University Response to Representative Goodlatte's Letter on the University Statement Opposing H.R. 3309, Innovation Act

December 5, 2013

(Please note text of Representative Goodlatte's letter is in black and the university response is in red)

In a letter dated December 2, 2013 various university associations expressed opposition to H.R. 3309, the Innovation Act, based on its fee shifting provisions. The Committee wishes to emphasize that the Innovation Act does not create mandatory or automatic fee shifting.

The Innovation Act's fee-shifting provisions only apply to patent claims that have no reasonable basis in law and fact.

The Innovation Act allows awards of attorney's fees only according to the standards of the Equal Access to Justice Act, under which the United States itself is made subject to paying attorney's fees if its litigation position was not "reasonably justified in law and fact" and no special circumstances make a fee award unjust.

> By setting a mandatory standard which if obtained requires awarding fees, litigants that prevail will seek costs more often than not. The act would apply to administrative courts as well as Article III Courts. This will be another issue to be litigated in every case, increasing costs and risks for universities, small business and individuals. By applying it to any case under an act of Congress relating to patents it will raise the liability for patent owners in cases, not just infringement cases, where patent abuse has not been an issue. It would apply in post grant proceeding where so called "trolls" do not engage and where universities are often on the defensive. Why not target the areas where there is abuse, namely patent infringement, rather than use a shotgun approach to address a fairly defined problem? Why increase cost of litigation in areas where there is no problem?

This standard protects a plaintiff who brings a reasonable and good faith case and who does not engage in litigation misconduct. Under this standard, even if a plaintiff's case is rejected by the judge or jury, the plaintiff is immune from a fee award if his case "had a reasonable basis in both law and fact." *Norris v. SEC*, 695 F.3d 1261, 1265 (Fed. Cir. 2012). No party will be subject to a fee award under the Innovation Act so long as its case was "justified to a degree that could satisfy a reasonable person," *id.*, or there was at least "a dispute over which reasonable minds could differ." *Id.*

The standard, like any standard, can be misused as noted above. The opportunity to obtain fees opens the door to argument and briefing which is often not a small amount of money for a university, small business or individual.

The University letter gives no explanation why universities—and their assignees—should be immunized to bring patent lawsuits that are based on positions that no reasonable person would accept. *All* parties to a lawsuit, regardless of their status, should conduct a reasonable investigation, and determine that their case has a reasonable basis in the law and the facts, before they assert claims that may impose millions of dollars in discovery and other litigation costs on the opposing party. Awards of attorney's fees against parties that fall short of this standard will reduce abusive litigation behavior, and deter parties from brining marginal lawsuits simply in order to obtain settlements based on the case's nuisance value and costs imposed on the other party.

Universities are not seeking and have not sought an exemption from lawsuits.

The Innovation Act reasonably requires disclosure of information that is essential to allowing a patent defendant to prepare a defense—and expressly limits its requirements to information that is "reasonably accessible."

The University letter criticizes the Innovation Act's heightened pleading requirements for patent litigation. The reforms at section 3(a) of the Innovation Act will require a patent plaintiff to specifically identify the patent claims that he asserts, and the features of the product or process that he alleges to infringe the patent. This is information that is essential for a patent defendant to be able to prepare a defense of itself—withholding such information simply adds to the burden and expense of a patent trial. And, most importantly, subsection (a) of the Innovation Act's proposed § 281A expressly provides that information is *not* required to be provided by the plaintiff if it is "not reasonably accessible to such party."

This is already required under Rule 26 of the Federal Rules of Civil Procedure. Why double up on this? It merely increases cost both in preparing pleadings and addressing arguments that the pleadings are deficient. This is an area where large industry can drive the cost up for a university or small business and the cost burden will be more significant for the university or small business than the large industry. It is also true that the industry, where it is most difficult to determine whether infringement is occurring, is the "it" industry and often it is not until the court has enforced discovery requests that the plaintiff can determine whether infringement exists.

The Innovation Act reasonably requires a patent plaintiff to disclose who owns or controls a patent and who is entitled to profit from the litigation.

The University letter also criticizes the Innovation Act's transparency requirements. Section 4 of the Act simply requires a party that brings a patent lawsuit to disclose who own or controls the patent, who has the right to receive money from assertion of the patent, and who owns the party

asserting the patent. This is all information that a defendant should be allowed to know—it has a right to know who is suing it, and who has the right to settle the case. It is all information that a patent plaintiff should be required to provide.

> Again the concern is over breadth and cost. The important issue is whether the plaintiff has standing to sue. If this is to address abusive practices, address those practices. Don't increase costs of legitimate litigants.
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> At the end of the day, this act does not target the abusive practices that 'trolls' are being accused of but increases costs and liability for litigates having legitimate complaints. It provides a disincentive for litigants who have limited budgets to enforce and defend their intellectual property. In turn investors are not going to be comfortable that their investments will be protected. All of this will negatively impact innovation and jobs.