

**The Protecting American Talent and Entrepreneurship Act (PATENT Act)**  
***Short Section-by-Section***

**SEC. 3. PLEADING AND EARLY DISCLOSURE REQUIREMENTS:** Form 18 is eliminated. Plaintiffs must identify each patent and claim allegedly infringed, which products or processes are infringing, and describe the alleged infringement. Allows plaintiffs to describe information in general terms if it is not accessible to them. Clarifies that pleadings can be amended and allows for confidential information to be filed under seal. Exempts 271(e) (Hatch-Waxman and biosimilars) proceedings. Requires plaintiffs to make additional disclosures to the court and the PTO about the plaintiff and the asserted patents shortly after filing..

**SEC. 4. CUSTOMER STAY:** Allows a case against a customer to be stayed while the manufacturer litigates the alleged infringement, provided that the manufacturer is involved in a lawsuit in the US involving the same issues. The customer stay is available only to those at the end of the supply chain, who are selling or using a technology that they acquired from a manufacturer, without materially modifying it. Allows for a stay to be lifted where it would cause undue prejudice or be manifestly unjust.

**SEC. 5. DISCOVERY LIMITS:** Requires a court to stay expensive discovery pending resolution of preliminary motions—specifically motions to dismiss, transfer venue, and sever accused infringers. Gives a court discretion to allow limited discovery necessary to resolve these motions or a motion for a preliminary injunction, or if it finds that additional discovery is necessary to preserve evidence or otherwise prevent specific prejudice to a party. Allows parties to consent to be excluded from discovery limitations. Exempts Section 271(e) (Hatch-Waxman and biosimilars) cases. Clarifies that timelines for responsive pleadings provided by the Federal Rules of Civil Procedure are not altered, and nothing prohibits a court from ordering or local rules from requiring the exchange of contentions.

**SEC. 6. JUDICIAL CONFERENCE DISCOVERY REFORMS:** Requires the Judicial Conference to develop rules or procedures to address additional issues involving discovery in patent cases. These include to what extent each party is entitled to “core documentary evidence” and if they should be responsible for the costs of production, and other issues involving discovery sequence and scope. Asks the Judicial Conference to implement case management procedures for patent cases.

**SEC. 7. FEES AND RECOVERY:** Provides that reasonable attorney fees will be awarded if a court determines the position or conduct of the non-prevailing party (plaintiff or defendant) was not objectively reasonable, unless special circumstances make an award unjust. The winner must show that the non-prevailing party’s position was not objectively reasonable and the judge must make a ruling for fees to

shift – this is not a presumptive fee shifting rule. Fee shifting extends to cases where a party attempts to unilaterally withdraw from a case on the eve of a trial. Keeps 271(e) (Hatch-Waxman and biosimilars) proceedings under current law.

**Fee Recovery:** Requires a plaintiff to identify interested parties in the litigation, and provides a process for a court to recover fees where the abusive litigant is judgement-proof. If a plaintiff cannot certify it has sufficient funds to satisfy a fee award, it must notify interested parties, who can opt out of their interest. Permits a court to exempt institutions of higher education and qualifying parties in the interest of justice.

**SEC. 8. PRE-SUIT NOTICE/DEMAND LETTERS:** Prevents vague patent infringement demand letters from being precludes to litigation by requiring that certain information be included in order for the letter to be considered evidence that subsequent infringement was “willful”. If the required information is not in the written notice, the recipient’s time to respond to a later complaint is extended by 30 days.

**SEC. 9. ABUSIVE DEMAND LETTERS:** Provides that, if someone violates Section 5 of the FTC Act in connection with patent assertion *and* has engaged in widespread demand letters abuse, civil penalties for FTC rule violations will attach. The provision does not impinge on legitimate licensing activity or expand the authority of the FTC.

**SEC. 10. TRANSPARENCY:** Requires patent holders to disclose to the PTO whenever there is an assignment of interest in the patent that results in a change of ultimate parent entity. If a patent holder fails to disclose, it will not be able to recover increased damages of attorney fees (unless this would be manifestly unjust).

**SEC. 11. IP LICENSES IN BANKRUPTCY:** Makes clear that as a matter of public policy, US courts will not recognize the action of a foreign court to unilaterally cancel a license to a US patent or trademark if the licensor goes bankrupt. Extends current protection of licensees of US patents in bankruptcy to trademarks.

**SECTION 12. SMALL BUSINESS PROVISIONS:** Directs the PTO to develop educational resources for small businesses targeted in patent suits and to provide support to companies named in infringement actions. Instructs PTO to create a section on its website that will list pending patent cases, so that recipients of demand letters and defendants in lawsuits can more easily identify ongoing litigation that may relate to their case.

**SEC. 13. STUDIES:** Provides for three studies on 1) the secondary market for patents; 2) the possibility of a pilot program for a patent small claims program; and 3) business method patent quality.

**SEC. 14. TECHNICAL CORRECTIONS:** Technical corrections and improvements to the AIA.

**SEC. 15. EFFECTIVE DATE:** Date of enactment except as otherwise provided.

**SEC 16. SEVERABILITY:** Should any portion of the law be held invalid, this provision allows the rest to stand.