

March 29, 2011

Hon. Lamar Smith
Chairman
U.S. House of Representatives
Committee on the Judiciary
2138 Rayburn House Office Building
Washington, DC 20515

Hon. John Conyers
Ranking Member
U.S. House of Representatives
Committee on the Judiciary
B-351 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Smith and Ranking Member Conyers:

We write as innovators, patent holders, patent users, venture capitalists, small businesses, universities, and associations representing literally thousands of entities who care deeply about keeping America the most innovative economy in the world to urge you, as you develop legislation to change the U.S. patent system, to craft a bill that is careful to respect valid patents. Specifically, we urge you to include safeguards against abuse in any legislative expansion of the post-grant administrative review system.

Current law already provides for two separate administrative tracks to challenge the validity of patents after they have been issued by the United States Patent and Trademark Office (“USPTO”). Congress created the first such “post-grant” system in 1980. Commonly referred to as the “ex parte review” system, the first track allows a challenger to file papers to commence a challenge that is subsequently conducted between the USPTO and the patentee. Congress created a second track in 1999, commonly called the “inter partes review” system. The second track allows a challenger to file a challenge and actively participate in the USPTO’s consideration and review of that challenge. Although both existing systems are now widely used, it was suggested some years ago that Congress make significant changes to the inter partes review system and add a third track. The third, new “post-grant review” track would be available within a nine-month period after the patent is issued and would allow for more robust review and challenge based on a broader array of grounds than either existing track.

Whether Congress should create a new, third track at the USPTO and significantly modify the existing second track to challenge issued patents is a matter of some debate, in part over concern whether an already overburdened USPTO will have the ability and resources to administer the new system while still reducing the patent application backlog. However, should Congress determine that having three separate administrative avenues to attack the validity of patents post issuance is warranted, we ask that you ensure that strong safeguards are incorporated

into the administrative review system to minimize the potential for abuse by deep-pocketed infringers or other third parties. Patent owners should not have to face multiple, prolonged, and potentially abusive challenges to patent validity. Without robust procedural safeguards, infringers, market incumbents, or other interested parties will have powerful tools at their disposal to delay unfairly or even to prevent inventors from bringing innovative new technologies to the marketplace. In creating a new three-track system without appropriate safeguards, we run a substantial risk of setting up so many costly administrative hurdles for inventors to defend the legitimacy of valid patents that we could end up stifling the very innovation we are trying to promote.

We believe the U.S. patent system will work best for everyone if administrative challenges are disposed of as quickly and efficiently as possible. Simply:

- Issued patents should be presumed valid until they are determined to be invalid;
- Patents that should not have been issued should be declared invalid quickly; and
- Issued patents that have been upheld as valid are entitled to some form of quiet title.

A patent existing under a cloud of uncertainty created by ongoing administrative challenges is of little economic utility – it will not attract significant investment from venture capitalists and others, and it cannot be commercialized effectively until the cloud of uncertainty is lifted. It is in the interest of American innovation and the patent system as a whole to shorten this period as much as possible in order to allow valid patents to contribute to the economy and help innovators create jobs. New job creation comes predominantly from startup companies, and it is precisely these small and vulnerable innovators who will be hurt most if any expansion of or changes to post-grant administrative review do not contain safeguards against abuse.

In particular, we believe any modifications to the existing second track and addition of a third track of administrative review within the USPTO should also include at least six safeguards:

- Parties wishing to commence an administrative challenge to a patent should demonstrate a prima facie case of invalidity of the patent. This threshold requirement prevents competitors from filing frivolous administrative challenges purely for harassment or merely to delay effective commercialization of a new technology with no real reason to question a patent's validity.
- Challengers in administrative reviews should get only one bite at the apple – they must present all their arguments against a patent's validity at the same time, rather than in expensive and unnecessary serial challenges before the USPTO or the courts that merely prolong the cloud of uncertainty over a patent. Challengers should be barred from raising in a subsequent administrative challenge or in the courts any arguments they raised or could have raised in a previous administrative challenge, so-called "could have raised estoppel."
- Challengers should have to prove that a patent is invalid by at least a preponderance of the evidence. This adopts the presumption that a patent granted by the USPTO after years of examination is valid and due some deference.

- Administrative challenges should be concluded by a one-year deadline. This provides a definite time period by which patent holders know the cloud of uncertainty over their patent will be lifted, one way or the other.
- A party sued for infringement should be given a certain reasonable time period in which they must decide whether to challenge the patent in an inter partes review. This will avoid administrative reviews becoming a tool to stall enforcement litigation already well underway.
- The USPTO should have the power to extend the life of a patent in situations where delays in concluding an administrative challenge unfairly cut short the useful life of a patent. Such patent term restoration could be used to compensate patent owners if the USPTO fails to meet its statutory deadlines for concluding administrative reviews.

Too often during the debate over patent legislation, policymakers have focused narrowly on increasing the ability to knock out bad patents without regard for the collateral damage that could be inflicted on good patents as a result. We believe the safeguards outlined above can help ensure greater access to the USPTO administrative review system while reducing the potential for abuse that would disadvantage good actors holding valid patents.

Sincerely,

Abaxis
Union City, CA

Amylin Pharmaceuticals, Inc.
San Diego, CA

AngioDynamics Inc.
Latham, NY

Apnex Medical, Inc.
St. Paul, MN

Applied Medical
Rancho Santa Margarita, CA.

Asante Solutions, Inc.
Sunnyvale, CA

AtCor Medical Holdings, Ltd.
Itasca, IL

BayBio
South San Francisco, CA

BIOCOM
San Diego, CA

BioElectronics Corporation
Frederick, MD

Biomerix Corporation
Fremont, CA

BioOhio
Columbus, OH

BioTechPlex Corporation
Escondido, CA

Calibra Medical, Inc.
Redwood City, CA

California Healthcare Institute (CHI)
La Jolla, CA

Calypso Medical Technologies, Inc.
Seattle, WA

Cannuflow Inc.
San Jose, CA

CardioMEMS, Inc.
Atlanta, GA

Cardiorobotics, Inc.
Raynham, MA

CellScape Corporation
Mountain View, CA

Columbia Medical
Santa Fe Springs, CA

Conceptus, Inc.
Mountain View, CA

CONNECT
San Diego, CA

Cummins-Allison Corporation
Mount Prospect, IL

Curo Medical, Inc
Saratoga, CA

Delcath Systems, Inc.
New York, NY

DFINE, Inc.
San Jose, CA

Dolby Laboratories, Inc.
San Francisco, CA

Dynatronics Corporation
Salt Lake City, UT

Exagen Diagnostics, Inc
Albuquerque, NM

ExploraMed Development
Mountain View, CA

Fallbrook Technologies Inc.
San Diego, CA

ForSight Labs, LLC
Menlo Park, CA

ForSight VISION4 Inc.
Menlo Park, CA

ForSight VISION5 Inc.
Menlo Park, CA

The Foundry
Menlo Park, CA

Galil Medical
Arden Hills, MN

Greatbatch Medical
Clarence, NY

ImThera Medical, Inc.
San Diego, CA

Incisive Surgical, Inc.
Plymouth, MN

The Innovation Alliance
Washington, DC

The Innovation Factory LLC
Duluth, GA

InterDigital Communications, LLC
King of Prussia, PA

Iowa Biotech Association
Des Moines, IA

Ivantis, Inc.
Irvine, CA

Kinamed Inc.
Camarillo, CA

Kryptos Medical
Los Altos Hills, CA

LifeScience Alley
St. Louis Park, MN

Luminex Corporation
Austin, TX

MacuCLEAR, Inc.
Plano, TX

Masimo Corporation
Irvine, CA

Medical Device Manufacturers Association (MDMA)
Washington, DC

Medivoce, Inc.
Menlo Park, CA

Merit Medical Systems, Inc.
South Jordan, UT

MichBio
Ann Arbor, MI

MicroCube
Fremont, CA

Miramar Labs, Inc
Sunnyvale, CA

Montana State University
Bozeman, MT

Morgenthaler Ventures
Menlo Park, CA

MyoScience, Inc.
Redwood City, CA

National Association of Patent Practitioners
Lawrenceville, GA

National Venture Capital Association
Washington, DC

nContact, Inc.
Morrisville, NC

Neodyne Biosciences
Menlo Park, CA

NeoTract
Pleasanton, CA

Neuro Resource Group
Plano, TX

NinePoint Medical, Inc.
Cambridge, MA

Norris Capital, Inc
Boston, MA

Patient Pocket, LLC
Cherry Hill, NJ

Paracor Medical, Inc.
Sunnyvale, CA

Pivot Medical Inc.
Sunnyvale, CA

Pressure BioSciences, Inc.
South Easton, MA

Prolude Medical, Inc.
San Francisco, CA

Q Core Medical
Laguna Niguel, CA

Qualcomm Incorporated
San Diego, CA

REDpoint International, Inc
Vancouver, WA

Relievent Medsystems, Inc
Redwood City, CA

Silere Medical Technology, Inc.
Kirkland, WA

Silver Bullet Therapeutics, Inc.
San Jose, CA

Spinal Modulation, Inc.
Menlo Park, CA

SpineAlign Medical, Inc.
Pleasanton, CA

STC.UNM at the University of New Mexico
Albuquerque, NM

SuVolta, Inc.
Los Gatos, CA

Synecor, LLC
Portola Valley, CA

Tarsus Medical, Inc.
Mountain View, CA

Tessera Technologies, Inc.
San Jose, CA

Transition Industries
Lubbock, TX

University of Idaho
Moscow, ID

University of Kentucky
Lexington, KY

University of Louisville
Louisville, KY

Utah Technology Council
Salt Lake City, UT

Ventus Medical, Inc.
Belmont, CA

Verathon Inc.
Bothell, WA

Vibrynt, Inc.
Redwood City, CA

VIDA Diagnostics, Inc.
Coralville, IA

Viryd Technologies Inc.
Austin, TX

Vital Therapies Inc
San Diego, CA

White Pine Medical
Park City, UT

Zend Technologies
Roswell, GA

Cc: Hon. Bob Goodlatte, Chairman
Subcommittee on Intellectual Property, Competition, and the Internet

Hon. Mel Watt, Ranking Member
Subcommittee on Intellectual Property, Competition, and the Internet