

Schumer Cornyn Compromise:

1) **HEIGHTENED PLEADING**

SEC. PLEADING IN PATENT CASES.

(a) **ELIMINATION OF FORM 18.**—Form 18 in the Appendix to the Federal Rules of Civil Procedure (relating to complaints for patent infringement) shall be deemed repealed effective on the date that is three months after the date of the enactment of this Act.

(b) **INFORMATION TO BE INCLUDED IN A PLEADING ALLEGING PATENT INFRINGEMENT.**—Chapter 29 of title 35, United States Code, is amended by inserting after section 281 the following—

“§281A. **Information to be included in a pleading alleging patent infringement.**

“(a) In a civil action in which a party asserts a claim for relief arising under any Act of Congress relating to patents, a party alleging infringement shall include in a complaint, counterclaim, or cross-claim for patent infringement, except where such information is not readily accessible as provided in subsection (b), a short and plain statement setting forth—

“(1) an identification of each patent allegedly infringed;

“(2) an identification of each accused process, machine, manufacture, or composition of matter (referred to in this section as an ‘accused instrumentality’) alleged to infringe a claim of each patent identified in paragraph (1);

“(3) for each accused instrumentality identified under paragraph (2)—

(a) an identification with particularity, if known, of—

(A) the name or model number of each accused instrumentality; or

(B) if there is no name or model number, a description of each accused instrumentality;

(b) an identification of each claim of each patent listed in paragraph (1) that is allegedly infringed by such accused instrumentality, together with a specific description of:

(1) with specificity, how each limitation of each claim is alleged to be met by the accused instrumentality; and

(2) where each limitation is found within the accused instrumentality;

“(4) for each claim of indirect infringement, a description of the acts of the alleged indirect infringer that contribute to or are inducing the direct infringement;

“(5) a concise statement of how the rights of the party or parties-in-suit are sufficient to confer standing on such parties to assert each patent identified under paragraph (1);

“(6) a list of each complaint, counterclaim, or cross-claim filed by the party alleging infringement or an affiliate thereof within the three years preceding the date of the filing of the instant action, and any other complaint,

counterclaim, or cross-claim filed during that period of which the party alleging infringement has knowledge, that asserts or asserted any of the patents identified under paragraph (1). Such information shall include the caption, civil action number, the court where the action was filed and, if applicable, any court to which the action was transferred;

“(7) for each patent identified under paragraph (1), a statement as to whether the patent is subject to an assurance made to a standards development organization to license others under such patent should the patent be deemed essential under the relevant standards development organization’s policy to practice that standard, provided that the allegation of infringement is related to such standard.

“(8) for each patent identified under paragraph (1), whether the United States Government or a foreign government has imposed specific licensing requirements with respect to such patent.

“(b) INFORMATION NOT READILY ACCESSIBLE.—If information required to be disclosed under subsection (a) is not readily accessible to a party, that required information may instead be generally described, along with a concise statement as to why such undisclosed information was not readily accessible and any steps taken to access such information.

“(c) AMENDMENT OF PLEADINGS TO REFLECT NEWLY DISCOVERED INFORMATION.— Nothing in this provision shall be construed to affect a party’s leave to amend pleadings as specified in the Federal Rules of Civil Procedure. Amendments permitted by the court are subject to the pleading requirements set forth in this section.

“(d) CONFIDENTIAL INFORMATION.—A party required to disclose information described under this section may file, under seal, information believed to be confidential, with a motion setting forth good cause for such sealing. If such motion is denied by the court, the party may seek to file an amended paper.”

“(e) EXEMPTION.—A civil action that includes a claim for relief arising under section 271(e) shall not be subject to the requirements of this section.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to any action for which a complaint is filed on or after the date that is three months after enactment of this Act.

2) **DISCOVERY REFORMS**

a. **PRE-MARKMAN STAY**

Chapter 29 of title 35, United States Code, is amended by adding at the end the following:

SEC. 299C. DISCOVERY IN PATENT INFRINGEMENT SUITS

(a) DISCOVERY IN PATENT INFRINGEMENT ACTION.—

Except as provided in subsections (b) and (c), in a civil action in which a party asserts a claim for relief arising under any Act of Congress relating to patents, if the court determines that a ruling relating to the construction of terms used in a patent claim asserted in the complaint is required, discovery shall be limited, until such ruling is issued, to information necessary for the court to determine the meaning of the terms used in the patent claim, including any interpretation of those terms used to support the claim of infringement.

(b) DISCRETION TO EXPAND SCOPE OF DISCOVERY.—

(1) RESOLUTION OF MOTIONS.—When necessary to resolve a motion properly raised by a party before a ruling relating to the construction of terms described in subsection (a) is issued, the court may allow limited discovery in addition to the discovery authorized under subsection (a) as necessary to resolve the motion.

(2) INTERESTS OF JUSTICE.— On motion, the court may permit discovery, in addition to the discovery authorized under subsection (a), as necessary if the court makes a specific finding that to do otherwise would not serve the interests of justice.

(c) EXCLUSION FROM DISCOVERY LIMITATION---

(1) CLAIMS UNDER SECTION 271(e). This section shall not apply to a civil action that includes a claim for relief arising under section 271(e).

(2) ACTIONS SEEKING RELIEF BASED ON COMPETITIVE HARM. This section shall not apply to a civil action where a party alleging infringement

(A) alleges that the infringement poses a competitive harm to that party's competing product or service; and

(B) attests that the party alleging infringement is making or has made a substantial investment in one or more of the following, as related to the patent or patents asserted in the civil action: (1) research; (2) development, where development means technical or experimental work to create, modify or validate technologies or processes for commercialization of goods or services; (3) testing, validation or qualification; (4) manufacturing; or (5) the provision of goods or commercial services.

(3) CONSENT OF PARTIES.—The parties may voluntarily consent to be excluded, in whole or in part, from the limitation on discovery provided under subsection (a) if the parties enter into a signed stipulation, to be filed with and signed by the court. With regard to any discovery excluded from the requirements of subsection (a) under the signed stipulation, with respect to such parties, such discovery shall proceed according to the Federal Rules of Civil Procedure

b. CORE DOCUMENTS COST-SHARING

SEC. ____ DISCOVERY IN PATENT INFRINGEMENT ACTIONS.

SENSE OF CONGRESS: It is the sense of Congress that, in patent litigation, rules governing discovery may allow for abuse. One way to address this potential for abuse is to define with greater specificity those documents that are core objects of discovery in patent infringement cases and require that litigants pay the reasonable costs of discovery if they choose to request other discovery.

(a) RULES AND PROCEDURES —The Judicial Conference of the United States, using existing resources, shall develop rules or procedures to implement the discovery requirements described in subsection (b) in response to concerns about the asymmetries in discovery burdens and costs in civil actions arising under title 35, United States Code, relating to patent infringement and validity.

(b) DISCOVERY REQUIREMENTS TO BE IMPLEMENTED—The rules or procedures to be developed under subsection (a) shall address each of the following issues or requirements:

(1) DISCOVERY BURDEN AND COSTS.—

(A) CORE DOCUMENTS. —To what extent each party to the action is entitled to receive core documentary evidence and should be responsible for the costs of producing such evidence within the possession or control of each such party, and the manner and extent to which each party may seek non-core documentary evidence as otherwise provided in the Federal Rules of Civil Procedure.

(B) ELECTRONIC COMMUNICATION. — If the parties request discovery of electronic communication, how such discovery should be phased to occur relative to the exchange of initial disclosures and core documentary evidence, and appropriate limitations to apply to such discovery.

(C) COST OF ADDITIONAL DOCUMENT DISCOVERY—The manner and extent to which a party should be allowed to obtain additional discovery beyond the core documentary evidence described in subparagraph (a) and the manner and extent to which a party should bear the reasonable costs of any allowed additional discovery it requests beyond the core documentary evidence described in paragraph (A).

(D) DISCOVERY SEQUENCE AND SCOPE.—The manner in which the parties should discuss and address in the written report filed pursuant to Rule 26(f) of the Federal Rules of Civil Procedure the views and proposals of each party on the following:

- (i) When the discovery of core documentary evidence should be completed.
- (ii) Whether additional document discovery will be sought of the nature described in subparagraph (C).
- (iii) Any issues about infringement, invalidity, or damages that, if resolved before the additional discovery described in subparagraph (C) commences, might simplify or streamline the case.

(2) SCOPE OF CORE DOCUMENTARY EVIDENCE.-- In developing rules or procedures under this section, the Judicial Conference shall consider which kinds of evidence are necessary to resolve a patent action and should constitute “core documentary evidence”:

(3) CONSIDERATION OF PROPOSED RULES.—

A) INCLUSION OF PATENT EXPERTS.—In developing the rules and procedures described in this section, the Judicial Conference may include the participation of judges with experience with patent cases.

(B) CONSIDERATION OF LOCAL RULES. In developing the rules and procedures described in this section, the Judicial Conference may consider local patent rules developed by the federal district courts and Model Orders developed by the Federal Circuit Advisory Council.

(4) TIMELINE FOR ACTION BY THE JUDICIAL CONFERENCE.—The Judicial Conference shall consider the requirements and issue the proposed rules or procedures required by this section no later than May 1, 2016.

3) **FEE-SHIFTING**

Sense of Congress—It is the sense of Congress that, in patent litigation, the threat of costly litigation may be used to force settlement of non-meritorious cases. That abuse undermines the proper functioning of the patent system. One way to address such abuse is to ensure that, where the position or conduct of the non-prevailing party is not objectively reasonable, that party shall be responsible for the costs incurred by the prevailing party in the suit. As the Supreme Court wrote in adopting this legal standard in the context of fee shifting under 28 U.S.C. § 1447, this standard is neither a narrow one nor a presumptive one. It is intended to strike a more appropriate balance between protecting the right of a patent holder to enforce his patent, including through litigation, on the one hand, and deterring abusive patent litigation and abusive threats thereof on the other. It is therefore the intent of Congress that, in patent cases, reasonable attorneys fees should be paid by non prevailing parties whose litigation posture is objectively unreasonable.

Section 285 of title 35, United States Code, is amended to read as follows:

“(a) AWARD--- In connection with a civil action in which any party asserts a claim for relief arising under any Act of Congress relating to patents, upon on a motion by a prevailing party, the court shall determine whether the position of the non-prevailing party was objectively reasonable in law and fact, and whether the conduct of the non-prevailing party was objectively reasonable. If the court finds that the position of the non-prevailing party was not objectively reasonable in law or fact or that the conduct of the non-prevailing party was not objectively reasonable, it shall award reasonable attorney’s fees unless special circumstances make an award unjust.”

(b) COVENANT NOT TO SUE-- A party to a civil action that asserts a claim for relief arising under any Act of Congress relating to patents against another party, and that subsequently unilaterally extends to such other party a covenant not to sue for infringement with respect to the patent or patents at issue, shall, unless the interests of justice require otherwise, be deemed to be a nonprevailing party (and the other party the prevailing party) for purposes of this section, unless the party asserting such claim would have been entitled, at the time that such covenant was extended, to voluntarily dismiss the action or claim without a court order under Rule 41 of the Federal Rules of Civil Procedure."

(c) RETROACTIVITY – the amendments made by this subsection shall take effect on April 24, 2014, and shall also apply to any action for which a complaint is filed on or after that effective date.

(d) CLAIMS UNDER SECTION 271(e). This section shall not apply to a civil action that includes a claim for relief arising under section 271(e).

4) DEMAND LETTERS

a. REQUIREMENT OF CLARITY AND SPECIFICITY IN DEMAND LETTERS

SEC. __. PRE-SUIT WRITTEN NOTICE.

(a) In General.—Chapter 29 of title 35, United States Code, as amended by [section 5], is amended by adding at the end the following:

“299C. PRE-SUIT WRITTEN NOTICE

“(a) Definitions.—In this section—

“(1) the term ‘covered civil action’ means a civil action relating to infringement or validity of a patent; and

“(2) the term ‘covered customer’ shall have the meaning given the term in section 299A.

“(b) Applicability.—Subsection (c)—

“(1) shall only apply in a covered civil action if the party accused of infringement is a covered customer; and

“(2) shall not apply—

“(A) to a civil action where the primary business of a party alleging infringement is at least one of: (1) research, (2) development, where development means technical or experimental work to create, modify or validate technologies or processes for commercialization of goods or services, (3) manufacturing, or (4) the provision of goods or commercial services;.

“(B) to written communication between parties regarding existing licensing agreements; or

“(C) if the court determines it is in the interest of justice to waive the requirements of subsection (c).

“(c) Written Notification Requirements.—

“(1) IN GENERAL.—In a covered civil action in which the party alleging infringement has provided written notice of the accusation of infringement to the party accused of infringement prior to the filing of the covered civil action, the covered civil action shall

not proceed unless the written notice—

“(A) contained the information required under paragraph (2); and

“(B) was provided to the party accused of infringement not less than 30 days before the date on which the covered civil action was filed.

“(2) REQUIRED INFORMATION.—The written notice described in paragraph (1) shall contain, at a minimum—

“(A) a detailed description of—

“(i) each patent allegedly infringed, including the patent number; and

“(ii) each claim of each patent that is allegedly infringed;

“(B) a clear and detailed description, of each product, device, business method, service, or technology, including any manufacturer thereof, that allegedly infringes each claim under subparagraph (A)(ii) or that is covered by the claim;

“(C) a clear and detailed description of the reasons for the assertion that the patent may be or may have been infringed;

“(D) notice to the intended recipient that the intended recipient may have the right to a stay of any suit in accordance with section 299A;

“(E) information adequate to determine the identity of the person with the right to enforce each patent under subparagraph (A); and

“(F) if compensation is proposed, the method used to calculate the proposed amount.”

(b) Conforming Amendment.—The table of sections for chapter 29 of title 35, United States Code, as amended by [section 5], is amended by adding at the end the following new item:

“299C. Demand letter content requirements.”.

b. WILLFUL INFRINGEMENT

Section 284 of title 35, United States Code, is amended—

(1) in the first undesignated paragraph, by striking “Upon finding” and inserting “(a) In general.—Upon finding”;

(2) in the second undesignated paragraph, by striking “When the damages” and inserting “(b) Assessment by court; treble damages.—When the damages”;

(3) by inserting after subsection (b), as designated by paragraph (2) of this subsection, the following:

“(c) Willful infringement---A claimant seeking to establish willful infringement may not rely on evidence of pre-suit notification of infringement unless that notification identifies with particularity the asserted patent, identifies the product or process accused, identifies the ultimate parent entity of the claimant, and explains with particularity, to the extent possible following a reasonable investigation or inquiry, how the product or process infringes one or more claims of the patent. Compliance with the standards set out in [cross-reference the pre-suit notice requirements section] may serve as pre-suit notification for the purposes of this subsection.”; and

(4) in the last undesignated paragraph, by striking “The court” and inserting “(d) Expert testimony.—The court”.