

USPTO Director Lee Endorses Innovation Act But Suggests Tweaks

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On April 14, the House Judiciary Committee, chaired by Congressman Bob Goodlatte, heard comments from Michelle Lee, **Director of the U.S. Patent and Trademark Office**, on H.R.9, the “Innovation Act.” This bill, which seeks to address abusive tactics employed by patent trolls in connection with patent litigation, was previously passed in the House and was reintroduced in the current session. Director Lee generally supported the bill, stating that “the USPTO believes that legislation to curtail abusive patent litigation is necessary and appropriate at this time.”

The legislation contains the following key provisions, all of which were generally supported by the USPTO:

- Requiring an award of attorney’s fees and expenses to the prevailing party unless the non-prevailing party’s litigation position or conduct was “reasonably justified in law and fact”;
- Heightened pleading requirements, including that the complaint explain how each element of a patent claim is met by the accused product or process or why the information needed is not readily accessible;
- Limits on discovery to prioritize discovery regarding claim construction and to keep the discovery “proportionate” to the needs of the case;
- Stays of suits against customers or retailers in favor of actions against the manufacturer of the technology (but Lee advocated then binding the customer or retailer to the determination in the main action);

- Make ownership more transparent; and
- Curtail abusive demand letters.

Director Lee emphasized that since the Supreme Court's decision in *Octane Fitness* last year, district courts have increased the prevalence of attorney fee awards. She generally endorsed provisions designed to allow courts to see through a shell company that might otherwise insulate the real party in interest from an attorney fee award, but cautioned that the provision should be limited to "those with "no substantial interest in the subject matter at issue other than asserting such patent claim in litigation." She noted that otherwise the provision may deter investment in start-up companies. Throughout, she also emphasized the need to preserve traditional judicial discretion in implementing the provisions of the act.

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