

From: Cecil Quillen [email redacted]

Sent: Thursday, April 30, 2015 5:13 PM

To: WorldClassPatentQuality

Subject: Request for Comments on Enhancing Patent Quality, 80 FR 6475

My comments in response to the above-identified Request are attached.

Cecil Quillen

## COMMENTS ON ENHANCING PATENT QUALITY

These comments are submitted by Cecil D. Quillen, Jr.<sup>1</sup> pursuant to the Request for Comments on Enhancing Patent Quality, published at 80 Federal Register 6475.

None of the Existing Quality Efforts or the New Quality Proposals identified in the Request for Comments addresses the fundamental cause of the quality shortcomings of patents issued by the U.S. Patent & Trademark Office (USPTO). The USPTO resources expended on those Efforts and Proposals will be wasted if that fundamental problem is not addressed and resolved.

That fundamental problem is the inability of the USPTO to obtain final decisions as to the patentability of applications it has examined. Under our current system patent applicants can always avoid such final decisions by refiling their examined applications pursuant to loopholes in the U.S. patent statutes and restart the examination process all over again. The consequence is that the USPTO can rid itself of determined applicants only by allowing their applications, which is hardly conducive to quality patents.

This problem was described by Professor Lemley and Professor, now Judge, Moore in their Boston University Law Review article titled "*Ending Abuse of Patent Continuations*,"<sup>2</sup> where they said:

One of the oddest things to an outsider about the United States patent system is that it is impossible for the U.S. Patent and Trademark Office (PTO) ever to finally reject a patent application. While patent examiners can refuse to allow an applicant's claims to ownership of a particular invention, and can even issue what are misleadingly called "Final Rejections," the patent applicant always gets another chance to persuade the patent examiner to change her mind.

The same problem was noted by James Bessen in his December 4, 2013 Slate article "*The Power of No: The Simple Change That Could Fix The Patent System - But It'll Never Happen*"<sup>3</sup>:

The Patent Office cannot actually reject *any* patent application. Oh, a patent examiner can issue a "rejection" letter, but the applicant can keep an application alive simply by filing a response. In turn, the patent examiner can then issue a "final rejection." But this, too, is doublespeak: All the patent applicant has to do is file a "continuation" under one of several possible procedures in order to keep the patent application pending for as long as 20 years.

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[C]ontinuations are responsible for low-quality patents, extra litigation, and a patent processing backlog that delays the issuance of patents on truly worthy inventions.

And Matt Levy of CCIA, in his August 12, 2014 Patent Progress blog post titled "*The PTO's Culture of Poor Quality Patents*,"<sup>4</sup> described the pressure on Patent Examiners to allow patent applications, and their helplessness in the face of determined applicants:

Patent examiners have a strong incentive to get patent applications off their dockets, and there are basically only two ways to do that: allow the application or get the applicant to abandon it.

If an applicant is willing to keep paying fees, it can keep a patent application alive indefinitely. A patent examiner, however, cannot afford to keep applications around indefinitely. If an examiner has too many “actions per disposal” (in other words, isn’t allowing enough applications) that’s a potential black mark. That imbalance leads many applicants to keep pushing until an examiner gives in.

The inability of the USPTO to obtain final decisions as to the patentability of applications it has examined undoubtedly contributes to the high Patent Allowance Rates that characterize its performance. The Patent Allowance Rate in FY 2014 (and FY 2013), corrected for Refiled Continuing Applications (continuations, CIPs, and RCEs), was 92%.<sup>5</sup> This is up significantly from FY 2009 when the corrected allowance rate was 68%, suggesting a significant deterioration in selectivity between FY 2009 and FY 2014. In FY 2014 305,605 patents were issued, 83% more than in FY 2009 (166,707) and 95% more than in FY 2008 (156,540).

The USPTO reported that 287,526 applications were abandoned in FY 2014. But that number is misleading because there were the 260,265 Refiled Continuing Applications that restarted the examination process all over again, 91% of the number reported as abandoned. In FY 2009 Refiled Continuing Applications were 68% of the number of applications reported as abandoned, significantly less than in FY 2014. And in FY 2014 the number of abandoned applications that were refiled exceeded the number of abandoned applications that were not refiled by nearly 100,000.

Refiled Continuing Applications in FY 2014 (260,265) comprised 45% of the total number applications filed in FY 2014 (582,114), up from 39% in FY 2009 (34% in FY 2008).

This bizarre practice of permitting applicants to avoid final decisions as to the patentability of applications that have already been examined by refiling them and restarting the examination process all over again is unique to the United States and undoubtedly accounts to a large extent for the reputation of the USPTO for issuing low quality patents in comparison to those patent offices that do not follow this bizarre practice (e.g., the European Patent Office and the Japanese Patent Office). Grant Rates at the European Patent Office and the Japanese Patent Office (comparable to USPTO patent allowance rates) for calendar year 2013 were 49% and 70% respectively, well below the 92% allowance rate for the USPTO for its fiscal years 2013 and 2014.

As Mr. Bessen noted in his "*Power of No*" Slate article:

This little-known facet of the law is unique to the United States. Every other major patent office in the world can actually reject patent applications. Perhaps that is one reason no other country has problems with patent trolls to the degree the United States does.

Refiled Continuing Applications are rework imposed on the USPTO by the applicants who file them, requiring the USPTO to examine the Refiled Continuing Applications for a second or third time or more. As previously noted, Refiled Continuing Applications comprised 45% of the applications filed at the USPTO in FY 2014. No private business would tolerate (or could survive) this level of rework, and the USPTO should not either. Abolition of Refiled Continuing Applications would eliminate this rework and, based on the FY 2014 numbers, should increase the resources available for the examination of Original Applications by about 80%, without any increase in staff or budget, which should aid the USPTO in improving the quality of patents issued by it.

Moreover, Refiled Continuing Applications are a source of much abuse of the U.S. patent system as documented in the previously cited Lemley and Moore Boston University Law Review article which pointed out the many abuses associated with such applications, and that such applications serve no useful purpose not available from other provisions of the U.S. patent laws, and recommending their abolition, or, in the alternative, other changes if abolition proves to be politically impossible.

The problems of an uncontrollable backlog, the quality shortcomings attributable to the inability of the USPTO to obtain final decisions as to the patentability of applications it has examined, the rework imposed by Refiled Continuing Applications, and the abuses made possible by continuing applications will not be resolved by the Existing Quality efforts or implementation of the New Quality Proposals. The solution to these problems is for the USPTO to seek and obtain legislation closing the statutory loopholes and abolishing all Refiled Continuing Applications, which can be accomplished simply by repealing 35 U.S.C. 120 and 35 U.S.C. 132(b). If the USPTO is to achieve its goal of controlling the quality of patents issued by it there is no more important change that could be adopted than to give it the ability to obtain final decisions as to the patentability of applications examined by it. This point is also made by Mr. Bessen in his previously cited "*The Power of No: The Simple Change That Could Fix The Patent System*" article in Slate.

Anything short of abolishing all Refiled Continuing Applications will not resolve the quality problems faced by the USPTO. Abolition of Refiled Continuing Applications would (1) ameliorate the backlog problem caused by Refiled Continuing Applications, (2) make substantially more USPTO resources available for the examination of Original Applications by eliminating the rework caused by Refiled Continuing Applications, (3) enable the USPTO to obtain final decisions as to the patentability of applications it has examined, which together with (2) should enhance the quality of patents issued by it, and (4) eliminate the abuses made possible by such applications. Failure of the USPTO to take the initiative in seeking the necessary repeal legislation could be taken as an indication that USPTO management pays only "lip service" to patent quality and is not really serious about having the ability to control the quality of its work output.

Patent applicants (or their attorneys) undoubtedly would complain that any abolition proposal from the USPTO is unfair to them. Patent applicants are seeking a patent monopoly granted by the United States. Any person seeking such a monopoly should be expected to behave responsibly and present to the USPTO the claims they believe to be patentable by the time of or immediately after a Final Rejection. If the patent examiner disagrees and persists in his or her rejection, the applicant can always appeal to the Patent Trial and Appeal Board, and, if necessary, to the Court of Appeals for the Federal Circuit. Abolition of all Refiled Continuing Applications would not deprive patent applicants of any legitimately patentable claims. Moreover no patent applicant can legitimately claim the right to impose rework on the USPTO.

Mr. Bessen's pessimism is probably justified. The abolition of Refiled Continuing Applications by repealing 35 U.S.C. 120 and 35 U.S.C. 132(b) would likely be opposed by many of the attorneys who practice before the USPTO for whom this is a "pocketbook" issue, since their incomes are enhanced by the filing and prosecution of such applications and would be diminished if such applications were to be abolished, and by their lobbyists and employers and clients (the "stakeholders") whose positions on patent reform issues are determined by these attorneys. Unfortunately USPTO management, rather than taking the lead in seeking the repeal legislation necessary to implement "*The Simple Change That Could Fix The Patent System*," has stated

"we are not convinced that repeal of the cited provisions [35 U.S.C. 120 and 35 U.S.C. 132(b)] would necessarily have an overall positive impact on USPTO operations," and expressed a reluctance to seek changes that might not be supported by the "stakeholders."

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<sup>1</sup> Mr. Quillen is a Research Fellow at the Intellectual Property Institute of the University of Richmond School of Law, a Senior Advisor at Cornerstone Research, an economic and financial consulting firm, and a former General Counsel of Eastman Kodak Company where he was a Senior Vice President and member of the Board of Directors. Much of Mr. Quillen's work at Kodak directly involved patent matters, as has his work at Cornerstone and the University of Richmond School of Law since his retirement from Kodak. Mr. Quillen has written and spoken extensively on patent issues. The views expressed herein are those of Mr. Quillen and should not be attributed to the University of Richmond School of Law, to Cornerstone Research, or to Eastman Kodak Company.

<sup>2</sup> 84 Boston University Law Review 63 (2004). Available on the SSRN website at [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=462404](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=462404)

<sup>3</sup> See [http://www.slate.com/articles/technology/future\\_tense/2013/12/the\\_simple\\_fix\\_that\\_could\\_heal\\_the\\_patent\\_system.html](http://www.slate.com/articles/technology/future_tense/2013/12/the_simple_fix_that_could_heal_the_patent_system.html)

See <http://www.patentprogress.org/2014/08/12/ptos-culture-poor-quality-patents/>.

<sup>5</sup> These numbers are from the study *Patent Applications and the Performance of the U.S. Patent and Trademark Office as of FY 2014*, available on the website of the Intellectual Property Institute of the University of Richmond School of Law at <http://law.richmond.edu/docs/FY-2014-Update-Figures-and-Tables-1996-2014-29.pdf>. This study is an update of earlier studies of the impact of Refiled Continuing Patent Applications on performance of the USPTO that have been published in *The Federal Circuit Bar Journal* at 11 Fed.Cir.B.J. 1-21 (2001), 12 Fed.Cir.B.J. 35-55 (2002), 15 Fed.Cir.B.J. 635-677 (2006), 18 Fed.Cir.B.J. 379-404 (2009), and 23 Fed.Cir.B.J. 179-191 (2013). These studies are also available on the Social Sciences Research Network website. The current study and those published in *The Federal Circuit Bar Journal* collectively document the impact of Refiled Continuing Applications on USPTO performance for the period 1980 through 2014.

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