

Thomas M. Susman
Director
Governmental Affairs Office

AMERICAN BAR ASSOCIATION
1050 Connecticut Avenue, NW - Suite 400
Washington, DC 20036
(202) 662-1760
FAX: (202) 662-1762

November 14, 2013

Honorable Robert W. Goodlatte
Chair
Committee on the Judiciary
U.S. House of Representatives
Washington DC, 20515

Honorable John Conyers, Jr.
Ranking Member
Committee on the Judiciary
U.S. House of Representatives
Washington DC, 20515

Re: H.R. 3309, the Innovation Act

Dear Chairman Goodlatte and Ranking Member Conyers:

I am writing to express the views of the American Bar Association on H.R. 3309, the Innovation Act, which we understand will be scheduled for Committee markup in the near future.

H.R. 3309 would amend the Patent Code as codified in title 35, U.S. Code, and other provisions of federal law relating to patents in several respects, with the objective of reducing abusive litigation practices in patent cases. The ABA understands that these proposed changes are designed to address practices by litigants that have come to be identified as “patent assertion entities,” so named because they acquire and hold patents not for commercial exploitation, but solely to sue for monetary relief or extortionist settlements. The ABA agrees that changes in court procedures relating to pleadings, disclosure of real parties in interest, joinder of parties, and discovery can improve the administration of justice in our nation’s federal courts, including in patent cases. However, the ABA opposes the enactment of H.R. 3309 as introduced, and urges the Committee to continue further development and revision of the bill to achieve its worthy objectives.

Our primary concerns regard provisions of the bill that call for Congress, rather than the courts, to establish certain rules of procedure for the federal courts, thereby circumventing a rulemaking process that has served our justice system well for almost 80 years. In the Rules Enabling Act, Congress recognized that responsibility for establishing rules of procedure to be applied in our federal courts is best reposed in the Article III courts themselves. Provisions of that Act assure that amendment of the Federal Rules occurs only after a comprehensive and open review is undertaken. Before a proposed rule change can become effective, it must be approved by the

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Supreme Court and transmitted to Congress, which retains the ultimate power to reject, modify, or defer any rule or amendment before it takes effect.

This circumvention called for in H.R. 3309 takes two forms: direct legislative enactment of rules of procedure and case management, and statutory direction to the Judicial Conference or the Supreme Court to develop particular rules and procedures for patent cases, with the substance of those rules and procedures specified in the bill. Examples of the former include provisions in section 3 of the bill relating to pleading, joinder, and discovery; requirements in section 4 that an initial complaint include detailed disclosure of parties in interest; and requirements in section 5 to stay actions for patent infringement in certain specified circumstances. Examples of the latter include provisions in section 6 directing the Judicial Conference to develop rules and procedures relating to issues of discovery and case management, with the content of those rules prescribed in the bill.

The ABA believes that the more effective approach is to adhere to the time-proven policy of allowing the federal judicial system to prescribe procedural rules, augmented by the local rules of the district courts. However, H.R. 3309's proposed departures from this system present another concern. By mandating particular rules of procedure applicable only to patent cases, the legislation calls for the same issues to be governed by different rules in patent cases than in all other civil cases. This unhealthy precedent could prompt calls to Congress to provide special rules of procedure for still other areas of the law, leading to the balkanization in the administration of justice—precisely the result that the Rules Enabling Act process was designed by Congress to avoid.

H.R. 3309 has the commendable objective of making it more difficult for ill-founded patent suits to succeed, and making it easier to identify and dispose of those suits more promptly and less expensively. By addressing these abusive litigation tactics, the bill ideally will lead both plaintiffs and defendants to realize that extortionist settlements should no longer be expected or feared. These are salutary objectives that the ABA supports. At the same time, however, overly prescriptive congressionally mandated rules of procedure may have the unintended result of creating more delay and expense, not less, and ill-serve the worthy objectives of H.R. 3309.

The ABA urges the Committee to continue reviewing and refining the bill, with a particular emphasis on providing guidance to the Judicial Conference and district courts in their development and improvement of rules of procedure and case management to address the concerns regarding abusive litigation practices that prompted this proposed legislation. Such guidance can and should be provided without abrogating the ability of the judicial branch to carry out its Article III responsibilities by adopting and adapting rules of procedure and case management.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas M. Susman", with a long horizontal flourish extending to the right.

Thomas M. Susman