

From: Reichert, Kate C.  
Sent: Friday, August 20, 2010 2:54 PM  
To: 3-tracks comments  
Cc: Stoll, Robert; CSunstein@omb.eop.gov  
Subject: Enhanced Examination Timing Control Initiative- Request for Comments

Mr. Robert A. Clarke:

The U.S. Small Business Administration's Office of Advocacy's comments on the USPTO's 'Enhanced Examination Timing Control Initiative' are attached.  
Thank you for the opportunity to comment.

Sincerely,

Kate Reichert

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August 20, 2010

VIA ELECTRONIC SUBMISSION

Attn: Robert A Clarke  
Deputy Director  
Office of Patent Legal Administration  
Mail Stop Comments- Patents  
Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

RE: Enhanced Examination Timing Control Initiative, 75 Fed. Reg. 31763 (June 4, 2010).

Dear Deputy Director Clarke:

The Office of Advocacy (Advocacy) of the U.S. Small Business Administration (SBA) submits these comments in response to the U.S. Patent and Trademark Office's (USPTO) request for comments on the Enhanced Examination Timing Control Initiative. The proposed initiative would provide applicants with the ability to choose between three "tracks" for the timing of examination of their applications. These include a prioritized track for rapid examination (Track I), examination under the current procedure (Track II), and a track allowing for up to a 30 month delay (Track III).

Advocacy is pleased that the USPTO is considering initiatives that will help to create a faster and more efficient patent review process. Advocacy recognizes the importance of reducing the overall pendency of patent applications, and acknowledges the potential benefits of providing more options for applicants during the review process. However, Advocacy is concerned about the disproportionate impact certain aspects of this proposal may have on small businesses and small independent inventors and their ability to fully utilize the potential benefits of this initiative. Advocacy's comments relay concerns expressed by small entities and small entity representatives about the agency's proposal. Advocacy urges the agency to consider these concerns and mitigate the impact on small businesses to the extent possible as the agency proceeds.

### **Background on the Initiative**

On June 4, 2010, the USPTO released a notice seeking public comment on a proposed new patent examination initiative that would provide applicants with three separate track options for the examination of their applications.<sup>1</sup> The new "Three-Track" program is in part aimed at reducing the pendency of patent applications, which currently

<sup>1</sup> 75 Fed. Reg. 31763 (June 4, 2010).

stands at almost three years.<sup>2</sup> Under the proposed initiative, applicants would be able to choose from Track I (a prioritized, rapid examination), Track II (traditional examination under the current procedures), or Track III, (an up to 30-month delayed examination).

Applicants requesting the Track I rapid examination would be required to pay an additional fee for the expedited review. In this track, the USPTO aims to have a first Office action on the merits within four months and a final disposition within twelve months of prioritized status being granted.<sup>3</sup> Track III would provide applicants with the option of delaying examination, and a portion of the fees, for up to 30 months. Both Track I and Track III come with additional stipulations, some of which are highlighted below.

In addition, the proposal contains a provision that prevents examination of a prior foreign-filed application until the USPTO receives a copy of the search report, if any, and the first office action from the foreign office as well as an appropriate reply to the foreign office action. Only once those documents are submitted may an applicant request prioritized examination or obtain processing under the current procedures.

### **The Office of Advocacy**

The Office of Advocacy, created in 1976, monitors and reports on agency compliance with the Regulatory Flexibility Act of 1980 (RFA), as amended by the Small Business Regulatory Enforcement Fairness Act of 1996 (SBREFA).<sup>4</sup> The RFA requires federal agencies to determine a rule's economic impact on small entities and consider significant regulatory alternatives that achieve the agency's objectives while minimizing the impact on small entities. Because it is an independent office within the SBA, the views expressed by Advocacy do not necessarily reflect the views of the SBA or the Administration.

In addition, under Executive Order 13272 agencies are required to give every appropriate consideration to comments provided by Advocacy.<sup>5</sup> The agency must include, in any explanation or discussion accompanying the final rule's publication in the Federal Register, the agency's response to these written comments submitted by Advocacy on the proposed rule, unless the agency certifies that the public interest is not served by doing so.

### **Small Entity Concerns**

The concerns below reflect concerns relayed to Advocacy by small entities and their representatives regarding the USPTO's proposal. Advocacy urges the agency to continue to consider these concerns as the agency proceeds with this initiative. Advocacy

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<sup>2</sup> *USPTO Proposes to Establish Three Patent Processing Tracks*, June 3, 2010, available at [http://www.uspto.gov/news/pr/2010/10\\_24.jsp](http://www.uspto.gov/news/pr/2010/10_24.jsp) .

<sup>3</sup> *Id.*

<sup>4</sup> Pub. L. No. 96-354, 94 Stat. 1164 (1980), (codified as amended at 5 U.S.C. §§ 601-612).

<sup>5</sup> E.O. 13272, at § 2(c).

welcomes the opportunity to assist the agency in determining the impact of this proposal on small entities as more details are made available.

*Fees for Prioritized Examination (Track I)*

The Prioritized Examination option (Track I) would allow applicants to request a more rapid examination for an additional cost recovery fee.<sup>6</sup> The agency states that this fee would “be set at a level to provide resources necessary to increase the work output of the USPTO so that the aggregate pendency of nonprioritized applications would not increase due to ... the prioritized application[s].”<sup>7</sup> While not releasing specific information regarding the possible costs associated with the prioritized examination request, the agency acknowledges that this fee could be “substantial.”<sup>8</sup>

Many small businesses, just like their larger counterparts, have expressed great interest in a rapid examination option, which could result in a patent issuing within twelve months. For small entities in particular, many with few assets, the issuance of patent may be a dispositive factor in the success or failure of their business, and a timely examination is imperative. However, small entities have expressed concern that they will be unable to utilize the benefits of the rapid examination option because of the substantial fee required to request this track option. They have expressed concern that they will be placed at a disadvantage compared to those applicants who have greater financial backing and can request rapid review.

The USPTO has recognized the hurdle this fee would represent for small entities requesting prioritized examination, and anticipates that the agency would discount this fee for small and micro entity applicants.<sup>9</sup> However, as the agency states, this reduction in fees would be dependent upon whether the USPTO’s fee setting authority is enhanced.<sup>10</sup> While Advocacy is pleased that the agency has recognized the disproportionate impact these fees would have on small and micro entities by noting the possibility of a fee reduction, small entities remain concerned about the lack of certainty regarding the possible fee discount for small entity applicants.

Advocacy supports the reduction in fees for small and micro entities and urges the agency to provide additional information regarding the possible fees associated with Track I and the anticipated fee reduction. Advocacy welcomes the opportunity to assist the USPTO in encouraging the small business community to provide comments regarding the impact of fees and suggestions regarding a feasible small and micro entity fee reduction.

In addition to the substantial fees, Advocacy notes concerns relayed by small businesses regarding the possible impact that utilization of Track I will have on the

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<sup>6</sup> 75 Fed. Reg. 31765.

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*

pendency of applications remaining in the traditional timing track, Track II. They have expressed concerns that the pendency of these Track II applications will significantly increase, since more of the USPTO's assets will be allocated to Track I examinations. Advocacy encourages the agency to consider these concerns and work within its limits to ensure that all track options are accessible to small entities.

#### *Mandatory 18-Month Publication (Track I & Track III)*

Advocacy has received some positive feedback regarding the “applicant-controlled up to 30-month queue prior to docketing” proposal (Track III). Small entities have expressed general support for this track option, which would allow applicants the option to defer examination of their application for up to 30 months. Applicants would have 30 months to request examination and submit their payment, and if the applicant failed to do so the application would be considered abandoned. Small entities have noted that this track would provide them with additional time to determine if they have developed a “commercially viable plan for exploitation of the innovation,”<sup>11</sup> prior to committing additional funds. This additional period of time would also allow the applicant to locate financing for their invention. If the applicant determines that the application does not contain a commercially viable invention, or the applicant is unable to locate financing, they may abandon the application without expending additional resources.

While Advocacy has received positive feedback regarding Track III, small entities have also expressed some specific concerns related to this track option. Some small entities have expressed concern over the forfeiture of the applicant's ability to request nonpublication in order to request review in Track III. For small entities that do not wish to seek patents outside the United States, the ability to request nonpublication of their application provides them with additional time to secure funding for their inventions and prepare their ideas for market before those ideas become public.

Advocacy urges the agency to consider the concerns of small businesses and small independent inventors, who rely on their ability to prevent publication in order to provide additional protection to their ideas as the patent review process progresses. As Advocacy has noted, many small businesses and small independent inventors have shown an interest in this track. Advocacy recommends that the agency consider the impact any additional restrictions on the use of this track may have on small businesses. In addition, Advocacy requests information on any additional fees that would be required in order to receive review in Track III.

#### *Limited of Number of Claims in Patent Applications (Track I)*

In order to request prioritized examination, the USPTO is considering limiting the number of claims in a prioritized application to four independent and thirty total claims.<sup>12</sup>

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<sup>11</sup> 75 Fed. Reg. 31766.

<sup>12</sup> *Id.*

Small entities have expressed concern regarding this proposed limitation, noting that in certain industries, including industries with a substantial number of small and micro entities, the applicants may be required to present a large number of claims in order to describe the parameters of a potential patent properly. Advocacy recommends that the agency consider the impact of this proposed limitation on small entity applicants. Advocacy further recommends that the agency provide additional information regarding how the agency arrived at this number of claims and seek comments from small entities on the proposed limitations.

### **Conclusion**

Advocacy recognizes the challenge the USPTO faces in attempting to construct programs that will begin to diminish the patent application backlog, and is pleased that the agency is considering methods to create a more timely application review process for all applicants. However, Advocacy urges the agency to assess thoroughly the impact these and other proposals may have on small entities, which continue to drive innovation in this country, producing 13 times more patents per employee than large patenting firms and creating 64 percent of the net new jobs. It is imperative that the USPTO recognize the important contributions of the small business community as these proposals progress.

The Office of Advocacy appreciates the opportunity to comment on this initiative and welcomes the opportunity to assist the agency in the future as it considers the impact of these and other proposals on small businesses. Should you have any questions or require additional information, please contact me or Kate Reichert of my staff at (202) 205-6972.

Sincerely,



Susan Walthall  
Acting Chief Counsel  
Office of Advocacy



Kate Reichert  
Assistant Chief Counsel  
Office of Advocacy

cc: Mr. Cass R. Sunstein, Administrator, Office of Information and Regulatory Affairs,  
Office of Management and Budget  
Mr. Robert L. Stoll, Commissioner for Patents, United States Patent and Trademark  
Office