

# Promoting and Respecting Economically Vital American Innovation Leadership (PREVAIL) Act

## SECTION BY SECTION

### Section 2 – Findings

### Section 3 – Patent Trial and Appeal Board

- *PTAB Code of Conduct and Transparency* – Directs the United States Patent and Trademark Office (USPTO) to establish a code of conduct for the Patent Trial and Appeal Board (PTAB), provides for greater transparency in changes to PTAB panels, and ensures that PTAB panels make decisions independent of political influence.
- *Ineligibility to Hear Review* – Establishes that PTAB judges who decide whether to *institute* a post-grant proceeding are distinct from those who will decide the *outcome* of the proceeding.

### Sections 4 & 5 – *Inter Partes* Reviews and Post-Grant Reviews

- Section A: **Standing Requirement and Real Parties in Interest**
  - *Standing* – Establishes a standing requirement in *inter partes* reviews (IPR)—as in district court—to ensure that a petitioner has a business or financial reason to challenge patent validity. This requirement reduces incentives for privateering or extortion of nuisance settlements. The standing requirement for IPR is the same as in district court, while there is no standing requirement for post-grant reviews (PGR) to encourage early challenges to a patent’s validity.
  - *Real Party in Interest* – Establishes that any entity financially contributing to a PTAB validity challenge is a real party in interest who cannot bring future challenges, ensuring that no entity can make multiple PTAB challenges as a silent financial contributor.
- Sections B, J, and K: **Decision and Trial Certificate Timing; Director Review** – Imposes statutory deadlines for the Director to issue trial certificates, and for the PTAB to issue decisions on rehearing and remand, to make IPRs and PGRs faster. Provides for Director review of PTAB decisions by adopting the structure the Supreme Court suggested in *Arthrex* to fix the appointments of the Administrative Patent Judges under the Appointments clause and requires the Director to issue a separate written opinion when rehearing a PTAB decision.
- Section C: **Eliminating Repetitive Proceedings** –
  - *Joinder* – Closes a loophole that allows otherwise time-barred petitioners to skirt the time bar by establishing a rebuttable presumption against joinder for a time-barred petitioner and prohibiting such a petitioner from becoming the lead petitioner in an IPR or PGR.

- *Single Forum* – Replaces the PTAB’s *Fintiv* precedent, in part, by requiring petitioners to choose between the PTAB and other forums, but not both. If and when the Director institutes an IPR, the petitioner and related parties cannot raise or maintain in another forum any validity arguments against the patent based on earlier publications or patents. If and when the Director institutes a PGR, the petitioner and related parties cannot raise or maintain any validity arguments against the patent in another forum. In view of these new forum provisions, the Director cannot use co-pending litigation as a basis for denying institution. These new provisions also obviate the need for the civil action estoppel provisions.
  - *USPTO Proceedings* – Requires parties to notify the Director of other proceedings in the USPTO involving the patent and the Director to determine the manner in which all of the USPTO proceedings shall proceed. Specifies that the Director shall reject petitions that raise the same or substantially the same prior art or arguments that were previously presented to the USPTO absent exceptional circumstances. Requires the Director to issue standards for demonstrating exceptional circumstances (Section F).
  - *Estoppel* – Limits serial IPR and PGR petitions by applying estoppel at the time the petition is filed, rather than after a final written decision. A petitioner will have to bring its best arguments in one petition, unless that petitioner is later charged with infringement of additional claims. These requirements further clarify that a joined petitioner is subject to the same estoppel as a lead petitioner and that the scope of estoppel includes any ground that the petitioner raised or reasonably could have raised during the proceeding or in the petition requesting the proceeding.
  - *Priority of Validity Determinations* – Clarifies that a petitioner’s IPR or a PGR should not be instituted or maintained if another forum has issued a final judgment on validity prior to the PTAB completing its review of the petitioner’s (or related parties) challenge. This prevents duplicative PTAB review after another forum has made a validity determination.
- **Section D: Discovery of Real Parties in Interest** – Allows discovery to ensure compliance with the real parties in interest provision (Section A).
  - **Section E: Motions to Amend** – Provides patent owners more opportunities to amend claims challenged at the PTAB by codifying USPTO practice that allows the PTAB to provide guidance on patent owner motions to amend and patent owners to revise their motions after receiving that guidance.
  - **Section G: Burden of Proof** – Adopts the “clear and convincing” standard used in district court proceedings for validity issues to harmonize burdens in the two forums. This standard gives appropriate deference to the USPTO’s expert determination to issue the patent after examination—which inventors, patent owners, and investors rely upon. For substitute claims proposed in a motion to amend, the petitioner bears the burden of persuasion by a “preponderance of the evidence,” consistent with Federal Circuit law.

- **Section H: Claim Construction** – Harmonizes the standard used in post-issuance proceedings at the PTAB with the plain and ordinary meaning standard used in district court litigation, codifying the USPTO rule change intended to reduce gamesmanship.

### **Section 6 – Reexamination of Patents**

Harmonizes reexamination proceedings with IPR and PGR proceedings to provide clear guidelines as to real parties in interest and Director discretion to deny a reexamination request that raises the same or substantially the same prior art or arguments previously presented to the USPTO or uses an earlier PTAB decision as a roadmap to bolster a previously unsuccessful challenge.

### **Section 7 – Elimination of USPTO Fee Diversion**

Eliminates fee diversion by establishing a new USPTO revolving fund in the U.S. Treasury. Adequate, dependable funding is critical for timely and quality examination.

### **Section 8 – Institutions of Higher Education**

Clarifies that universities qualify as micro-entities under the *Leahy-Smith America Invents Act*.

### **Section 9 – Assisting Small Businesses in the U.S. Patent System**

- *Small Business Administration Report* – Requires the SBA to draft two reports examining the impact of patents and abusive demand letters on small businesses.
- *Expanded Access to Patent-Searching Databases* – Provides greater access to patent-searching databases currently available only in-person at public search facilities.