Federal Bar Association

March 26, 2015

The Honorable Robert Goodlatte
Chairman
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

The Honrable John Conyers
Ranking Member
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

Re: Innovation Act, H.R. 9

Dear Chairman Goodlatte and Ranking Member Conyers:

I write on behalf of the Federal Bar Association to address the "Innovation Act" (H.R.9), which has been the subject of hearings before your committee and the topic of much public comment.

As you know, the mission of the FBA is to strengthen the federal legal system and administration of justice by serving the interests and needs of the federal practitioner, both public and private, the federal judiciary and the public they serve. With 16,000 members, we are the foremost bar association serving the federal practitioner. While we support legislation to curb abusive patent litigation practices, we oppose legislation that mandates rules and practices outside of the traditional Rules Enabling Act procedures and potentially infringes on judicial independence and discretion in adjudicating patent disputes. We endorse a balanced approach to patent law reform that curbs abusive patent litigation and maintains a patent system that provides incentives for American leadership in innovation and technology.

Our evaluation of H.R. 9 recognizes that the recently enacted "America Invents Act" fundamentally reformed patent law and addressed a number of policy concerns about patent litigation. As you know, it created robust new Patent Office proceedings designed to more efficiently weed out invalid patents, triggering record-breaking levels of patent challenges. Meanwhile patent infringement filings last year dropped by almost 20 percent. As part of this wave of change, a substantial body of recent court decisions, including a significant number of recent Supreme Court rulings, have sharply curtailed what can be patented.

The impact of these developments is only beginning to be felt. We are encouraged by their potential for bringing about significant change in the law that renders the need for major legislative action unnecessary at this time. We recognize that there are areas that might warrant further legislative attention, and we certainly welcome Congressional action that assures the prevention of abuse of our judicial system. However, the necessity for legislation that overlaps with actions within the authority of the judiciary appears ill advised. Three sections of the bill generate this concern.

First, Section 3 sets forth heightened pleading requirements with legislative detail. Form 18 to the Federal Rules of Civil Procedure has historically governed patent infringement pleadings and sets a low pleading bar. But through the Rules Enabling Act that form is in the

late stages of being eliminated, with its repeal expected later this year. Freed from the strictures of Form 18, the judiciary will be able to develop a body of common law as to the proper pleading standard under the evolving *Twombly/Iqbal* standard. The federal judiciary should be given that chance to do so. In addition, the element-by-element patent infringement contention details required by Section 3 may be at odds with the sequence of events proscribed by the district court patent rules adopted by courts around the country. These rules came about only after careful analysis and deliberation among the members of the local civil rules committees, comprised of judges and practitioners. Congress itself has recognized the benefit of the framework of local patent rules, including their adoption as one of the criteria for a district to participate in the Patent Cases Pilot Program (Pub. L. 111-349; 124 Stat. 3674-3676).

Second, Section 3 changes the statutory provision governing fee-shifting (35 U.S.C. §285) to presume a fee award, absent specific findings by the court to the contrary. Last year in *Highmark Inc. v. Allcare Health Mgmt.*, 572 U.S., ___ (2014) and *Octane Fitness v. ICON Health & Fitness*, 572 U.S., ___ (2014), the Supreme Court made it easier to grant fees under §285, by eliminating the steep *Brooks Furniture* fee-shifting standard that had been in place for many years. Under *Highmark/Octane*, trial court judges are empowered more broadly and more flexibly to award fees. Trial judges should have the authority to show that they can properly exercise their new discretion to shift-fees when abuses occur — before an outright presumption of fee-shifting is imposed statutorily. A fee-shifting presumption not only raises concerns about access to the courts, it encourages satellite disputes about fee-shifting because prevailing parties have a strong incentive to force the opposing party to rebut the presumption in situations where they would not otherwise seek a fee award.

Third, Section 6 includes an extensive number of patent-specific rules of procedure the Judicial Conference will be required to put in place regarding discovery and case management. The specificity of Section 6, in our view, sets aside a tradition of Congressional deference to the authority of the courts to establish subject-specific procedural rules, as recognized under the Rules Enabling Act. Currently the Judicial Conference is in the process of approving a package of proposed amendments to the Federal Rules of Civil Procedure applicable to all civil litigation. This package includes new limits on discovery regarding proportionality and the allocation of the cost of discovery. These new tools, achieved after substantial consideration, will allow courts to manage discovery in the normal case-specific manner, but with a greater flexibility to prevent excesses. These major changes have the potential to achieve the same aims sought by Section 6 and should be given time, at least several years, to work.

On behalf of our 16,000 members, thank you for your consideration of our views. We will be happy to answer any questions you and your staff may have regarding these issues.

Sincerely,

Matthew B. Moreland
President