From: Charles Duan
Sent: Monday, January 30, 2017 11:03 AM
To: External Examination Time Study <ExternalExaminationTimeStudy@USPTO.GOV>
Cc: Ryan Clough <ryan@publicknowledge.org>; Evan Engstrom <evan@engine.is>; Vera Ranieri <vera@eff.org>; Charles Duan <cduan@publicknowledge.org>; Daniel Nazer <daniel@eff.org>; Zach Graves <lzacharygraves@gmail.com>; Sasha Moss <smoss@rstreet.org>
Subject: Comments of Public Knowledge et al.

Please find attached the Comments of Public Knowledge, the Electronic Frontier Foundation, the R Street Institute, and Engine in response to the Request for Comments on Examination Time Goals, docket number PTO-P-2016-0040. If you have any questions, please feel free to contact me.

Best regards,
Charles Duan

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Charles Duan
Director, Patent Reform Project
202-861-0020 (x119) | @charles_duan
Public Knowledge | @publicknowledge | www.publicknowledge.org
1818 N St. NW, Suite 410 | Washington, DC 20036

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re: Request for Comments on Examination Time Goals	Docket No. PTO-P-2016-0040 81 Fed. Reg. 73383, 86323

COMMENTS OF PUBLIC KNOWLEDGE, THE ELECTRONIC FRONTIER FOUNDATION, THE R STREET INSTITUTE, AND ENGINE

Attn: Raul Tamayo
Office of Patent Legal Administration
Mail Stop Comments—Patents
Commissioner for Patents
PO Box 1450
Alexandria, VA 22313-1450
ExternalExaminationTimeStudy@USPTO.gov

The above-identified commenters, who are nonprofit public interest and policy organizations, respectfully submit the following comments in response to the Request for Comments dated October 25, 2016.

The commenters believe that the USPTO should adopt a flexible approach to allocating time for patent examination, one that gives examiners adequate time to perform a comprehensive search and examination after accounting for the unique circumstances of each application. As the agency has recognized, patent quality is the central mission of patent examination, and examination time must be allocated to advance that goal of patent quality. This is especially true given that applicants have shown willingness to engage in dilatory and aggressive tactics intended to run down examiners' clocks and wear down examiners' willingness to perform full and correct examination. Rebuffing these efforts to obtain fast allowances takes examiner time, and examiners should be given time to carry out their most important statutory mandate.

I. Patent Quality Must Be the First Priority in Setting Examination Time Goals

The USPTO stands unique among federal agencies in that, paradoxically, the less work the agency does, the more regulatory effect it has on American business and

the public. Patents are not regulations, of course, but they behave remarkably similarly: the issuance of a patent is effectively a government prohibition on a field of business activity, under penalty of federal suit. But while federal regulations are issued on a discretionary basis by agencies, patents are not: anyone who files an application with the USPTO "shall be entitled to a patent" unless the agency can prove otherwise.[1]

If the USPTO is limited in its resources, capabilities, or effectiveness in performing examination of patent applications, then, the effect is not limited government but rather a vastly expanded regime of government-issued instruments that improperly regulate economic and individual activity without legal justification or policy rationale.

The idea that only those patents that meet a high bar of value so as to justify their government-backed power to exclude otherwise-lawful activity is not a new idea—it is the notion of "patent quality." And it is an equally old idea that patent examiners are the most important line of defense against low-quality patents. As former Federal Circuit Chief Judge Paul Michel explained at the USPTO Quality Summit, patent examiners are "the guardian of the public domain" and "the best hope" for patent quality.[2] Case law agrees that patent examiners are those "whose duty it is to issue only valid patents."[3]

Giving examiners enough time to thoroughly examine patent applications, then, is a necessary precondition to high quality patents and, by extension, a necessary precondition to avoiding overregulation of the innovation economy with patents that are without value yet still carry the force of law. Indeed, empirical study suggests that insufficient time does lead to improper patent grants.[4]

It is suggested by some that speed rather than quality ought to be the USPTO's goal, and that examiners ought to save time by issuing patents with greater ease, leaving the courts to sort out the good patents from the bad. That "rational ignorance" argument could not be more flawed. For one thing, practices of abusive pre-litigation

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[1] 35 U.S.C. § 102.

[2] Paul R. Michel, Remarks at the USPTO Quality Summit (Mar. 25, 2015), *transcript available at* https://perma.cc/J9R6-WVFS.

[3] *PowerOasis, Inc. v. T-Mobile USA, Inc.*, 522 F.3d 1299, 1304 (Fed. Cir. 2008) (quoting *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359 (Fed. Cir. 1984)).

[4] *See* Michael Frakes & Melissa F. Wasserman, *Is the Time Allocated to Review Patent Applications Inducing Examiners to Grant Invalid Patents?*, Rev. Econ. & Stat. (forthcoming, accepted Mar. 23, 2016), *available at* https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2467262.

demand letter threats and the high rates of settlement before trial prove that the courts emphatically do not have the opportunity in the vast majority of cases to filter out poor-quality patents.[5] For all patents that never reach final judicial disposition, the patent examiner is the sole barrier between the good patent and the bad.

Furthermore, the current American patent system is set up on the assumption that patent examiners do their jobs well. A patent, once issued, is presumed valid, a presumption that makes sense only if the examiner is presumed to have conducted rigorous examination.[6] Even then, patent owners still seek legislation to weaken the USPTO's ability to correct erroneous patent grants through procedures such as *inter partes* review. Patent owners cannot have it both ways: if they want quiet title and presumed validity on the back end, they must be willing to submit to comprehensive, accurate examination on the front end.

Quality, not rapidity, should be the driving force in assessing examiner time goals. Any policies set forth on this matter must focus on ensuring that patents are statutorily compliant, clear in their file history, and worthy of the government seal that gives patents power over the public.

II. Examination Is More Complex Not Only Because of the Substantive Technology, but Because of Aggressive Prosecution Strategies

Patent examination does appear to require more time than is currently allocated to examiners today. To some extent, as the Request for Comments observes, increased complexity in new technologies and the wider universe of prior art to search partly justify increased time allocation. But an equally important reason for increasing examination time is that additional time is necessary for examiners to respond to novel strategies and legal techniques that applicants employ to pressure examiners into allowing applications—regardless of the merits.

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[5] *See*, *e.g.*, Mark A. Lemley, *The Surprising Resilience of the Patent System*, 95 Tex. L. Rev. 1, 44–48 (Nov. 2016) (noting that the "overwhelming majority of patent lawsuits (85%–90%) settle before a merits decision" and discussing the multiple reasons why "patent litigation, like most patent prosecution, may be driven by incentives to which the actual merits of the patent are only incidental").

[6] 35 U.S.C. § 282.

Applicants are aware of the USPTO's count system and time goals, and can manipulate the metrics to pressure examiners into taking actions without sufficient consideration. One attorney compares the count system of prosecution to used car salesmen's quotas, recommending that prosecutors take advantage of the fact that "there are times when it is better to negotiate with the United States Patent and Trademark Office (USPTO) during the prosecution of a patent."[7]

Patent attorneys do take advantage of the count system. For example, in 2009 the USPTO revised the count system to offer fewer counts for rejection of an application following a Request for Continued Examination, but more counts for allowance of such an application.[8] The applicant's incentive in this situation would be to push applications to RCE, thereby putting examiners in the uncomfortable position of receiving more credit for allowing than rejecting. The statistics suggest that this may have happened: The RCE backlog shot up rapidly, as did the allowance rate.[9] Indeed, the rise in RCE filings was so dramatic that the USPTO reverted the change to the count system three years later, as a stop-gap measure to keep the RCE backlog down.[10]

Besides RCEs, applicants and their attorneys can use a variety of strategies to force examiners to do work that receives little or no time credit, in the hopes of wearing down the examiner to the point of granting an allowance. The sections below identify some of these strategies, and it is recommended that the USPTO adopt a flexible approach to allocating examiner time, to prevent applicants from engaging in gamesmanship and exploitative tactics with the time allocation rules.

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[7] Bobby W. Braxton, *The USPTO Count System: Using the Count-Carrot to Your Advantage*, Carstens & Calhoon, LLP (Oct. 15, 2009), http://www.cclaw.com/blog/the-uspto-count-system-using-the-count-carrot-to-your-advantage/.

[8] *See* USPTO & POPA, Joint Labor & Management Count System Task Force Proposal (Sept. 39, 2009), http://patentlyo.com/media/docs/2009/09/briefing_for_corps_final_draft-093009.pdf.

[9] *See* Dennis Crouch, *Patent Application Outcomes: Rising Allowances and Falling Abandonments*, Patently-O (Dec. 6, 2012), http://patentlyo.com/patent/2012/12/patent-application-outcomes-rising-allowances-and-falling-abandonments.html; Dennis Crouch, *USPTO RCE Backlog Coming Down*, Patently-O (Aug. 18, 2014), http://patentlyo.com/patent/2014/08/uspto-backlog-coming.html.

[10] *See* Dennis Crouch, *USPTO Takes Action to Reduce RCE Backlog*, Patently-O (Mar. 28, 2013), http://patentlyo.com/patent/2013/03/uspto-takes-action-to-reduce-rce-backlog.html.

III. Sufficient Time Should Be Allocated to Specific Examination Activities

These principles of maintaining patent quality may be applied to a variety of specific examiner activities in assessing time goals. Based on the undersigned counsel's personal experience with patent prosecution, the following areas seem particularly worthy of attention with regard to time allocation.

A. Reviewing Information Disclosure Statements

Examination time goals ought to account for examiner time required to review information disclosure statements and the references cited therein.

Applicants may generally file unlimited quantities of references in an application, and the evidence shows that many applicants do indeed flood examiners with references. *See Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1289 (Fed. Cir. 2011) (observing that "patent prosecutors regularly bury PTO examiners with a deluge of prior art references"). Even after *Therasense*, numerous incentives remain to submit many, even marginally relevant, references in applications, those incentives including post-issuance litigation benefits, avoidance of post-grant challenges to the patents, and the comparatively lower cost of submitting more references *vis à vis* reviewing individual references for relevance.[11]

Ideally, the USPTO would implement policies that would discourage applicants from flooding examiners with references, such as requiring explanations of relevance or permitting examiners to indicate that submitted references have not been considered.[12] Yet the trend so far has been the opposite: New policies in fact make it *easier* for applicants to submit large volumes of references.[13]

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[11] *See* Arpita Bhattacharyya & Michael R. McGurk, *IDS Practice After* Therasense *and the AIA*, 29 Santa Clara Computer & High Tech. L.J. 605, 624–34 (2013).

[12] *See id.* at 640–41; Comments of EFF & Public Knowledge 3–4, *Revision of the Duty to Disclose Information in Patent Applications and Reexamination Proceedings*, 81 Fed. Reg. 74987 (Dec. 26, 2016).

[13] *See, e.g.*, *Quick Path Information Disclosure Statement (QPIDS) Pilot Program*, 77 Fed. Reg. 27743 (May 10, 2012); *Leveraging Electronic Resources to Retrieve Information from Applicant's Other Applications and Streamline Patent Issuance*, 81 Fed. Reg. 59197 (Aug. 29, 2016) (proposing mechanisms for automatically retrieving cited references from related applications).

Given this situation, examiners ought to have time goals that reflect the actual quantity of references that must be reviewed in an application, and ought to be allocated additional time for those applications where the applicant has submitted unusually lengthy information disclosure statements. Besides simply capturing examiners' workload more accurately, this additional allocation of time would prevent less-scrupulous applicants from using IDS submissions to overwhelm examiners in the hopes of taking time away from examiners' other search and examination activities.

B. Large Numbers of Claims, or Large Claims

Similar to flooding with IDS references, examiners can be flooded with a large number of claims in an application. While applicants must pay excess claim fees for filing applications with large numbers of claims, there does not appear to be any special provision for additional examination time with regard to such applications.

Patents with large numbers of claims are difficult to review, and applicants can exploit that difficulty to obtain low-quality claims in what would appear to be an otherwise high-quality patent. For example, an applicant may file an application with an initial narrow independent claim, and with a much broader independent claim buried among dozens or hundreds of others. Or an applicant may insert dependent claims with differentiating language, thereby making the independent claims effectively broader, but hide that fact from examination within a mass of other dependent claims.[14]

When an examiner is faced with an application with numerous claims, the examiner must be prepared to wade through all the claim language, to compare the various independent claims with each other, to identify dependent claims that render the independent claims broader than expected, and generally to perform the tasks of searching and examination multiplied many times over. An examiner cannot be expected to review two thousand claims in the time allocated to review twenty. Time allocations ought to be sufficiently flexible to account for this sort of situation.

[14] Although restriction practice is intended to help examiners faced with this sort of situation, a restriction requirement is only appropriate if groups of claims actually are directed to different subject matter. In many cases, the large mass of claims is all directed to the same subject matter, just using variations of language to obtain different degrees of claim scope.

Along similar lines, examiners may be faced with very lengthy individual claims, that is, claims containing many elements or limitations. Such claims also require further work for examination, and additional dispensations of time ought to be provided to allow the examiner to give those claims a thorough search and review.

The situations described here are (hopefully) outliers, appearing in rare applications. Yet examination time goals that lack flexibility for examiners will encourage applicants to take advantage of these outlier situations, perhaps in hopes of wearing down the examiner to grant an allowance. Encouraging that behavior is detrimental to examiners, to the USPTO, and to patent quality overall, and it may be avoided simply by introducing sufficient flexibility into the examination performance requirements.

IV. Examination of Continuation Applications Requires Specific Allocation of Time and Particular Training

Continuation applications with an allowed parent present a unique situation with regard to examiner productivity and thus merit special consideration with regard to examiner time goals. Superficially, these continuation applications appear simple to examine, since they often appear nearly identical to the allowed parent except for minor variations in the claims. A count system that treats such applications as the same as others would thus encourage examiners to allow them with minimal consideration, thereby earning a full production unit with almost no work.

Contrary to this superficial view, examination of a continuation application still requires substantial work, albeit different work. Applicants file these sorts of continuation applications for particular targeted purposes: to overcome prosecution disclaimers entered into the parent, to vary claim terms to encourage broader or narrower constructions, or to enter late prior art submissions into the record.

Examiners encountering a continuation application must be aware of these purposes of continuation practice, and must be trained to identify the relevant changes between the allowed parent and the pending continuation to determine if those changes bear relevance to patentability. Absent that additional and unique layer of review, continuation practice offers applicants a technique for slipping improprieties past the

examiner and obtaining patents that would not have survived examination if presented originally.

Implementing this specialized form of examination requires an individualized time requirement. The time requirement will necessarily be different from the ordinary examination time requirement, because the activities that the examiner must conduct differ from ordinary examination. For example, a comprehensive prior art search will be unnecessary since the search in the underlying parent will often provide most of the necessary material, and so the time requirement should be lowered to account for that. At the same time, the examiner will likely need to perform a word-by-word comparison of the claim language between the parent and the continuation, something that would not be done in ordinary examination; the time requirement should be increased as a result.

Further empirical study is necessary to determine the correct time requirement and the proper training necessary for examination of continuation applications with allowed parents. But consideration of this unique circumstance is necessary for the USPTO's examination time goals to reflect examiners' actual workloads and to ensure that correct, high-quality patents are granted.

V. Concerns About Time Waste and Fraud, While Important, Should Not Distract from the Larger Goal of Patent Quality

Based on the above analysis, the commenters agree with the Government Accountability Office's assessment that "most examiners find that they do not have sufficient time for thorough prior art searches, and many were not confident in their ability to identify the most relevant prior art without working voluntary overtime."[15]

The Inspector General of the Department of Commerce also reviewed examiner time and attendance, and based on identification of certain instances of potentially fraudulent or erroneous time entry, suggests that "examiners now have additional time

[15] Gov't Accountability Office, *GAO-16-479, Intellectual Property: Patent Office Should Strengthen Search Capabilities and Better Monitor Examiners' Work* 58 (2016), *available at* http://www.gao.gov/assets/680/678149.pdf.

to meet their production goals for the same amount of work," implying that examiner time allocations perhaps ought to be cut.[16] The undersigned counsel and others have previously discussed the allegations of fraud,[17] and rather than repeat that material here, the commenters consider whether the Inspector General's findings support a reduction of time allocation to examiners. In short: they do not.

The examining corps, like any population, exhibits a range of abilities: Some examiners will be faster at examination than others. The USPTO has wisely chosen a production-based approach, where work requirements are based on completion of actual tasks rather than the number of hours in the office. That production-based approach rewards more efficient examiners and encourages less efficient ones to improve.

If the USPTO were to require those highest-producing examiners to take on more work because of their efficiency, it would have an adverse selection effect: efficient examiners would likely leave to the private sector, and lower-performing examiners would have no incentive to speed up. The USPTO already faces an examiner retention problem, and there is no reason to exacerbate it.

On the other hand, if the Inspector General is recommending that all examiners across the board be given less time, then the tradeoff is patent quality. The most efficient examiners might be able to do a satisfactory search and examination in a smaller time frame, but the rest of the examining corps would be left in the lurch, forced to trade off quality examination for meeting production goals. That is a tradeoff that no examiner should be required to make, least of all by the policy of the federal agency tasked with delivering patents of high quality to the United States public.

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[16] Office of Inspector General, U.S. Dep't of Commerce, *No. 14-0990, Analysis of Patent Examiners' Time and Attendance* 22 (2016), *available at* https://www.oig.doc.gov/OIGPublications/14-0990.pdf.

[17] *See* Charles Duan, *The Inspector General's Patent Office Report Should Have Considered Patent Quality*, Pub. Knowledge (Sept. 8, 2016), https://www.publicknowledge.org/news-blog/blogs/the-inspector-generals-patent-office-report-should-have-considered-patent-q; Matt Levy, *Inspector General's Hyperbolic Report Distracts from Improving Patent Quality*, IPWatchdog (Sept. 8, 2016), http://www.ipwatchdog.com/2016/09/08/inspector-generals-hyperbolic-report-distracts-improving-patent-quality/id=72689/.

VI. Conclusion

For the foregoing reasons, the commenters recommend that the USPTO take a flexible approach to time allocation, and provide examiners with the additional time necessary, accounting for individualized circumstances of each application, to perform a complete and thorough examination that is prerequisite to quality patents.

If there are any remaining questions or if further information would be useful, please contact the undersigned attorney at the address listed below.

Respectfully submitted,

Charles Duan
Director, Patent Reform Project
Public Knowledge
1818 N Street NW, Suite 410
Washington, DC 20036
(202) 861-0020
cduan@publicknowledge.org

On behalf of commenters Public Knowledge, the Electronic Frontier Foundation, the R Street Institute, and Engine

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