



Andrei Iancu, Co-Chair  
David Kappos, Co-Chair  
Judge Paul Michel (Ret.), Board Member  
Judge Kathleen O'Malley (Ret.), Board Member  
Frank Cullen, Executive Director

November 7, 2023

The Honorable Chris Coons  
218 Russell Senate Office Building  
Washington, D.C. 20510

The Honorable Thom Tillis  
113 Dirksen Senate Office Building  
Washington, D.C. 20510

Dear Chairman Coons and Ranking Member Tillis,

The Council for Innovation Promotion is a bipartisan coalition dedicated to promoting strong and effective intellectual property rights that drive innovation, boost economic competitiveness, and improve lives everywhere.

We write to express our strong support for the PREVAIL Act and to applaud the subcommittee's commitment to this legislation with its holding of a hearing on the bill.

As explained in more detail below, C4IP supports this bill because of the sensible corrections it makes to the Patent Trial and Appeal Board's (PTAB's) reviews of issued patents based on over a decade's worth of experience with the proceedings following their creation with the passage of the Leahy-Smith America Invents Act of 2011 (AIA). In particular, while the PTAB was intended to make patent litigation more efficient and less expensive, it has become clear that, too often, it has instead forced invalidity challenges on two fronts, under different standards, and often defended against multiple attacks at the PTAB. It does not benefit the public to have governmental resources used in this duplicative way. The PTAB was intended to be a less costly alternative to district court litigation, not an expensive and redundant addition.

Overall, these dynamics have shifted the patent system decisively against startups and other innovative companies, who are often facing infringement by very well-resourced large companies that can afford to mount relentless invalidity challenges to a patent in multiple venues. This goes to the core of the patent system by making patents less reliable as collateral to back investments in research and development, which hurts small businesses, in particular, who need patents to stand up to bigger companies that might try to copy their successful products.

The PREVAIL Act would restore balance to the PTAB review proceedings by

requiring accused infringers to choose only one forum in which to pursue their invalidity challenges instead of having two bites at the apple, thereby ensuring the efficiency promised by the AIA. It also would align PTAB and district court standards, enabling the PTAB to play its originally intended role as an alternative to district court litigation and not a duplication of district court litigation. Finally, the bill includes a number of good government provisions, such as ensuring transparency in Director reviews of PTAB decisions, that should be firmly established through codification.

To explain further, we address each of these points in turn:

1. **By Eliminating Needless Duplication, the PREVAIL Act Promotes Efficiency and Fairness**

Several provisions of the PREVAIL Act address sources of duplication that were not intended by the AIA but which have become a drain on resources. This includes duplication between the district court and PTAB and within the PTAB itself.

This multiplicity imposes a significant burden on the patent owner, who often needs to litigate cases before both courts and the PTAB at the same time (under different standards, discussed below), in addition to potentially fielding multiple challenges at the PTAB. And all of this can happen before the patent owner gets any relief on his or her claims of intellectual property theft.

It is also not a good use of governmental resources to decide the same issues repeatedly. The possibility of inconsistent results between these different proceedings serves to undermine public confidence in the patent system overall -- confidence that is needed to drive investment into innovation in the first place. A weakened patent system means that we all lose from innovations that will never be made and new startups that will never be founded.

The PREVAIL Act addresses these issues by:

- **Ensuring that only a single forum hears a challenge** -- if a petition is instituted at the PTAB, the petitioner (or their real party in interest or privy) may not maintain the same challenges in the district court or International

Trade Commission. This provision directly ensures that only one forum -- and that of the petitioner's choice, not the patent owner's -- hears a validity dispute;

- **Providing that a petitioner may only challenge a patent at PTAB once unless the petitioner is subject to additional infringement allegations on the same patent** -- this provision makes a petitioner bring its best challenges at once and only once. But it is also balanced by ensuring that if a patent owner further challenges the petitioner on the same patent, the petitioner has another chance to go to the PTAB on those new challenges;
- **Providing that, if a district court or the ITC has ruled on a patent's validity, an accused infringer in that case (or its RPIs or privies) cannot go to the PTAB to try to get a re-do** -- after one forum has decided on a patent's validity, it is a poor use of resources to have another forum do so. The parties in the original case have appellate review rights for the very reason of ensuring that the initial decision was made correctly;
- **Reforming the joinder process to guard against an unfair pile-on of additional petitioners** -- additional parties are allowed to join a filed petition, but there is a process to ensure that a petitioner who could not bring a challenge on their own because of filing too late cannot circumvent that existing statutory limitation. This helps protect patent owners from the additional challenges that the AIA intended to prevent;
- **Clarifying that real-party-in-interest limitations extend to membership groups filing challenges on behalf of their members** -- right now, certain membership groups file challenges on patents that may be, or are, asserted against their members. These groups claim to have no coordination about which challenges they assert, thereby allowing their members to file their own challenges if they choose. This change would end this practice, ensuring that parties do not effectively get two bites at the apple to challenge validity at the PTAB;
- **Adjusting the scope of mandatory discovery to avoid gamesmanship** -- to ensure that the AIA's (and this bill's) limitations on

real-parties-in-interest and privies are enforced, patent owners would automatically be entitled to discovery on this issue. The current lack of automatic discovery puts patent owners at a disadvantage if they suspect that these provisions are being violated because they may not have access to evidence to prove it.

All of these changes align with the AIA's original intent to balance the petitioner's right to challenge a patent at the USPTO with the patent owner's need for quiet title. As the House Report associated with the AIA stated: "The Committee recognizes the importance of quiet title to patent owners to ensure continued investment resources. . . . [T]he changes made by [the AIA] are not to be used as tools for harassment or a means to prevent market entry through repeated litigation and administrative attacks on the validity of a patent. Doing so would frustrate the purpose of the section as providing quick and cost-effective alternatives to litigation."

## 2. The PREVAIL Act Aligns PTAB and District Court Standards, Creating a More Rational and Equitable System

The original intent of the PTAB as an alternative to district court litigation calls for the standards between the two proceedings to be aligned, which also helps to prevent gamesmanship.

The PREVAIL Act takes several steps to align PTAB standards with those of a district court, including:

- **Requiring the same standard of proof for invalidation, reflecting that the patent has already undergone an examination process** -- this is the appropriate standard for post-grant proceedings because some deference should be due to the initial examination regardless of what forum takes a second look at the patent. This standard also helps guard against hindsight bias, making it fairer to patent owners. The objective validity of an issued patent should not depend on which tribunal might happen to analyze it in the first instance;
- **Encourages early challenges through PGRs while creating a standing requirement for IPRs to better respect reliance interests in a granted patent** -- under the bill, PGRs (available for the first nine months

after a patent issue) will continue to have no standing requirement to encourage early challenges to a patent before substantial investment in it has occurred. This will encourage interested parties, especially well-resourced ones, to be vigilant and mount early challenges to issued patents. For IPRs (available after the first nine months of a patent's issuance), the bill establishes a standing requirement to better respect the reliance a patent owner may develop on a patent over time by limiting challenges to those who have a direct stake in the patent's invalidity. This will help reduce the gamesmanship that has occurred by hedge-fund managers and others who want to make quick money by challenging a patent to short the patent owner's stock, for example. Virtually all adversarial proceedings have long required standing precisely to eliminate abuse by parties that have no direct stake in the dispute. Given the already extremely high overlap between district court and PTAB litigation, this change also would not significantly impact the current pattern of filers;

- **Codifying current Office practice on how the scope of patents is interpreted** -- the Office has implemented through regulation the use of the district court claim construction standard after initially implementing an alternative practice. The Office recognized that aligning these standards promotes efficiency between district courts and the PTAB by not requiring parties to make different arguments in different proceedings on the same topic. It would also enable each forum to use the decisions of the other, furthering the intent of having PTAB be an alternative, rather than a duplication, of district court litigation. Codifying this claim construction practice would ensure no further change at the PTAB, helping to promote certainty in the patent system.

### 3. The PREVAIL Act Establishes a Number of “Good Government” Provisions

Experience with the PTAB has shown some inadvertent gaps that could benefit from statutory guidance and regularization. The same is true for certain important court decisions.

To that end, the PREVAIL Act:

- **Codifies the Director Review process, requiring transparency** -- following the Supreme Court's decision in *U.S. v. Arthrex*, the Director now

has the power to revisit PTAB decisions. The PREVAIL Act would codify this process and require the Office to put all such decisions in writing and on the record;

- **Requires the Director to create a code of conduct for PTAB judges similar to federal courts** -- right now, PTAB judges only follow the ethics rules of the Department of Commerce. This means the PTAB judges are out of step with federal court judges, for example, on whether they can hear cases when they own stock in the parties appearing before them. Given the enormous implication of PTAB decisions -- akin to that of district courts' -- it is appropriate for the ethical standards to be similar too;
- **Establishes practices for PTAB panels that are more transparent** -- if there are changes to the members of a PTAB panel hearing a given case, they must be made public. This will help guard against making personnel changes to alter case outcomes;
- **Codifies the current claim amendment process** -- patent owners are guaranteed to have a chance to amend their claims during post-grant proceedings by statute, but initially, almost no claim amendments were allowed. Subsequent case law and rule changes now allow for patent owners to receive feedback on an initial round of proposed substitute claims and then submit revised ones. While the number of allowed amendments is still low, the numbers have increased significantly. This process is more in keeping with the intent of the AIA to ensure that patent owners have a meaningful chance to correct defects in their patents;
- **Requires the Director to decide how multiple challenges against the same patent will be handled** -- right now, the Director has discretionary authority to do this. Making it mandatory should help ensure that there is consideration of whether there can be a better consolidation of proceedings or if one of the proceedings should be stayed;
- **Requires that officers and supervisors may not direct or influence PTAB merits decisions** -- consistent with due process, this provision ensures that parties know that the judges appearing before them are the only ones deciding their case without other ex parte communications within the Office.

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In sum, the PREVAIL Act provides for significant improvements to the PTAB review proceedings, promoting efficiency and fairness, and ultimately helping to promote U.S. innovation. C4IP again applauds the committee for holding a hearing on this important topic and hopes the subcommittee and committee will continue to move forward on this critical bill. C4IP stands ready to assist in any way that it can.

Sincerely,

A handwritten signature in black ink, which appears to read "Frank Cullen". The signature is fluid and cursive, with a long horizontal stroke at the end.

Frank Cullen

cc:

Sen. Alex Padilla, Member, Senate Judiciary Subcommittee on Intellectual Property

Sen. John Cornyn, Member, Senate Judiciary Subcommittee on Intellectual Property

Sen. Jon Ossoff, Member, Senate Judiciary Subcommittee on Intellectual Property

Sen. Marsha Blackburn, Member, Senate Judiciary Subcommittee on Intellectual Property

Sen. Mazie Hirono, Member, Senate Judiciary Subcommittee on Intellectual Property

Sen. Peter Welch, Member, Senate Judiciary Subcommittee on Intellectual Property

Sen. Tom Cotton, Member, Senate Judiciary Subcommittee on Intellectual Property