 1137, p. 47).</li> <li>• Provides for a study to examine the idea of developing a pilot program for patent small claims procedures in certain judicial districts. (S. 1137, p. 48).</li> <li>• Provides for a study on examining the quality of business method patents asserted in suits alleging patent infringement. (S. 1137, p. 49).</li> </ul>