



May 20, 2014

Dear Chairman Leahy, Senator Grassley, and Members of the Committee,

I am writing to you from Engine, a research foundation and advocacy organization that supports the growth of technology entrepreneurship through economic research, policy analysis, and advocacy on local and national issues. On behalf of over 500 startups across the country, I write to tell you that this community unequivocally supports patent reform, and we cannot wait any longer.

Every day that goes by without reform costs our economy money. Annually, that number stretches into the billions.¹ And every day that startups are targeted with spurious claims of infringement, they must shift their focus away from making new products, growing their businesses, and creating jobs.

New and young high-tech firms play an outsized role in overall job creation,² and the so-called patent troll business model hurts them the most. Fifty-five percent of companies targeted by patent trolls have less than \$10 million in revenues.³ And 62 percent of companies with revenues at or below \$100,000 have reported that a patent troll had a detrimental effect on their business.⁴ These are the very businesses that can least afford to stand-up to the patent troll threat. These young companies lack the resources to bring in patent lawyers every time they face a spurious claim of infringement, and they cannot wait any longer for real patent reform.

Reform must level the playing field, giving small companies the tools to push back against the trolls' demands in court.

Those tools must include meaningful provisions requiring transparency of ownership throughout the life of the patent; specificity in demand letters; and heightened pleading standards that require the identification of all claims asserted. Contrary to the scare tactics of reform opponents, any bona fide claim of infringement should be able to easily meet these minimal standards. Legislation must also cap burdensome discovery costs used by patent trolls to gain leverage in litigation and give the court discretion to shift the cost of any additional discovery.

From the perspective of our community, these provisions would represent the bare minimum of what any acceptable package should contain, and we urge you, Senators, to pass such a bill immediately.

Julie P. Samuels
Executive Director
Engine

¹ <http://venturebeat.com/2014/04/24/waiting-for-patent-reform-is-costing-us-billions-here-are-the-numbers/>

² http://www.kauffman.org/~media/kauffman_org/research%20reports%20and%20covers/2013/08/bdstechstartsreport.pdf

³ http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2146251

⁴ *Id.*