



The **INNOVATION** *Act*

HOUSE JUDICIARY COMMITTEE | *Chairman Bob Goodlatte*

The Message: The patent system is central to the United States' competitiveness, job creation, and future economic security. It is designed to protect and promote American innovation.

We must protect the ability of patent owners to enforce their rights through the courts. However, we also have seen an exponential increase in the use of weak or poorly-granted patents to file numerous patent infringement lawsuits against American businesses with the hopes of securing a quick payday. Many of these suits target a settlement just under what it would cost for litigation, knowing that businesses will want to avoid costly litigation and probably pay up. This activity amounts to legalized extortion.

Abusive patent litigation is a drag on our economy. This problem impacts businesses and industries of all types and the jobs of the people who work for them, from the tech sector to the hospitality industry and even grocery stores. Everyone from independent inventors, to start-ups, to mid-and large-sized businesses face this constant threat. The tens of billions of dollars squandered on settlements and litigation expenses associated with abusive patent suits represent truly wasted capital – capital that could have been used to create new jobs, fund research and development, and create new innovations and technologies.

The Innovation Act is the Answer:

Targets Abusive Patent Litigation: The bill targets abusive patent litigation behavior and not specific entities, with the goal of preventing individuals from taking advantage of gaps in the system to engage in litigation extortion. It does not attempt to eliminate valid patent litigation.

Protects the Patent System: This legislation does not diminish or devalue patent rights in any way.

Increases Transparency: This legislation requires greater transparency in patent litigation and requires parties to explain exactly why they are suing a business or individual. Requiring parties to do a bit of due diligence up front before filing an infringement suit is just plain common sense. It not only reduces litigation expenses, but saves the court's time and resources. Greater transparency and information is a good thing and it makes our patent system stronger.

Prevents Extortion: The legislation prevents any one party in a patent lawsuit from unilaterally racking up extreme litigation costs for another party in an attempt to force a dubious settlement.

Provides Greater Clarity: The legislation provides for more clarity surrounding initial discovery, case management, joinder and the common law doctrine of customer stays. The bill works hand-in-hand with the procedures and practices of the Judicial Conference and the courts.

Small Business Education: The bill provides for small business education and outreach by the U.S. Patent and Trademark Office.

Places Reasonable Limits on Venue in Patent Cases: The bill restores Congress's intent that patent infringement suits only be brought in judicial districts that have some reasonable connection to the dispute.

Reduces Unnecessary, Expensive Discovery: The legislation requires that courts stay discovery in a patent case when a motion to dismiss or a preliminary motion has been filed. This will help parties avoid expensive, wasteful discovery that might otherwise be used as leverage by patent trolls looking for a quick settlement when a case can be resolved quickly and early.

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