



# THINK FORWARD

## Patent Bills Move Forward in the Senate and the House but Differ on Attorneys' Fees

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June 16, 2015

The Senate Judiciary Committee voted early this month to approve patent reform legislation while the House Judiciary Committee approved a similar bill last week. Both the Senate and House bills attempt to improve procedures created by the 2011 America Invents Act (“AIA”) for challenging patent validity. However, the bills differ on which party would have the burden of proof with respect to attorneys’ fees.

### **Senate Legislation: The PATENT Act (S. 1137)**

The Senate bill, called the Protecting American Talent and Entrepreneurship (PATENT) Act, could make it more difficult to invalidate patents using post-grant review procedures created by the AIA. Under the Act, the Patent Trial and Appeal Board (“PTAB”) would be required to construe patent claims more narrowly, using the same standard applied by district courts: as understood by a person “of ordinary skill in the art.” Currently, the PTAB construes claims using the broadest reasonable interpretation standard. This may open a patent up to being challenged by a greater variety of prior art, potentially making it easier for a challenger to prove invalidity. The Act’s proposed change in claim construction standard would likely lead to greater consistency in results between the PTAB and district courts.

In addition to the proposed change in claim construction standard, the PATENT Act includes other changes that may make it more difficult to invalidate a patent using post-grant review procedures. First, patent owners would be able to submit evidence in response to a challenger’s petition to institute a PTAB review procedure. Second, the PTAB would not have to institute a review if doing so “would not serve the interests of justice.” Lastly, the PTAB panel making a final decision on validity would be different than the panel that initially instituted the procedure. This change reflects the concern that it may be difficult to convince judges to change their minds regarding validity once they have already decided to institute review.

With respect to fee-shifting in federal court, the prevailing party would have the burden of demonstrating that it is entitled to an award of attorney’s fees.

### **House Legislation: The Innovation Act (H.R. 9)**

Parallel to the Senate bill, the Innovation Act would also require the PTAB to construe claims based on the understanding of one of ordinary skill in the art. However, the House bill differs in that it would prohibit PTAB challenges brought by a party that owns a related financial instrument and prohibit PTAB challenges brought by a party that has demanded payment from a patent owner. This provision addresses a concern of hedge funds bringing challenges of validity with the aim of manipulating a company’s stock price.

In further contrast to the Senate bill, the Innovation Act would create a presumption of fee shifting in federal court. Attorneys' fees would be awarded to the prevailing party unless the court finds the losing party's positions to be objectively reasonable or that "special circumstances (such as severe economic hardship to a named inventor)" make such an award unjust.

Though both the PATENT Act and the Innovation Act have been approved by their respective legislative committees, the bills still diverge in key respects and have a long road ahead before actually becoming law.

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