September 12, 2024

TO: **Interested Parties**
FROM: **Innovation Alliance**
RE: **Historic Senate Markup to Advance Three Bipartisan Pro-Patent Bills**

On September 19, the Senate Judiciary Committee is scheduled to hold a historic markup of three bipartisan, bicameral pro-patent bills. Together, these bills represent a commitment to strengthening inventors' rights and the U.S. innovation economy to ensure that we retain global technological leadership and can compete successfully with China and other countries around the world. The three bills include:

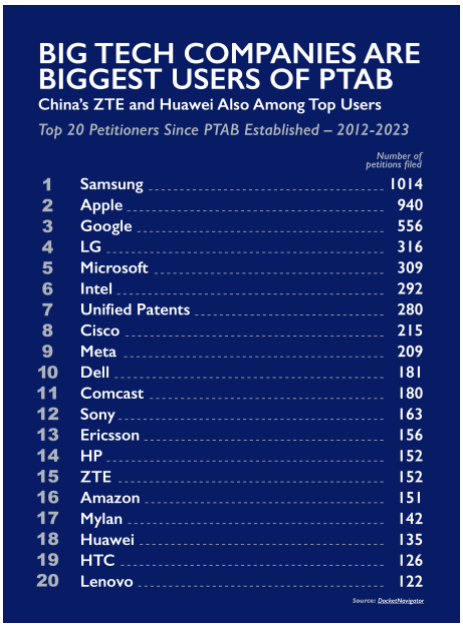
- **The Promoting and Respecting Economically Vital American Innovation Leadership (PREVAIL) Act** (S.2220/H.R.4370) will restore fairness to the USPTO's Patent Trial and Appeal Board (PTAB) process by protecting smaller innovators from Big Tech predatory infringement and ensuring the U.S. patent system continues to incentivize and advance American innovation.

- **The Patent Eligibility Restoration Act (PERA)** (S.2140/H.R.9474) will restore certainty and predictability to patent subject matter eligibility, ensuring the next big breakthroughs in AI, medical diagnostics and other key technologies are invented and developed in the United States, instead of in China or other competitor countries.

- **The Inventor Diversity for Economic Advancement (IDEA) Act** (S.4713/H.R.9455) will help us obtain the information we need to expand our innovation talent pool and compete globally.

PREVAIL Act
The bipartisan, bicameral PREVAIL Act was introduced in the Senate by Senate Judiciary IP Subcommittee Chair Chris Coons (D-DE) and Ranking Member Thom Tillis (R-NC), along with Senate Judiciary Committee Chair Dick Durbin (D-IL) and Senator Mazie Hirono (D-HI), and in the House by Representatives Ken Buck (R-CO) and Deborah Ross (D-NC), along with Representatives Nathaniel Moran (R-TX) and Bill Posey (R-FL).

This important legislation will restore much-needed fairness to the USPTO's Patent Trial and Appeal Board (PTAB) process, help protect American innovators from harassment by Big Tech and other companies who violate intellectual property rights and promote U.S. technological leadership.



The quasi-judicial PTAB was intended to provide a quick and cost-effective alternative to district court litigation for resolving patent disputes. Instead, the PTAB process is being abused by Big Tech and others who use the administrative body to repeatedly attack the patents of smaller innovators so they can use others' inventions without paying licensing fees. This is undermining patent rights, which provide a critical incentive for innovation in the United States.

Despite claims that the PTAB process benefits small businesses, by far the most frequent users and beneficiaries of the PTAB system have been Big Tech companies, along with large Chinese tech companies such as ZTE and Huawei, who have filed hundreds of PTAB petitions to challenge the patents of smaller competitors. With armies of lawyers and nearly endless resources, these Big Tech companies have also used the PTAB to file multiple challenges

against the same patents, forcing small inventors to drain their resources defending their innovations again and again.

After more than a decade of experience, it has become clear that the PTAB tilts the scales in favor of those seeking to invalidate patents. According to USPTO data, the PTAB invalidates more than 70% of all patent claims and at least one claim of more than 80% of the patents it reviews. These statistics led a former Federal Circuit Chief Judge to describe the Board as a 'death squad killing property rights.'

To restore fairness at the PTAB, the PREVAIL Act will limit the ability of infringers to launch repetitive and harassing challenges against inventors. It will harmonize the standards between the PTAB and district courts so infringers can't pick a path of least resistance for their patent challenges. This is smart legislation that will put a stop to this Big Tech abuse, protect American innovators, and ensure our patent system continues to incentivize U.S. technological innovation.

Patent Eligibility Restoration Act (PERA)

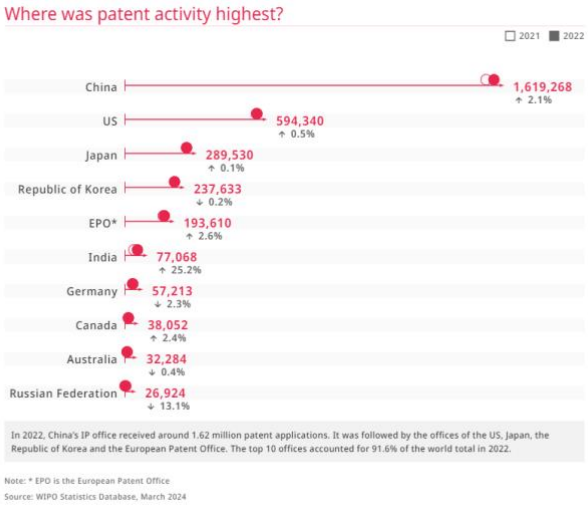
The bipartisan, bicameral Patent Eligibility Restoration Act (PERA) was introduced in the Senate by Senate Judiciary IP Subcommittee Chair Chris Coons (D-DE) and Ranking Member Thom Tillis (R-NC), and in the House by Representatives Kevin Kiley (R-CA) and Scott Peters (D-CA).

PERA was drafted following years of study and deliberation with key stakeholders. It makes critical reforms to patent eligibility law that will help restore certainty and predictability to the U.S. patent system.

For nearly 150 years, Section 101 of the Patent Act was interpreted to allow inventions to be patented across broad categories of discovery. This approach supercharged American innovation and led to countless technological and medical breakthroughs in areas that could not have been imagined when Section 101 was first enacted.

Starting in 2010, however, the Supreme Court issued a series of decisions that have upended longstanding settled law, narrowed the scope of patent-eligible subject matter, and created unworkable and unpredictable exceptions to an otherwise clear statute. These decisions have created chaos in the patent world and left inventors and lower court judges uncertain about what is patentable.

Meanwhile, our foreign competitors, including China, are granting patents on many inventions that are now unpatentable here. As a result, innovation and venture capital are being driven overseas. According to one study, between 2014-2017, 1310 patent applications were rejected in the United States under our patent eligibility rules while being granted in China or Europe.



The disparity in patent eligibility between the United States and our foreign competitors is particularly problematic in critical and emerging technology areas such as artificial intelligence (AI), 5G/6G, advanced computing and biotechnology, as well as medical diagnostics. This not only undermines U.S. competitiveness and the ability of the United States to remain the global leader in innovation, but it harms U.S. national security as other countries challenge U.S. leadership in developing these key technologies.

PERA would clarify categories of inventions that are eligible to receive patents, restore needed certainty and predictability for American innovators and investors, and ensure the United States avoids ceding leadership in key technologies to our foreign adversaries and competitors.

IDEA Act
The bipartisan, bicameral IDEA Act was introduced in the Senate by Senators Mazie Hirono (D-HI) and Senate Judiciary IP Subcommittee Ranking Member Thom Tillis (R-NC), along with Senate Judiciary IP Subcommittee Chair Chris Coons (D-DE), Senate Judiciary Committee Chair Dick Durbin (D-IL), and Senators Richard Blumenthal (D-CT), Alex Padilla (D-CA), Amy Klobuchar (D-MN) and Chuck Grassley (R-IA), and in the House by Representatives Nydia Velázquez (D-NY) and Young Kim (R-CA).

This legislation takes important steps to broaden participation in inventing and patenting, which will help promote American innovation and competitiveness.

According to research by Federal Reserve Board Member Dr. Lisa Cook, including more women and African Americans in the innovation process would increase annual U.S. GDP by up to $1 trillion.

The USPTO and leading researchers have found that women, people of color, and individuals with lower incomes are underrepresented among U.S. inventors. Women account for less than 13% of all U.S. inventors. Black individuals make up almost 13% of the population but less than 2% of inventors. Hispanic individuals make up more than 16% of the population but less than 4% of inventors. Children in the top 1% of family income are 10 times more likely to patent in their lifetimes than children in the entire bottom half of family income. Moreover, almost half of all U.S. inventors are concentrated in just 20 of the over 3000 counties across the country.

Yet, we still don't have a complete picture of our inventors—or how to empower more of them—because the USPTO doesn't collect demographic data from them. Passing the IDEA Act will help us obtain the information we need to expand our innovation talent pool and compete globally.

The IDEA Act answers a call from the USPTO to allow the agency to create a mechanism for inventors to share their demographic data directly and voluntarily with the USPTO. The USPTO would publish this data annually and produce a biennial report evaluating the data, which would help policymakers and researchers know who is inventing and patenting and aid them in developing policies and programs to expand participation in inventing and patenting. The IDEA Act passed the Senate in 2021 as part of the United States Innovation and Competition Act (USICA) after achieving a strong bipartisan floor vote of 71-27, and the House in 2022 as part of the America COMPETES Act.

ABOUT THE INNOVATION ALLIANCE
The Innovation Alliance represents innovators, patent owners and stakeholders from a diverse range of industries that believe in the critical importance of maintaining a strong patent system that supports innovative enterprises of all sizes. Innovation Alliance members can be found in large and small communities across the country, helping to fuel the innovation pipeline and drive the 21st century economy. Learn more at www.innovationalliance.net.