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By Email

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Re: Patent Processing (Updating) 0651-0031, comment request, 77 Fed. Reg. 16813-17 (Mar. 22, 2012) (“Notice”)

Dear Ms. Fawcett:

I am writing to comment on the above-captioned Notice published pursuant to the Paperwork Reduction Act. The Notice requests comments on how best to “enhance the quality, utility, and clarity of the information to be collected” and “minimize the burden of the collection of information on respondents” (among other things). Notice at 16817. In summary, and as explained below, the two best things that the Patent Office can do to achieve these goals are to 1) make § 1.181 petitions more reliable and 2) reform the count system. The following Table of Contents indicates the broad topics that I will discuss below.

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I.    Suggested improvements to the Patent Office policy for deciding petitions

A.    Overview of petitions at the PTO

The Patent Office (“PTO”) divides the errors that examiners make into two categories: appealable and petitionable. MPEP § 1201. These categories correspond to two different mechanisms for having the errors corrected. Applicants must seek correction of appealable errors through appeal under 35 U.S.C. § 134. In my experience, appeals under § 134 are fairly reliable, albeit slow.

In contrast, applicants must seek correction of petitionable errors by filing a petition. The applicable regulation is generally 37 C.F.R. § 1.181. For “questions not specifically provided for,” applicants may file a petition under 37 C.F.R. § 1.182. If the PTO denies a § 1.181 petition, the applicant may file a renewed petition for supervisory review (reportedly under § 1.181(a)(3)). Although § 1.181 indicates that the Director decides petitions under that rule, the Director has delegated these petitions to the corresponding technology center directors. MPEP § 1002.02(c). In practice, the Office of Patent Legal Administration (“OPLA”) decides renewed petitions to reconsider adverse § 1.181 decisions, original § 1.182 petitions, and original § 1.183 petitions requesting suspension of the rules).

The PTO also has an Office of Petitions. Both OPLA and the Office of Petitions are organized under the Office of Patent Examination Policy. The PTO website states that OPLA staff “decide[s] various petitions and assist the Office of Petitions in deciding petitions, which have been delegated to that office for consideration.” It is not always clear how OPLA and the Office of Petitions divide work between them. In practice, OPLA appears more likely to decide

petitions to correct examiner errors, because these petitions involve more intensive legal reasoning, whereas the Office of Petitions addresses more ministerial petitions.<sup>1</sup>

Applications may also petition the Chief Administrative Patent Judge under 37 C.F.R. § 41.3, but the appropriate scope of § 41.3 remains obscure. The PTO apparently provides little guidance on the scope of § 41.3. The Board also generally asserts that its jurisdiction is limited to appealable but not petitionable issues (*see* § I.H below at page 13), thereby rendering § 41.3 petitions somewhat paradoxical.

- B. Overall problem: petitions are less reliable than appeal for correcting examiner errors, so applicants use petitions less frequently, and many petitionable errors go uncorrected

The overall problem is that § 1.181 petitions to correct examiner errors are far less reliable than appeals to overcome examiner errors. It is difficult to quantify this phenomenon, because statistics on § 1.181 petitions are not available. In contrast, the PTO has repeatedly published statistics on the number, and success rates, of appeal in the different technology centers.<sup>2</sup>

Despite the lack of statistics, one can still infer that petitions are less reliable than appeals. My personal experience provides an instructive example. I have practiced as a patent attorney for five years and prosecuted many hundreds, if not over a thousand, patent applications. My clients have authorized me to file over thirty appeals, but have never authorized me to file a § 1.181 petition. I know seasoned partners in patent firms, with about ten years of experience, who have never filed a § 1.181 petition. In response to my inquiries, these partners did not know either the relevant regulation (§ 1.181) or the associated fee (none). They have never filed a § 1.181 petition for the same reason that I have never filed one: the patent bar and inventor community regard the petitions as unreliable.

The evidence of non-use, albeit anecdotal, is especially telling when one considers that § 1.181 petitions are free. Non-use is also surprising because petitions can only help applicants: a positive decision grants relief, but an adverse decision simply leaves the applicant's position

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<sup>1</sup> <http://www.uspto.gov/about/offices/patents/pep/> (accessed May 30, 2012).

<sup>2</sup> I expect less anecdotal evidence to soon become available through commercial efforts (e.g. [patentcore.com](http://patentcore.com)), Freedom of Information Act requests, and/or voluntary release by the PTO.

unchanged. I would expect the patent bar to file large numbers of § 1.181 petitions. But the patent bar does not do so. The patent bar regards § 1.181 petitions as so unreliable that they generally cannot justify the mere service fee to prepare them. § 1.181 petitions are like free lottery tickets that are not worth the time that it takes to fill the tickets out.

Petitions are more common in reexaminations of valuable patents, where patent attorneys leave no stone unturned. The PTO has considered reforms to reduce abuse of petitions during reexamination.<sup>3</sup> Nevertheless, petitions during both reexamination and prosecution may benefit from the reforms outlined below.

The fact that I have limited experience with § 1.181 petitions, like many or most patent attorneys, should not provide a reason for dismissing my concerns. I have limited experience because § 1.181 are unreliable and widely ignored by the patent bar. It is undesirable for the PTO to avoid reforming petitions practice just because the practice is now so unreliable that practitioners largely avoid it.

Beyond my anecdotal evidence, there are other reasons to think that § 1.181 petitions are less reliable than appeal. I discuss each of these in more detail in the following subsections. First, petitions do not toll the time period for responding to rejections on the merits, and so any remedy from the petition may be untimely or “moot.” Second, the PTO apparently does not impose any internal deadline on deciding these petitions. Third, technology center directors decide the petitions, but have a financial incentive in deciding against applicants.

#### C. The significance of the problem

One common response to my concern about petitions is that petitionable errors are unimportant. On the contrary, widespread errors that escape appellate review, because they are petitionable, are the primary cause of inefficiency at the PTO. The inefficiency undermines information quality, usefulness, and clarity. The inefficiency also places undue paperwork burden on applicants.

The following example illustrates the type of unimportant petition that the typical skeptic considers in response to my concerns about petitions. An examiner might make a hyper-technical objection to the drawings in a patent application. The examiner might require that the

applicant correct the alleged defect in the drawings. In that case, the examiner is wrong, and the paperwork burden is non-trivial. Nevertheless, appeasing the examiner by amending the drawings is more cost-effective than fighting the examiner's objection.

If all petitionable errors were like this relatively unimportant objection to the drawings, then I might agree with skeptics that petitions reform is unimportant. But petitionable errors are far from limited to unimportant issues. Petitionable errors include each of the following:

- violation of any provision in 37 C.F.R or the MPEP, including:
- violation of 37 C.F.R. § 1.104(c)(2), which requires the examiner to “clearly explain” how patent applications are rejected, as well as violation of the Federal Circuit’s requirement for the PTO to perform a “limitation-by-limitation” analysis of the prior art<sup>4</sup>;
- failing to address applicant’s rebuttal arguments, as required by MPEP § 707.07(f) (“Answer All Material Traversed”);
- failing to mention each pending claim in the action, as required by MPEP § 707.07(f);
- failing to designate a ground of rejection in an office action as new under MPEP § 706.07(a), which often enables the examiner to make the action final prematurely;
- failing to designate a ground of rejection in an examiner’s answer as new under MPEP § 1207.03, which denies the applicant the right to reopen prosecution without paying a \$930 fee and relinquishing patent term (petitionable under 37 C.F.R. § 41.40);
- improperly restricting the number of designated inventions that an applicant is permitted to pursue in an application (petitionable under 37 C.F.R. § 1.144);
- improperly refusing to enter an amendment, or rebuttal evidence, even when that amendment or rebuttal evidence would accelerate allowance or abandonment;
- improperly objecting to claim language for not meeting the examiner’s stylistic preferences, even though the examiner does not reject the claim under 35 U.S.C. § 112, in violation of MPEP § 2173.01<sup>5</sup>;

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<sup>3</sup> “Streamlined Patent Reexamination Proceedings; Notice of Public Meeting,” 76 Fed. Reg. 22860 (April 25, 2011).

<sup>4</sup> *Gechter v. Davidson*, 116 F.3d 1454,1460 (Fed. Cir. 1997).

- engaging in piecemeal prosecution, in violation of MPEP § 707.07(g), such as by applying less than the “best” prior art, in violation of MPEP § 706.02

Although these errors are petitionable, and generally not appealable, they are not trivial. These errors—especially those that enable examiners to issue obscure and shifting grounds of rejection—are the primary cause of the PTO backlog. Applicants and examiners churn applications simply trying to pin down the examiner’s position. Because applicants must seek redress from these errors through unreliable petitions, many errors never receive correction. Eliminating these errors would effect a sea change in information quality and paperwork burden reduction at the PTO.

The PTO could attempt to eliminate these errors by addressing each rule individually. But a fundamental problem underlies each of the rules: the structure of the petition mechanism by which applicants must seek correction for any of the errors. By improving the common underlying petition mechanism, the PTO would improve the enforcement of all individual rules.

Currently, these errors are widespread because their enforcement mechanisms—§ 1.181 petitions—are not reliable, as explained above. Applicants find appeal to be more reliable than petitions. To reduce these petitionable errors, I recommend that the PTO generally reform petitions practice based on the model of § 134 appeals (and the pre-appeal brief conference program). PTO management considering reform of the petitions process can learn a lot from appeals. I make specific recommendations in the following subsections.

- D. Recommendation: the PTO should establish regulations for appropriate tolling of examination while petitions are pending
  1. The problem of the PTO not tolling examination while petitions are pending

The PTO refuses to toll examination of applications while petitions are pending. Yet the PTO also refuses to impose a deadline on deciding petitions before an applicant must respond to an office action. Consequently, the patent bar and inventor community generally regard § 1.181 petitions as unreliable, because the petition decisions are likely to be untimely.

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<sup>5</sup> The cited MPEP provision states that the examiner “should not reject claims or insist on their own preferences if other modes of expression selected by applicants satisfy the statutory requirement.”

In many cases the petition decision is so late (i.e. after six months) that the applicant's response is barred by 35 U.S.C. § 133. The PTO generally decides these petitions by stating that they are "moot." Technology center directors can avoid the inconvenience of addressing petitions by simply waiting long enough for the decision to be moot. In other cases, the decision is late enough that the applicant must hurry the response and incur extension of time fees.

As explained above, statistics on § 1.181 petitions are not readily available. But one high profile example suggests the dilemma. On December 27, 2010 Microsoft filed a § 1.181 petition in reexamination No. 90/011,198. While Microsoft waited for the petition decision, on June 9, 2011 the Supreme Court upheld a finding that the underlying patent was not invalid.<sup>6</sup> Microsoft finally received a decision on the petition more than ten months later on September 29, 2011. Thus, the PTO did not accelerate its petition pendency beyond ten months despite the gravity of parallel Supreme Court review.

A ten month wait period for deciding petitions is simply too long to reliably enforce PTO regulations—regulations that ensure information quality and minimize paperwork burden. Although statute did not require Microsoft to further reply in the 90/011,198 reexamination, statute requires patent applicants to reply to office actions within six months. 35 U.S.C. § 133. Applicants cannot benefit from petition decisions that appear after ten months, if the statute requires the applicants to respond within six months.

The ten month wait in the high profile Microsoft case is apparently not an outlier. Although TC directors decide many § 1.181 petitions in about two months, they also decide other petitions in ten months (as in *Microsoft*) or longer. In some cases, TC directors do not decide petitions for many years, despite repeated inquiries from applicants.<sup>7</sup>

The problem becomes more acute when one considers reconsideration of petition decisions. As explained above, OPLA generally decides petitions requesting reconsideration of original § 1.181 petitions. But OPLA reportedly has a backlog of about three to four months. By the time of requesting reconsideration, the applicant will already have received an office action, reviewed the action to identify the petitionable error (one to two months), filed a § 1.181

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<sup>6</sup> *Microsoft Corp. v. i4i Ltd. Partnership*, 131 S. Ct. 2238 (2011).

<sup>7</sup> The author offers to provide specific application numbers upon request.

petition, and received the petition decision (two to ten months, or more). Applicants will then need to wait a further three to four months for reconsideration by OPLA—all while examination proceeds inexorably. By that time, the applicant will generally have long ago passed the six month statutory bar, and so the petition will typically become “moot.” Reconsideration of technology center director decisions is meaningless if the decision on reconsideration is almost always untimely.

2. Specific explanation of how the PTO can establish regulations for appropriate tolling of examination

In contrast to petitions, statute does not require applicants to further reply after filing an appeal brief. Decisions on appeal are, therefore, valuable even when they are issued years later. The PTO may consider petitions reform based on the appeal model by eliminating the requirement to respond, in appropriate circumstances, while petitions are pending.

One specific solution to this problem is to simply establish regulations for appropriate tolling of examination while petitions are pending. Notably, the PTO established such regulations, in 37 C.F.R. § 41.40, to toll appeals while a narrow type of § 1.181 petition is pending (a petition to designate a ground of rejection as new). The PTO therefore recognizes the problem of petitions pendency in the appeal context. But the problem is not limited to the appeals context, and the problem is not limited to petitions requesting that grounds of rejection be designated as new. The problem afflicts all § 1.181 petitions during both appeal and examination. The new § 41.40 tolling petition is merely a single plug in a bucket that is riddled with other holes.

Notably, 35 U.S.C. § 133 does *not* bar the PTO from tolling examination while petitions are pending. § 133 states that “[u]pon failure of the applicant to prosecute the application within six months after any action [...] the application shall be regarded as abandoned.” On its face, § 133 places a six month deadline on when the applicant must make a substantive response, but places no similar limit on the PTO. § 133 chains the applicant—not the Director. § 133 places no limit on the Director’s discretion to toll substantive examination on the merits while a § 1.181 petition is pending.

When interpreting § 133, the PTO should not allow itself to be misled by the distinction between examination and appeal. Quite reasonably, the PTO applies the six month limit to



office action responses, but not responses during appeal. In other words, the PTO interprets “prosecute the application” to exclude appeal. For example, the PTO permits appellants to file briefs on appeal after seven months. This might help explain why the PTO established the § 41.40 tolling petition for appeals, but did not establish a similar regulation for regular examination.

Nevertheless, § 133 chains the applicant and not the Director, as explained above. § 133 does not limit the Director’s discretion to toll examination while petitions are pending, regardless of whether the application is under examination or appeal.

Even if § 133 bound the Director, the statutory language “prosecute the application” does not unequivocally exclude a § 1.181 petition. The Director could simply interpret “prosecute the application” as including a § 1.181 petition. The Director would likely receive *Chevron* deference for that interpretation.<sup>8</sup> 37 C.F.R. § 1.111(b) requires that the applicant “must reply to every ground of objection and rejection in the prior Office action.” But that is a requirement of the PTO, not Congress, and the Director is free to revise it. Moreover, applicants may satisfy § 1.111(b) by filing § 1.181 petitions and § 1.111(a) submissions concurrently (*see also* my draft model regulation in § I.D.3 on page 10 below).

Moreover, § 133 also provides an exception to the six month limit if the “delay was unavoidable.” The Director could establish regulations for concluding that delay is unavailable when caused by good faith or meritorious § 1.181 petitions. A § 1.183 petition to suspend the rules appears to be unnecessary in that case. Nevertheless, § 133 does not bind the Director and so all discussion of circumventing it to achieve the tolling of examination is largely irrelevant—I mention it here only to help alleviate the concerns of those who believe that § 133 is problematic.

Of course, the PTO currently does not place a fee or numerical limit on the filing of § 1.181 petitions. Without further limits, if the PTO tolled examination while petitions were pending, applicants could file frivolous petitions to keep applications pending perpetually. Even without further limits, however, it is not clear why rational patent applicants would desire to keep applications perpetually pending. The goal of patent prosecution is to obtain a patent. The doctrine of laches, 37 C.F.R. 10.18(b)(2)(i) (which prohibits filing papers to cause unnecessary

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<sup>8</sup> *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984).

delay), and the current regulations for patent term extension provide further checks on abuse of applicant delay.

The fear of abuse of examination tolling should not prevent the PTO from eliminating all potential examination tolling. The PTO shouldn't throw the baby out with the bath water. Even if the applicant's rational self-interest in a patent, the doctrine of laches, 37 C.F.R. 10.18(b)(2)(i), and the patent term extension regulations were insufficient checks, the PTO is free to establish further regulations. These regulations can distinguish between abuse of § 1.181 petitions and their appropriate use. Notably, not all delay in patent prosecution is undesirable, because the PTO itself provides for slower and accelerated examination tracks.

### 3. Draft model regulation

The PTO could amend § 1.181 to toll examination in appropriate cases as follows.

§ 1.181 Petition to the Director.

(a) Petition may be taken to the Director:

[...]

(f) The mere filing of a petition will not stay any period for reply that may be running against the application, nor act as a stay of other proceedings, except as provided in § 1.181 (f)(1) and (2) below. Any petition under this part not filed within two months of the mailing date of the action or notice from which relief is requested may be dismissed as untimely, except as otherwise provided, including the exceptions provided in § 1.181(f)(1) and (2) below. This two-month period, when applicable, is not extendable.

(f)(1) When an applicant files a single petition under this section § 1.181, of five pages or less, concurrently with a first response to a non-final office action under § 1.111 or a final office action under § 1.113/1.116, regardless of whether two months have elapsed since the action was mailed, the examiner shall not issue another office action, or other requirement, until one month after the petition is decided.

(f)(2) If the applicant receives a decision denying an original petition under § 1.181(f)(1), the applicant may file a petition for reconsideration with the Office of Patent Legal Administration. The examiner shall not issue another office action, or other requirement, until the petition for reconsideration is decided.

(f)(3) When deciding a petition under § 1.181(f)(1) or (2), the decision-maker will further decide whether the petition is deemed a good faith petition based on the reasonableness of applicant's arguments and the prosecution history of the application. A petition will not be found to be made without good faith merely because the petition is denied. The period for deciding good faith petitions shall not be considered "delay in the processing

of the application by the Office that was requested by the applicant” under § 1.702(b)(5) of this title and shall not reduce patent term adjustment under § 1.704.

(g) The Director may delegate to appropriate Patent and Trademark Office officials the determination of petitions.

The five page limit, which is modeled after the successful pre-appeal brief conference program, as well as the limitation of a “single petition” filed with a “first response”, may effectively police abuse of the tolling provision. Additionally, or alternatively, the PTO may establish reasonable fees for prompter consideration of petitions (including petitions of more than five pages). As explained in § I.B above at page 3, the problem with § 1.181 petitions is not their price, because applicants fail to use them even when they are free. Applicants would be willing to pay reasonable fees for petitions that reliably corrected examiner errors.

E. The PTO may establish regulations imposing a deadline on petitions decisions

The PTO may also, or alternatively, establish deadlines for deciding petitions. Formalizing the deadline in PTO regulations would provide more reliability and recourse to applicants in case of violations.

Of course, the PTO does not impose a deadline for issuing decisions on appeal under 37 C.F.R. § 41.50. The PTO often issues decisions on appeal several years after applicants file the appeal brief. The delay on appeal is not ideal, but appeals are still valuable because the applicants are not required to reply further. Applicants also receive patent term adjustment for successful appeals. As explained above, the problem with petitions is not their pendency alone, but their pendency in combination with the lack of tolling examination. The PTO can solve that problem by tolling examination, as discussed above in § I.D starting on page 6, or by reducing petitions pendency, as discussed in this section—or both.

For example, the PTO could reform petitions practice based on the successful pre-appeal brief conference program. The pre-appeal brief conference program *both* tolls appeals pending the outcome of the pre-appeal conference *and* also imposes a 45 day deadline for deciding the pre-appeal request.<sup>9</sup> The 45 day deadline is reasonable considering the five page limit imposed on the request. The PTO could impose a similar five page requirement on at least some types of

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<sup>9</sup> <http://www.uspto.gov/web/offices/com/sol/og/2005/week28/patbref.htm>

§ 1.181 petitions, as in proposed model § 1.181 in § I.D.3 above at page 10. The PTO could also establish regulations for modulating the deadline for deciding petitions based on the length and complexity of the petition, and also only impose the deadline on the first petition filed per office action. A 45-day deadline for deciding a five page petition appears to be reasonable based on the successful pre-appeal brief conference program. But even a four month deadline would be preferable to the current policy of no deadline and indefinite delay.

F. The Director may delegate § 1.181 petitions to officials without a bias based on financial interest

Perhaps the most important difference between appeals and petitions is that TC directors have a more direct financial interest in deciding against applicants than administrative patent judges (“APJs”). APJs receive compensation for issuing a quota of decisions over time. But APJs may achieve that quota regardless of whether they affirm or reverse the examiner. APJs generally do not receive pressure from supervisors to reject most applications, as examiners do. Thus, deciding for appellants does not directly harm an APJ’s financial interest, unless the APJ is deviating from patent law so far as to embarrass the Office and Director. If deciding for the applicant causes more work for the examiner in the short term, the APJ does not care. Even when supervisors review pre-appeal brief requests, and have a financial incentive to hold against the applicant, they know that APJs can later review their decision while having no such incentive—which explains why about 40% of pre-appeal brief requests succeed.

In contrast, TC directors manage hundreds of examiners who receive compensation under a count system. The TC director is compensated based on the performance of those examiners under that count system. Quite simply, granting § 1.181 petitions for applicants makes it harder for examiners to achieve counts, thereby undermining TC director performance. In most cases, granting a § 1.181 petition will result in the examiner performing rework to correct errors contained in the examiner’s original action. Of course, the applicant is entitled to have genuine errors corrected, but the TC director has little incentive to correct them at the expense of examiner counts. There is simply less separation of powers between examiners and TC directors—their ultimate managers—than between examiners and APJs. The problem here is a part of the PTO’s larger mis-calibration of the count system, discussed later in § II on page 15 (“Suggested improvements to the count system”).

The officials in OPLA also lack a more direct financial incentive to hold against applicants. Not surprisingly, the patent bar widely regards petition decisions made by OPLA as more reliable than those made by TC directors.

Again, the solution to fix petitions is to model them after the more successful appeal mechanism. APJs do not have a direct financial interest in holding against the applicant, and neither should those who decide petitions. The Director may consider delegating § 1.181 decisions to officials without a direct financial interest in holding against applicants. The officials could generally be modeled on the officials in OPLA, which reportedly provides more reliable petition decisions. If necessary, the PTO may hire more lawyers to process any expected increase in § 1.181 petitions. Although the increased hiring may seem expensive, the PTO may expect increased efficiency and paperwork reduction, as well as higher quality, to compensate for the expense. The PTO may further train the lawyers with specific guidance on the types of examiner errors that § 1.181 petitions address, as illustrated in the bulleted list beginning on page 5 in § I.C (“The significance of the problem”). Reportedly, the PTO earlier hired many attorneys who lacked patent law experience to staff the Office of Petitions, with poor results. The PTO would preferably avoid a similar result when reforming petitions practice.

G. The PTO may relax the two month deadline for filing petitions

Although the PTO imposes no internal deadline for deciding petitions (see § I.E above at page 11), the PTO does impose a non-extendible two month deadline for applicants to file petitions. 37 C.F.R. § 1.181(f). That deadline feels draconian in comparison to the PTO’s approach to appeal briefs, which applicants may file up to seven months after filing a notice of appeal. The unfairness seems acute when one considers that TC directors sometimes wait for months or years before deciding petitions as “moot.” Upon receiving a new office action, applicants can reasonably spend a month or two just discovering petitionable errors before they craft an appropriate petition. Accordingly, I recommend relaxing or eliminating the two month deadline. *See also* my proposed amendments to § 1.181 in § I.D.3 above at page 10.

H. The PTO may consider converting some petitionable issues into appealable issues

To the extent that Board decisions are more reliable than petition decisions, it may be desirable to convert some traditionally petitionable errors into appealable errors. This is especially desirable when the issue is “determinative of a rejection” and review “require[s] the

exercise of technical skill and legal judgment”—as for violations of 37 C.F.R. § 1.104(c)(2) and undesignated new grounds of rejection.<sup>10</sup> Violations of 37 C.F.R. § 1.104(c)(2) can render the examiner’s reasoning so obscure that the rejections are effectively impossible to review.

Similarly, undesignated new grounds of rejection can create fatal obscurity about which ground of rejection the Board is intended to review: the old rejection, the new one, or some obscure hybrid of the two. In that case, it may be appropriate for the Board itself to decide whether the ground of rejection is new. The Board will already refuse to consider an undesignated new ground of rejection in an examiner’s answer, even if the applicant fails to file a petition.<sup>11</sup>

The PTO may also consider revising the guidance that it provides to the examining corps. on § 1.104(c)(2) and new grounds of rejection. The PTO may update the MPEP to provide more specific guidance on how examiners must satisfy § 1.104(c)(2) and the Federal Circuit’s mandate in *Gechter v. Davidson*.<sup>12</sup> The PTO may further update the MPEP guidance on new grounds of rejection in both office actions (§ 706.07(a)) and examiner answers (§ 1207.03) based on the recent decisions in *In re Leithem* and *In re Stepan*.<sup>13</sup>

Although the PTO continues to regard various procedural issues as outside the Board’s jurisdiction, that conclusion does not appear to be compelled by statute. 35 U.S.C. § 6 simply authorizes the Board to “review adverse decisions of examiners upon applications for patents.” The plain language of the statute does not distinguish between petitionable and appealable issues. § 134 similarly does not compel the status quo. The Federal Circuit’s predecessor upheld the PTO’s exclusion of petitionable issues from the Board’s jurisdiction based on historical practice, in the apparent absence of contrary Congressional intent.<sup>14</sup> Nevertheless, the Director supervises the entire agency and selects the composition of both the Board and its panels. Moreover, the statute is silent about the distinction between petitions and appeals. These background facts

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<sup>10</sup> *In re Searles*, 422 F.2d 431, 435, 164 USPQ 623, 626 (CCPA 1970).

<sup>11</sup> *Ex Parte Yudoovsky et al*, Application No. 12/246,086 (BPAI 2012).

<sup>12</sup> *See Gechter*, above at n. 4 on page 3.

<sup>13</sup> *In re Leithem*, 661 F.3d 1316 (Fed. Cir. 2011); *In re Stepan*, 660 F.3d 1341 (Fed. Cir. 2011).

<sup>14</sup> *In re Hengehold*, 440 F.2d 1395, 169 USPQ 473 (CCPA 1971).

suggest that the Director may permissibly adopt a more liberal interpretation of the Board's jurisdiction.

Even if the PTO declines to adopt the less conservative solution of converting some petitionable issues into appealable issues, the PTO may still ensure that those who decide petitions lack direct financial incentives to decide against applicants, as discussed in § I.F above on page 12 ("The Director may delegate § 1.181 petitions to officials without a bias based on financial interest").

## II. Suggested improvements to the count system

### A. The PTO may recalibrate the count system based on application complexity

The PTO measures examiner performance under the count system the same regardless of application complexity. An examiner receives the same count for rejecting an application with 200 claims as for rejecting an application with a single claim. The count system also fails to account for the length of the application. The PTO does measure examiner performance differently for different broad technologies. But these modifications are relatively small and coarse, because application complexity can vary dramatically within the same broad technology. As one academic researcher of the count system observed in 2007:

The examiner receives the same credit for the disposal of a short application with few claims as for the applications with a large number of claims that the proposed rules try to address. That makes no sense.<sup>15</sup>

The PTO could dramatically improve information quality and reduce paperwork burden by simply modulating the count system based on application complexity.

### B. The PTO may recalibrate the count system based on objective measures of error rates

As patent scholar Ron Katznelson has observed, "The current system appears to be based on unpublished ad hoc agreement with examiners adopted by the Office in 1966 with no objective measurements of the number of hours required to achieve acceptable level of errors in

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<sup>15</sup> Lee A. Hollaar, "Made to Measure: How an antiquated performance measure leads to bad patents" available at <http://digital-law-online.info/papers/lah/MadeToMeasure.pdf> (accessed May 31, 2012).

relation to application attributes.”<sup>16</sup> Accordingly, Ron Katznelson has proposed a specific method for recalibrating the count system based on objective measures of error rates. I encourage the PTO to use Katznelson’s system, or a comparable system, to measure error rates and reform the count system accordingly.

Notably, the PTO may recalibrate the count system based on measured error rates without agreeing with Katznelson that erroneous rejections are more undesirable than erroneous allowances.<sup>17</sup> The PTO may establish weights for erroneous rejections and allowances at its discretion, perhaps based on public comments. Recalibration based on objective measures of error rates will be preferable to the current ad hoc system using *any* reasonable weighting of erroneous rejections and allowances. Without objectively measuring both kinds of errors (bad rejections and bad allowances), and calibrating the count system accordingly, the PTO is simply flying blind. Most importantly, recalibration based on measured error rates will force the PTO to both recognize that “[e]xamination with finite resources cannot be made error-free” and to state its tolerable level of errors. A count system based on realistic and objective measures of examiner error rates will improve information quality and reduce paperwork burden on American inventors.<sup>18</sup>

Respectfully submitted,

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<sup>16</sup> Ron Katznelson, “Comments submitted to the US Patent Office on enhancing the quality of examination” available at

<http://works.bepress.com/cgi/viewcontent.cgi?article=1061&context=rkatznelson> (accessed May 31, 2012)

<sup>17</sup> For example, Katznelson bases his conclusion that erroneous rejections are at least as undesirable as erroneous allowances on the fact that many countries have registration systems instead of examining patent applications. But these countries with registration system generally do not presume that their patents are valid and must be proven invalid by clear and convincing evidence. It is this presumption of validity that makes erroneous allowances so costly. Katznelson does not appear to have considered this. Nevertheless, erroneous rejections also impose costs on society by undermining the incentive to innovate and to disclose innovation.

<sup>18</sup> See page 7 of Katznelson’s public comments, cited above at n. 16 on page 16.