

August 1, 2023

The Honorable Richard J. Durbin  
Chairman  
Committee on the Judiciary  
United States Senate  
Washington, D.C. 20510

The Honorable Lindsey Graham  
Ranking Member  
Committee on the Judiciary  
United States Senate  
Washington, DC 20510

Dear Chairman Durbin and Ranking Member Graham,

The organizations joining this letter represent the nation's leading microchip and technology manufacturers, automotive companies, financial services providers, Main Street retailers, construction companies, grocers, hotels, and restaurants, as well as leading think tanks and civil society groups focused on intellectual property policy. We employ tens of millions of American workers and invest hundreds of billions of dollars each year in research and development and make products that are critical to the economic security and well-being of the American people and of the nation as a whole. We represent the core of the U.S. economy.

Unfortunately, we are also heavily affected by patent litigation that leverages invalid patents against U.S. businesses. The United States Patent and Trademark Office issues more than [350,000](#) patents a year and, historically, more than [40%](#) of challenged U.S. patents have been found to be invalid when challenged. Review proceedings before the experts at the USPTO's Patent Trial and Appeal Board ("PTAB") often are the *only* reliable and accurate check on a patent's validity. PTAB review is critical to the American manufacturing economy, to the integrity of the U.S. patent system, and as an affordable alternative to defending against frivolous lawsuits in the courts.

We are very concerned about legislative efforts, such as the recently-introduced Promoting and Respecting Economically Vital American Innovation Leadership Act (the "PREVAIL Act"), which would further weaken protections against abusive patent litigation, create unjustified obstacles to PTAB review, substantially degrade the performance of the PTAB, and significantly reduce patent quality and the ability of the patent system to promote technological progress.<sup>1</sup> Perhaps most troublingly, erecting artificial barriers to PTAB review would primarily benefit foreign businesses and domestic shell companies that do not make or sell any products and contribute little or nothing to the U.S. economy: a [majority](#) of U.S. patents are granted to foreign entities (with [China having the highest growth rate in U.S. patent grants](#)); and about [60%](#) of patent litigation is brought by non-practicing entities. This is aptly illustrated by a recent example in which the USPTO's decision to arbitrarily bar access to PTAB review allowed

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<sup>1</sup> We are similarly troubled by related proposals in the USPTO's recent [Advance Notice of Proposed Rulemaking](#) (ANPRM). Many of the signatories to this letter expressed their concerns in an April 26<sup>th</sup> letter to the House Subcommittee on Courts, Intellectual Property, and the Internet, which is attached for convenience, and many also filed individual comments addressing the ANPRM that are available [here](#).

a foreign hedge fund to obtain over [\\$2 billion](#) in damages verdicts against America's leading chipmaker based on patents that the agency has since been found to be invalid.

Simply put, strengthening the ability of foreign competitors and patent assertion entities to profit from the assertion of invalid patents at the expense of domestic businesses and consumers can only harm U.S. competitiveness, innovation, and economic growth. The PREVAIL Act proposals that would substantially harm U.S. businesses and consumers include:

- **Blocking parties who are harmed by a patent from seeking review.** Limiting PTAB review only to companies that have been sued or threatened with a suit will mean that a small business that receives a letter demanding royalties for a widely adopted technology, such as Wi-Fi or document scanning, could not seek review if the letter was sufficiently vague and did not threaten suit. A manufacturer whose customers are sued for using its product could not seek review, which harms both manufacturers and consumers. A public interest group could not challenge a drug patent that threatens patients' access to a life-saving treatment, and a trade association could not initiate a review to protect its members against an abusively asserted patent.
- **Creating arbitrary limitations that prevent effective review.** Except in rare cases, PREVAIL requires a challenge to be filed in a single petition. Some patents, however, have over 100 claims, include complex limitations, or have disputed priority dates. *See, e.g.,* U.S. Patent No. [6,684,189](#), with 887 claims. Combined with agency rules that limit petitions to 14,000 words, PREVAIL makes it impossible to effectively challenge many patents.
- **Prohibiting consideration of prior art that was never evaluated by the USPTO.** If the PTAB is forced to reject any petition that relies on prior art that was previously "presented" to the USPTO, regardless of whether it was actually evaluated, this will not only preclude completely distinct, non-duplicative challenges based on prior art that was never actually considered by the agency, but it would also allow patentees to launder prior art by citing it in a document dump of hundreds or even thousands of references that are unlikely to be meaningfully considered by an examiner.
- **Applying punitive estoppels to a defendant because the *plaintiff* refuses to stay litigation.** Most district courts will stay infringement litigation if the USPTO finds a "reasonable likelihood" that a patent is invalid and institutes a PTAB review. In a few plaintiff-friendly jurisdictions, however, the court will allow a parallel trial to go forward if the plaintiff will not agree to a stay. Decrying such "duplicative proceedings," proponents propose to bar the defendant in such parallel district court or ITC cases from raising prior art defenses. This badly distorts the litigation, allowing the patent owner to misrepresent an incremental invention as a pioneering one and to argue for aggressive claim constructions. But most importantly, this proposal punishes the *defendant* because of the *plaintiff's* insistence on going forward with a parallel trial. If the proponents are concerned about duplicative proceedings, they should instead require all district courts and the ITC to stay their cases pending PTAB review of a patent.

- **Preventing the USPTO from correcting its own mistakes.** Proposals to impose a “clear and convincing” standard that would force the PTAB to defer to an examiner’s earlier decision to grant a patent are also ill-advised. While such deference is required of generalist district court judges in recognition of the USPTO’s technical expertise, in PTAB proceedings, the patent is being reviewed by three technically trained judges from the same expert agency, based on a more complete record, and with the benefit of an adversarial proceeding. In contrast, the *ex parte* decision to issue a patent is generally made by a single examiner, operating under severe time constraints that limit examination time to 19 hours on average and without the benefit of evidence or arguments from third parties. Because a determination of patentability by a three-judge PTAB panel is in every way more rigorous, transparent, and accurate than the unilateral decision of a single examiner that was based on an incomplete record, it would be nonsensical to prevent the PTAB from correcting examiner mistakes by requiring deference to the initial examination decision.
- **Adopting one-sided procedural rules that would unfairly benefit the owners of invalid patents.** Proposals have been made to preclude any PTAB judge that participates in an institution decision from being a member of the panel that renders a final written decision. Under this rule, a patent that was unilaterally granted by a single examiner could be cancelled only upon two separate decisions in favor of the patent challenger rendered by six different technical judges, each of whom would be required to presume the patent to be valid. Tellingly, advocates of this rule do not support applying it to district court litigation or even to other types of PTAB proceedings. Rather, this rule would apply *only* in the subset of PTAB proceedings in which it would unduly disadvantage petitioners.

We are deeply concerned about these and other aspects of the proposed legislation that would have the foreseeable effect of shielding invalid patents from cancellation by the PTAB. These aspects of the proposed legislation would primarily benefit foreign and non-practicing entities to the detriment of American businesses and consumers. Indeed, in 2015, when Congress considered similar restrictions on PTAB review, the Congressional Budget Office determined that the policy would cost U.S. taxpayers over [\\$1 billion](#) solely because of the impact on drug prices. Beyond increasing the cost of all types of products and services in the U.S., the changes proposed would reverse much of the \$3 billion in benefits to the U.S. economy that a recent [economic analysis](#) also found were created by PTAB review.

The proposed legislation would damage U.S. industry, discourage commerce, and place further inflationary pressure on the prices that Americans pay for goods and services—principally for the benefit of shell companies, foreign patent owners, and litigation investment funds. We would urge you to reconsider these harmful provisions and strongly oppose their enactment by Congress. Instead of dismantling the process for correcting errors in the issuance of patents, we would respectfully suggest that Congress’s efforts would be more productive if they focused on preventing those errors from occurring in the first place.

Sincerely,

ACT | The App Association  
Alliance for Automotive Innovation  
BSA | The Software Alliance  
Computer and Communications Industry Association  
Consumer Technology Association  
Engine  
High Tech Inventors Alliance  
National Retail Federation  
Public Innovation Project  
Public Interest Patent Law Institute  
R Street Institute  
Software & Information Industry Association  
United for Patent Reform  
US MADE  
Quality Patents Coalition



April 26, 2023

The Subcommittee on Courts, Intellectual Property, and the Internet  
2141 Rayburn House Office Building  
Washington, DC 20515

Dear Messrs. Issa and Johnson,

The organizations joining this letter represent the nation's leading microchip and technology manufacturers, automotive companies, financial services providers, Main Street retailers, construction companies, grocers, hotels, and restaurants, as well as leading think tanks and civil society groups focused on intellectual-property policy. We employ nearly 100 million Americans, invest hundreds of billions of dollars each year in research and development, and make products that are critical to the health and well-being of the American people. We represent the core of the U.S. economy.

We are heavily affected by patent litigation that leverages invalid patents against U.S. industry. The United States Patent and Trademark Office issues over [350,000](#) patents a year and historically, more than [40%](#) of U.S. patents have been found to be invalid when challenged. A [majority](#) of U.S. patents are issued to foreign entities, and [60%](#) of patent litigation is brought by parties, including foreign litigation investors, that do not practice the invention. Review proceedings before the experts at the USPTO's Patent Trial and Appeal Board often are the *only* reliable and accurate check on a patent's validity. PTAB review is critical to the American manufacturing economy and to the integrity of the U.S. patent system.

We are thus alarmed by the nature and scope of the new restrictions that the USPTO proposes to impose on these proceedings in its [April 20 notice](#). These new rules would make it impossible for American businesses to seek PTAB review in a large portion of the cases where they are sued on invalid patents and would seriously degrade the proceedings. In addition, much of what has been proposed violates the agency's statutory mandate. Simply put, the proposed rules are against the law and would gut PTAB review to the detriment of American businesses and consumers. Indeed, in 2015, when Congress considered *less* severe restrictions on PTAB review than what the USPTO is now proposing, the Congressional Budget Office determined that the policy would cost U.S. taxpayers over [\\$1 billion](#) solely because of its impact on drug prices.

The USPTO's proposed rules go beyond the agency's statutory authority. Examples include:

- **Rewriting the statutory deadline for filing a petition:** In the America Invents Act, Congress enacted a deadline that a PTAB petition must be filed within "1 year after . . . the petitioner is served with a complaint" alleging infringement of the patent. [35 U.S.C. § 315\(b\)](#). The USPTO now proposes to shorten the default deadline to six months unless the petitioner falls within certain safe harbors. Six months is the same time period that Congress considered and expressly *rejected* as the statutory deadline in 2011.

- **Rewriting Congress’s rules for who can file a petition:** In [early versions](#) of the AIA, Congress contemplated imposing a “standing” requirement for PTAB proceedings, but it ultimately decided not to do so. The USPTO now proposes “limitations on nonmarket competitors” that impose a similar requirement.
- **Rewriting the AIA’s standard for instituting review:** Congress set a “[reasonable likelihood](#)” threshold for instituting PTAB review and a “[preponderance of the evidence](#)” standard for final validity determinations. The USPTO now proposes in many situations to exercise its discretion to deny institution of a petition unless the petitioner satisfies a non-statutory “compelling merits” test for instituting review—which it concedes is a higher threshold than even the standard for the final determination.
- **Rewriting the statutory estoppel:** Congress chose to bar a petitioner in a PTAB proceeding from raising prior-art defenses in other fora only *after* the PTAB proceeding has “result[ed] in a final written decision under section 318(a).” [35 U.S.C. § 315\(e\)](#). Congress also expressly [repealed previous rules](#) that made district court determinations a bar to USPTO review—it concluded that the reliability of such determinations was insufficient to allow them to serve as the final word on patent validity. The USPTO now plans to apply estoppel in many (or even all) instances at the *beginning* of a PTAB proceeding and to make *any* district court determination a bar to PTAB review absent an extra-statutory “compelling merits” showing.

The USPTO’s proposed rules cannot be reconciled with the laws enacted by Congress.

In addition, much of what is proposed in the ANPRM would be deeply damaging to the patent system and to the American economy. Among the most problematic proposals are:

- **A “substantial relationship” test that will ensnare entire industries.** The ANPRM proposes to block a party from seeking review if a different party with which it has a “substantial relationship” was sued earlier and brought an unsuccessful challenge. The different companies in an industry routinely have an *infinite* number of “relationships” and contracts with each other and their customers. This extra-statutory rule will invite a tidal wave of discovery over ancillary matters and will routinely prevent defendants from challenging an invalid patent simply because someone else was sued earlier.
- **A carve out that will block challenges to patents asserted by abusive litigants.** The USPTO proposes to bar validity review if a patent is owned by a “small business” that is attempting to “commercialize” the patented invention. Patent-assertion entities *already* operate through shell companies and [nominal plaintiffs](#) and take de minimis steps to portray themselves as “start ups.” The USPTO lacks the competence or resources to investigate such matters—this loophole will be widely exploited by abusive litigants.

Ultimately, it is the American people and the U.S. economy that will pay for these ultra vires policies. When the USPTO previously arbitrarily blocked access to PTAB review, its actions allowed a foreign hedge fund to obtain over [\\$3 billion](#) in damages verdicts against America’s leading chipmaker—based on patents that the agency has since acknowledged are

[very likely invalid](#). A recent [economic analysis](#) also found that PTAB review has brought almost \$3 billion in benefits to the U.S. economy, particularly in the manufacturing sector.

The USPTO's PTAB rules would damage U.S. industry, discourage commerce, and place further inflationary pressure on the prices that Americans pay for goods and services—principally for the benefit of shell companies, foreign patent owners, and litigation investment funds. We urge Congress to reject the USPTO's proposed rules and insist that the USPTO follow the statute. Instead of dismantling the process for correcting errors in the issuance of patents, the agency should focus on preventing those errors from occurring in the first place.

Sincerely,

ACT | The App Association  
Alliance for Automotive Innovation  
Bank Policy Institute  
Computer and Communications Industry Association  
Consumer Technology Association  
High Tech Inventors Alliance  
National Retail Federation  
Public Innovation Project  
Public Interest Patent Law Institute  
R Street Institute  
Software & Information Industry Association  
The Clearing House  
United for Patent Reform  
US MADE

