

May 2, 2011

The Honorable David J. Kappos  
Under Secretary of Commerce for Intellectual Property and  
Director of the United States Patent and Trademark Office  
P.O. Box 1450  
Alexandria, VA 22313-1450  
*Attention:* Nicholas Oettinger, Office of the General Counsel  
*By email to:* [regulatory\\_review\\_comments@uspto.gov](mailto:regulatory_review_comments@uspto.gov)

Re: Comments on “Improving Regulation and Regulatory Review”  
76 Federal Register No. 55 (pp. 15891-15892; March 22, 2011)

Dear Under Secretary Kappos:

In reply to the Request for Information (the “Request”) relating to Improving Regulation and Regulatory Review, Intellectual Ventures, LLC (IV) submits the comments below. In a telephone conference on April 20, 2011, Mr. Nicholas Oettinger informed the undersigned that submission of comments by May 2, 2011 would be timely for the purposes of the Request.

Intellectual Ventures is in the business of creating and investing in inventions that span a broad range of technologies. We create ideas in-house and seek to protect them through the patent system. We work with inventors both inside and outside of the company to create our inventions. In addition, Intellectual Ventures builds upon our ideas by licensing and acquiring intellectual property from industrial, government and academic partnerships.

In short, we create, and invest in, inventions with the mission of energizing and streamlining an invention economy that will help drive innovation around the world. To these ends, the U.S. Patent System and its strengths and protection for innovation are of central importance to IV’s business.

### **Comments**

The Request invites comments that “might be helpful in reviewing significant USPTO regulations,” and lists the following questions:

1. What is the best way for the Office to identify which of its significant regulations should be modified, streamlined, expanded, or repealed? What process should the Office use to select rules for review and how should it prioritize such review?
2. What can the Office, relative to its regulation process, do to reduce burdens and maintain flexibility for the public while promoting its missions?

3. How can the Office ensure that its significant regulations promote innovation and competition in the most effective and least burdensome way? How can these Office regulations be improved to accomplish this?
4. Are there USPTO regulations that conflict with, or are duplicative of, regulations from other agencies? If so, please identify any such rules and provide any suggestions you might have for how this conflict or duplication can be resolved in order to help the Office achieve its mission more effectively.
5. How can the Office best encourage public participation in its rule making process? How can the Office best provide a forum for the open exchange of ideas among the Office, the intellectual property community, and the public in general?

There are at least two fundamental and useful ways of approaching these questions: (1) providing specific procedural suggestions for arriving at new or revised USPTO regulations; and (2) providing a conceptual approach for how to identify which regulations should be considered for revision, or in which areas new regulations might be proposed.

We note that the comments submitted April 21, 2011 by the AIPLA essentially adopt the first approach, and further would like to note that IV supports the suggestions made in the AIPLA submission. The present Comments adopt the second approach, and we believe our proposals are complementary to those of the AIPLA.

In considering which USPTO regulations should be revised, or which processes or policies could benefit from new regulations, it is important to keep in mind both (a) the goals of the U.S. patent system and (b) the most significant challenges presented to the system at the time of given rulemaking.

We propose the following as an important set of topics to focus upon as rulemaking is considered. There is some overlap among the categories, and some of the topics cut across issues from all the categories. We provide concrete examples for each category in order to illustrate how the topics might be employed to identify particular types of regulatory reforms. We stress that these examples are provided for explication and should not be construed as the only (or even the most important) examples for each topic.

Also, we note that the examples reflect two modes of inquiry into regulatory matters to identify potential areas of reform: (1) practice-driven inquiry, in which the common knowledge and experience of USPTO practitioners and employees is queried to identify rules and procedures of concern, and (2) data-driven inquiry, in which operating data of the USPTO is analyzed to identify patterns of behavior that warrant investigation. We believe these are useful approaches, but do not suggest that they are the only ones the USPTO should consider.

The following proposals address all of the questions (1-5) above, and are therefore not organized on a question-by-question basis.

## A. Pendency of Applications

If any issue can be said to be foremost among the challenges to meaningful protection of innovation in the U.S. patent system, it is that of pendency of applications, in both original and post-grant proceedings (reexaminations, reissues, etc.), including appeals. While of course the quality of issued patents is also of utmost importance, if an application takes three or more years to issue, and a similar amount of time in a reexamination, then regardless of the resultant quality much (and in many cases most or all) of the useful life of the patent is consumed within the USPTO instead of supporting businesses, jobs and the technologies that the patent should help to protect. The technologies have moved on, and the businesses and their employees have been left unprotected – even though the applicant has fulfilled his/her part of the “bargain” by disclosing inventions to the public.

We note that the Office has placed persistent emphasis on pendency solutions, most recently in the publication on April 25, 2011 (76 Fed. Reg. No. 79) of the Notice of Public Meeting and Request for Comments relating to Streamlined Patent Reexamination Proceedings. We applaud these steps, and urge that the Office continue to give high priority to pendency issues in considering regulatory reforms, and apply its necessarily limited resources by preferentially selecting rules (whether new rules or proposed revisions) that will contribute to a decrease in a patent pendency, until the Office’s stated goals of pendency are achieved and all processes meet appropriate deadlines, including both cases that are subject to special dispatch and ordinary, non-expedited cases.

*Example 1: After-final practice.* Rules and policies concerning after-final practice represent one potential area where pendency can be reduced. Under current USPTO practice, the second office action on the merits is frequently a final action. The M.P.E.P. and Patent Rules of Practice significantly limit an applicant’s opportunity to present a substantive after-final amendment.<sup>1</sup> Even when an examiner agrees in an after-final interview that a proposed amendment would render the application allowable, many examiners will refuse to enter such an amendment unless applicants file a Request for Continued Examination (RCE), which may delay issuance significantly. The USPTO should consider ways in which after-final practice can be reformed to reduce pendency, including providing examiners adequate incentives to consider substantive after-final amendments that resolve outstanding issues in the application.

*Example 2: Reexamination.* By statute and by rule, both *ex parte* and *inter partes* reexaminations are to be conducted with special dispatch.<sup>2</sup> However, the reexamination process lacks a clear target timeframe by which parties may reasonably expect issues to be fully developed and/or decided. Without a specific, measurable public performance goal, it is difficult to define “special dispatch,” much less to consistently achieve it. The USPTO should investigate how amended or new USPTO rules and internal policies can reduce reexamination pendency.

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<sup>1</sup> See 37 C.F.R. § 1.116(b), suggesting that admission of an after-final amendment touching the merits requires a showing of “good and sufficient reasons why the amendment is necessary and was not earlier presented.”

<sup>2</sup> 35 U.S.C. §§ 305, 314(c); 37 C.F.R. §§ 1.550(a), 1.937(a).

*Example 3: Data-driven rule selection.* The USPTO’s corpus of application data may be queried to empirically identify applications that do not satisfy particular performance metrics. Those applications may then be reviewed to determine the extent to which particular rules or USPTO policies contribute to the observed outcome. As just one example, in order to identify rules or policies that influence pendency, the Office could identify applications in which Patent Term Adjustment (PTA) exceeded a threshold number of days, and review such applications to understand the factors that contributed to the delay.<sup>3</sup>

## B. Quality of Issued Patents

At the same time as considering pendency, we urge that the Office focus with strong preference upon rules and processes that will increase U.S. patent quality. This is a manifold topic, of course, including quality of original disclosure, issued claim language, a focused yet thorough search, examination quality, Office Action quality, and so on. It involves not only the issuance of high-quality patents, but the appropriate rejection of patents that should not issue.

We urge, however, that specific subject matter should not be singled out on the basis of technology category for special scrutiny – whether business method patents<sup>4</sup>, financially related inventions, or other subject matter that might form a concern for particular sectors of the business and technical communities. Rather, appropriate quality measures should be developed – as the Office has undertaken already – and applied across all technology classes, to address any challenges or issues relating to patentable subject matter, disclosure and enablement, prior art, and so on to achieve uniformly high quality in issued patents regardless of the technical field.

*Example: Data-driven rule selection.* The data-driven inquiry discussed in the previous section may also be applied in the context of patent quality. For example, the Office can identify reexamined patents in which issued claims were ultimately canceled, and query as to the rules and policies (or lack thereof) that may have prevented the examiners in such cases from making a similar determination during original prosecution.<sup>5</sup>

## C. Minimizing Expenses and Increasing Efficiency

Expenses are a significant concern for both applicants and the USPTO. In considering potential reforms, the Office should focus on identifying rules that directly drive expenses, and should also consider the expense-related consequences of reforms related to other goals (such as pendency and quality), with a goal of minimizing expenses for all USPTO stakeholders. The Office should eliminate unnecessary expenses wherever possible and avoid implementation of regulations that

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<sup>3</sup> As discussed below, data-driven techniques may be used to investigate the regulatory factors that influence other types of performance goals, such as patent quality, expense, burden to applicants and/or examiners, etc.

<sup>4</sup> The potential for trouble in singling out particular technologies is illustrated by the overly broad definition of “business method patents” in the current versions of the Senate and House patent reform bills, which will sweep in ecommerce patents and others, and if implemented the unintended consequence is that a great many non-“business method” patents will be targeted for reexamination.

<sup>5</sup> Of course, given finite USPTO resources, it is unreasonable to expect that every result reached on reexamination could have been achieved during original prosecution. Nevertheless, useful insights might result from investigating the possible reasons that particular references were not located or fully considered during original prosecution.

require extraordinary expenses by applicants with results that do not reasonably further important goals of the system.

An important corollary to the goal of minimizing expenses is the goal of maximizing efficient use of resources. We recognize that the Office currently lacks absolute fee-setting authority. However, the Office can and should ensure that it extracts the maximum value (in terms of other goals, such as pendency and quality) from the fees it receives.

*Example: RCE practice.* As noted in Section A above, under current practice, an after-final amendment that places an application in condition for allowance often will not be entered until an applicant files an RCE, increasing applicant costs (as well as pendency). Although the fee associated with an RCE is intended to account for the expenses of continued examination, in these instances, such expenses are nominal. The USPTO should investigate whether RCE practice could be improved to reduce applicant costs while preserving performance goals.

#### D. Minimizing Burden on Applicants and USPTO

Many aspects of regulatory compliance create burdens for stakeholders that may not be easily quantified, but nevertheless represent significant costs. When considering whether and how to reform its regulations, in addition to focusing on directly measurable expenses, the USPTO should query as to whether the burdens of existing rules are justified by their benefits, and should endeavor to minimize the compliance burdens created by new initiatives.

*Example 1: Rule 56 compliance.* Under current practice, satisfying the Rule 56 duty of disclosure with respect to related applications requires that applicants monitor the prosecution of each such application and separately submit Office Actions and cited references from one application in each related application. This creates a significant compliance burden for applicants,<sup>6</sup> especially in view of the fact that the USPTO already possesses the documents being cross-submitted, and could internally cross-cite these documents among related applications much more efficiently than applicants. If an applicant makes a mistake and fails to submit an Office Action or reference, s/he will be open to accusations of inequitable conduct in any enforcement action. The Office should evaluate Rule 56 and its related rules to ascertain whether the policy objectives of the duty of disclosure can be satisfied through less burdensome and penalizing means.

*Example 2: Data-driven rule selection.* The data-driven analysis discussed in previous sections may also be employed to identify rules that create burdens that are not commensurate with their benefits. For example, those rules that are most often the subject of petitions to resolve their meaning or application are de facto disproportionately burdensome on the Office and on applicants, consuming resources, time and costs. The Office should systematically analyze trends of issues raised in petition practice to determine whether such issues signal opportunities to decrease both applicant and USPTO burdens.

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<sup>6</sup> In addition to the compliance burden described here, Rule 56 compliance can also increase pendency and applicant costs, for example when an applicant must file an RCE in an allowed application in order to submit documents from a related application (a circumstance that, practically speaking, only rarely results in a new Office Action).

## E. Optimal use of Information Technology (IT)

Many private-sector businesses have made extensive use of IT to improve their internal operations, increase productivity, and enhance organizational capabilities. When properly applied in the context of public agencies, IT resources may facilitate both (1) the identification of regulatory issues that merit reform and (2) the implementation of solutions to such issues. Because the role of IT arguably cuts across every significant regulatory goal and process of an agency, we urge the USPTO – as the federal agency charged with promoting innovation – to assume and increase its leadership role among agencies in exploring the application of IT to the identification and implementation of regulatory reforms. In particular, we urge the USPTO to leverage the expertise of its customers, many of whom have substantial expertise in deploying IT solutions as well as a vested interest in the quality of the USPTO’s performance.

*Example 1: Information portals to facilitate practitioner feedback.* As mentioned above, one basis for identifying rules and policies for review and possible reform is practice-driven inquiry based on the experiences of agency customers. Although the USPTO regularly surveys practitioners, there exists no single procedure or point of contact through which practitioners may, on their own initiative: (1) identify areas of concern to the USPTO; (2) observe concerns raised by others; or (3) engage in dialogue with the USPTO to better define issues and/or propose solutions. Although some or all of these may be possible for individual practitioners who develop their own USPTO contacts, we urge the USPTO to explore IT solutions (such as web-based collaboration solutions) that help ensure that the USPTO benefits from the feedback of a broad sampling of practitioners.

*Example 2: Data mining for monitoring and control.* Because of the USPTO’s rule that agency business be transacted in writing,<sup>7</sup> practically every aspect of the USPTO’s application-related operations is memorialized in a data record (such as an Image File Wrapper (IFW) record or its associated metadata). This represents an opportunity. As suggested above, specific aspects of such data (such as petitions and related decisions) could be made the subject of data-driven inquiries to identify regulatory issues that merit reform. The Office should also explore how it might more broadly extract knowledge from the data it generates (e.g., in the form of statistics, pattern detection or other types of analysis). In particular, the USPTO should explore how other enterprises have employed data mining to develop insight into their operations. The USPTO should further explore whether capturing additional or different operating data, or using different systems or techniques for capturing such data, would facilitate the extraction of useful conclusions from such data.

## F. Transparency of Processes

We appreciate and applaud the Office’s solicitation of public input regarding how it should approach the broad question of regulatory reform. In order for public input to be as constructive and topical as possible, we believe that the public should be provided with visibility into:

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<sup>7</sup> 37 C.F.R. § 1.2.

- (1) the Office’s substantive rules and internal policies relating to the application processes, including for example examiner guidance on all types of restriction requirements, rejections, allowances, etc.; and
- (2) the internal processes and policies that the Office employs to
  - (a) implement and monitor its operations, and
  - (b) identify regulatory initiatives and formulate rules and policies.

For example, in response to public comment highlighting a problem and a possible solution, the Office occasionally states that it is actively working to address the problem, but does not necessarily provide details regarding its efforts.<sup>8</sup> In fact, it may be that many of the above suggestions have already been undertaken within the Office; but there is no comprehensive way for practitioners to determine this, *e.g.* by searching for ongoing USPTO projects and their status.

Without a reasonable understanding of how (or whether) the USPTO is addressing an issue, it is difficult for the public to provide relevant input. Moreover, if the public’s visibility into the USPTO’s activities is limited, the USPTO’s opportunity to benefit from the public’s insights is correspondingly limited; in the worst case, creative solutions to problems that the public might otherwise have provided might instead go undiscovered or be presented too late in the decision-making process to be useful.

We do not mean to suggest that the Office deliberately obscures its activities from public view. On the contrary, the Office has shown a great degree of transparency and willingness to work with the public. However, we believe that a proactive effort to “push” more information out publicly more would improve the extent and quality of that transparency. Accordingly, we urge the Office to consider how to present greater detail regarding its internal policies and processes to the public (including for example on-line searchable documentation), as well as continuing to seek opportunities to engage in public dialogue regarding its policies and processes.

*Example 1: Examiner productivity tracking and incentive systems.* Most practitioners are generally aware that examiner productivity is measured through a “count system.” However, the details of how this system operates and how it is linked to examiner performance evaluation are not well known, and not easy discern using on-line searching. This lack of transparency makes it difficult for applicants to be assured that examiner incentives are properly aligned with the fundamental goal of providing appropriate patent protection for new inventions, as well as with the USPTO’s performance goals. Because examiners are the gatekeepers of the USPTO’s productivity, properly structured incentives are critical to the USPTO’s operational success and it is important that the public be aware of how those incentives work. Accordingly, the Office should provide the public with full detail regarding its systems for monitoring and rewarding examiner productivity.<sup>9</sup>

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<sup>8</sup> See, *e.g.*, “Changes to Implement the Prioritized Examination Track (Track I) of the Enhanced Examination Timing Control Procedures,” 76 F.R. 18399, 18404 (Apr. 4, 2011) (responding to a comment suggesting that Track I be available to reissue applications by recognizing the need to “better track and monitor the various types of special applications” and stating that such improvements were under way).

<sup>9</sup> Similar points can be made with respect to other aspects of examining corps operations, such as examiner training and oversight.

*Example 2: Early public input in rulemaking and policy drafting.* Often, the first public indication that the USPTO is preparing to implement new rules or policies is the publication of a notice in the Federal Register that accompanies a detailed rules package or policy proposal. Other public comments submitted in response to the present Request have pointed out that there is often less than two months to reply to such a Federal Register notice (indeed, that is the case with the present Request), which often does not provide sufficient time for members of the public to prepare thorough comments. Also, by this stage in the regulatory process, many important policy-shaping issues will have already been decided, before any public input has been invited or received.

The Office has shown considerable willingness to engage in public dialogue through the use of informal roundtable meetings and “town hall” meetings. We believe that providing a more formal opportunity for substantive public input earlier in the regulatory process would allow the public to participate not just in refining specific regulatory proposals, but also in setting regulatory priorities, to the benefit of the U.S. patent system. We urge the USPTO to explore avenues to facilitate such early public input.

### **Conclusion**

In summary, we believe that as the Office considers how to select its significant regulations for review and how to determine which issues require new regulations and policies altogether, it should keep in mind the goals of the patent system, the challenges facing that system, the strong shared public interest in continually improving the system, and the crucial importance of the U.S. patent system to productivity, innovation and the strength of our economy.

As always, Intellectual Ventures appreciates the opportunity to comment, and we look forward to continued public participation in any subsequent regulatory reviews relating to the Request.

Respectfully submitted,  
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