

**Testimony of William F. Smith Before the House \_\_\_\_\_ Committees Regarding  
Patent Examiner’s Telework Program and the Need to Modernize Compact  
Prosecution and the Patent Examiner’s Count System<sup>1</sup>**

**INTRODUCTION**

My testimony is based upon my over 33 year career at the U.S. Patent and Trademark Office (“PTO”) and my subsequent nine years in private practice as a patent attorney. I am aware of the recent allegations of patent examiners abusing the current telework program. As developed below, I believe we should take this opportunity to evaluate and strengthen this valuable program to avoid future abuses and to make it as robust as possible. In so doing, I will explain that, while not condoning abuse, the historic and current “compact prosecution” patent examination system and the manner in which patent examiners productivity is measured create an atmosphere which can foster and present the opportunity for patent examiners to inadvertently or purposely abuse the system. In addition, I will set forth constructive suggestions on how the telework program can be strengthened as well as to how the historic compact prosecution system and examiner count system urgently needs to be modernized. Modernization of compact prosecution and the examiner’s count system will significantly increase patent quality and lessen pendency.

**PERSONAL BACKGROUND**

I joined the then-Patent Office in September of 1972 fresh out of engineering school. I progressed through the ranks and achieved the rank of Primary Examiner in 1972. Prior to becoming a Primary Examiner, I was awarded a Master’s Level Ranking in the art area for which I was principally responsible—Papermaking. Subsequent to becoming a Primary Examiner, I achieved a Generalist Rating which is indicative of being able to capably examine patent applications in diverse art areas.

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<sup>1</sup> Mr. Smith is Of Counsel for Baker & Hostetler, LLP. The views presented herein are those of Mr. Smith and are not to be attributed to the firm or to the firm’s or his clients.

I was appointed as an Administrative Patent Judge (“APJ”) on the now Patent Trial and Appeal Board. I served in that position until my retirement from the PTO in December 2005. Upon retirement, I transitioned my career to the private sector, first joining Clements Bernard, an IP boutique in Charlotte NC, and then Woodcock Washburn LLP, another IP boutique, which merged into Baker Hostetler on January 1, 2014, where I am now employed.

During my service in the private sector, I have prosecuted many patent applications and interacted with many patent examiners. I have many friends from my days at the PTO that I keep in touch with and keep up to date on issues that involve the patent examining system and patent examiners. I am also active in AIPLA and IPO and have served as Vice Chair of the IPO U.S. Patent Office Practice Committee since 2009. I give CLE presentations to various IP associations and bar groups around the country and interact with the attendees to find out how satisfied they are with current state of the patent examination system.

I lived in South Carolina my last year of service as an APJ and telecommuted to the PTO Alexandria Campus at my own expense. The telework plan I was under required me to be physically in my Alexandria office 16 hours a week. Subsequently, I have been a teleworker at each of the law firms for which I have worked.

I believe my work and telework experience inside and outside the PTO provide me with a relevant background to testify regarding today’s issues.

### **HISTORIC PTO WORK SCHEDULES<sup>2</sup>**

Like most federal employees, the patent examiners’ work schedule involves the two week pay period or bi-week. Each patent examiner is expected to be working for 80 hours each

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<sup>2</sup> This and the following sections on compact prosecution, the patent examiners’ count system and supervisory review of patent examiners’ work product are meant to be a high level view to provide a background for the subsequent discussion of the issues at hand.

bi-week and during the bi-week fills in a time and attendance report to account for activities performed each day and/or being on approved leave status. When I joined the PTO in September 1972, the patent examiners worked an 8.5 hour day from 8:30 am-5:00 pm, Monday-Friday with 40 hours worked in each week of the bi-week. When paid overtime was authorized, patent examiners could work on Saturdays. There were no sign in sheets for attesting to the hours worked each day.

The PTO initiated "flex time" in the 1980's which allowed the patent examiners to work alternative work schedules. The work day hours were expanded to 6:30 am-6:00 pm. In time, patent examiners could sign up for work schedules that allowed them to work more than eight hours a day with the extra hours being credited to a flex day(s) off in the same bi-week. Sign in sheets were placed in the reception area of each Technology Center where the patent examiners were expected to attest to their work hours by signing in and out on an honor system.

Flex time turned into a telework program where patent examiners were authorized to work from home for at least a portion of the 80 hour bi-week. As the PTO hired large numbers of patent examiners in the last decade, space in the Alexandria campus became limited. Thus it behooved PTO management to implement a more robust telework program to relieve the strain on space. As understood, the telework program started out as a hoteling program where the patent examiners could work some hours at home but were required to be at the Alexandria headquarters for a defined number of hours. In time, the requirement to be at the Alexandria headquarters was removed and the patent examiners were allowed to move to any location in this country with no requirement to be at the Alexandria campus or any of the new regional offices for any specific time period.

## COMPACT PROSECUTION

The U.S. patent examination system has been operating under the tenets of “compact prosecution” for over 40 years. Prior to the advent of compact prosecution, the productivity of patent examiners was measured by the number of office actions they mailed each bi-week without regard to how substantive the underlying work product was. Thus, a patent examiner could be perceived as being “productive” by issuing meaningless office actions that kept the case moving in a non-substantive manner. That system measurably increased the pendency of patent applications as it could be months or years after a patent application was first taken up for action before a serious conversation between the patent examiner and applicant occurred.

Compact prosecution was introduced in the late 1960’s-early 1970’s. The main tenet of compact prosecution is that, after the first exchange of a rejection from the patent examiner and response from applicant, if the case is not allowed, the second office action will normally be made final. Applicant’s response to a final rejection is not entered as a matter of right and is entirely within the discretion of the patent examiner. Prior to the introduction of the Request for Continued Examination (“RCE”)<sup>3</sup> program in 1999, applicant’s options upon receiving a final rejection were to file a notice of appeal of appeal, final abandonment of the application or resume prosecution by filing a continuation or divisional application with the subsequent abandonment of the first application. Importantly, each continuing or divisional application received a new application number and counted as separate new application for certain statistical purposes including measuring patent examiner productivity. Thus, the PTO’s bookkeeping was nice and tidy in that the agency could document pendency per application and once the tenets of compact prosecution kicked in, the PTO could correctly proclaim that pendency per application had been reduced. However, missing from the PTO’s analysis was

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<sup>3</sup> An applicant files an RCE simply by filing a request therefore with the appropriate fee in a patent application. In essence, applicant is paying to reopen prosecution, i.e., remove the finality of the previous rejection so that prosecution can be resumed in the same application.

the understanding that compact prosecution did not necessarily reduce the time it took for the patent examiner to resolve the patentability of the claims under review, only that the examination process was now spread over many individual cases of shorter duration instead of a single application that had a long pendency. This was the beginning of the patent examiner's duties being viewed as piece work instead of a continuous conversation with applicant to find patentable subject matter.

Compact prosecution did not change when RCEs came into inception in 1999 in that the second office action was still expected to be a final rejection, thus interrupting the flow of the case, despite the new program that allowed "continued prosecution." However, the PTO did have to change the patent examiner count system to take into account that the patent application was not actually abandoned when an RCE was filed, just that the RCE reopened prosecution in the same application. RCEs were initially docketed as an amended case, as in fact they are, which meant the case had to be picked up for renewed consideration by the patent examiner within two months of filing.

### **THE PATENT EXAMINER COUNT SYSTEM**

With the advent of compact prosecution, the examiner's productivity metrics were changed. Each patent examiner was assigned a "balanced disposal" time goal, termed hours per balanced disposal. Balanced disposals in a given time period were determined by adding the number of new patent applications initially examined on the merits by the examiner with the number of cases disposed of by way of an allowance or abandonment of a patent application or the writing of an Examiner's Answer in a case that was appealed during the relevant time period and dividing the sum by 2. The time aspect of the goal was determined in the late 1960s and early 1970s and is meant to represent the average amount of time the patent examiner is

expected to spend from the time the case is first taken up for review to its final conclusion of allowance, abandonment or appeal.<sup>4</sup>

A patent examiner's productivity for a bi-week is determined by first determining how many hours in the bi-week were spent on examining activities as opposed to non-examining activities like time spent in training or on approved leave, then dividing the number of examining hours by the number of balanced disposals credited to the patent examiner during the bi-week.

As an example, assume a patent examiner's productivity metric is 12.0 hours per balanced disposal. If that patent examiner has 72 examining hours in a given bi-week, he or she would need to be credited with 12 counts, i.e., a combination of 12 first office actions on the merits, allowances, abandonments and/or examiner's answers. Dividing the 12 counts by 2 gives a productivity of 6 balanced disposals in that bi-week which when divided into the 72 hours of examining time gives 12.0 hours per balanced disposal.

Of course patent applications are not fungible, some are harder to understand and examine and patent examiners will spend examining time on applications for activities during the bi-week that do not result in a count. These vagaries are allegedly captured in the hours per balanced disposal metric.

#### **SUPERVISORY REVIEW OF THE QUALITY OF THE PATENT EXAMINERS' WORK PRODUCT<sup>5</sup>**

A primary examiner is authorized to issue each office action and allow patent claims solely on his or her signature. In the normal course of business, the work product of a primary examiner is not significantly reviewed in real time. However, that work product may be reviewed

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<sup>4</sup> The average time spent on an application metric has not proportionately increased with the increase in the complexity of many technologies and the additional duties patent examiners have been required to assume over the decades.

<sup>5</sup> This section discusses only the day to day manner in which a patent examiner's work product is reviewed and does not discuss the various in-house quality review programs the PTO has in place.

in a delayed manner by way of an appeal to the PTAB or if a patent applicant files a petition to have an office action reviewed on procedural grounds. Thus, a primary examiner can work in isolation without input from peers or supervisors as to the quality of their work product for significant stretches of time.

A non-primary examiner on the other hand must have each office action reviewed and signed by either a primary examiner or supervisor. As the non-primary examiner progresses through the ranks, their work product is expected to improve and, thus, is subject to less review by the signing superior.

As discussed above, each patent examiner's productivity metric is measured and reported on a bi-weekly, quarterly and fiscal year basis. However, a patent examiner may not produce their office actions evenly over a bi-week or quarter. This can happen due to the luck of the draw of the difficulty in the cases drawn during that time period or a lack of effort during the early part of the bi-week or quarter. This unevenness can result in an "end loading" problem in that, for non-primary examiners, they may hand in a large number of office actions for review and signature at the end of the bi-week or quarter. Over time, the concept of "Count Monday" was created.<sup>67</sup> As the emphasis increased on patent examiners to meet their productivity goals each bi-week, the PTO and the patent examiners' union, Patent Office Professionals Association ("POPA"), agreed that supervisor's will review all office actions handed in by non-primary patent examiners in a given bi-week by a time certain on the first Monday of the following bi-week. Thus, if patent examiners turn in work late in a bi-week, especially on the last weekend of a bi-week, a supervisor may have a large number of office actions needing to be reviewed and approved on Count Monday. In considering the effects of Count Monday, it must

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<sup>6</sup> A recent discussion of Count Monday appears at the POPA web site at <http://popa.org/2507/>.

<sup>7</sup> Primary examiners must also have their office actions in by the appointed time on Count Monday. Thus, those primary examiners who procrastinate and are also end loaders exacerbate the problems that the PTO systems have with processing office actions on Count Monday.

be kept in mind that the supervisor's own performance rating depends in large part on each assigned patent examiner meeting their individual productivity quotas and that they are reviewing the proposed office actions electronically without a complete paper file available. Thus, there may be a built in bias for the supervisor to allow suspect work products to go forward as it benefits themselves and their patent examiners.

POPA saw need last year to caution patent examiners about "Work Credit [Count] abuse."<sup>8</sup> Even POPA recognized that office actions are issued that are not complete, either by intention to defraud the system by receiving count credit for purposely incomplete office actions, or through a poor quality examination. In my experience, which is consistent with the feedback I receive from practitioners over the last eight years, there are too many initial office actions being issued that are incomplete and lack credibility. An incomplete initial office action sets the whole prosecution timeframe off as it typically needs 1-2 RCEs to put the case in a posture where it should have been from the beginning. Applicants have no meaningful way to obtain an independent review on the merits of egregious cases during the examination process. This poor quality initial examination has resulted in the large number of RCEs being filed and *ex parte* appeals pending at the PTAB.<sup>9</sup>

### **RCEs**

Compact prosecution could have, but did not, significantly change when RCEs came into being in 1999. However, as mentioned, the PTO had to change the patent examiner count system to take into account that the patent application was not actually abandoned, just that the RCE served to reopen prosecution in the same application. The PTO and POPA agreed to modify the existing system where the patent examiners were awarded a phantom abandonment

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<sup>8</sup> <http://popa.org/2165/>

<sup>9</sup> As of September 30, 2014, 25,506 *ex parte* appeals were pending at the PTAB, up from around 1,000 pending appeals circa December 2005.



count whenever an RCE was filed even though the underlying case was not, in fact, abandoned and RCEs were initially docketed as an amended case, as in fact they are. This created a system where the case had to be picked up for renewed consideration by the patent examiners within two months of filing.

That changed however under Director David Kappos who came into office with a mandate to reduce the unexamined case backlog. In an agreement with POPA, the PTO changed the count system so that a first office action in an RCE received less than a full count credit in order to incentivize patent examiners to take unexamined new cases from the back log up for action instead of renewing examination in RCEs. In addition, the agreement changed the manner in which RCEs are docketed to patent examiners. Instead of being docketed as amended cases which meant the patent examiner had to take it back up for action in two months, RCEs were docketed as special new cases which meant the patent examiners only had to take one up for action every 1-2 months.

The consequences of these changes were dramatic. The unexamined new case backlog decreased as intended, but the backlog of unexamined RCEs mushroomed, reaching over 111,000 pending RCEs in early 2013 with an attendant delay of patent examiners taking RCEs up for action, which in some cases stretched into 2-3 years. In response to the criticism received for causing the large backlog of RCEs and the delay in taking them back up for action, the PTO recently re-incentivized patent examiners to take up for action more RCEs than their performance plan would require. As a result, the backlog of RCEs has dropped to just over 40,000 as of September 2014.<sup>10</sup>

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<sup>10</sup> The PTO has a finite capacity under the present management systems to be “productive.” One need only to ascertain the total number of counts the present Examining Corps, currently over 8,000 patent examiners, is expected to produce each year. Picture that number as an inflated balloon. When one redirects the patent examiners’ work efforts to decrease one aspect of the balloon, the balloon will necessarily bulge outwards in a different area as the total volume of the balloon was not expanded.

## DISCUSSION

The alleged time and attendance fraud allegations under current discussion are not surprising as this has historically been an issue with some patent examiners. Having said that, the vast majority of patent examiners I knew and worked with were honest with their timekeeping and I believe that to be the case today. However, if a patent examiner wants to work the system, the historic and current compact prosecution and patent examiner count systems are rife with opportunities for them to take advantage.

When you measure an employee's productivity solely by a quota system, you are telling too many employees how *little* work they have to do. If someone is expected to produce 12 widgets in an 80 hour bi-week and through the luck of the draw they produce the twelve widgets in the first 60 hours of the bi-week, what are they expected to do with the other 20 hours of examining time? Some patent examiners work ahead knowing that the work to do in the next bi-week may be harder. Some patent examiners struggle to make their productivity quota and put in extra, off the books hours, in order to make their quota numbers. Others will work to the quota number and carefully tailor their productivity and counts to match the expected numbers of hours worked on examining activities that bi-week to meet their assigned quota regardless of whether they could have been more productive. Others, unfortunately believe that they accomplished what they are paid to do and can, in essence, take the rest of the time off.

These behaviors existed throughout my career at the PTO regardless of what work schedule was in place. In the rigid 8:30-5:00 regime, those patent examiners who wanted to abuse the system simply "disappeared" during work hours to do errands and other non-work activities or read at the office while waiting the clock out. There were those that ran personal businesses from the office during the day. During that era, some examiners would sign in for overtime on Saturday and disappear to take in the matinee at the local movie theater. It was

easier for patent examiners who wanted to abuse the system to do so during the flex time regime as they were not necessarily expected to physically be in the office at any given time.

Throughout my career at the PTO, supervisors have tended to look the other way when it came to time and attendance issues involving high producers since it was in their best interest accept the extra work production. Thus, there were those patent examiners who understood that if they sufficiently exceeded their production quota, the boss would not be looking for them during the day, nor, typically reviewing the quality of their work product closely.<sup>11</sup>

I am unaware of any specifics that underlie the current controversy. However, it is not surprising that the allegations exist since, because of the anachronistic management and time accounting systems that patent examiners continue to work under, there are those patent examiners that can appear on paper to be abusing the system when, in fact, they are not or there are those who are in fact abusing the system. The solution is not to dismantle the current PTO telework program but, rather, to modernize compact prosecution and the patent examiner count systems to create a more positive work atmosphere and allow for more efficient monitoring and management of the workforce.

The first significant change that must be made is to do away the current attitude that the main job of the patent examiners is to get their counts and that they are doing a good job simply because they are making their numbers. The fallacy of that attitude, i.e., "I have to get my counts," reduces the job of a patent examiner to a piece work, assembly line, position where they are paid to simply get a case to a final rejection so they can force applicant to file a RCE to get the second count and pick up the next case to get another count. In essence, anyone can make their numbers if they do not care on how well the work is done.

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<sup>11</sup> There was a saying during my tenure at the PTO that a patent examiner never got fired for doing bad quality work, as long as they did a lot of it.

In announcing the current DOC IG investigation to the patent examiners, POPA stated: “[w]hile we know that no wide-spread systemic telework and time abuse problems exist at the USPTO (our performance metrics for 2014 show us to be a very high-producing agency)....”<sup>12</sup> It is this attitude that, if we are making our numbers, we are necessarily doing a good job, that needs to change. How does one “know” that there is no wide-spread abuse simply by looking at the counts? Working to a number should not be the end all of a position as complex and difficult as being a patent examiner. Making a patentability determination of a pending patent claim requires a unique blend of legal and technical skills and should not be reduced to a number. The current management systems need to change from the current assembly line style where successful performance is measured in the main by how many counts a patent examiner posts, to one where bringing the case to a successful, ultimate conclusion is the goal and appropriately incentivized

The second significant change that must be made is to modernize compact prosecution to eliminate final rejections and the attendant after final practice that serves to interrupt the ordinary course of a complete examination of a patent application. The current system in which issuance of final rejections plays such a large part in order to achieve the quick counts that accrue when an applicant files a RCE only creates artificial stops in the patent examination system. This is so because applicants cannot have an additional amendment/evidence entered into the record after a final rejection is issued as a matter of right. Rather, it is solely within the discretion of the patent examiner whether an after final amendment/evidence will be entered.

A significant accomplishment of Director Kappos’ administration was to emphasize the use of applicant-patent examiner interviews. Such interviews have long been a staple of patent prosecution and generally advance prosecution as a direct exchange of ideas can be more productive than trading paper. As understood, patent examiners were authorized non-

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<sup>12</sup> <http://popa.org/2526/>

examining time<sup>13</sup> to prepare for and conduct interviews and the interview program has become more robust. A consequence of the current teleworking program is that many teleworking patent examiners are physically located such that an in-person applicant-patent examiner cannot be had. History informs that the most productive interviews are held in-person where each side can exchange papers, mark up documents and have a frank conversation in real time. While the PTO is implementing software for interactive web interviews, the fact remains that actual face time is important in moving cases forward in a positive direction. The current telework program frustrates in-person interviews as there is no requirement for telework in patent examiners to physically be at any PTO facility to participate in such an interview.

It is a common occurrence for an applicant to only fully understand a patent examiner's position once it is explained in a final or subsequent rejection. It is also common for an applicant-patent examiner interview to occur after the issuance of a final rejection where great progress can be reached and perhaps a tentative agreement is reached that additional claim amendments/evidence are needed to place the case in condition for allowance. The current system means that applicant will spend the resources to prepare an after final submission, knowing that in the vast majority of cases the patent examiner will not use their discretion to enter the submission into the record, thus necessitating the filing of an RCE.<sup>14</sup> It should be noted that patent examiners do not receive a count for the time spent in considering an after final submission.

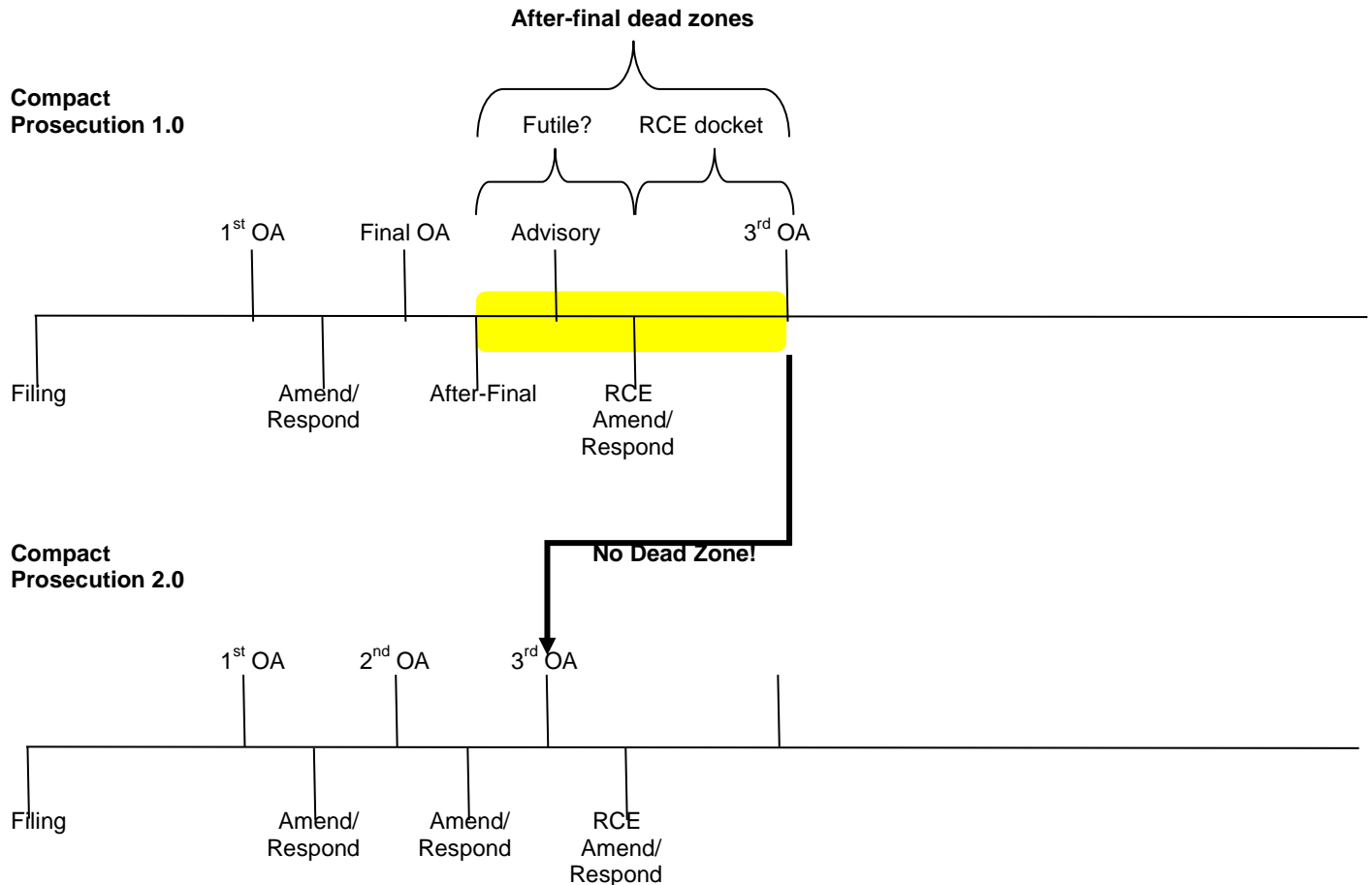
Meaningless after final submissions wastes applicant's resources as well as the PTO's as patent examiners must take the time to consider the submission and issue the paper, that in

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<sup>13</sup> Non-examining time can be simply seen as time in which a patent examiner is off the production clock.

<sup>14</sup> The PTO has begun a pilot program to incentivize patent examiners to consider more after final submissions by giving the patent examiners more time to do so. [http://www.uspto.gov/patents/init\\_events/afcp.jsp](http://www.uspto.gov/patents/init_events/afcp.jsp) It should be noted that this pilot program is also discretionary with the patent examiner as instituting it as a mandatory program would require management negotiating with POPA.

a significant number of cases, informs the applicant that the submission will not be entered and that an RCE must be filed for the patent examiner to consider the submission on the merits. The artificial “dead zones” the present system creates where no meaningful activity is ongoing in an application is illustrated in a paper I co-authored<sup>15</sup> as follows:



These two dead zones typically result in an initially examined application sitting idle for 2.5-19.5 months.

As illustrated, modernizing compact prosecution by eliminating final rejections and after final submissions, patent applications are before the patent examiner in a more continuous

<sup>15</sup> Smith *et al.*, “IN ORDER TO FORM A MORE PERFECT PATENT EXAMINATION SYSTEM—IT IS TIME TO UPDATE COMPACT PROSECUTION TO COMPACT PROSECUTION 2.0” available at <http://www.ipo.org/index.php/publications/member-articles-journal/member-article-journal-patent-section/>. Copy attached as Exhibit A. AIPLA and IPO each recently urged the PTO to modernize compact prosecution in their recent comments submitted in response to the PTO’s “Request for Comments on Optimum First Action and Total Patent Pendency,” Federal Register, Vol. 79, No. 131, July 9, 2014, pp. 38854-55. AIPLA’s submitted comments are attached as Exhibit B and IPO’s submitted comments are attached as Exhibit C.

manner. The time a patent application spends in a dead zone is wasted and contributes to longer overall pendency. It must be kept in mind that a number of applications go through more than one RCE and, thus, are subject to being placed a dead zone with each subsequent final rejection.

Thus, eliminating final rejections and the attendant after final practice will put life into the RCE program as each application will now receive “continuous” examination with no dead zones. As explained more fully in Exhibit A, this modernization can be easily implemented since the PTO can now set its own fees. It is imagined that the RCE fee will increase if prosecution is not brought to an early conclusion. Eliminating these dead zones will improve the overall pendency of a patent application by keeping it in active prosecution at all times. Patent quality will also expectedly increase since applicant and the patent examiner will be continually engaged in a conversation to find patentable subject.

A key to improving both pendency and quality by eliminating the dead zones is to have each response from applicant docketed to be picked up for review by the patent examiner within two months of filing. This is critical, especially after an applicant-patent examiner interview is held. The case should be available for immediate action to finalize any understandings reached during an interview and permit applicant to prepare and submit any needed amendment/evidence. Currently, a productive interview can be held, an RCE filed and the case is not taken up for action again by the patent examiner for months or years. The momentum achieved by way of the productive interview is lost.

## **SUGGESTIONS**

1. First, do no harm. The ongoing investigation should continue and any transgressors should be appropriately treated. However, the investigation must keep in mind the actual systems that patent examiners are working under and how reality may significantly differ from the story told from the reviewed records.
2. As needed, change the patent examiners’ timekeeping system to where examining time is tracked by individual application numbers and specific examining activities, e.g., searching, reviewing application, drafting office action etc. To the extent patent examiners are simply entering examining time without documenting which application was under review and which activities were performed, the system is rife for abuse as there is no record as to how the patent examiner was actually spending the time. By

changing the timekeeping system to one that tracks time by application number and activity, a more complete record will be created that will allow remote supervisors a more accurate glimpse of how a patent examiner is actually spending their time. Such a system will also provide management with a robust data set that can be mined to study and provide feedback as to how effective and efficient a patent examiner. For example, if a patent examiner's average search time per application is disproportionately more or less than their peers in the same art area, managers should investigate and determine whether that patent examiner is inadvertently or purposely cutting corners on the searching aspect of their job or wasting time by over searching or inefficiently using the search tools. The same considerations apply to how much time patent examiners take to write an office action. Such data will give managers a real time opportunity to see how the patent examiners are spending their examining time and provide corrective training as needed.

3. Reduce the emphasis of counts in determining a patent examiner's productivity. In a perfect world, the present count system would just disappear. However both management and POPA have too much invested in the status quo for that to be a reality. Management, POPA and stakeholders should work in concert to develop new productivity metrics that emphasize the ultimate conclusion of an examination through an efficient and effective, modernized compact prosecution system instead of merely reaching a final rejection. We must work to change the mindset that a successful patent examiner is one that merely makes his/her counts without regard to how well the underlying work product is. It is simply too easy for patent examiners to rush through incomplete office actions to achieve needed counts at the end of a bi-week, quarter and/or fiscal year. One metric that should be considered is the number of actions per ultimate disposal, not per RCE. Patent examiners should be invested and incentivized to reach the ultimate conclusion of each case by having a continuous conversation with applicant with no dead zones.
4. Modernize compact prosecution by eliminating final rejections, after final practice and the resulting dead zones to allow for a truly compact and efficient examination process. The original version of compact prosecution has become a parody where in too many cases it becomes a race to a final rejection and the concomitant RCE instead of a focused proceeding to find patentable subject matter in an efficient and effective manner.



5. Improve teleworking by having patent examiners live within commuting distance of the Alexandria campus or one of the regional offices and have a flexible requirement that they be in a physical office for a defined number of hours per bi-week. As a successful teleworker I can attest to the importance of maintaining a physical presence in an office. When I telecommuted from SC to the Alexandria headquarters in 2004-05, I found people waiting to see me at my office. In private practice, I travel significantly to our various offices as well to those of clients. Patent examiner's need not have a travel schedule but they must be made available to applicants so that we can more readily have in person interviews. Implementation of this suggestion will add to robustness of the new regional offices and make them more useful to applicants.

Further, being in an office will make all patent examiners available for in-person training, mentoring and collaboration. I know that the in-person exchange of views can be more efficient than a telephone conversation. Patent examiners need to collaborate more, not less, in their work to insure that each office action is as complete and meaningful as possible.

6. Teleworking, pendency and quality will all improve if the PTO allows for increased management involvement on the merits of a case if cases drag on. As set forth in our paper, long pending cases are already to be treated special and involve supervisory input. But this rule is observed mainly in the breach. By having manager/supervisors become involved on the merits as a conferee in appropriate cases sooner rather than later, an informed discussion can be had by applicant, patent examiner and the conferee that should put the case on track for an earlier resolution than if the conferee did not participate. No one person has a monopoly on good ideas and it is easy for applicant and/or the patent examiner to become locked in to one's beliefs and not clearly understand the other's true position. Appropriate management intervention will provide real time feedback as to how a patent examiner's is actually functioning and allow for additional training as needed. Such intervention will also aid applicant in understanding the true strength of their position and foster an understanding of where a compromise may be needed. This action is especially needed for primary examiners. As set forth above, the work product of a primary examiner is not reviewed to any degree in real time and too often a recalcitrant primary examiner will cause a needless RCE or appeal. Given the vast changes in law and technology over at least the last decade, it is naïve to

think that most primary examiners can be up to date on either to the extent needed to efficiently bring prosecution to a close.

In other words, events have overtaken all of the assumptions made when compact prosecution was implemented in the late 1960s-early 1970s. The world of patent examining is so very different and infinitely more complex now than then, yet the PTO and POPA keep nipping and tucking at an anachronistic system instead of taking an objective step back and understand that a significant overhaul is needed.

### **CONCLUSION**

I sincerely hope that the ongoing investigation will not uncover widespread cheating by patent examiners. To the extent that such cheating is uncovered, the offenders should be subject to appropriate discipline. The Patent Examiner Telework Program is a valuable part of the PTO. As understood, the current agreement, in essence, has made the program an entitlement, not a right. By having patent examiners located within distance of the Alexandria campus or one of the regional offices, management can suspend the privilege as warranted if a patent examiner's performance is not what it should be. Regardless of the outcome of the investigation, the DOC IG should also study the anachronistic examiner count and compact prosecution system as well as the degree of how patent examiner's time is accounted for, as it is believed that there is ample room for improvement in all of these systems that will not only reduce the possibility of cheating in the future but move the patent examination system into the 21<sup>st</sup> century and reduce overall pendency and improve quality.

As mentioned, both PTO management and POPA have much invested in maintaining the status quo. Hopefully, this hearing will provide the message and impetus that PTO management and POPA have to enter into a meaningful conversation that includes the stakeholders with both sides committed to changing the systems in the significant ways needed in order to provide a modern efficient and effective patent examination system.

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## SUMMARY OF EXPERIENCE

Prior to entering private practice, I served for over thirty-three years in the United States Patent and Trademark Office (USPTO) making patentability determinations. The last nineteen years of service in the USPTO was as an Administrative Patent Judge (APJ) on the now Patent Trial and Appeal Board. Previous experience in the USPTO included serving as a Special Program Examiner in the Office of Assistant Commissioner for Patents and as a Patent Examiner.

## PATENT EXPERIENCE

BAKER HOSTETTLER

September 2007-Present

Of Counsel

As Of Counsel at Baker Hostetler<sup>1</sup>, I advise the firm's clients in regard to issues arising in difficult prosecutions and appeals in patent applications, reissues and reexamination proceedings as well as in contested cases. I am also asked to prepare opinions in regard to patentability, validity and infringement as well as to consult on patentability, claim construction and inequitable conduct issues arising in patent litigations. I have served as a neutral third party adjudicator in a patent interference and have been appointed as a Special Master for claim construction purposes.

CLEMENTS BERNARD

December 2005-September 2007

Of Counsel

I assisted in prosecuting U.S. and foreign patent applications and advised clients on patentability and infringement issues. I also consulted on patentability, claim construction and inequitable conduct issues arising in patent litigations.

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<sup>1</sup> Woodcock Washburn LLP merged into Baker Hostetler on January 1, 2014.

ADMINISTRATIVE PATENT JUDGE

May 1986-December 2005

Patent Trial and Appeal Board

My duties and achievements included:

- Served on merits panels of the Board making decisions on ex parte appeals involving original and reissue applications and reexamination proceedings as well as patentability and priority issues in interferences, primarily in the biotechnology and chemical arts. Prepared written opinions applying the law to the facts of each case reflecting the decision and views of at least a majority of the designated panel Board members. Those decisions constituted final agency action and were reviewable only by the Court of Appeals for the Federal Circuit (35 U.S.C. § 141) or by a U.S. District Court (35 U.S.C. §§ 145 and 146).
- Received a Special Act Award for developing and implementing the Biotechnology team at the Board. Created innovative systems for processing biotechnology appeals including those to be heard and to be decided on brief to facilitate decisions on the merits. As a result, the Biotechnology division was able to reduce and maintain its inventory of ex parte appeals from over three years to less than six months.
- Mentored and trained patent examiners and managers as well as other interns and externs who have served at the Board. Also mentored newly appointed APJs as they assumed their duties at the Board.
- Developed and implemented outreach training programs to assist the Patents operation in preparing better cases on appeal.
- Assisted in revising the rules governing Board proceedings, 37 CFR § 41. et seq. (2004).
- Developed and taught courses such as “Legal Analysis in Making Patentability Determinations” at the Patent Academy.
- Frequent speaker at AIPLA and IPO conferences and bar meetings on practice and procedure before the Board and PTO.

SPECIAL PROGRAM EXAMINER

September 1985-May 1986

Office of the Assistant Commissioner for Patents

- Determined issues arising under the duty of disclosure provisions of 37 CFR § 1.56.
- Decided petitions.
- Special projects such as conducting briefings on legal topics for visiting dignitaries.

## Resume of William F. Smith

### PATENT EXAMINER

September 1972-September 1985

Then existing Examining Group 130, Art Unit 133

- Made patentability determinations in original and reissue applications and in reexamination proceedings. As Primary Examiner (1979-1985), I signed all official actions.
- Received Master's Level rating in the field of Papermaking and a Generalist's rating denoting ability to examine applications in wide ranging technical fields.
- Awards included the Department of Commerce Bronze Medal.

### EDUCATION

UNIVERSITY OF BALTIMORE SCHOOL OF LAW, J.D. 1976

GEORGIA INSTITUTE OF TECHNOLOGY, BChE 1972

### PUBLICATIONS

"The Times Are Changing at The Board of Patent Appeals and Interferences," *The Legal Intelligencer*, October 15, 2008

Co-author of course materials and co-presenter of Patent Resources Group "When, Why and How to Effectively Appeal to the USPTO Board of Patent Appeals and Interferences" course

Co-author of "Guide To Inter Partes Review," published on IP 360 on August 10, 2012, [http://www.law360.com/ip/articles/365324?nl\\_pk=f9ec904d-8061-4fb1-b81e-a0e71e97742c&utm\\_source=newsletter&utm\\_medium=email&utm\\_campaign=ip](http://www.law360.com/ip/articles/365324?nl_pk=f9ec904d-8061-4fb1-b81e-a0e71e97742c&utm_source=newsletter&utm_medium=email&utm_campaign=ip)

Co-author of "In Order To Form A More Perfect Patent Examination System—It Is Time To Update Compact Prosecution to Compact Prosecution 2.0," posted September 24, 2013 on the IPO Law Journal-Patent Section web page

### PROFESSIONAL AFFILIATIONS

Member: Virginia State Bar, AIPLA, IPO (Vice Chair of Patent Office Practice Committee, 2009-present)

Registered to practice before the USPTO

EXPERT REPORTS AND DECLARATIONS

MAX-PLANCK-GESELLSCHAFT ZUR FÖRDERUNG DER WISSENSCHAFTEN E.V.; MAX-PLANCK-INNOVATION GMBH; and ALNYLAM PHARMACEUTICALS, INC., v. WHITEHEAD INSTITUTE FOR BIOMEDICAL RESEARCH; MASSACHUSETTS INSTITUTE OF TECHNOLOGY; and BOARD OF TRUSTEES OF THE UNIVERSITY OF MASSACHUSETTS, U.S. District Court For The District Of Massachusetts, (Civil Action No. 2009-11116-PBS) (On behalf of Max Planck and Alnylam)

FRESENIUS MEDICAL CARE HOLDINGS, INC.; and FRESENIUS USA, INC., v. BAXTER INTERNATIONAL, INC., and BAXTER HEALTHCARE CORPORATION, U.S. District Court; Northern District Of California, (Oakland Division) (Case No. C 03-01431 SBA (EDL)) (On behalf of Fresenius Medical and Fresenius USA)

MAX-PLANCK-GESELLSCHAFT ZUR FÖRDERUNG DER WISSENSCHAFTEN E.V., v. WOLF GREENFIELD & SACKS, PC, U.S. District Court For The District Of Massachusetts, (Civil Action No. 2009-11168-PBS) (On behalf of Max Planck)

SUNOVION PHARMACEUTICALS INC., v. TEVA PHARMACEUTICALS USA, INC., et al., U. S. District Court; District Of New Jersey, (Civil Action No. 09-1302 (DMC)(MF)) (On behalf of Sunovion Pharmaceuticals, Inc.)

GREEN CROSS CORPORATION v. NEKTAR THERAPEUTICS, U. S. District Court; District Of Delaware, (Civil Action No. 09-160) (JAP)) (On behalf of Nektar Therapeutics)

ASTRAZENECA UK LIMITED, IPR PHARMACEUTICALS INC., and SHIONOGI SEIYAKU KABUSHIKI KAISHA, v. WATSON LABORATORIES, INC. (NV), and EGIS PHARMACEUTICALS, PLC, U.S. District Court Of Delaware (Civ. No. 10-915-LPS) (On behalf of AstraZeneca UK Limited et al.)



**IN ORDER TO FORM A MORE PERFECT PATENT EXAMINATION SYSTEM—IT IS TIME TO UPDATE  
COMPACT PROSECUTION TO COMPACT PROSECUTION 2.0**

**Authors:**

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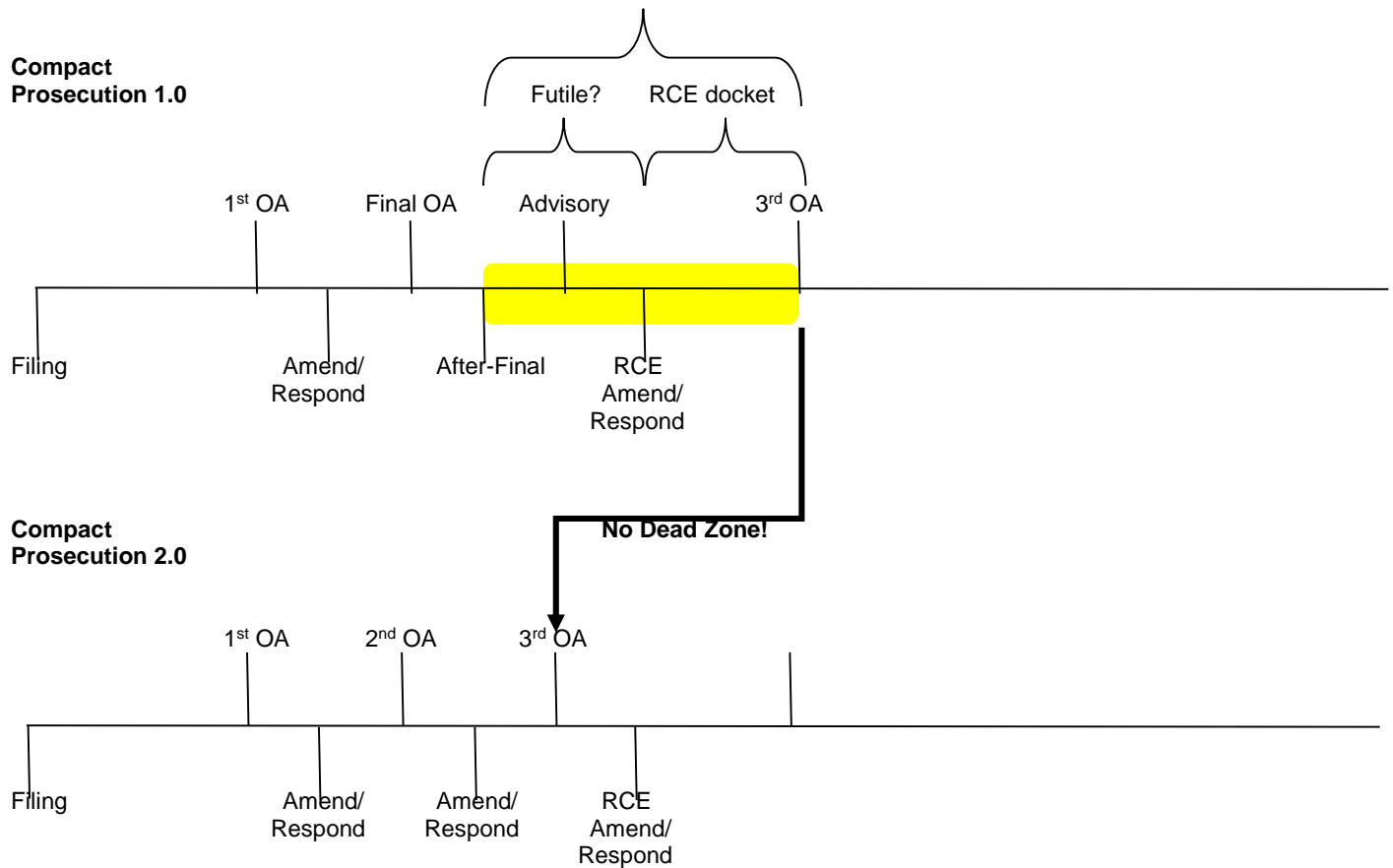
This paper was created by the authors for the Intellectual Property Owners Association U.S. Patent Office Practice Committee to provide background to IPO members. It should not be construed as providing legal advice or as representing the views of IPO.

Views expressed herein are those of the authors and are not to be attributed to their clients, their firms or their firms' clients.

**I. Overview**

The U.S. patent examination system has been operating under the tenets of “compact prosecution” (“Compact Prosecution 1.0”) for over 40 years. During this time the backlog of unexamined patent applications has exploded which is now exacerbated by large inventories of work in progress -- RCEs waiting for action and *ex parte* appeals awaiting decision by the Patent Trial and Appeal Board (“PTAB”). While Compact Prosecution 1.0 is not entirely to blame for these large backlogs, we have identified two significant dead zones in Compact Prosecution 1.0 that needlessly delay the ultimate disposition of a patent application once examination on the merits is initiated—final rejections and the manner in which RCEs are docketed, which can be illustrated as:

**After-final dead zones**



These two dead zones typically result in an initially examined application sitting idle for 2.5-19.5 months.

We believe the elimination of the two dead zones will result in a more efficient patentability determination once a patent application is initially examined and provide a more appropriate balance between the competing goals of reducing the unexamined new case backlog and completing the examination of applications in a timely efficient manner once the examination process has started.



Thus, we propose a makeover of the current patent examination system to transition from Compact Prosecution 1.0 to Compact Prosecution 2.0. The hallmark of Compact Prosecution 2.0 is, once a patent application is initially examined, the examination process continues without artificial stops until the case is allowed, appealed or abandoned, i.e., no dead zones. By keeping the case under constant consideration, it is believed that the overall efficiency of patent prosecution will be significantly enhanced. Under Compact Prosecution 2.0, the issues will be more quickly narrowed and focused so that final resolution of the patentability issues will be more efficiently and effectively concluded which will result in increased capacity in the Examining Corps to reduce the backlog of unexamined patent applications.

There are various ways in which Compact Prosecution 2.0 can be implemented at the USPTO. Complementary to the proposed Compact Prosecution 2.0 system, we also outline a possible implementation that focuses on changes to the how patent examiner productivity and docket management are measured. In addition, changes are proposed to the manner in which a patent examiner's work product is reviewed and evaluated.

It is believed that the changes proposed herein do not require any change in legislation, only changes in the rules and policies which govern the patent examination system. It is understood that certain of the proposed changes will require consultation and/or negotiation with the patent examiners' labor union, the Patent Office Professional Association ("POPA"). However, absent any unforeseen need for legislation, all that is needed to improve the patent examination system is the will to change. As George Bernard Shaw is credited with stating, "Progress is impossible without change, and those who cannot change their minds cannot change anything."

## **II. Background**

The basic ebb and flow of the patent examination system in the United States is provided by the Patent Act of 1952. 35 U.S.C. § 131 tasks the Director to "cause an examination" and 35 U.S.C. § 132(a) provides for an applicant's response to any rejection, objection or requirement made as a result of the "examination." 35 U.S.C. § 132(b) provides authority for the PTO to promulgate regulations that provide for continued examination upon the paying of a fee, i.e., RCEs. 35 U.S.C. § 2(b)(2)(A) provides for the PTO to establish "regulations, not inconsistent with law...[to] govern the conduct of proceedings in the [PTO]."

Thus, one looks to Title 37 of the Code of Federal Regulations in order to determine how the day to day interactions between patent examiners and patent applicants during the examination of a patent application are to occur and the Manual of Patent Examining Procedure ("MPEP") for guidance as to the specifics for how patent examiners and practitioners put the patent examination process into effect.

In the late 1960s to the early 1970s, the PTO implemented Compact Prosecution 1.0 and concomitantly changed the metrics of measuring patent examiners productivity performance from counting total actions mailed to the current hours per balanced disposal system. The key to Compact Prosecution 1.0 is the PTO policy that, normally, the prosecution of every patent application can be carried out in a single round consisting of an office action and an applicant response, such that, in the event that the applicant response does not place the application in condition for allowance, every second office action on the merits should be a final rejection.

However, in the decades which have passed since the advent of Compact Prosecution 1.0, the landscape of patent examination has changed so dramatically that it is believed that events have overtaken and indeed overwhelmed the concepts of Compact Prosecution 1.0. Examples of the changing landscape from the late 1960s to the early 1970s include:

- Significant technological changes, e.g.,
  - The change from analog to digital technology and the attendant explosion of digital devices and computer implemented processes
  - The *Chakrabarty* decision and the attendant explosion of biotechnology patent applications
- Significant legal changes, e.g.,
  - Change from 17 year patent term from date of grant to 20 year patent term from date of filing
  - Advent of the Federal Circuit
    - PTO and applicants need to take into account the court's continuing clarification of claim construction both inside and outside the PTO
    - Understanding and putting into practice through claim language the court's decisions on what constitutes infringement of a patent claim
    - Understanding of the evolving law of obviousness, written description and patent eligible subject matter
  - Transitioning to the AIA
- Significant administrative changes, e.g.,
  - PTO became a user fee funded agency
  - Paper files replaced by the IFW
  - Computer based searching

- Significant economic changes, e.g.,
  - Increased value of patents

The technological changes mean that many patent applications no longer fit the two office action model. Specifications are more complex and claim sets are more expansive to take into account the complexity of the technology and provide adequate protection of the technology in light of Federal Circuit precedent. Consideration of modern patent applications and patentability issues is significantly more complex than 40 years ago. Prosecution under a 20 year term from filing date is different than under the previous 17 year term from date of grant. Delays in prosecution were tolerable under the previous 17 year term provision while the 20 year term provision requires that the patent application be constantly moving in the examination system in a positive direction. The many decisions of the Federal Circuit that the PTO and applicants now have to take into account require careful thought as to the precise language used to define the technology in the specification and claims. As we transition to the AIA, both the PTO and the applicants will be practicing in two different legal landscapes which will require careful thought and consideration to avoid traps for the unwary. With the PTO now being supported by user fees, the emphasis on generating revenue upon a per application basis as before is no longer relevant as the PTO can provide for new services and charge an appropriate fee. The advent of the IFW and computer based searching provide efficiencies that could not be imagined 40 years ago. All of these facts lead to the conclusion that the Compact Prosecution 1.0 policy of making every second office action final is outdated and needs to be replaced.

The hours per balanced disposal patent examiner productivity metric is also outdated. This metric first focuses examiners on how many of the 80 hours each pay period are chargeable to time spent on examining activities followed by a calculation as to how many “counts” they need for those hours. Productivity is measured every pay period with a mid-year performance review given to each patent examiner in April to discuss the patent examiner’s performance for the first six months of the fiscal year. Each patent examiner then under goes a full fiscal year performance review after the conclusion of the fiscal year in September. Patent examiners are eligible for cash awards for exceeding productivity and docket management expectations. For example, PTO management have changed the value of various counts in recent years to incentivize patent examiners to prioritize the initial examination of patent applications at the expense of picking up RCEs

Over the years that have passed since the advent of Compact Prosecution 1.0 there has been minimal change to the patent examiner’s productivity expectations. PTO management makes changes to the patent examiners’ docket management criteria based in large part of which cases have policy priority. For example, when the current administration began its focus on reducing the number of unexamined patent applications, it changed the docketing system for RCEs so the examiners were no longer required to take an RCE up for action within two months of its filing. Instead RCEs are docketed such that a

patent examiner need only take one RCE up for action every 1-2 months. This artificial dead zone is inconsistent with the “continued” part of a RCE.

Thus, the PTO can and has used the patent examiner’s performance review and cash award programs to influence examiner behavior to implement its policy decisions as to work priorities. Despite the efforts over the last 13 years to reduce the unexamined patent application backlog under Compact Prosecution 1.0 using various manipulations of the patent examiner’s count and docket management systems, the backlog remains high and is now accompanied by significant RCE and *ex parte* appeal backlogs.

Building upon the experiences of operating under Compact Prosecution 1.0, we propose a makeover of the current patent examination system to transition from Compact Prosecution 1.0 to Compact Prosecution 2.0. The goal of Compact Prosecution 2.0 is to increase efficiency by eliminating prosecution dead zones. The hallmark of Compact Prosecution 2.0 is, once a patent application is initially examined, the examination process continues without artificial stops until the case is allowed, appealed or abandoned. By keeping the case under constant consideration, it is believed that final resolution of the patentability issues will be more efficiently and effectively concluded. Complementary to the proposed Compact Prosecution 2.0 system, we also propose changes to the how patent examiner productivity and docket management are measured. In addition, changes are proposed to the manner in which a patent examiner’s work product is reviewed and evaluated. All of the proposed changes are with one thought in mind—once started, prosecution does not come to an artificial stop or extended pause.

### **III. Proposed changes to the patent examination system**

#### **A. End Compact Prosecution 1.0 and shift to Compact Prosecution 2.0**

We believe that the elimination of “final” rejections and the attendant after final practice is long overdue. The practice of making a rejection “final” is in essence an administrative convenience that allows the PTO and examiners to measure productivity. While such a time out in the examination process may have made sense during the era of paper files and 17 year term from date of grant, the practice now causes a needless disruption in the examination process. This especially seen in that after final practice on the part of patent examiners is all but extinct. One only needs to look at the RCE backlog to understand this and to look at the need of PTO management to provide patent examiners an additional three hours to consider after final submissions (in the After Final Consideration Pilot 2.0 (“AFCP 2.0”).<sup>1</sup>

The PTO in recent years has encouraged interviews in patent applications to improve communications and assist in bringing about a prompt resolution of the issues in the case. Experience and statistics show that interviews are helpful in these regards. However, a patent applicant is not

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<sup>1</sup> Use of the additional time provided in AFCP 2.0 is **optional** on the part of patent examiners. It is understood that a mandatory institution of the pilot program would need to be negotiated with POPA.

entitled to an interview after a final rejection as a matter of right. In the majority of cases where an interview is granted the usual response from a patent examiner is to urge applicants to file an RCE in order to have any claim amendments considered, no matter how innocuous. It is especially frustrating to have an after final interview and believe that an agreement is at hand only to be told to file a RCE and then, not have the RCE promptly picked up for action. All too often the delay in picking up a RCE means that all positive momentum in the case has dissipated.

Compact Prosecution 2.0 promises to enhance efficiency by shortening the examination cycle and improving quality, ensuring that the examination process occurs while the subject matter is fresh in everyone's mind.

## **B. Compact Prosecution 2.0**

### **1. Eliminate the dead zones**

By eliminating final rejections, the initial examination period will provide two office actions on the merits with amendment and/or presentation of evidence permitted after each office action as a matter of right. It is expected that initial examination fees would be adjusted to account for increased work of considering a full response to a second office action. If needed, a third office action will be issued. However, any response thereto must be accompanied by a RCE fee per 35 U.S.C. § 132(b). The RCE fee will provide two additional office actions with amendment and/or presentation of evidence permitted after each office action as a matter of right. Any response to each subsequent second office action must be accompanied by an increasing RCE fee.

Approval must be sought prior to all third office actions in the initial examination and each second office action in a RCE. It is understood that is a departure from present practice in terms of primary examiners but experience tell us that an independent, meaningful review of a case can be important.<sup>2</sup> Statistics show that a significant number of final rejections are ultimately determined to be in error through pre-appeal brief conference requests, appeal conferences triggered by the filing of an appeal brief and PTAB decisions reversing the examiner's rejection at least in part. With over 7,000 patent examiners and a robust hoteling program where patent examiners work in most part in isolation of each other, it is too much to expect that there will be consistency between art units and individual patent examiners, especially with significant changes in the law and the rapidity with which technology is advancing.

Approval of a proposed third (or fourth, fifth, etc.) office action would preferably be by way of a conference with the examiner and two neutral conferees. Conferees should have the authority to remove any pending rejection but the ultimate decision to allow claims would remain with the patent examiner.

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<sup>2</sup> However, the departure would be consistent with current policy, see MPEP § 707.02 ("The supervisory patent examiners are expected to personally check on the pendency of every application which is up for the third or subsequent Office action with a view to finally concluding its prosecution.")

It is believed that these conferences will promote collegiality and consistency. They also will provide constant feedback to patent examiners as to their patentability determinations and provide PTO managers with real time feedback as to the effectiveness of examiners in making patentability determinations. A cadre of independent conferees who are up to date on significant changes in patent law and jurisprudence as well as PTO policy and practice should noticeably decrease the overall pendency of patent application due to their informed judgments of the propriety of maintaining rejections. If these conferences are independent and meaningful, they will carry weight with patent applicants as they will understand that the issues have been independently considered. Such conferences should bring more “finality” to a case than does the present final rejection practice.

**2. Interviews after the third office action in the initial examination and after initial office action in each RCE are expected**

In keeping with the thought of narrowing and focusing the issues in a more expeditious manner, it is expected that interviews would be encouraged at this stage to avoid just another exchange of papers. Knowing that the office action has been vetted by the independent approval process, applicants will have a better idea which way the application should go so such interviews should be productive. A SPE should participate in each interview in cases handled by non-signatory authority examiners and it is suggested that a SPE can participate in interviews in cases handled by a primary examiner at the request of the primary examiner or applicant. Again, a collaborative process with meaningful input from all parties can only help to bring the examination process to an end.

**3. Applicant may appeal to PTAB after second rejection under 35 U.S.C. § 134(a)**

If Compact Prosecution 2.0 is adopted it is expected that the need for *ex parte* appeals will diminish. For example, there will be less incentive to appeal after the second office action since an applicant has already paid for a third office action with conference. In addition, the periodic meaningful conferences provided by Compact Prosecution 2.0 will provide useful input to both the patent examiner and applicant thereby allowing each to objectively evaluate the real strength of their respective positions.

Viewed another way, Compact Prosecution 2.0 provides a modified version of the current multi-stage appeal process by keeping the spirit of the pre-appeal brief conference yet providing ample reason to avoid an early appeal as the constant consideration of the case and improved review of office actions will provide an increased understanding of the issues and narrowing of the differences.

**a) Applicant has the option of attending the Appeals Conference**

If despite the more intense scrutiny by both the patent examiner and applicant, the case does go on appeal, we propose that applicant have the option of attending the appeal conference that is now held

internally to consider appellant's brief. This will help to enhance collaboration and avoid unnecessary appeals.

**b) Applicant has the option of requesting mediation after receiving the Examiner's Answer**

If applicant and the examining corps remain in disagreement and the application continues along the appeal trajectory, we propose that applicant have the option of requesting mediation after the briefing is completed. Given the large increase in the number of APJs, it is suggested that an individual APJ serve as the mediator. As needed, a conference between the patent examiner and applicant can be moderated by mediator. It is envisioned that the mediator be empowered to order withdrawal of any of the pending rejections but the ultimate decision to allow a patent application remains with the examiner.

**IV. Proposed changes to patent examiners' count and docket management metrics**

**A. End the concept of balanced disposal**

It is believed that using the "balanced disposal" metric has lost its usefulness and causes undue disruption and delay in completing an examination once started as the examiner is actually "rewarded" for stopping and then re-starting the examination. Instead, each patent examiner should be assigned an expectation of initially examining "X" number of unexamined cases per fiscal year.<sup>3</sup> "X" should be based upon factors such as complexity of technology and applications; experience level of examiner; and historic analysis of the number of claims examined in the first office action on the merits in the art area as now used. Other factors will become apparent to ensure that "X" is a rational number.

This change will allow patent examiners to use their professional judgment as to how much time the initial examination of each application will need instead of the present assigned hours/balanced disposal, keeping in mind that "X" number of cases needs to be initially examined each fiscal year. The provision of a finite goal of new cases entering the pipeline each fiscal year provides incentive for examiners to resolve cases (abandonment/allowance/appeal) in the pipeline expeditiously in order to pick up new cases, thus, providing a more appropriate balance between new work and work in progress. It is envisioned that patent examiners would be eligible for cash awards for exceeding the "X" number.

**B. End the concept of measuring examiner docket activity based upon a pay period**

It is proposed that each response and office action be docketed in such a manner that the next office action is due no later than two-three months from the filing date of the response. Extending the deadline to three months from the current two months will allow the patent examiner to better balance

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<sup>3</sup> Alternatively, each examiner could be assigned an expectation of disposing of "X" number of cases per fiscal year, with disposals only be measured by appeals, abandonments and allowances. Both metrics encourage the examiner to resolve cases holistically rather than piecemeal.

workloads of new work and work in progress. Patent examiners should be eligible for cash awards as they approach a two month or better average response time.

It is also proposed that all office actions should be submitted for mailing/review no later than two-three months from the filing date of applicant's response, not by the end of the pay period where that date falls as is the present case. This is similar to applicant's deadline to respond to office actions and spreads the resources needed for processing the patent examiner's work product and SPE review thereof over a month instead of concentrating it during, or all too often at the end of the pay period. This would result in the elimination of so-called "Count Monday" where SPEs are inundated with work to review and approve. Procedures should be instituted including appropriate incentives to avoid end loading. SPEs should have at least 3-5 working days to approve all submitted work regardless of when it is submitted.

**C. Institute an actions per disposal performance metric for patent examiners**

An efficient patent examination system balances new work with work in progress. Measuring actions per disposal more accurately reflects true time it takes to dispose of an application and provides an accurate metric for measuring that balancing effort. As mentioned, the present hours per balanced disposal rewards examiners for artificially stopping and re-starting the examination process as well encouraging "tailoring" productivity by managing "counts" to fit the number of examination time hours per pay period. Emphasis should be on rewarding successful conclusion of the examination process in an effective and efficient manner instead of artificially "disposing" of an application by issuing a final rejection.

An added benefit of this metric would be the curtailing of the ubiquitous "additional" search for the mythical reference that is rarely found that currently routinely provides the reason for not entering an after final amendment or considering an after final submission. One focus of the prescribed conferences should be why any further search is needed except for a true update of the existing search. This will encourage a thorough search during the initial examination.

**D. Docket the first continuation and divisional application based upon priority date**

This will avoid needless term loss in continuations and term extension in divisionals under the safe harbor of 35 U.S.C. § 121. This action will provide the opportunity to pick these cases up while the parent examination is fresh, thus, providing more efficiency in the patent examination process.

**E. Docket continuation-in-part, second and subsequent continuation and divisional applications based upon filing date**

Since a continuation-in-part is in large part a new application, it should not receive priority in the examination queue. Further, applicants in second and subsequent continuation and divisional applications have by definition already obtained a complete examination of at least one application.



Thus, this provides an appropriate balance to reducing the unexamined case backlog versus continuing cases.

## **V. Proposed quality initiatives**

### **A. Continue with present quality review of actions in real time with proposed office actions randomly selected and reviewed for quality purposes before the action is mailed**

It is believed such a procedure, especially if performed by independent personnel outside of the TC, will provide significant input as to how well patent examiners are performing. Since productivity would no longer be measured on a count system and monitored based upon pay periods, the review can take place in an orderly, timely manner. This system would provide instant feedback to patent examiners and PTO management on quality of work. It is important that proposed office actions be reviewed prior to mailing and those determined to need revision are not mailed so as to not waste applicant's resources responding to an obviously deficient office action.

### **B. Establish an interim ombudsman program that helps resolve aggravated cases on the merits in real time**

If the proposed conferences are implemented and are meaningful, the need for such a program would diminish over time. The present program requires QASs, ombudsmen and SPEs to defer to primary examiners which experience tells leads to a significant number of RCEs and *ex parte* appeals. Again, management authority is limited to directing the primary examiner to remove pending rejections. The ultimate decision as to allowing the case remains with the primary examiner but any subsequent proposed rejection should be reviewed by a manager.

### **C. Publish data that inform the patent community of how individual art units are performing in relevant prosecution and appeal areas**

Such real time data will allow the patent community to recognize high achieving art units and temper expectations when cases are assigned to low achieving art unit. It will also ensure that the patent community is being provided with accurate data. Appeal decisions should be analyzed on an issue-by-issue and art unit-by-art unit basis to identify outliers and guide appropriate corrective action.

## **VI. Conclusion**

Despite intense efforts over the past thirteen years through two administrations to lower the unexamined new case backlog, it remains stubbornly high and is now accompanied by high numbers of RCEs and *ex parte* appeals. The efforts over the years to lower the number of unexamined new cases have been based on making tweaks to Compact Prosecution 1.0. History tells us that Compact Prosecution 1.0 has run its course and it is time to change. Compact Prosecution 2.0 offers a break from the past system that has resulted in the present circumstances and provides a new path to accomplishing

the twin goals of reducing the unexamined new case backlog and expeditiously concluding the examination process once it is started.

September 8, 2014

The Honorable Michelle K. Lee  
Deputy Under Secretary of Commerce for Intellectual Property and  
Deputy Director of the United States Patent and Trademark Office  
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Alexandria, VA 22314

*Via email: [patent\\_pendency2014@uspto.gov](mailto:patent_pendency2014@uspto.gov)*

**Re: Response to the Request for Comments on Optimum First Action  
and Total Pendency, 79 Fed. Reg. 38854 (July 9, 2014)**

Dear Deputy Under Secretary Lee:

The American Intellectual Property Law Association (“AIPLA”) is pleased to have the opportunity to present its views on the United States Patent and Trademark Office (“Office”) Request for Comments on Optimum First Action and Total Pendency as published in the July 9, 2014 issue of the Federal Register, 79 Fed. Reg. 38854 (“Request”).

AIPLA is a U.S.-based national bar association comprising approximately 15,000 members that are primarily lawyers in private practice and corporate practice, government service, and the academic community. AIPLA members represent a diverse spectrum of individuals, companies, and institutions, and are involved directly and indirectly in the practice of patent, trademark, copyright, unfair competition, and trade secret law, as well as other fields of law affecting intellectual property, in the United States and in jurisdictions throughout the world.

The Request seeks public input on optimal first action and total pendency target levels. The current targets of ten month average first action pendency and twenty month average total pendency were established with stakeholder input in the development of the USPTO 2010-2015 Strategic Plan. The current request for comment stems from an initiative in the USPTO 2014-2018 Strategic Plan to “work with stakeholders to refine long-term pendency goals, while considering requirements of the IP community.” The Office seeks comments on seven specific questions and welcomes any additional input regarding the optimal pendency goals.

AIPLA considers the optimization of patent quality and timeliness to be the most important goal for improvement of the U.S. patent system, and commends the Office for making this its paramount strategic goal for 2014-2018. While AIPLA fully supports the work of the Office in these critical areas, we also appreciate the opportunity to comment on the long-range goals of the Office in working toward the highest quality patent examination and grant system possible. Receiving a first office action on filed applications and completing prosecution within reasonable

timeframes are essential to a meaningful patent system, which in turn contributes to the economic growth and innovation in the United States. Patent pendency has always been an important issue to patent applicants, but is even more critical with the patent term of twenty years from the filing date. AIPLA has been encouraged by the progress made by the Office in the area of first action and total pendency towards the goals set in the USPTO 2010-2015 Strategic Plan, but we have some suggestions and comments for changes to the goals to better serve the needs of patent applicants.

**1) Are the current targets of ten month average first action patent pendency and twenty month overall total patent pendency the right agency strategic targets for the Office?**

Upon completion of the Strategic goals and setting of these targets, AIPLA endorsed the targets as reasonable timeframes for pendency of patent applications that would permit business decisions to be made by both applicants and the public. The time periods of ten months first action pendency and twenty months total pendency remain acceptable.

However, because those targets are averages and not absolutes, the relatively large backlogs of patent applications and different staffing levels within the Office have the unfortunate result that, while the average target across the whole Corps might be met, many individual technology offices will not meet these targets. Consequently, more uncertainty exists relative to actual timing of examination completion, and many applicants may be disappointed in the pendency of their applications.

The American Inventors Protection Act (AIPA) provides for patent term adjustment (PTA) for certain examination delays. As a matter of public policy as well as providing timely service for fees paid, setting pendency targets utilizing the PTA timeframes of 14-4-4-36 is a more desirable goal than the current average pendency targets. Specifically, setting a target that a certain percentage of applications meet the 14 and 36 month pendency targets creates targets grounded in legislative timeframes rather than the current arbitrary ten and twenty month average targets. Meeting the PTA timeframes in most applications will decrease the amount of PTA awarded to patents, provide greater certainty to the public about when the patent will expire and become available for public utilization, and drive more uniform pendency from one application to another. These targets are valuable to keep the applications moving through the Office and provide more concrete expectations for actual completion of each step of prosecution.

Without knowing the exact percentage of applications that currently meet the PTA timeframes, AIPLA has selected some numbers as targets to open this dialog. A suggested first action pendency target is that 80% of all applications will receive a first office action within 14 months and no more than 4% will receive a first office action later than 18 months. Then after two years, these could be increased to 90% of all applications receiving a first office action within 14 months and no more than 1% of applications receiving a first office action later than 18 months. Additionally, the targets should provide upper limits for completion of a first office action,

requiring that all applications receive a first office action by 22 months. This target should be adjusted downwards over time.

A suggested target for total pendency is for 80% of all applications to complete prosecution within 3 years with no more than 4% exceeding a total pendency of 4 years. After two years, these numbers could be increased to 90-95% of all applications completing prosecution within 3 years and no more than 1% of applications exceeding 4 years of total pendency. Even with extensions of time being utilized by applicants, the Office should be able to achieve the total pendency target because on average most prosecutions last about 12 months following a first office action.

In many other patent offices, a dialog transpires between the patent examiner and the applicant without any arbitrary forced break in prosecution. In the U.S., however, the procedures dictate that the second action is generally a final rejection, typically resulting in a significant hiatus in the process. It is believed that few amendments after final are entered, meaning that after final practice is nearly non-existent and even if a Request for Continued Examination (RCE) is filed, there is usually a long break before an office action is received on the RCE. These two periods result in significant delays in obtaining a patent and render the process less efficient because momentum and some knowledge are lost with each hiatus. To drive prosecution and decrease total pendency, it is suggested that fundamental changes in the patent prosecution process need to be made to eliminate these gaps in the patent prosecution timeline.

Returning RCEs to their status as amended applications on the examiner's dockets would help provide this continuous timely dialog, drive down the backlog of RCEs and maintain the level of RCEs at a reasonable level. An RCE is in fact a Request for Continued Examination and a quicker continued examination is beneficial for both applicants and the Office because the details of the application are still fresh in the minds of all participants in the process. Alternatively, setting a target of issuing an action on the RCE within four months of filing, thus eliminating PTA, would also make a more efficient process. This should not be set as an average goal, but rather the Office should require that all RCEs are completed within four months of filing.

In addition, allowing the applicant on the filing of an RCE to request that an interview with the examiner be held prior to issuing an office action, other than a Notice of Allowability, would also serve to enhance dialog between the Office and the applicant.

AIPLA appreciates the programs begun by the Office to provide more options for applicants. Among these, the AFCP 2.0 program is noted as a good start toward facilitating more flexible handling of after final amendments. However, it has been the experience of many practitioners that few of these requests lead to entry of the after final amendment. It is suggested that this pilot be made permanent and that examiners be encouraged to enter more of these amendments. It is understood that some amendments propose limitations that are significantly different than the previous concepts which were examined, and therefore might be more appropriate for consideration in an RCE. In many instances, however, even minor amendments are refused entry and this seems to undermine the entire AFCP 2.0 program and concept. For example, an

amendment which combines the limitations of two separate dependent claims (i.e., neither depended from each other) into the independent claim should not raise new issues that require further search. Since each claim should already have been searched, consideration of the combination of two claims should typically not entail a significant additional effort.

Additionally, some believe that too many final rejections are premature, thus effectively cutting off applicant's opportunity to advance prosecution without filing an RCE. It is believed that in some instances a complete first action search is not performed, but the final rejection includes new prior art which could have been applied against the claims in the first action. Improving the first action searches to ensure application of all pertinent prior art would assist in pendency reduction.

Another suggestion for pendency reduction is to permit applicant participation in pre-appeal and/or appeal conferences. The Office statistics themselves demonstrate the effectiveness of interviews in advancing to allowance, and anecdotally, even more progress appears to occur when several Office employees participate in the interview. The ability to have the perspectives of several other examiners along with the examiner of record would assist in advancing prosecution, reducing the need for filing RCEs and reducing appeals to the Patent Trial and Appeal Board (PTAB).

In addition to ensuring faster handling of RCEs (as amended applications or within four months of filing), it is suggested that completing prosecution without the need for RCEs is a good objective. Applicants have a part to play in the process of ensuring that the claims at filing are complete, understandable, and of reasonable scope compared to the prior art. However, the current count system incentivizes examiners to not consider after final rejections, but rather to require that an RCE be filed to continue prosecution. Efforts should be made to incentivize considering after final amendments and to discourage examiners from requiring RCEs. Perhaps reducing the credit for RCEs might assist in this effort. Providing some incentives for telephoning applicants to work out details and get to allowance faster could reduce pendency.

Alternatively, changing the process to permit two responses to be entered as a matter of right instead of only one before an RCE must be filed would aid in advancing prosecution, help in establishing a continuous dialog between the Office and the applicant, and hopefully decrease the need for filing RCEs and appeals to the PTAB. If the process is modified to permit more actions in an application, it is believed that fewer RCEs will be filed and the Office can balance actions on RCEs and new applications.

The changes to the count system now provide credit for final rejections. The Office should examine what effects, if any, this has had on the number of final rejections being made compared to the many years when final rejections did not receive any credit. Incentives for a particular result often encourage that result.

**2. Should the measure of pendency be the current average or should the measure be a percentage of applications meeting the targets?**

As noted above, averages are problematic. While the target of ten months first action pendency on average might be met, there could be a significant range of pendencies across various technological areas with large numbers of applications not achieving the stated target. This leads to applicant frustration, uncertainty and a lack of concrete expectations about when one can expect a first office action.

The use of percentages of applications being completed within stated timeframes would give applicants a better idea of when to expect action on his/her application. Such targets must be coupled with another target to form a range of dates (upper and lower dates) for completion of the vast majority of applications. In addition, there should be a target by which all applications must receive a first office action. For example, suggested targets for first action pendency could be completion of 80% of all applications within 14 months and no more than 4% of applications being completed later than 18 months, with an upper limit of 22 months for completion of a first office action in all applications. These targets should be increased over a few years to increase the percentages to 90% and 95%, lowering those above 18 months to 1% or 0.5%, and lowering the date for completion of all applications. This would afford applicants better alignment of their expectations and what the Office promises to deliver.

**3. Should the Office consider more technology level pendency targets? Should all Technology Centers have the same pendency target?**

While it is true that some industries are more interested in receiving quick patents than others, it is also true that within technologies, some applicants want fast patents and others wish for slower patents. Fortunately, the Office already provides Track One, which permits an applicant to receive very fast action on their application by paying a fee. Consequently, speed of activity is already available to those applicants desiring a quicker prosecution. For that reason, and also because the Office should have consistent goals across technologies without favoring one technology over another, we believe the goals should not differ among technologies. It would be unfair to designate some technologies as faster than others because there are legitimate differing desires for timing even within the same technology. Start-up companies in biotechnology and pharmaceutical compositions, for example, frequently want a quick patent to attract funding. Thus, we believe the targets for all technologies should be uniform.

**4. Should the Office utilize PTA as targets, for example, tie first action pendency to a percentage of applications being completed within 14 months? Should the Office utilize other PTA timeframes as targets?**

Yes, see answers to questions 1 and 2 above.

Also, currently, action on applications is being driven by a series of artificial goals and timeframes with the results not necessarily satisfying either the applicants' or the public's needs

and expectations. As a result of large backlogs, many applications are currently receiving significant amounts of patent term adjustment, an outcome that is not in the interest of the public who expect a patent term to end twenty years after the filing date. The goal of achieving 10 months average first action and twenty months average total pendency does not address the mandate set by Congress of achieving certain timeframes or providing PTA extending the patent term. Applications currently are placed on certain examiner dockets and picked up in turn based on their effective filing date without taking into account the amount of PTA which might accrue on each application given that order of action. For example, Continuations (CONs) and RCEs are on the same docket and handled according to the effective filing date of each application. CONs, however, begin accruing PTA 14 months after the filing date, while RCEs (technically amended cases) begin receiving PTA 4 months after the filing date of the RCE. To reduce PTA, RCEs should be picked up for examination quicker than CONs because the PTA begins to accrue sooner after filing than for CONs.

A better goal for pendency is to focus on reducing pendency for first office actions on the merits, overall pendency, and also importantly reducing PTA given to applications. Prioritizing the actions on applications based on the amount of PTA which would accrue is a goal which addresses all applications without allowing any technology to languish and form a backlog, while other technologies groups are handled preferentially.

The PTA timeframes set forth by Congress address most application pendency times within the Office. Therefore, setting the goal of reducing PTA given in applications necessitates action in all groups of applications. Ideally, goals should address the applications during various stages of the examination process, including having a goal of 4 months to first action for RCEs. This focus would address several aspects of pendency:

- (1) it focuses on the Congressional mandate of examination timing;
- (2) it is better public policy because it reduces the PTA provided in patents and thus results in more certain patent terms and the ability of the public to utilize the technologies being disclosed;
- (3) it addresses the interest and needs of applicants to get quicker action on their applications; and
- (4) it translates to better actual time for first action and total pendency for all applications because it does not consider pendency as an average across all applications and technology centers.

Granting PTA in applications should be the exception, not the rule.

**5. Would the benefits of a prompt first action outweigh potential concerns of the Office action being issued too quickly due to the possibility of “hidden” prior art ?**

More transparency of Office processes and capabilities is needed to fully answer this question. Having a complete search of the prior art, including that which is not yet published, is desired to reduce the instances of a patent issuing on an invention disclosed earlier by another inventor.



Receiving a first action allowance only to later discover that there was unpublished prior art that was not applied would frustrate the patent owner and undermine the patent system. As the first action pendency is reduced, the Office should provide more explanation of their capabilities and systems for examiners to perform the searches of the internal files of submitted patent applications to ensure that such analysis is done prior to the issuance of patents.

Having a prompt first action is the desired outcome, but ensuring quality examination is paramount.

Applicants who are concerned about hidden prior art may file a petition for deferred examination under 37 C.F.R. §1.103(d) to ensure that the examiner has access to all relevant prior art before examination commences.

**6. Should the Office be cautious about going too low in first action pendency because patent application filing could be affected by recent case law, uncertainty around user fees or global IP activities?**

Case law has been in almost constant fluctuation recently but examination must continue taking into account the current state of the art and case law. Adjustments can be made when new law is made which changes the approaches that must be taken for claimed subject matter.

To be sure, setting the pendency targets must be done to allow for variations in filing rates to ensure that the Office does not run out of work. However, setting the targets consistent with PTA timeframes should permit the Office sufficient numbers of applications to allow a “soft landing,” that is, achieving the goals while maintaining an adequate inventory of applications per examiner. Indeed, a target linked to PTA is likely better in this regard than the current average goals because averages drive some areas with very low pendency to make up for the areas with higher pendency.

The Office should move forward with setting targets despite the changing case law and some uncertainty about filing rates.

**7. What other metrics should the Office utilize to measure pendency or timeliness throughout the prosecution process? What metrics should be measured for RCEs and should these be applied to Continuations, continuations-in-part or divisionals?**

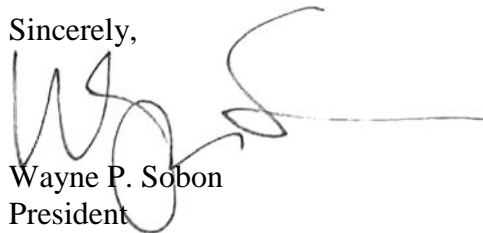
The goals of 10 and 20 months for pendency do not take into consideration the pendency from filing to receiving an action or the total pendency of RCEs. Considering that roughly one-third of all applications filed are RCEs, the Office should set a target for providing an action in those applications as well. As noted above in the answers to questions 1 and 2, setting a goal consistent with the PTA mandate of achieving an action within four months is an acceptable goal, although returning the RCEs to the amended docket is preferable.

Current total pendency numbers reported by the Office as the main total pendency do not include RCEs, which are a very significant number of the applications being filed and examined by the Office. When an RCE is filed, there is an abandonment credited to the examiner, and pendency of that application ends for inclusion in the Traditional Total Pendency statistics. Any subsequent pendency<sup>1</sup> time for the RCE is not captured in the Traditional Total Pendency calculations, but rather is reported as a separate RCE statistic and in another statistic called Traditional Total Pendency Including RCEs. Because the pendency numbers have traditionally not included the RCEs, AIPLA acknowledges that including them now might be challenging. It is suggested that, however, at the very least, the numbers including RCEs should be reported along with the traditional numbers, not just shown on the Dashboard. Additionally, the Office should report serialized filings, which are filings that are not RCEs, to reflect a truer picture of actual new invention development. The Office should also consider transitioning to metrics that treat RCEs as actual continued examination processing rather than as a new application filing to better reflect the true purpose for establishing the RCE program. The RCEs should not be placed on the same docket as new applications because technically, they are amended applications, not new filings.

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AIPLA appreciates the opportunity to comment on the Request for Comments on Optimum First Action and Total Pendency. We look forward to further dialog with the Office with regard to the issues raised above.

Sincerely,



Wayne P. Sobon  
President

American Intellectual Property Law Association

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<sup>1</sup> It is our understanding that RCEs are counted as new applications at filing, but not included in the backlog numbers because they are already examined (so considered amended applications) and then placed on the examiner's docket with continuations and divisional as continuing new applications. It is also believed that in the past RCEs were picked up according to their actual filing date, but to reduce the backlog of RCEs they are now handled according to their effective filing date.



September 15, 2014

The Honorable Michelle K. Lee  
Deputy Under Secretary of Commerce for Intellectual Property  
and Deputy Director of the U.S. Patent and Trademark Office  
600 Dulany St.  
Alexandria, VA 22313-1450

Via email: [patent\\_pendency2014@uspto.gov](mailto:patent_pendency2014@uspto.gov)

**Re: IPO Comments on “Request for Comments on Optimum First Action and Total Patent Pendency,” Federal Register, Vol. 79, No. 131, July 9, 2014**

Dear Deputy Director Lee:

The Intellectual Property Owners Association (IPO) submits the following comments in response to the request published in the Federal Register on July 9, 2014.

IPO is a trade association representing companies and individuals in all industries and fields of technology who own or are interested in intellectual property rights. IPO’s membership includes more than 200 companies and over 12,000 individuals who are involved in the association either through their companies or as inventor, author, executive, law firm, or attorney members.

We want to congratulate the Office on its diligent efforts in recent years to address patent application pendency. Our comments are directed to patent application pendency and the seven specific issues requested in the Federal Register notice. Thank you for this opportunity to comment.

A. Patent Application Pendency

The PTO has historically measured two types of patent application pendency to guide the examination process—average first action patent pendency and average total pendency.

Average first action pendency is a relevant metric, but it would be most useful on a technology center or narrower basis. Patent applicants need reliable information to plan and budget prosecution expenses in specific art areas, not on an Office-wide basis. A more reliable basis for planning budgets and business activities based upon an expected first office action in a specific technology area will allow for better assignment of resources by patent applicants.

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Average total pendency, which is the initial pendency of a patent application until issuance, abandonment, or the filing of a first request for continued examination (RCE), may be less useful. Average total pendency is not relevant to the extent that it continues to include pendency until the filing of a first RCE. The goal of patent applicants is to receive a valid, enforceable patent in an efficient examination process that does not impose arbitrary stops and unnecessary expense. The manner in which the examination system has evolved with the advent of RCEs and the emphasis of reducing the new case unexamined backlog has resulted in historic levels of RCEs and *ex parte* appeals despite higher fees and a large increase in the number of patent examiners.

The PTO should take this opportunity to review the entire examination process and consider the vast changes in law and technology that have occurred since compact prosecution was introduced in the late 1960s. Today it is more useful for patent applicants to know the average pendency of patent applications from initial filing to ultimate allowance or abandonment without regard to how many RCEs have occurred between those two points in time. IPO recommends publication of this data on an art unit or technology center basis. The PTO should also adopt this metric in measuring performance of patent managers and examiners.

IPO also recommends publication of a metric that measures the average patent term adjustment (PTA) for granted patents on an art unit or technology center basis. This data would be of interest to patent applicants, industries, and the public.

B. Specific Questions from the Federal Register Notice

**1. Are the current targets of ten month average first action patent pendency and twenty month average total patent pendency the right agency strategic targets for the USPTO, stakeholders, and the public at large?**

Further outreach may be needed to determine a so-called “optimal” first office action pendency as pendency before a first office action involves a tradeoff between the desire to receive an early first office action and the risk of later finding prior art that was unpublished at that time or subsequently uncovered by other IP offices.<sup>1</sup>

Patent applicants already have options like Track 1 to receive a first office action out of normal order. The PTO should develop other programs to give patent applicants flexibility in being able to have early first office actions when needed. The tradeoff between a relatively later first office action based upon a more complete view of the prior art as opposed to a quicker first office action is one that is best made by the patent applicant based upon its perceived needs.

Moreover, the target of issuing a first office action based upon a thorough search is important but needs to be based upon the circumstances of a given art area. In certain art areas, the issuance of a relatively quick first office action that cites the most relevant prior art can be important to patent applicants in determining whether a patent application should be published. In other art areas it may be more important to receive search results from other patent agencies and begin prosecution from a more comprehensive understanding of what the relevant prior art is.

This is not to say that each patent application should not receive a high quality search at the PTO. To provide the needed flexibility, the PTO should continue to improve the search capabilities

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<sup>1</sup> It might be more efficient for the PTO to modernize the current version of compact prosecution as outlined below and then optimize pendency parameters based upon the modernized system.

of patent examiners both in terms of access to relevant databases and increased training and mentoring so that all patent examiners can use the limited time assigned to each patent application for search and examination to its fullest extent.

IPO suggests that the PTO explore new avenues for a patent applicant to receive an earlier than normal first office action accompanied by a high quality search. For example, patent applicants who have a demonstrated need for an advanced first office action in order to be considered for or receive capital funding might be considered for an earlier first action. Any fees needed to advance the prosecution for such reasons should be less than the fee charged for a Track 1 filing.

A metric that measures “total” pendency without taking into account the time that RCEs take, e.g., the current target of twenty month average total patent pendency, is less meaningful. To the extent that it is of interest, IPO believes that this metric should not be applied as a one-size-fits-all standard.

**2. Should the USPTO have first action pendency and total pendency targets be met by nearly all applications (e.g., 90 or 95 percent of applications meeting the pendency target) rather than an average first action pendency and total pendency targets?**

As discussed above, IPO believes that the first action pendency should not be office-wide, but should be on an art unit or technology center basis. IPO takes no position on whether the metric should be changed from an average to a given percentage of applications, noting that the PTO should be able to measure and publish metrics based upon any basis that the public finds to be useful. The published metrics need not be limited to a single metric if other metrics are seen to be widely useful.

**3. Should the USPTO consider more technology level patent pendency targets, for example, at the Technology Center level? If so, should all the Technology Centers have the same target?**

As discussed above IPO believes that the metrics should be on an art unit or technology center basis. There is no reason for a pendency target that is common to all technology centers. Rather, further outreach and input should be solicited based upon art areas to see if tailored pendencies are appropriate, taking into account the complexity of the art area as well as the business needs of the relevant patent applicant.

**4. PTA considerations.**

IPO believes further attention to this issue is warranted after the PTO publishes current data on the average PTA awarded to patents on an art unit or technology center basis. Patent applicants working in art areas that have market-ready products having rapid improvement cycles and/or short product lifetimes are typically not aided by PTA, while patent applicants in art areas that have longer development times before a product is ready to market and/or products that have a long market lifetime are aided by PTA.

IPO also suggests that the PTO develop and publish data on the so-called “A,” “B,” and “C” delays incurred in granted patents on a technology center or art unit basis. PTA is of concern to the public as well as patent applicants and breaking down the PTA data by way of specific delays will

allow the PTO, public, and patent applicants to identify where the patent examination system needs improvement in order to minimize PTA.

- a. Should the USPTO consider using a first action pendency target tied to minimizing the number of applications in which a first action is not mailed within fourteen months?*

IPO favors the PTO measuring and making public more data, rather than less, in regard to the various stages of the patent examination process. IPO is concerned, however, that published PTO metrics that become standards for evaluating the performance of managers and patent examiners tend to skew the path of the patent examination process as managers and patent examiners strive to meet the newly emphasized metrics. For example, the number of RCEs and *ex parte* patent appeals exploded when the Office emphasized the metric of reducing the unexamined new case backlog.

Common sense indicates that patent applicants viewed the quality of the first office actions issued in the effort to reduce the unexamined new case backlog to be less than optimal. Thus, any increased emphasis on reducing the time to first office action must be accompanied by additional training and supervisory resources to ensure that those first office actions are meaningful and of appropriate quality. It is difficult for the patent examination process to recover from a less than meaningful first office action as it typically takes a first RCE to get the case on track and subsequent RCEs to make meaningful progress.

- b. Should the USPTO also consider using some of the other PTA specific timeframes for their optimal pendency targets?*

IPO believes that the patent community and the public would be interested in a metric that provides data on an art unit or technology center basis in regard to the amount of patent term that is lost during examination of RCEs that is not recoverable by way of PTA. Given the large increase in the number of RCEs and the docketing changes made that have resulted in increasing time before RCEs are picked up for resumed examination by patent examiners, many patent applicants are needlessly forfeiting patent term because of the manner in which RCEs are docketed and examined. Knowledge of such data will allow the PTO, stakeholders, and the public to engage in a conversation as to how RCE examination can be made more efficient.

**5. Would the benefits of a prompt first Office action outweigh potential concerns of the Office action being issued too quickly?**

One benefit of a prompt first office action is that if it is issued in time to prevent publication of the application the patent applicant will have the opportunity to abandon the application prior to publication and maintain the technology as a trade secret. Providing a patent applicant with a meaningful first office action can eliminate incentives for the patent applicant to fight for marginal patents because the invention is now public. Fewer published patent applications will take away guess work as to the ultimate scope the claims provided in published publications and can minimize intervening rights issues upon publication.

However, the issuance of a first office action in order to meet an artificial goal set by the PTO that is less than optimal does not help the patent applicant, the public, or the agency.

**6. There have been suggestions that many changes are occurring in the IP system, and the USPTO should be cautious at this point in time to avoid going too low in first action pendency. The USPTO welcomes comments on these potential concerns.**

*a. Some potentially significant case law decisions are pending which may impact large categories of inventions and possibly lead to reduced patent filings.*

Given the continuing significant unexamined new case backlog, IPO believes that the effect of any reduction in new case filings is years away. This issue should be revisited if such a reduction occurs.

*b. It has been just over one year since patent fees were adjusted. See Setting and Adjusting Patent Fees, 78 FR 4211 (January 13, 2013). User practices and business decisions based on the adjusted fee levels may not have stabilized yet.*

IPO believes that this is a valid concern but one that must be viewed in the context of the overall cost of prosecuting patent applications in the current environment of the need for numerous RCEs and *ex parte* appeals. The more efficient the current system can be made, the more resources patent applicants can devote to filing more new applications.

*c. There is a lot of activity in the global IP arena which may impact patent filing activity and IP practices in the United States.*

As mentioned above, given the continuing significant unexamined new case backlog, the effect of any reduction in new case filings is years away. This issue should be saved until such a reduction occurs as it is unclear how global IP activity will affect new case filings in the future.

**7. In addition to seeking public input on optimal patent first action and total pendency levels, the USPTO also is interested in knowing if there are other activities where pendency or timeliness should be measured and reported. While the USPTO reports on a number of different patent pendency measures displayed on the Data Visualization Dashboard of the USPTO's Internet Web site ([www.uspto.gov](http://www.uspto.gov)):**

*a. What other metrics should the USPTO consider utilizing to measure pendency or timeliness throughout the examination process?*

The PTO should make public the actual pendency data as measured from the date of filing of the patent application to the ultimate grant as a patent or abandonment of the patent application including the time spent for all RCEs on an art unit or technology center basis.

*b. Specifically regarding RCEs, what other metrics should the USPTO consider utilizing to measure the pendency or timeliness regarding RCEs?*

Given the large increase in the number of RCEs and the docketing changes made that have resulted in increasing time before RCEs are again picked up for resumed examination by patent examiners, it is believed that many patent applicants are needlessly forfeiting patent term because of

the manner in which RCEs are docketed and examined. Knowledge of such data will allow the PTO, stakeholders and the public to engage in a conversation as to how RCE examination can be made more efficient.

*c. Should these metrics also be considered for other continuing-type applications (i.e., continuation, continuation-in-part, and divisional applications)?*

Yes, these metrics should also be considered for other continuing-type applications including continuation, continuation-in-part, and divisional applications.

C. Suggestions to Improve Quality and Pendency

1. **Modernize compact prosecution**

IPO applauds the PTO's initiative in reaching out to the patent community concerning pendency issues. This initiative is based on the current patent examination process, however, which we believe needs to be modernized if the PTO is going to make meaningful progress in improving pendency and quality. The current version of "compact prosecution" has been in effect since the late 1960s, and at least since the 1980s has been premised on nearly every second office action being a "final" rejection. In the five decades in which compact prosecution has been the standard, significant changes have occurred in technology and patent law as well as the number and the work locations of patent examiners. Modern biotechnology and the advent of the digital age have added many challenges to the efficient administration of the patent system, yet the basic process that determines in large part pendency and quality, "compact prosecution," has not been revisited in any fundamental way.

Although the PTO has changed various productivity and docket management elements of the patent examiner's Performance Review Plan and various cash bonus programs in an attempt to influence patent examiner behavior, the PTO has not adapted compact prosecution to the changing legal and technical environment. The PTO should modernize the compact prosecution examination regime to take into account the changes that have occurred in the patent system. In so doing, the PTO should identify and eliminate artificial roadblocks in the current systems that can put a patent application in a status on a patent examiner's docket where it can languish for months and years without any activity after the initial examination. By keeping a patent application constantly in front of the patent examiner, the examination process can become a continuing conversation between the patent examiner and applicant directed to finding patentable subject matter.

Today's after-final practice is problematic and can delay the time in which a patent application is put in front of the patent examiner for actual consideration of an after-final submission. If RCEs are docketed to patent examiners such that they need to be picked up for consideration within two months of filing, the patent examination process becomes a continuum where patent examiners and applicants remain focused on the details of the case and can guide it to an ultimate conclusion. The patent examination process needs to become more seamless.

IPO understands that under the current count system by which the productivity of patent examiners is measured, the filing of an RCE awards the patent examiner with an "abandonment" count and another count when the first office action is issued in the RCE. We believe the present count system needs review.



## INTELLECTUAL PROPERTY OWNERS ASSOCIATION

In modernizing the present compact prosecution system, IPO believes it is important for experienced PTO managers to become involved on the merits of cases where the initial efforts of the patent examiner and applicant have resulted in a stalemate. The sooner such resources can be involved in a case, the sooner a reasonable conclusion can be reached. This is especially important in view of the number of patent examiners that have been hired and will be hired in the near future. Although the current telework program has benefits for the office, it appears to make it difficult to schedule in-person interviews with patent examiners and their primaries or SPEs. Also, there have been significant changes in patent law including the advent of the AIA and recent Supreme Court cases. In light of these changes, personal access to the examiner and the primary examiner and/or SPE is now more important for minimizing pendency and increasing quality.

IPO realizes that modernizing compact prosecution and the metrics by which a patent examiner's performance is measured must be done in consultation with the patent examiners' labor union, the Patent Office Professional Association ("POPA"). IPO believes a modernized system where a patent examiner can take possession of a case upon initial examination without the system imposing unneeded start and stops in the process will be attractive to patent examiners. The record number of RCEs and *ex parte* appeals pending, along with the large number of patent examiners that have been and will be hired, are strong evidence that compact prosecution needs to be modernized.

IPO stands ready to assist with any efforts the PTO makes toward modernization.

### **2. Improve petition practice transparency and timeliness**

The Office of Petitions could improve its responses to inquiries regarding petition status and expected date of decision. IPO has been made aware of petitions that have languished before the Office of Petitions for years only to have events overtake the case. Responses to phone inquiries to the Office of Petitions are often answered with the message that the petition is pending but no estimate as to when it will be picked up for decision is given. Such undue delays can needlessly lead to extended RCEs and pendency as prosecution moves forward. IPO suggests that the operation of the Office of Petitions be reviewed and improvements be considered such as providing an acknowledgement of receipt of the petition and an estimated time frame for its decision. IPO also suggests that decisions on petitions be posted on the PTO website in a searchable manner similar to PTAB decisions to enhance transparency and consistency with respect to the merits.

\* \* \*

IPO thanks the PTO for considering these comments and would welcome any further dialogue or opportunity to provide additional information to assist in the Office's efforts on application pendency issues.

Sincerely,



Herbert C. Wamsley  
Executive Director