

The STRONGER Patents Act of 2017

Support Technology & Research for Our Nation's Growth and Economic Resilience

The America Invents Act of 2011 (AIA) promised patent owners and innovators a pathway to **FASTER, FAIRER, and CHEAPER** resolutions of patent disputes.

Unfortunately loopholes and court decisions have forced patent owners into repetitive litigation, parallel challenges at the courts and the new administrative proceedings at the Patent and Trademark Office (PTO), without the same procedural protections that are due to patents as recognized property rights.

To keep the promise of the AIA, we need the STRONGER Patents Act.

The STRONGER Patents Act makes necessary reforms to the patent system by:

- ◇ *protecting the property rights of patent owners,*
- ❖ *strengthening the process for getting rid of bad patents;*
- *reducing abusive and frivolous litigation.*

SECTION BY SECTION

Section 101 – Findings

Section 102 – Inter Partes Reviews & Section 103 – Post Grant Reviews

- **Section A: Claim Construction** – Requires the Patent Trial and Appeal Board (PTAB) to use the same standard as district courts when deciding what invention(s) the patent covers—called claim construction. This means that the PTAB, like district courts, would look at all the relevant evidence to decide the best interpretation of what the patent owner intended to claim.

*Currently the PTAB uses the broadest reasonable standard—not the best interpretation—which allows for even the smallest of margins to justify instituting review of valid patents, even if it is clear from all the evidence that the patent owner did not intend to claim such a broad invention. This can force patent owners into administrative reviews when a district court **has already upheld their patent**. The AIA was supposed to provide a relief valve from the courts, but has led to more duplicative and contradicting decisions. This is NOT been FAIRER to patent owners.*

- ◇ ***Protecting property rights*** – Having the PTAB use the same claim construction standard reflects the time and effort patent owners put into securing patents during the initial examination process and ensures that issued property rights are not revoked unfairly.
- ❖ ***What about getting rid of bad patents?*** – While this change would promote consistency and be fairer to patent owners, it would not prevent “bad” patents from being invalidated. District courts have long considered, and invalidated, erroneously issued patents under this standard.
- ***How does this reduce abusive litigation?*** – This change would reduce gamesmanship that currently allows challengers to leverage different standards in different settings to

attack the validity of patents. In appropriate circumstances, district courts and the PTAB could also rely upon each other's work since the same standards would apply, thereby streamlining challenges.

- **Section B: Burden of Proof** – Requires the PTAB to use the same burden of proof—*clear and convincing evidence*—as district courts to invalidate a patent claim. This standard reflects the “presumption of validity” that a government agency has already duly reviewed and issued the patent and helps to ensure that the patent is invalidated only when it is abundantly clear that the original grant was in error.

Currently, challengers only have to meet “preponderance of evidence” burden of proof. This low bar can lead to invalidation at the PTAB even after a district court has reviewed a patent and found it to be valid, creating incentives for gamesmanship. Our Constitution provides for patents to promote the progress of the sciences and the “clear and convincing” standard ensures that these property rights are not rescinded without proper process.

- ◇ **Protecting property rights** – Ensures that patents, already examined and issued by the USPTO, are not rescinded without meeting the heightened burden of proof that the original decision maker made an error, just as district courts have done historically when using the same standard.
- ❖ **What about getting rid of bad patents?** – Just as courts have historically reviewed and invalidated “bad” patents under this standard, so too can the PTAB. A truly “bad” patent should be capable of being invalidated under either standard.
- **How does this reduce abusive litigation?** – As with aligning the claim construction standard, this eliminates an avenue that challengers can exploit to challenge patents under two different standards. Challengers to lawfully granted patents, will think twice about going to costly district court litigation if they cannot initiate a successful challenge at the PTAB level. By raising the bar for patent reviews, initial examiners will approve fewer patents that don't meet the same standards, further reducing the existence of bad patents and preventing those bad actors from leveraging those patents in frivolous litigation.

- **Section C: Standing** – Ensures that a petitioner has a business or financial reason to bring a case before the PTAB. This allows a company both to defend against only legitimate challenges to their patents, rather than challengers who are (for example) only interested in manipulating stock prices by threatening a company's patents.

Currently, anyone besides the patent owner can challenge a patent at the PTAB, including shell companies, trial lawyers, and subscription service firms. These PTAB challenges can disrupt startups and innovators through the extortion of nuisance settlements. Patent owners should be able to rely on their intellectual property to protect the value of their R&D, but they currently have to face unlimited challenges from all corners. This is NOT FAIR.

- ◇ ***Protecting property rights*** – Limits only those who are threatened with infringement to bring PTAB challenges, keeping the promise to a patent owner that their right to protect their property will be challenged by those who have legitimate interest in challenging the patent.
- ❖ ***What about getting rid of bad patents?*** – Any company – large or small – who is threatened with infringement of a patent they think is “bad” can still go to the PTAB to challenge the patent’s validity.
- ***How does this reduce abusive actions?*** – This change means that patents owners will not have their patent rights threatened by those with no real interest in using the underlying technology, but who instead want to use the threat of a PTAB challenge to extort settlements or affect stock prices.

- **Section D: Limitation on Reviews** (*new*) – Reduces repetitive and harassing attacks on patents and their owners by authorizing the PTO Director to initiate a review only once per claim of a patent.

Currently, there is no limitation on the number of challenges a patent owner can face on a single claim within their patent at the PTAB, even after the PTAB or district court have already reached a judgment on that patent. Patent owners face repetitive challenges: nuisance challengers alter their challenges in minor ways to abuse this process. Multiple and unending challenges are NOT FASTER and the expense of each once is certainly NOT CHEAPER.

- ◇ ***Protecting property rights*** – Ensures that patent owners have guaranteed protection from repetitive claims. Provides patent owners and financial investors the confidence that they can defend their rights and refocus their energy and capital on entering the market and innovation.
- ❖ ***What about getting rid of bad patents?*** – The PTO Director retains the authority to review each issued patent claim once, and “bad” patents therefore can be invalidated. But in exchange for a patent owner going through the time and expense of a PTAB review, if a patent claim survives such a review, it can no longer be reconsidered by the agency.
- ***How does this reduce abusive litigation?*** – Patent owners can rest assured they only need to defend their claims once at the PTAB, providing for greater certainty in their property rights. If upheld, they can return to innovation rather than facing further challenges at the PTAB. This provision also provides the right incentives for challengers to bring their strongest challenges in the first instance.

- **Section E: Interlocutory Appeals from Institution Decisions** (*new*) – provides immediate appeal in limited circumstances to address errors and allow appellate court guidance on legal issues during an IPR or PGR.

Currently, the mere institution of a post-issuance proceeding can have a negative impact on a patent regardless of the final outcome. Not allowing patent owners to seek immediate judicial review denies patent owners the benefits of certain basic protections that were provided in the AIA if the PTAB makes an initial erroneous ruling. This is NOT FASTER, FAIRER, or CHEAPER.

- ◇ ***Protecting property rights*** – Patent owners have immediate recourse to appeal aspects of the institution decision relating to whether the challenger waited too long after being sued in district court to go to the PTAB. Appellate review of this procedural safeguard will ensure that patent owners are not improperly facing challenges in the PTAB.
 - ❖ ***What about getting rid of bad patents?*** – Challengers who follow the rules on time limits will still have their challenges heard before PTAB, and the provision explicitly provides for the challenge to proceed during the interlocutory appeal to ensure that challengers are protected from gamesmanship from the patent owners if the interlocutory appeal is frivolous.
 - ***How does this reduce abusive litigation?*** – This provision strengthens the existing time limit rules intended to coordinate PTAB and district court proceedings when they are considering the same patent. It will help ensure that challengers follow these time limits and provide all parties with guidance on these legal issues from the reviewing court.
- **Section F: Eliminating Repetitive Proceedings** (*new*) – Like Section D, this section reduces repetitive and harassing attacks on patents and their owners by requiring a challenger to bring its challenge to all parts of the patent it intends to attack in the first petition, rather than through serial petitions with piecemeal challenges. To prevent gamesmanship by the patent owner, there is an exception allowing later challenges if the patent owner subsequently asserts additional claims in the same patent. Additionally, in *inter partes* review challenges at the PTAB, this section also stops a challenger from bringing the same type of challenge in district court (obviousness or lack of novelty) if the PTAB has begun its review of the same issue.

Currently, a challenger can file serial petitions on a single patent and pursue similar challenges in both the PTAB and district court, leading to duplicative proceedings that hinder the ability of patent owners to vindicate their rights when others are using their inventions without permission. This is NOT FAIRER, NOT CHEAPER, and NOT FASTER.

- ◇ ***Protecting Property Rights*** – Challengers should not be able to game the system and drain patent owners of their resources by filing duplicative and parallel challenges.
- ❖ ***What about getting rid of bad patents?*** – In the case of bad patents, this provision still allows the PTAB (or a district court) to invalidate it, but the provision ensures that the challenge process is streamlined in fewer separate proceedings.

- ***How does this reduce abusive litigation?*** – This section provides for clearer rules to limit duplicative proceedings, to the benefit of both challengers and patent owners who will not have to needlessly spend resources fighting the same battles in multiple settings.

- **Section G: Real-Party-in-Interest** – Clarifies that an entity making financial contributions to a challenge is considered a real-party-in-interest and estopped from future additional challenges. Also provides for enhanced discovery to ensure that entities are not gaming the proceedings by using shell companies or subcontracting legal challenges.

Currently, patent owners can face multiple challenges on their own patent, from entities that in many times are acting on behalf of other companies as part of a coordinated effort. STRONGER ensures no single entity gets multiple bites at the apple to challenge a patent by filing through a connected party, or changing their name, location, or ownership.

- ◇ ***Protecting Property Rights*** – Provides certainty for patent owners to ensure once their property is defended, they will not be forced into additional repetitive challenges from parties that effectively already challenged the patent.
- ❖ ***What about getting rid of bad patents?*** – This section does not remove any ability for PTAB judges to rule against a bad patent—it just limits challengers from getting multiple chances to contest the same patent.
- ***How does this reduce abusive litigation?*** – Once a claim is filed, patent owners can rest assured they will not have to face additional claims from the same actor or connected parties.

- **Section H: Priority of Federal Court Validity Determinations (new)** – Clarifies that if a district court reviews the validity of a patent before the PTAB, the PTAB proceeding should not start, or should be paused pending appeal.

Currently, if the district court has already decided that a patent is novel or nonobvious, upholding its validity on those grounds, that same patent can still be challenged as lacking novelty or being nonobvious at the PTAB and invalidated in a parallel inter partes review proceeding – costing additional resources. Subjecting patent owners to parallel proceedings only further drains their resources and limits their ability to defend their property in one venue.

- ◇ ***Protecting Property Rights*** – District courts should be the final arbiters where they have already passed on a patent's validity. This section provides the certainty that should come with a district court decision.
- ❖ ***What about getting rid of bad patents?*** – If a patent is found invalid in the district court, the PTAB has no need to review, as additional proceedings become moot. If a district

court finds a patent valid, this provision eliminates duplicative proceedings while parties to the district court litigation appeal that decision, if they so choose.

- ***How does this reduce abusive litigation?*** – This provision also serves to streamline proceedings and eliminate duplication. Appeal at district court always remains available to all parties. This would eliminate the ability for duplicative additional reviews at the PTAB, when the courts have already ruled.

- **Section I: Amendment of Claims** – Provides an OFF-RAMP for patent owners to petition the PTAB to enter into an “expedited” examination procedure instead of amending claims before the PTAB. Patent owners may still seek claim amendments during PTAB proceedings but the applicable burdens of production and proof of the patent owner and challenger are clarified.

Currently, patent owners rarely are able to amend their patents once challenged at the PTAB as was originally promised under the AIA. STRONGER Patents Act would provide patent owners with the opportunity to make revisions or changes to their patent, by working exclusively with an examiner at the PTO. During this off-ramp, the patent is either (1) amended successfully to become a stronger, more technically sound patent, or (2) it is unable to be amended and invalidated.

- ◇ ***Protecting Property Rights*** – As was intended by the AIA, the patent owner deserves a meaningful chance to salvage the underlying property interest by making minor technical amendments—to address prior art they did not know about, for example.
- ❖ ***What about getting rid of bad patents?*** – Because the PTAB decides whether the patent owner gets to take the “off-ramp,” there are procedural protections in place to ensure that this route is available only when the PTAB believes there are technical amendments that would likely save the patent. “Bad” patents should remain in front of the PTAB for consideration of the full invalidity challenge. A truly bad patent will not be eligible for this off-ramp.
- ***How does this reduce abusive litigation?*** – If a patent is amended, it means that the PTAB, patent examiner, or both, have concluded that the patent is properly worded to protect the new and non-obvious contribution made by the inventor. This should signal to potential infringers that they should consider taking a license rather than going to court.

Section 104 – Composition of PGR and IPR Panels

Clarifies the intent of the Leahy-Smith America Invents Act that U.S. Patent and Trademark Office (USPTO) adjudicators who decide whether to *permit* a post-grant proceeding are distinct from the PTAB judges who will decide the *outcome* of a petition.

Currently, the same three judges who review a challenge and decides whether the challenge should even proceed ALSO sits on the panel that renders a final decision. This injects a bias

from the start of the process. STRONGER Patents says the two decisions must be separated, by prohibiting judges who institute a review from presiding over final judgement.

Section 105 – Re-Examination of Patents

Harmonizes treatment of re-examination proceedings with the treatment of *inter partes* review (IPR) post-grant proceedings to provide clear guidelines for treatment of parallel proceedings.

Right now, anyone at any time during the life of a patent can file for reexamination. This provision would impose a one-year time limit for someone who has been sued for infringement to seek reexamination of that patent. This is the same time limit that currently exists for IPRs.

Section 106 – Restoration of Patents as Property Rights

Restores the presumption of injunctive relief upon a finding that a patent is valid and infringed.

Currently, the ability to secure injunctions against infringers is limited as the result of court decisions. If a party is found guilty of infringement, the penalty handed down from the court is the same payment in damages which the infringer would have originally paid to take a license. Infringers risk nothing if they can avoid court or outlast a patent owner at the PTO. Injunctive relief helps deter infringers and forces other parties to actually innovate and improve on patents, rather than copy them.

If you can't stop someone from copying you, especially someone with financial resources, how can the little guy compete? The status quo only ensures that innovation can only occur by those who already have the deepest resources to outlast the startup.

Section 107 – Elimination of USPTO Fee Diversion

Eliminates fee diversion through the establishment of a new USPTO revolving fund in the U.S. Treasury. Adequate, dependable funding is critical for timely, higher-quality patents.

The PTO uses fees to fund their activities. Providing more control of their funding would allow them to better make long-term plans for infrastructure investment and direct resources where needed.

Section 108 – Infringement

- ***Proving Induced Infringement*** – Clarifies that proving inducement only requires showing that the alleged infringer intended to cause the acts that constitute infringement.
- ***Outsourcing to Avoid Liability*** – Closes a loophole that allows companies to avoid infringement by designing a product in the U.S. but outsourcing manufacturing.
- ***Divided Infringement*** – Eliminates the single-entity rule for defendants who have intentionally caused the infringement of a patent, clarifying *Akamai v. Limelight*.

Section 109 – Institutions of Higher Education

Clarifies that universities qualify as micro-entities under the AIA, qualifying for discounted fees.

Universities who manage commercialization, tech transfer, or innovation labs that help faculty and staff create I.P. file hundreds and thousands of patents at the PTO. The STRONGER Patents Act, clarifies Congress' intent on establishing these Micro-Entities under the America Invents Act.

Section 110 – Assisting Small Businesses in the U.S. Patent System

- *Small Business Administration Report* – Requires the SBA to draft two reports examining how small businesses rely on patents and the prevalence of abusive demand letters.
- *Expansion of Patent Pilot Program to Aid Small Business Defendants* – Aims to expedite cases for small businesses and individuals by providing more training and law clerks.
- *Expanded Access to Patent-Searching Databases* – Provides greater access to patent-searching databases currently available only in-person at public search facilities.

Title II – Targeting Rogue and Opaque Letters

Empowers the Federal Trade Commission to crack down on abusive, patent-related, demand letters. This section mirrors the bipartisan TROL (Targeting Rogue and Opaque Letters) Act that was reported favorably in the 113th Congress from the House Energy & Commerce Subcommittee on Commerce, Manufacturing, and Trade.

- Preserves the ability of patent owners to legitimately protect their I.P. by making the process of sending out large and vague “Patent Demand Letters” a Deceptive and Unfair Act or Practice under the FTC Act. This allows the FTC and State Attorney Generals to fine violators.
- This Act also requires any demand letter to include key information, including the person with the rights to the patent in question, any parent companies, contact information, and how the recipient of the letter is infringing on the patent.
- Establishes a national standard for enforcement of abusive patent demand letters.
- Preserves the FTC’s existing powers and enforcement authority and all current state laws dealing with fraudulent and deceptive practices.