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 respected think tanks and civil society groups focused on intellectual property policy.

We employ tens of millions of American workers, 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 are the core of the U.S. economy.

Our businesses frequently are sued based on invalid patents that were improperly granted. The U.S. Patent and Trademark Office (USPTO) issues over 350,000 patents annually. In recent years, claims in more than 40% of challenged patents have been found to be invalid. Lawsuits asserting invalid patents exact a heavy toll on U.S. industry—they represent jobs lost and manufacturing investment foregone.

Patent validity reviews before the experts at the USPTO’s Patent Trial and Appeal Board (PTAB) are often the only reliable and accurate check on a patent’s validity. Indeed, when the USPTO recently experimented with arbitrary and legally questionable restrictions on PTAB review, the result was that a foreign hedge fund was able to obtain over $3 billion in damages awards against America’s leading chipmaker—based on patents that the USPTO has since acknowledged never should have issued.¹

We do not believe that businesses confronted with invalid patents should be unreasonably impeded from seeking review of those patents at the PTAB.

Among other things, the PREVAIL Act would:

- **Require all challenges to be filed in a single petition.** Because of word limits on petitions, it is usually only practical to challenge up to 20 patent claims in a single petition. Some patents, however, have lengthy and complex claims or disputed priority dates, and other patents have hundreds of individual claims. See, e.g.,

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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 these patents.

- **Require the USPTO to defer to its prior mistakes.** PREVAIL would require the PTAB to give deference to the agency’s previous allowance of an invalid patent claim. 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.

- **Prohibit 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.

- **Immunize harassing demand letters and other abusive conduct.** PREVAIL would bar challenges to a patent unless the petitioner has been sued for infringement or threatened with suit. This would prevent a manufacturer from responding to a threatening demand letter that does not commit to litigation or that is directed only at the manufacturer’s customers. It would also prevent manufacturers from filing “clearance” petitions to determine the validity of a suspect patent before developing and building a new product that might infringe.

- **Adopt one-sided procedural rules that would unfairly benefit the owners of invalid patents.** The proposed “Single Forum” rule would prevent the district courts and ITC from hearing and deciding matters of validity well before the PTAB has made validity determinations in parallel PTAB proceedings. In addition, 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 canceled 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.

PREVAIL would damage America’s manufacturing base. The Administration and a bipartisan Congress have committed to strengthening domestic semiconductor manufacturing and persuading foreign companies to build chip fabs in the United States. PREVAIL would undercut these efforts. It would also harm American consumers. When Congress considered similar restrictions on access to PTAB review several years ago, the Congressional Budget Office concluded that such policies would cost U.S. taxpayers over $1 billion.

The Leahy-Smith America Invents Act (AIA) was a remarkable legislative achievement. Large, bipartisan majorities of Congress agreed to modernize America’s patent system to ensure that reliable, expert validity reviews could be conducted timely and efficiently—allowing valid patents to be enforced while invalid claims would be canceled. PREVAIL seeks to undo the important work and collaboration that resulted in the AIA. It would deny innovative manufacturers and job creators their benefit of the bargain, principally to the benefit of patent assertion entities that seek to monetize invalid patents. Congress should maintain and support the compromise that it reached in the AIA.

Rather than weakening review proceedings, the Committee would be better served by considering legislation to strengthen PTAB review and protect it from the type of political interference and ultra vires policies that have undermined perceptions of the PTAB’s legitimacy in recent years. We urge the Committee not to move forward with the PREVAIL Act.

Sincerely,

ACT | The App Association
Alliance for Automotive Innovation
Bank Policy Institute
Business Software Alliance
Computer and Communications Industry Association
Consumer Technology Association
Electronic Transaction Association
Engine
High Tech Inventors Alliance
National Retail Federation
R Street Institute
Software & Information Industry Association
United for Patent Reform is a broad coalition of diverse American businesses, small and large – from national construction companies, automobile manufacturers, and technology businesses to Main Street retail shops, REALTORS®, hotels, grocers, convenience stores, and restaurants – advocating for a patent system that enhances patent quality, advances meaningful innovations and protects legitimate American businesses from abusive patent litigation.