

Intellectual Property & Technology Law Journal

Edited by the Technology and Proprietary Rights Group of Weil, Gotshal & Manges LLP

VOLUME 31 • NUMBER 12 • DECEMBER 2019

Strengthening Patent Enforcement: The STRONGER Patents Act of 2019

Mark Oda

Patent reform has been a popular topic in Congress over the past few months, with both branches of Congress making bipartisan efforts to address patent eligibility, post-grant validity proceedings, and bad faith “patent troll” harassment. Earlier this year, the Senate Judiciary Committee held three days of hearings on proposed changes to the laws of patent eligibility. The Support Technology & Research for Our Nation’s Growth and Economic Resilience (STRONGER) Patents Act of 2019, introduced by Senator Chris Coons and House Representative Steve Stivers, attempts to “protect the property rights” of patent owners with “strong patent protections.”¹ The proposed legislation does not address patentability standards, but instead focuses on limiting the availability of post-grant validity proceedings before the U.S. Patent and Trademark Office (USPTO), strengthening infringement enforcement mechanisms, and empowering the Federal Trade Commission and State Attorneys General to bring civil actions with fines of up to \$5,000,000 for sending bad faith, patent-related demand letters.

Mark Oda is an associate at Baker Botts L.L.P. working in a variety of intellectual property practice areas, including patent prosecution, patent litigation, and post-grant review proceedings before the Patent Trial and Appeal Board. He may be reached at mark.oda@bakerbotts.com.

Background

The Leahy-Smith America Invents Act of 2011 (AIA) established administrative proceedings, including *inter partes* review (IPR) and post-grant review (PGR), which permit third-party challenges to patent validity before the U.S. Patent Trial and Appeal Board (PTAB).² The AIA proceedings allow for increased challenger participation,³ a lower burden of proof on invalidity than district court litigation,⁴ accelerated schedules with limited discovery, and relatively lower overall costs.⁵ As a result, the PTAB proceedings have become a ubiquitous facet of patent litigation and a powerful tool for accused defendants.⁶ Despite last year’s Supreme Court ruling upholding the constitutionality of IPR, the patent community remains divided on whether the patent system benefits from these proceedings and whether they effectively “improve patent quality and restore confidence in the presumption of validity that comes with issued patents.”⁷

The STRONGER Patents Act of 2019 is the most recent iteration of proposed legislation from Senator Coons directed to post-issuance patent reforms.⁸ The 2019 bill is largely identical to the 2017 bill other than omitting a few of the 2017 proposed reforms.⁹ The motivation driving this legislation is concern that the AIA has weakened the U.S. patent system, creating a risk of losing this country’s historic edge in

innovation and the corresponding economic benefits.¹⁰ The express legislative intent is to strengthen the U.S. patent system through:

- (1) Stronger infringement enforcement;
- (2) Ensured fairness in PTAB proceedings;
- (3) Protection against abusive patent demand letters; and
- (4) Fully funding the USPTO to eliminate fee diversion to patent applicants.¹¹

If passed, several of the proposed changes would impact large portions of the U.S. patent system as discussed below.

Proposed Changes

The STRONGER Patents Act of 2019 primarily reforms IPR and PGR proceedings, and aims to limit the availability of these PTAB proceedings by restricting the type and frequency of challenges faced by patent owners. This bill would make the following changes to the patent laws:

- *Standing* – Amendments to 35 U.S.C. Section 311 would only permit PTAB challenges to a patent by parties that have been sued or charged with infringement of the patent. As a result, the interested public would no longer have the option to eliminate low quality patents, a primary legislative goal of the AIA.¹²
- *Quiet Title* – Amendments to 35 U.S.C. Section 314(a) would prohibit institution of any claim which has previously been instituted in another PTAB proceeding, without regard to the status or outcome of the prior proceeding.¹³ In other words, a patent claim would only be subject to challenge in a single post-grant proceeding, even if the claim is asserted in multiple infringement cases against multiple parties.¹⁴
- *Estoppel* – Amendments to 35 U.S.C. Section 315(e) would estop defendants from seeking to invalidate a patent with patents or printed publications under 35 U.S.C. Sections 102 or 103 in district court if a PTAB proceeding brought by the defendant had already been instituted for the

patent.¹⁵ These amendments would additionally limit any Petitioner to a single petition against a given patent regardless of whether the initial proceeding was instituted.¹⁶ Thus, a Petitioner would be precluded from filing a subsequent Petition even if it relates to different prior art, different grounds of invalidity, or different challenged claims.¹⁷

- *Real Party in Interest* – Amendments to 35 U.S.C. Section 315 would further expand the estoppel discussed above to apply to any party making a financial contribution to the PTAB challenge.¹⁸
- *Federal Court Priority* – Amendments to 35 U.S.C. Section 315 would stay or prohibit the institution of any PTAB proceedings challenging a patent claim by any Petitioner once a district court finds *the challenged patent claim to be valid with respect to 35 U.S.C. Sections 102 or 103*.¹⁹ By prioritizing district court validity determinations, this change could make district courts less willing to issue stays pending a PTAB proceeding.

The 2019 bill also includes provisions that may impact the likelihood of success in PTAB proceedings. In addition to codifying the PTAB's recent adoption of the *Phillips* "clear and convincing" claim construction standard used in federal court, the 2019 bill also requires different panels of PTAB judges for institution decisions and final written decisions.²⁰

The STRONGER Patents Act of 2019 is the most recent iteration of proposed legislation from Senator Coons directed to post-issuance patent reforms.

The 2019 bill also proposes amending 35 U.S.C. Section 283 such that an infringement finding for a valid enforceable patent creates rebuttable presumptions that "further infringement of the patent would cause irreparable injury" and "remedies available at law are inadequate to compensate for that injury." Under 35 U.S.C. Section 283, courts currently grant permanent injunctions by weighing the traditional four-factor equitable test. The

proposed amendment would at least partially abrogate *eBay v. MercExchange*, where the Supreme Court held that automatic presumptions that injunctions should be granted for infringed patents are inappropriate.²¹ Essentially, this change would presume that two of the four equitable factors weigh in favor of patent owners who prevail at trial, imposing a significant hurdle on unsuccessful defendants arguing against a permanent injunction.

Lastly, the 2019 bill concludes with a provision for “Targeting Rogue and Opaque Letters” (TROL), which imposes strict federal limits on letters demanding payment for alleged infringement.²² This provision seeks to supplant a variety of existing “anti-troll” state laws.²³ Specifically, sending bad faith, patent-related demand letters would be considered an unfair or deceptive act or practice as defined in the Federal Trade Commission Act.²⁴ Either the Federal Trade Commission or State Attorneys General could enforce this change by bringing civil actions against offenders with fines of up to \$5,000,000. Consistent with its name, this provision directly targets litigious non-practicing entities (so called “patent trolls”) that seek to extract settlements with infringement accusations.

Conclusion

The STRONGER Patents Act of 2019 would shift the balance between patent holders and accused infringers in several areas of the law. Principally, these changes would drastically alter the availability and operation of PTAB proceedings. Although it is unclear whether this bill will garner sufficient support to become law in its current form, passage of any of these proposed changes could have a lasting impact on the U.S. patent system.

Notes

1. STRONGER Patents Act of 2019, S.2082 & H.R.3666, 116th Cong. (2019). The proposed bills are co-sponsored by a bipartisan group of five senators and 18 house representatives.
2. Leahy-Smith America Invents Act, H.R.1249, 112th Cong. (2011).
3. Pre-AIA challengers were generally limited to filing an initial request for the USPTO to reexamine a patent and providing responsive comments to patent owner submissions.

4. *Id.* at § 316(e).
5. Josh Landau, *Inter Partes Review: Five Years, Over \$2 Billion Saved*, Patent Progress (2017) (discussing the popularity of IPR from a cost perspective, finding that IPR saves approximately \$460,000,000 per year in deadweight losses relative to comparable district court litigation).
6. U.S. Dep’t of Commerce, Patent and Trademark Office, *Trial Statistics at 2* (2018) (reporting over 8500 IPR petitions filed as of October 2018).
7. *See, e.g., Oil States Energy Servs., LLC v. Greene’s Energy Group, LLC*, 137 S.Ct. 2239 (2018) (holding that IPR proceedings did not violate Article III or the Seventh Amendment of the Constitution); *See also* House Report from the Committee on the Judiciary, H.R. Rep. No. 112-98, 112th Cong. at 47-48 (2011) (Background and Need for the Legislation).
8. STRONG Patents Act of 2015, S.632, 114th Cong. (2015); STRONGER Patents Act of 2017, S.1390, 115th Cong. (2017).
9. The omitted changes include: permitting interlocutory appeals of institution decisions; providing an expedited amendment procedure instead of amending before the PTAB; and eliminating the knowledge element of induced infringement.
10. U.S. Senator Chris Coons, *Why STRONGER Patents?*, www.coons.senate.gov (2019) (providing an outline of policy rationales for the STRONGER Patents Act of 2019).
11. *Id.*
12. STRONGER Patents Act of 2019 at §§ 102(c), 103(c), S.2082 & H.R.3666, 116th Cong. (2019).
13. House Report from the Committee on the Judiciary, H.R. Rep. No. 112-98, 112th Cong. at 47-48 (2011) (Background and Need for the Legislation).
14. STRONGER Patents Act of 2019 at §§ 102(d), 103(d), S.2082 & H.R.3666, 116th Cong. (2019).
15. *Id.*
16. *Id.* at §§ 102(f), 103(f).
17. *Id.*
18. An exception is carved out for petitioners who are subsequently accused of infringing addition claims in the challenged patent.
19. STRONGER Patents Act of 2019 at §§ 102(g), 103(g), S.2082 & H.R.3666, 116th Cong. (2019).
20. U.S. Dep’t of Commerce, Patent and Trademark Office, *Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board*, 83 Fed. Reg. 51340 (Oct. 2018) (moving away from the “broadest reasonable interpretation” standard upheld in *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131, 2144-46 (2016)).

-
21. eBay, Inc. v. MercExchange, L.L.C., 547 U.S. 388 (2006).
22. STRONGER Patents Act of 2019 at §§ 201–204, S.2082 & H.R.3666, 116th Cong. (2019). These changes mirror the Targeting Rogue and Opaque Letters Act originally introduced in 2015.
23. See, e.g., Tex. Bus. & Com. Code Ann. § 17.952 (“Bad Faith Claim of Patent Infringement Prohibited”); Vt. Stat. Ann. tit. 9, § 4195–4199 (“Bad Faith Assertions of Patent Infringement”).
24. STRONGER Patents Act of 2019 at § 202, S.2082 & H.R.3666, 116th Cong. (2019).

Copyright © 2019 CCH Incorporated. All Rights Reserved.
Reprinted from *Intellectual Property & Technology Law Journal*, December 2019, Volume 31,
Number 12, pages 13–15, with permission from Wolters Kluwer, New York, NY,
1-800-638-8437, www.WoltersKluwerLR.com

