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The PREVAIL Act: One Step Closer to Passage

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The Senate Judiciary Committee voted last month to advance the PREVAIL Act for full Senate consideration. Although the end of the current Congress is fast-approaching, the Act has the potential of being passed at the eleventh hour or a similar version could be reintroduced in the next Congress. If it passes, the Act has the potential to effectively pull the plug on proceedings before the Patent Trial and Appeal Board (PTAB) for many would-be patent challengers.

Understanding the PREVAIL Act: What's at Stake?

The Promoting and Respecting Economically Vital American Innovation Leadership (PREVAIL) Act seeks to reshape the U.S. patent system by modifying the processes of the PTAB. The bill has sparked intense debate among stakeholders in the innovation ecosystem, with supporters and critics weighing its potential impacts on patent litigation and innovation.

What is the PREVAIL Act?

The PREVAIL Act, S. 2220, aims to update procedures for adjudicating patent validity before the PTAB. Its proponents, largely drawn from industries seeking stronger patent protections, argue that it will reduce abuses in PTAB proceedings, particularly addressing perceived concerns over multiple challenges to the same patent. It also will elevate the burden of proof for invalidity in IPRs, the clear and convincing evidentiary standard used in district court. The act also creates a standing requirement for petitioners, requiring petitioners to have been sued or effectively concede infringement by representing that they intend to engage in conduct that "reasonably could be accused of infringing" in order to bring an IPR challenge. These features, proponents claim, will foster greater certainty for patent holders, spurring investment in innovation.

Key Concerns

Opponents argue that contrary to the complaints of a vocal minority, overall statistics show that the PTAB is largely even-handed, with IPRs being decided evenly between petitioners and patent owners. Similarly, many argue that multiple challenges are rare and can be adequately addressed when the Board decides whether to institute trial. The act, they say, tilts the scales heavily in favor of patent holders—especially for non-practicing entities or "patent trolls." These entities often exploit vague patents to target small businesses and innovators through costly litigation. By restricting who can challenge patents, critics believe the PREVAIL Act would limit the ability to fight overly broad or clearly invalid patents and quash dubious claims. Additionally, the act's critics

worry it could stifle competition by making it harder for generic drug makers and other companies to challenge patents, potentially leading to higher consumer prices in industries like pharmaceuticals. Lastly, although not inexpensive, IPRs are still much lower cost than district court litigation and provide a legitimate option to challenge patents by companies looking to obtain freedom-to-operate in advance of expanding into new commercial areas. The standing requirement could effectively eliminate IPRs as an option for these companies, forcing them to forgo expansion or risk infringement.

Potential Impact

While the PREVAIL Act would align the invalidation standard of IPRs and district courts, this limited potential benefit would likely be outweighed by the proposed standing requirement. This change would dramatically decrease the utility of IPRs as an option for clearing overbroad patents absent actual or threatened litigation.