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140 Startup Investors Call on Congress to Pass Broad Patent Reform

Survey: 70% of VCs have Portfolio Companies that have Received Patent Demands

Washington, D.C. (March 17, 2015) – One hundred forty of America’s leading startup investors sent a [letter](#) today urging Congress to enact broad patent reform legislation. The letter - signed by early investors in companies like Twitter, Facebook, Dropbox, Kickstarter, Redfin, and Instagram, and organized by Engine Advocacy and the App Developers Alliance - calls on Congress to support reforms that include increased demand letter transparency and limiting the scope of expensive litigation discovery.

Patent litigation abuse is a growing problem, with patent trolls having filed 2,791 new lawsuits in 2014 - up 500% from 2005. It’s also a problem that disproportionately harms startups. 82% of troll activity targets small and medium sized businesses, and 55% of troll suits are filed against startups with revenues of less than \$10 million.

Investors signing the letter include: Ron Conway, SV Angel; Steve Case, Revolution; Fred Wilson, Union Square Ventures; Brad Feld, Foundry Group; and Jessica Livingston, Y Combinator.

In the letter, the investors write: “[Our companies’] investment has spurred a startup ecosystem that has created world-changing technologies, and is responsible for all net new job growth in the United States. Despite this, we find our portfolio companies facing a dangerous patent troll problem. When a troll sues, or even threatens, a small startup, the results can be disastrous. Many of us have seen young companies fail in the face of such threats. In fact, a recent survey found that 70% of VCs have portfolio companies that have received patent demands, the majority of which come from so-called patent trolls. This is not sustainable.”

The letter goes on to state: “Litigation by non-practice entities has increased tenfold in the last decade and only comprehensive legislation will effectively reverse that trend. Our Constitution favored a patent system to incentivize innovation and

benefit all Americans. Unfortunately that system has been hijacked by some intent on exploiting Patent Office weakness, and all too frequently it now hinders innovation and chills investment, harming the new companies it was designed to foster and imposing a patent troll tax on new technologies.”

Patent reform legislation enjoys broad bipartisan support, having passed the House by a wide margin in the last Congress. House Judiciary Chairman Bob Goodlatte recently re-introduced the Innovation Act, and both Senate Judiciary Chairman Chuck Grassley and President Obama have signaled their support for reform legislation.

The 140 investors specifically call for strong legislation that would:

- Increase transparency by requiring patent trolls to specify, in complaints and demand letters, which patent and what claims are infringed, specifically how the offending product or technology infringes, and who is the real owner of the patent(s) at issue.
- Limit the scope of expensive litigation discovery, which pushes companies to pay unjustified settlements priced cheaper than defending against spurious claims.
- Allow courts to use their discretion to require patent trolls to pay legal fees and other costs incurred by prevailing defendants.
- Protect end users of technology (e.g., wi-fi, printers and scanners, and APIs) from being liable for infringements by technology providers.

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The [Application Developers Alliance](#) is a non-profit global membership organization that supports developers as creators, innovators, and entrepreneurs. The Apps Alliance, which now includes more than 200 corporate members and 36,000 individual members, launched in January of 2012 and initiated European services in early 2014. Membership includes app publishers, developer agencies, platforms, wireless carriers, hardware manufacturers, ad networks, enterprise tools and service providers.

[Engine](#) is a non-profit advocacy and research organization with offices in San Francisco and New York City. We have a network of more than 500 entrepreneurial startups, pioneers, innovators, investors, and technologists. The startups we work with are among the most innovative and fastest growing companies in the country, fundamentally altering and challenging entrenched business models, ideas, and institutions across all industries. These are the businesses that drive our economic prosperity, create jobs, and improve our lives. We have worked with the White House, Congress, federal agencies, state and local governments, and international advocacy organizations to educate and inform them of the changing face of American high-tech entrepreneurship.