March 5, 2010

The Honorable Patrick J. Leahy
Chairman
United States Senate Committee on the Judiciary
224 Dirksen Senate Office Building
Washington, DC 20515

The Honorable Jeff Sessions
Ranking Member
United States Senate Committee on the Judiciary
224 Dirksen Senate Office Building
Washington, DC 20515

Dear Chairman Leahy and Ranking Member Sessions:

The Innovation Alliance appreciates all of the hard work you, Senator Feinstein, Senator Specter, Senator Kyl, Senator Hatch, and other Judiciary Committee members have dedicated to patent legislation (S. 515). We also appreciate the efforts of the Judiciary Committee staff, who have also worked for years to develop legislation that could be supported by a diverse array of stakeholders.

The Innovation Alliance has consistently urged maintaining a strong patent system that supports innovative enterprises of all sizes and business models. We believe patent reform measures should not dampen U.S. job creation by disadvantaging emerging, pro-innovation businesses and their surrounding ecosystem.

The legislation as originally proposed included elements that would benefit only a portion of the U.S. patent community and harm much of the rest, and it did not include other elements that would benefit the system as a whole. Furthermore, a series of decisions from the U.S. Supreme Court and the Court of Appeals for the Federal Circuit has addressed virtually all of the substantive issues that originally prompted calls for patent legislation, including remedies, venue, and patentability standards.

We have engaged constructively with you and your staffs to make our concerns with the legislation known and at times suggested alternative language to bridge differences and achieve a bill that could be broadly supported. You should know that although they did not always agree with us, your staff members were always willing to listen and consider our views. The

manager's amendment to S. 515 as reported by the Judiciary Committee (GRA10134), released yesterday, March 4, 2010, addresses much of what we believe to be the most problematic provisions.

In particular, the most recent compromise incorporates several of the changes to the post-grant review provisions we have been seeking to ensure patents are afforded their due legal status as temporary property rights granted by the federal government in exchange for the disclosure of useful inventions. The compromise:

- precludes validity challenges in court on any grounds that were raised or that reasonably could have been raised during a prior inter partes review before the U.S. Patent and Trademark Office ("USPTO");

- subjects both inter partes review and post-grant review challenges to a heightened threshold showing;

- clearly lays the burden of proof that a patent is invalid on the challenger in any inter partes review or post-grant review, correctly adopting the presumption that a patent granted by the USPTO is valid; and

- imposes a deadline on inter partes review and post-grant review proceedings, mandating that they be completed within a one-year deadline, subject to an extension of no more than six months.

These long sought changes move the legislation toward a more balanced administrative review system that can work for innovators both large and small. These changes should help to minimize the potential for repeated and abusive challenges to the validity of patents before both the USPTO and U.S. courts as a means to stifle competition from competitors and smaller innovative entities that are so crucial to the future of our nation's economy. Without these changes, the balance would be tilted too far in favor of large incumbent enterprises, harming newer innovation and depressing job creation.

Importantly, the recent compromise also preserves the changes to the damages provisions of S. 515 agreed to during the Senate Judiciary Committee markup, which cleared a path for the legislation to be voted favorably out of the Committee. The bill as introduced contained language that would have had the effect of lowering the amount of damages infringers would have to pay to patent owners. The Innovation Alliance and numerous other stakeholders objected to those changes, believing they would make it cheaper and easier to infringe valid patents. The Judiciary Committee heard these objections, removed the original provisions that would have dramatically changed the substantive law on damages, and adopted the procedural "gatekeeper" approach that the Innovation Alliance supports, which remains in the newest version of the legislation.

As Chairman Leahy has stated, no one will think this is a perfect compromise. Indeed, there are certainly elements of the compromise the Innovation Alliance would strongly prefer were different, and we know there are others who will continue to raise legitimate concerns.

However, the Innovation Alliance believes the legislation has evolved in the Senate to the point where, with respect to the issues that the Innovation Alliance has raised, it embodies a fair compromise. We do not oppose the passage in this Congress of the manager's amendment announced yesterday (GRA10134).

The changes articulated above in the manager's amendment were dispositive in our decision. Backsliding on those changes or on provisions previously resolved in the Judiciary Committee markup, including damages, will likely force the Innovation Alliance to revisit our decision.

We deeply appreciate your willingness to engage with us throughout this process and congratulate you on achieving this compromise. We look forward to continuing a constructive dialogue with you and your staff.

Sincerely,

The Innovation Alliance
www.innovationalliance.org