# Client Alert

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# Patent Reform Heads to the Senate Floor

**By Eric C. Pai and Colette Reiner Mayer**

Yesterday, the Senate Judiciary Committee voted 16-4 to send an amended version of S. 1137, the Protecting American Talent and Entrepreneurship (PATENT) Act, to the full Senate for debate. The PATENT Act is this year's leading Senate bill directed at curbing abusive patent litigation by non-practicing entities. (See our previous alert here.)

During the markup of the bill, the Judiciary Committee adopted a manager's amendment adding a new section addressing *inter partes* review and post-grant review proceedings before the Patent and Trademark Appeals Board (PTAB). The changes respond to concerns raised by biotechnology and pharmaceutical companies over perceived abuse of these proceedings. The new provisions explicitly state that a patent challenged in such proceedings "shall be presumed to be valid." The provisions require that the PTAB apply the narrower claim construction standard followed by district courts, rather than the "broadest reasonable interpretation" standard the PTAB currently uses. The provisions also reduce the burden on patent owners seeking to amend claims during *inter partes* and post-grant reviews, though Judiciary Committee Chairman Chuck Grassley (R-IA) explained that the current language on this issue was a "placeholder" for further negotiations as the bill moves to the Senate floor.

The manager's amendment also clarifies the PATENT Act's fee-shifting provision. As amended, the PATENT Act explicitly states that the prevailing party bears the burden of proof in seeking an award of attorneys' fees. The Act also explicitly includes "undue economic hardship to a named inventor or an institution of higher education" as an example of the "special circumstances" that "would make an award unjust."

The committee adopted two other amendments to the version of the PATENT Act sent to the full Senate. First, the committee adopted an amendment proposed by Senators Dianne Feinstein (D-CA) and Thom Tillis (R-NC) to prohibit patent demand letters from containing a demand for a "specific monetary amount." Second, the committee adopted an amendment proposed by Senator John Cornyn (R-TX) to expand the definition of "micro entity" to include university tech transfer organizations and non-profit research institutions, for purposes of reduced PTO fees under the America Invents Act (AIA).

The committee rejected numerous amendments proposed by Senator Christopher Coons (D-DE) and an amendment proposed by Senator Richard Durbin (D-IL). Senators Coons and Durbin are co-sponsors of a competing Senate bill, the Support Technology and Research for Our Nation's Growth (STRONG) Patents Act (S. 632), which has been called "pro-patentee" patent reform. Their proposed amendments to the PATENT Act sought to weaken or create exemptions to several of its key provisions, including the provisions on fee-shifting, pleading standards, and discovery limits. After the committee rejected their amendments, Senators Coons and Durbin were among the four members (along with Senators Ted Cruz (R-TX) and David Vitter (R-LA)) who voted against the bill.

## WHAT'S NEXT FOR PATENT REFORM?

The PATENT Act now heads to the floor of the Senate for a full debate. Several Judiciary Committee members have expressed their desire to consider further amendments to the bill. In particular, Chairman Grassley and co-sponsor Senator Patrick Leahy (D-VT) stated that they were continuing to work on the provision on amending claims during *inter partes* review and post-grant review proceedings. They also noted concerns raised by life sciences companies as to whether such proceedings should be applied to patents raised under the Hatch-Waxman Act and the Biologics Price Competition and Innovation Act (BPCIA), given the balances struck under those statutory schemes. These issues will likely receive more attention as the PATENT Act moves to the Senate floor.

**Contact:**

**Eric C. Pai**
(650) 813-5623
epai@mofo.com

**Colette Reiner Mayer**
(650) 813-5990
crmayer@mofo.com

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