Statement for the Record of

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Committee on the Judiciary
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Hearing on
Reforming the Patent Trial and Appeal Board –
The PREVAIL Act and Proposals to Promote U.S. Innovation Leadership

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Chairman Coons, Ranking Member Tills, and Members of the Subcommittee, thank you for holding this important hearing on the Promoting and Respecting Economically Vital American Innovation Leadership (PREVAIL) Act. The Innovation Alliance applauds you—and Senators Durbin and Hirono—for your leadership on this important legislation to restore much needed fairness to the Patent Trial and Appeal Board (PTAB) at the U.S. Patent and Trademark Office (USPTO) and help protect American innovators from harassment by companies that violate their intellectual property rights.

The Innovation Alliance is a coalition of research and development (R&D) based technology companies that believe that maintaining a strong patent system is critical to supporting innovative enterprises of all sizes. The Innovation Alliance is committed to strengthening the U.S. patent system to promote innovation, economic growth, and job creation, and we support legislation and policies that help to achieve those goals.

Innovation Alliance member companies innovate across a wide range of industries, from audio compression, to wireless communications, to advanced video communication, to vehicle transmission and drive train technology, and semiconductor technology. Our member companies include, among others, Dolby Laboratories, Inc., InterDigital, Inc. Qualcomm Incorporated, enviolo, and Adeia. Despite the wide range of industries Innovation Alliance companies are involved in, each member shares a deep commitment to innovation and dissemination of their research efforts through patent licensing. Innovation in these industries requires the expenditure of vast sums of money in R&D before an innovation can be commercialized.

A strong patent system is central to the future of a resilient, growing, and increasingly technology-driven U.S. economy that allows us to protect our national security.[1] For decades, the U.S. patent system has secured our global technology leadership by incentivizing the R&D that is needed to invent ground-breaking technologies. However, the United States' global technology leadership position has been threatened by judicial and legislative actions—such as the current implementation of inter partes review ("IPR") as conducted by the PTAB—that weaken patent rights.

The Patent Trial and Appeal Board Weakens Patent Rights

Created by the 2011 Leahy-Smith American Invents Act[2] (AIA), the PTAB is an administrative body at the USPTO intended to provide a quick and cost-effective alternative to district court litigation for adjudicating patent disputes. Yet more than a decade later, as former House Judiciary Committee Chairman Lamar Smith (R-TX), one of the lead authors of the AIA, testified before this Subcommittee, the PTAB has failed to live up to its legislative intent.

[1] *See, e.g.*, Alexander Kersten, How Moves to Weaken Standard-Essential Patents (SEPs) Threaten U.S. National Security, CSIS (Apr. 12, 2022), https://www.csis.org/analysis/how-moves-weaken-standard-essential-patents-sepsthreaten-us-national-security; Andrei Iancu & David J. Kappos, U.S. Intellectual Property Is Critical to National Security, NEW YORK L. J. 266 (Jul. 7, 2021).

[2] Pub. L. No. 112–29 (2011).

Rather than function as an alternative forum, the PTAB has invalidated patents at an alarmingly high rate. For instance, the USPTO's own data show that nearly two-thirds of IPR institution decisions find in favor of the patent challenger, nearly 80% of instituted IPRs that reach a final written decision result in cancellation of at least one challenged claim, and roughly two-thirds of instituted IPRs that reach a final written decision result in the cancellation of *every* challenged claim.[3] These extremely high invalidation rates at the PTAB have led one former judge on the U.S. Court of Appeals for the Federal Circuit to call the PTAB's administrative judges "patent death squads," responsible for "killing property rights."[4]

The landscape surrounding PTAB challenges and their associated costs have been exacerbated by several operational details of the PTAB. In particular, the PTAB process uniquely disadvantages patent holders. *First*, patent invalidity challenges are more easily filed at the PTAB than federal courts. Unlike federal courts, which have strict standing requirements that require a real dispute to exist between the parties to a lawsuit, virtually "[a]nyone can file a petition with the PTAB to challenge the validity of a patent: a defendant in court, someone merely threatened with infringement litigation, or even an organization dedicated to eliminating all patents on a technology altogether."[5] Moreover, under current law, a single patent can be challenged multiple times, leaving patent owners open to potential harassment by Big Tech companies, other competitors, licensees, or other business, with no legal mechanism to effectively secure, reliable patent rights.

Second, there are evidentiary restrictions imposed on PTAB proceedings. For example, PTAB significantly curtails discovery compared with federal court litigation, and live witness testimony is generally prohibited. In certain circumstances, these evidentiary restrictions make it much harder for a patent holder to present all the relevant evidence, thus undermining a patent holder's ability to fully defend the validity of their patent.

Finally, in district court litigation, a challenged patent is presumed valid and a party challenging it must demonstrate that the patent is invalid through "clear and convincing" evidence. PTAB proceedings lack such a presumption of validity, and require challengers to demonstrate invalidity under the less rigorous "preponderance of the evidence" standard. By retaining two different standards of proof at the PTAB and in district court, the current approach incentivizes validity challenges and creates additional uncertainty for patent holders, stacking the deck in favor of well-resourced companies at the expense of small businesses and individual inventors.

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[3] U.S. PATENT AND TRADEMARK OFF., PTAB Trial Statistics FY23 End of Year Outcome Roundup IPR, PGR, 6, 10–11 (2023) (collecting statistics for Fiscal Year 2023), https://www.uspto.gov/sites/default/files/documents/ptab_aia_fy2023__roundup.pdf.

[4] Brian Mahoney, Software Patent Ruling a Major Judicial Failure, Rader Says, Law360 (Oct. 25, 2013), https://www.law360.com/articles/482264

[5] Alden Abbott et al., Crippling the Innovation Economy: Regulatory Overreach at the Patent Office, Regulatory Transparency Project Intellectual Property Working Group, 12-13 (Aug. 14, 2017), https://regproject.org/wpcontent/uploads/RTP-Intellectual-Property-Working-Group-Paper.pdf.

Congress should pass the PREVAIL Act to restore fairness to the PTAB and fulfill the AIA's legislative intent. This legislation before the Judiciary Committee today addresses these failures and overhauls the PTAB to ensure its proceedings are conducted fairly and consistently. Specifically, the PREVAIL Act would:

- **Align the burden of proof applied** to patent challenges in the PTAB and federal district court by requiring PTAB petitioners to demonstrate invalidity by the same "clear and convincing evidence" standard used in district court.

- **Require PTAB petitioners to demonstrate standing to challenge a patent,** ensuring the challenger has been sued or threatened with a patent infringement lawsuit before filing.

- **Limit multiple challenges against the same patent** by prohibiting entities who have financially contributed to a prior PTAB proceeding from bringing their own challenge.

- **Limit repeated petitions against the same patent by the same party** by requiring a petitioner to raise all arguments against a patent's validity in a single challenge.

- **End inconsistent outcomes** by requiring the PTAB to deny or dismiss a petition if another forum, such as a federal court, has already upheld the validity of the patent.

A more fair and predictable patent system will preserve and strengthen the incentive to invent that forms the foundation of U.S. global technology leadership. The Innovation Alliance strongly supports this legislation, which will limit the ability of Big Tech companies and other patent infringers to launch repetitive and harassing challenges against inventors, and end the ability of patent challengers to choose between the PTAB and district court in search of more favorable rules.

The Innovation Alliance appreciates the IP Subcommittee's attention to this important legislation. We urge Members to support the PREVAIL Act and pass it into law.

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