

November 25, 2015

The Honorable Michelle K. Lee

Deputy Under Secretary of Commerce for Intellectual Property and

Deputy Director of the United States Patent and Trademark PTO

United States Patent and Trademark Office

600 Dulany Street

Alexandria, VA 22314

Via email:fee.setting@uspto.gov

**Re: Response to the “Patent Public Advisory Committee Public Hearing on the Proposed Patent Fee Schedule,” Fed. Reg. Vol. 80, No. 202 (October 20, 2015)**

Dear Deputy Under Secretary Lee:

We are grateful for the opportunity to comment on the United States Patent and Trademark PTO (“PTO”) request for written comments regarding “Patent Public Advisory Committee Public Hearing on the Proposed Patent Fee Schedule” as published in the October 20, 2015 issue of the Federal Register, 80 Fed. Reg. 202 (“Request”). We submit these comments based upon our many years of experience with patent prosecution both inside and outside of the PTO.<sup>1</sup> Due to our backgrounds we believe we bring a unique view of the issues surrounding the PTO’s proposal to raise fees, *inter alia*, for IDSs.

BakerHostetler is a national general practice law firm that has over 900 attorneys, 171 of which are IP attorneys. Of those attorneys, 99 are registered to practice before the PTO. Our firm has a robust patent prosecution practice and represents multi-national companies, domestic and foreign companies, both small and large entities, as well as universities, start-up companies and individual inventors. Many of the firm’s clients also pursue patent protection in countries other than the U.S. in parallel proceedings. We are well familiar with the reasoning

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<sup>1</sup> Both Mr. Smith and Mr. Stein work for Baker & Hostetler LLP (“Baker” or the “Firm”). Prior to transitioning his career to private practice, Mr. Smith served over 33 years at the PTO, over 19 of which were as an Administrative Patent Judge at the now-named Patent Trial and Appeal Board. Mr. Smith focuses his practice on assisting clients with difficult patent prosecution matters including decisions as to whether to file an RCE or an *ex parte* appeal. Mr. Stein has been in private practice for 25 years, focusing upon patent prosecution matters in EE and computer-based technologies including filing IDSs, RCEs and *ex parte* appeals. Both are active in IP associations such as IPO and AIPLA and through their involvement have gained insight into the thinking of other patent practitioners on these issues.

behind clients' decision making process to initially pursue patent protection for their inventions as well as their reasoning to either decline to pursue patent protection for a given invention or to give up on a pending patent application. A significant driving force in this decision making process is costs, both internal and external. Clients can control both internal and external costs by a number of ways, e.g., demand efficiency gains internally and by their vendors, negotiating vendor services on a competitive basis, etc. On the patent prosecution front, clients are very interested in negotiating fixed fee arrangements with counsel to provide controlled and predictable costs. The most substantive costs that patent prosecution clients incur that are not capable of being negotiated are the PTO costs. The PTO is of course a government monopoly, not subject to competition.<sup>2</sup> Thus, patent seekers are captive customers of the PTO and have no choice but to pay the proscribed fees.

It is also understood that the patent operations of the PTO are funded by patent user fees from the user community. Thus, it is appreciated that the PTO has formulated and initiated the present process for the patent community to express its thoughts and concerns as to the proposed fee hikes. As noted above, we take this opportunity to present our concerns regarding the proposed fee increase for IDSs, RCEs and appeals.

### **IDS COMMENTS**

"Each person who is associated with the filing and prosecution of a patent application has a duty of candor and good faith in dealing with the PTO" including a "duty to disclose to the PTO all information known to that individual to be material to patentability." 37 C.F.R. §1.56(a). In keeping with this Rule, BakerHostetler files more than a thousand (and possibly several thousand) IDSs on behalf of its clients every year. The PTO proposes to increase IDS fees by 67% for those IDSs filed after the FAOM but before allowance as well as proposing a new fee for an IDS filed after Allowance. In our experience, most of the IDSs required after a FAOM or Allowance are needed because new information has come to light in another U.S. patent application that is "related" to the subject application or from activity in a non-U.S. filed companion patent application. Patent applicants cannot control when this new information becomes available but are under a duty to disclose it to the PTO.

Preparing an IDS comes with substantial costs in both time and money whether it is prepared in house or by counsel. BakerHostetler has staff devoted just to prepare and assist in the timely filing of IDSs. These costs are in addition to docketing costs cross referencing "related" U.S. applications and companion non-U.S. applications. The same costs are incurred

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<sup>2</sup> One need only look to the USPS as a government monopoly that refused to modernize internal processes even when confronted with competition from companies such as UPS and FedEx as well as the advent of email. Since the PTO is not subject to competition it bears an extra burden to find and implement internal cost saving changes before raising user fees.

for those who prepare IDSs in house. Also, receiving numerous IDSs throughout the patent examination process costs the PTO resources in terms of IT resources and examiner resources when IDSs arrive at disparate times in the examination process

Before raising prices or fees, companies and firms who live in competitive environments look to wring every possible efficiency and cost saving from their internal and external processes. It is understood that the proposed fee adjustments are in response to the reported downturn in patent application filings and the concomitant decrease in collected fees. However, it is not apparent that the PTO has engaged in searching for such efficiencies before proposing the fee increases for IDSs.

When new information becomes available in a “related” case or a non-U.S. counterpart, applicant or counsel needs to download the information or otherwise gather it and submit it to the PTO. Some documents arrive in pdf format, others need to be scanned and electronically indexed. However, the PTO already has the information in “related” cases at its disposal through its PAIR system. It is anachronistic and a waste of applicant’s resources for a patent applicant to download from the PTO and send the same information back to the PTO in the form of an IDS. Similarly, patent examiners have increasing electronic access to the contents of non-U.S. patent application file wrappers. For example, the Global Dossier is coming on line and will provide electronic access to PTO actions, references and search reports in non-U.S. filed patent applications.

Before the PTO raises fees for IDSs, it should provide a system for applicants to identify “related” cases to the PTO and have the patent examiners review the file wrapper on PAIR of any identified “related” case at appropriate times in the examination of a given patent application and take into account any new office actions, references or search reports. Patent applicants should not bear the needless expense of downloading information the PTO already possesses only to resubmit the same information back to the PTO. The same thought applies to companion non-U.S. patent applications whose contents are electronically available to patent examiners through the Global Dossier or other electronic data bases. Again, this information is directly available to the PTO and patent applicants should not bear the costs of downloading and submitting information that the PTO can also obtain at the push of a button.

Office managers have acknowledged both suggestions as making economic sense for both patent applicants and the PTO. Patent examiners have links to PAIR, the Global Dossier and other data bases where the needed information is located. The reason given by PTO managers for not adopting such common sense suggestions is that management would have to negotiate with the patent examiner’s labor union, Patent Office Professional Association (“POPA”) over issues concerning impact and implementation of newly assigned work and that this administration is not interested in conducting negotiations out of concern that POPA will inevitably ask for more time.

Before raising or initiating new IDS fees, the PTO should engage POPA in meaningful and urgent negotiations to provide a process for patent applicants to notify the PTO of “related” domestic and non-U.S. patent applications and to have patent examiners electronically access

thus identified electronic file wrappers on a regular basis, such as when preparing an office action, instead of requiring patent applicants to absorb the costs of needless IDSs. When one steps back and objectively looks at this situation, requiring patent examiners to regularly access the identified electronic file wrappers should not result in significant increased time since the patent examiners will be looking at the same information at some point in the patent examination process. If patent examiners access this information in real time during the preparation of an office action, they will have access to the most complete set of information in existence at that time and need not wait for an applicant prepared IDS to arrive at a later date.

Further, these suggestions will expectedly improve quality and lower pendency. By having the most complete set of information at hand when preparing an office action, the patent examiner will consider prior art references from the companion applications sooner in the examination process than now occurs as well as having contemporaneous work product of the other patent examiners to review. Clearly adoption of these suggestions will stop the presently existing piecemeal process of applicants having to refile information the Office already possesses in PAIR or documents available in sites such as the Global Dossier through costly IDSs. Real time review of this information will expectedly reduce the costs the PTO incurs with IDSs since there will be fewer filed. Thus, before the PTO proceeds with raising IDS fees as proposed, it should conduct immediate negotiations with POPA to move the citation of documents to the PTO into the 21<sup>st</sup> Century and take advantage of the efficiencies of the big data environment in which we now exist.

### **RCE COMMENTS**

RCEs are filed for any number of reasons. Two of the most common reasons are late arriving references, documents, search reports etc. that must be supplied to the PTO under Rule 56 and the anachronistic practice of final rejections and the attendant non-functioning after final practice. The above suggested reforms in regard to patent examiners considering relevant information in real time, instead of forcing patent applicants to obtain and re-submit the information to the PTO in needless IDSs, will expectedly reduce the number of RCEs in addition to increasing quality and reducing pendency.

Eliminating the final rejection policy and practice by allowing every amendment to be entered as a matter of right will also reduce the need for RCEs. The present practice of giving patent examiners a phantom abandonment when an RCE is filed has corrupted after final practice and provides patent examiners with a strong motivation to deny entry of amendments that should be entered. Programs such as AFCP 2.0 have good intentions but are still not used properly by many patent examiners. The non-existent after final practice that exists today costs applicants and the PTO significant resources for no worthwhile purpose. After final practice adds significant time to patent pendency and requires applicants to prepare and file after final submissions knowing that they will not be entered lest they receive a first office final rejection in the RCE. After final practice also requires significant resources in document handling to consider and process the submissions for non-entry.

Doing away with final rejections and the attendant after final practice has been previously suggested, most recently at the Patent Quality Summit held in March 2015. The only reason offered by PTO managers to not modernize compact prosecution in this way is, again, the concern of having to engage POPA in negotiations. It is believed that the examiner “count” system can be readily adapted to a new patent examination system where denominating office actions as “final,” (which of course they are not), is ceased and every amendment is entered as a matter of right. The time and resources that would be saved if “final” rejections ceased to exist and every amendment is entered and the case placed on the patent examiner’s docket for timely review compared with the present processes will be substantial. Not only will patent pendency be decreased but quality will be improved because applicants and the patent examiners can resume their conversation regarding the patentability of the pending claims in real time without the artificial pauses that are now created by the existing systems. Interviews will be more meaningful since the case will be in front of the examiner more quickly than now happens with the all too often months delay in taking RCEs up for action.

### **APPEAL COMMENTS**

There are many reasons why the *ex parte* appeal backlog has exploded including inappropriate final rejections and the non-existent after final practice. Before raising appeal fees, the PTO again needs to modernize appeal practice. For example, appeal conferences would be more meaningful if applicants were allowed to participate and each of the two appeal conferees are independent and have the clear authority to direct the withdrawal of any rejection found to be improper during the conference. The patent examiner will retain the authority to allow the claims but any proposed new rejection(s) must be presented to the two conferees for approval. It is understood that PTO managers and POPA have discussed improving appeal conferences. Any consideration of raising appeal fees should be delayed until the appeal system is reformed and the reforms have had time to take effect.

We believe that both the PTO and POPA understand their responsibility to provide a cost-efficient patent examination system. As a government monopoly that is financed through patent user fees, they bear a special responsibility to cooperate to provide patent users with such a patent examination system in this country. As part of the considerations in the fee increase process, the PTO should explain what steps it has taken to engage POPA in negotiations to modernize anachronistic internal process and personnel systems that directly adversely affect the PTO and the patent user community costs. There is no discernable reason why the PTO and POPA should not engage in immediate and urgent discussions to find internal cost savings before raising fees on the patent community.

Sincerely,

/William F. Smith/

William F. Smith

/Michael D. Stein/

Michael Stein