



May 7, 2015

Senator Charles Grassley  
Chairman, Senate Committee on the Judiciary  
United States Senate  
224 Dirksen Senate Office Building  
Washington, DC 20510

Senator Patrick Leahy  
Ranking Member, Senate Committee on the Judiciary  
224 Dirksen Senate Office Building  
Washington, DC 20510

Dear Chairman Grassley and Ranking Member Leahy,

On behalf of the National Venture Capital Association (NVCA), I would like to offer the perspective of the venture capital industry regarding S.1137. We consider it important that members of the Senate Judiciary Committee be aware of our views in order to best inform this hearing on patent reform. NVCA does appreciate the effort made by the bill's sponsors and their staffs in listening to our belief that overly broad patent reform efforts will have unintended consequences that disrupt the entrepreneurial ecosystem. We believe that S. 1137 is a step in the right direction from similar House legislation, H.R. 9. There remain, however, some important aspects of S.1137 that will require revision in order to avoid disruption of the robust progress of entrepreneurial innovation that Americans have enjoyed for three decades. We think that S.1137, as presently worded, will raise the cost and risk of patent litigation for startups that need to defend their intellectual property against much larger incumbents and will discourage investment in any new company that wants to enter line of business where patents may be important.

We look forward to engaging in a productive dialogue with the Committee to improve S. 1137 so that it can effectively target abusive patent litigation without significant unintended consequences. It is important to recognize that a patent is only as strong as the owner's ability to enforce it and the awareness of others of that ability. If the bill as written were to pass, NVCA believes that both of these parameters will be impaired, thus making it more difficult to invest in early stage companies working on lifesaving cures or significant technological breakthroughs. Further, it will pose a more difficult choice for a potential entrepreneur to leave a steady job in order to pursue the risky venture of founding a new company in an industry dominated by entrenched incumbents. Often, the only asset an investor can see in early stage companies is the

energy and talent of the entrepreneur founders and the quality of their ideas as protected by patents. The ability for a small inventor to use the American patent system to protect an innovative idea has been absolutely central to American leadership for over two centuries and remains even more so in this one. NVCA stands ready to work with all stakeholders here to solve the issue of abusive patent litigation practices, but we must be careful not to achieve that goal at the expense of the next generation of American inventors and companies.

We appreciate the good faith efforts to more appropriately target this legislation. NVCA looks forward to working with the bill sponsors to make S. 1137 the most effective bill possible.

Bobby Franklin

A handwritten signature in cursive script that reads "Bobby Franklin".

President & CEO