

From:
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To: patent_quality_comments
Subject: Comments on patent quality

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By Email: patent_quality_comments@uspto.gov

Mr. Kenneth M. Schor and Mr. Pinchus M. Laufer
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Re: Enhancement in the Quality of Patents, in response to requests for comment at
74 Fed. Reg. 65093 (December 9, 2009)

Dear Mr. Schor and Mr. Laufer:

Thank you for asking these important questions.

I. Correct policy turns on framing the correct question and complying with Information Quality laws

A. The Notice asks the wrong question

The PTO's definition of "quality patent" stated at 74 Fed.Reg. 65094, col. 2 is inadequate in two respects.

The question should *not* be quality patents, because that skews the answer. The question should be quality *examination*, and the Office's compliance with the law. If "quality patents" were the sole criterion for the Office's mission, then the right approach would be to reject applications on a standard that is more stringent than provided by law.

A quality patent is an *issued* patent. In order to reach issuance, it has undergone years of prosecution, during which it has likely been the subject of several rejections. Second, a quality patent is one with claims that are of the scope to which it is "entitled" by law. Without extensive review of the prosecution history, it cannot be known whether

a patent's claims are of appropriate scope. Claims are frequently artificially narrowed during prosecution to give up subject matter to which the applicant may have been statutorily entitled because the inventor can no longer afford to continue prosecution with an examiner who maintains non-statutory, ill-informed positions. Startup companies and individual inventors are more likely to be forced into artificial narrowing of claims due to financial pressures.

At the January 20, 2010 Appeal Roundtable, Dr. Belzer noted that the PTO's mission should be to minimize the costs of error: *both* the errors that arise from erroneous allowances and the errors that arise from erroneous rejections. The Office's goal should be to minimize the social cost of all errors: the sum of the cost of erroneous allowances of applications that should be rejected, and the social cost of erroneous rejections (or extended prosecution) for applications that should be allowed. Many heads nodded, including those at the head table. For this Notice to culminate in helpful PTO policies, the PTO must define its goals, and "quality patent," in a manner that advances all of the PTO's public policy goals, not the narrow ones reflected in the proposed definition.

If the Office adopts the correct definition of "quality" and its mission delegated by Congress, it will be much easier for all parties to come to common understanding of means to achieve that end.

On the other hand, because this notice asks the wrong question, a question that biases the responses the PTO will receive, the PTO will need to take the answers with a grain of salt. This is not to say that no useful information will be generated, only to say that the PTO will have to recognize that the comments it receives in response to this notice are subject to a great deal of sample bias.

B. The Office is not responsible for patent quality—that's a Congressional determination

In the private sector, almost any patent-related task has no defined end point; "finished" is almost always determined by budget. From what I can tell as an outsider, that is true for the Office as well. A search can take 2 hours or 2000; the end point is

set by the budget, not because the search has reached the last library shelf that can be searched. Thus, patent quality is established by Congress when Congress sets examination fees and the Office's examination budget. The Office's job is to do the best it can to meet a correct definition of "examination quality" within those constraints.

To a significant degree, the dysfunction at the Office over the last few years arose because senior PTO management took on policy responsibilities that are not theirs. Emphasizing a policy of "no invalid patents issued" over a more realistic "do the best job we can with the resources Congress gives us" mentality was one of the key management errors that led to catastrophic systems failure.

Again, the solution to the problem is to define the problem correctly. With a correct focus on *examination quality*, not patent quality, and a correct recognition that making the quality-vs.-cost tradeoff is Congress' job, not the PTO's, the Office will be able to make a much more rational and efficient allocation of resources and efforts.

C. The Notice only seeks comments directed to the status quo, and do not provide policy guidance in the event the PTO is granted fee-setting authority

A bill currently pending in Congress would give the PTO fee-setting authority. This Notice only requests comments directed to quality under the current fee regime. If the PTO is granted fee-setting authority, then many policy parameters that are currently fixed become variable, and any comments directed to quality under the current examination regime become irrelevant.

The proposals to grant fee-setting authority require notice and comment, which in turn triggers the jurisdiction of the Regulatory Flexibility Act. Any exercise of fee-setting authority would almost certainly have over \$100 million in economic effect (even if the fee reallocation itself were on the order of only \$10 million), and would thus be "economically significant" for purposes of Executive Order 12,866 and OMB Circular A-4.

D. Patent quality depends on examination quality

When the Office wrongly rejects an application that should be allowed, then applicants properly seek to have the rejection overturned. When the examiner cannot self-correct and maintains an incorrect position, everyone wastes time. This takes time away from good searches. Patent quality turns crucially on examination quality, and on not rejecting applications that should be allowed.

II. Quality Measures Used

A. The public cannot comment when the PTO makes no information available

The Notice asks the public to comment on the PTO's current quality measures. The Notice mentions "Allowance Compliance Rate and In-Process Review," "Final Action / Allowance Compliance Rate," and "IPR Compliance Rate for non-final Office Actions." However, the Notice gives the public no indication where information on these measures can be found. None is available (or at least identifiable) on the PTO's web site. In response to FOIA requests that I requested to find information on these reviews, the PTO provided no meaningful information.

Until the PTO provides information regarding the PTO's current quality measures, meaningful comment is practically impossible,

B. The failure to disclose underlying data and analytical methods very likely violates the law, the PTO's Information Quality Guidelines

By notice at 67 Fed. Reg. 624444 (Oct. 7, 2002), the PTO bound itself to Information Quality Guidelines in 2002. See <http://www.uspto.gov/web/offices/ac/ido/ifoqualityguide.html>. These Guidelines set common-sense criteria of "objectivity," "reproducibility," "proper context," and disclosure. Because the PTO relies heavily on quality measures in its internal decision making and in its representations to Congress, these quality measures are clearly "influential information" under the Guidelines, and therefore require the higher standard of information quality for "influential information" required by the Guidelines.

Note that the quality measures themselves, the statistical results of those quality measures, and the comment letters received in response to this Notice are almost certainly “influential information” under the PTO’s Information Quality Guidelines.¹ Because the PTO failed to make available the underlying data, the PTO cannot use any of these three in decision-making, until the Information Quality defects are cured. The PTO’s legal authority to make any reforms that might be warranted remains impounded by the PTO’s earlier, persistent and continuing failures to follow the regulations that the PTO created for itself and promised to follow. Until the PTO begins to meet Information Quality prerequisites, many follow-on regulatory steps are barred to the PTO.

The Information Quality Guidelines require the PTO to be transparent about its examination quality metrics. Until the PTO makes public its current quality measures such as “Allowance Compliance Rate and In-Process Review,” “Final Action / Allowance Compliance Rate,” and “IPR Compliance Rate for non-final Office Actions,” it will not be in compliance with the Information Quality Guidelines.

The duty of the PTO to make public its metrics, strategies, criteria, and analytical methods is now renewed and heightened by President Obama’s and OMB Director Orszag recent directive on Open Government. See Peter Orszag, Memorandum for the Heads of Executive Departments and Agencies, Open Government Directive, OMB Memorandum M-10-06, http://www.whitehouse.gov/omb/assets/memoranda_2010/m10-06.pdf.

III. Stages of Monitoring

A. Analyze results of Pre-Appeal Brief Conferences and Appeal Brief appeal conferences

The PTO should use the Pre-Appeal Brief Conference and Appeal Brief Conference as formal quality check points. A recent study of the PTO’s own statistics by Dr. Katznelson found that ***over 80% of all rejections are found defective*** at one of

¹ <http://www.uspto.gov/web/offices/ac/ido/ifoqualityguide.html>

these two points.² The PTO is being given a wonderful sample of defective examiner actions, in a context that requires careful analysis anyway. This is a single point at which the PTO could collect a rich source of data into examination delays and errors at low cost—the per-case analysis is done, all that needs to be done is to collect the review information into a form that permits broader analysis.

Calls to the ombudsman (should that role be created) would also be a valuable point at which to collect information on examination quality.

B. Ask attorneys for feedback during prosecution

Another valuable source of input on examination quality is the attorney that worked on the case. In any case where examination has been extended, someone above the examiner should get involved to find out why, and the attorney will be a good source of information.

Applicants and their attorneys are often reluctant to comment about specific examiners and their SPEs, because applicants and their attorneys are frequently assigned to the same examiner or SPE in follow-on or related applications. Thus, this survey would have to be conducted by someone outside the line of management.

IV. Category 3—Pendency

A. Vigorously enforce 37 C.F. R. § 1.104(c)(2)

37 C.F.R. § 1.104(c)(2) requires:

(2) In rejecting claims for want of novelty or for obviousness, the examiner must cite the best references at his or her command. When a reference is complex or shows or describes inventions other than that claimed by the applicant, the particular part relied on must be designated as nearly as practicable. The pertinence of each reference, if not apparent, must be clearly explained and each rejected claim specified.

Note that there are two separate requirements in § 1.104(c)(2), (i) to “designate” portions *any time* the reference shows *anything more* than the content of a claim being examined (that is, for *all* obviousness rejections, and for all anticipation rejections where

² <http://works.bepress.com/cgi/viewcontent.cgi?article=1053&context=rkatznelson> at slide 15.

the reference contains anything more than the claim alone), and (ii) “clearly explain” the pertinence any time the pertinence is not apparent on the face of the reference.

MPEP § 2131 elaborates on an Office Action’s duties under § 102:

**2131 Anticipation — Application of 35 U.S.C. 102(a), (b), and (c)
TO ANTICIPATE A CLAIM, THE REFERENCE MUST TEACH EVERY
ELEMENT OF THE CLAIM**

A claim is anticipated only if each and every element as set forth in the claim is found, either expressly or inherently described, in a single prior art reference. The identical invention must be shown in as complete detail as is contained in the ... claim.

It is the Examiner’s burden to make all required showings.³ It is not an applicant’s duty to guess at the Examiner’s position.⁴

These two requirements are crucial to examination quality, and to the efficiency that leads to patent quality. First, most people—whether examiner or applicant—are more careful and precise when forced to do the analysis step-by-step on paper. When an Action does not set forth an element-by-element comparison for each and every claim limitation (most importantly, the interrelationships in the claim), often the examiner’s analysis is just plain wrong, and this in turn brings prosecution to a halt, *entirely because of the examiner’s failure to follow Office procedure*.⁵ Second, if an Office action fully explains the examiner’s position, and that position is correct, very few applicants will persist in pursuing a doomed position, and will amend the claims

³ *Ex parte Berg*, <http://des.uspto.gov/Foia/ReterivePdf?system=BPAI&fINm=fd020456> at 4, 2002 WL 32346092 at *2 (BPAI Feb. 6, 2003) (non-precedential) (“the examiner must present a full and reasoned explanation of the rejection in the statement of the rejection, specifically identifying underlying facts and any supporting evidence, in order for appellants to have a meaningful opportunity to respond”).

⁴ *Ex parte Schricker*, 56 USPQ2d 1723, 1725 (Bd. Pat. App. & Interf. 2000) (applicants are not required to “guess as to the basis of the rejection” or to “further guess... what part of [the references] supports the rejection”).

⁵ *See, e.g.*, 10/651,537, Pre-Appeal request of March 2, 2010 (diagnosing the examination errors and delays that followed, arising from the examiner’s initial failure to precisely and completely address the claim language in the first action); 09/672,841, Request under MPEP § 710.06, of July 4, 2007, and Petition of Nov. 4, 2008, esp. Ex. A (showing how one examiner delayed four cases for four years by repeated refusals to precisely consider claim language), and the T.C. Director’s refusal to follow simple and clear instructions in the MPEP.

promptly, and everything moves forward efficiently. On the other hand, if the examiner's position is fully explained and *wrong*, then it is easy for the applicant to identify the examiner's error, and teach the examiner what the examiner needs to know to reach a correct determination. But when an examiner is silent—and maintains silence by failing to answer all material traversed—then the Office wastes huge amounts of time defending the indefensible. This drives up costs for both the Office and for applicants, and diverts attention from the quality that we all desire.

37 C.F. R. § 1.104(c)(2) should be more consistently enforced, and examiners should be compelled to put their entire statement of reasons on paper. If an examiner's papers are incomplete, then rules for premature final rejection should be enforced, as I discuss in § IV.C.

Silence and incomplete Office actions are much more the rule than the exception in 3690. 3690 is a great target of opportunity to achieve major improvement through relatively focused effort.

- 1. Cite the best reference and make the best rejections immediately**

Too often, applicants find themselves spending time and money addressing incomplete first Actions. For example, applicants frequently need to overcome overly broad rejections under 35 U.S.C. § 102 in the first Office Action, only to face a more specific, more carefully targeted rejection under 35 U.S.C. § 103 in the second Office Action, which has now been made final. A *very* common source of this problem is first Actions that give the claims a “100,000 foot flyover” treatment, without analyzing the claim language, as I discuss in more detail in § IV.A.2 at page 9.

2. Enforce correct examination practices

Some examiners select a few words out of a claim and examine those words in isolation.⁶ When they do so, the interconnections and cause-and-effect relationships among claimed elements are not considered.

Misuse of Official Notice has been on the rise. Among other problems, Official Notice is often used as the primary reference directly against claim limitations, as if Official notice were a reference. Examiners' use of Official notice is not confined to the background use that the Federal Circuit permits. In addition, examiners seldom provide support for Official Notice as required by MPEP § 2144.03(B). Examiners also have not been taught that MPEP § 2144.03(C) is unenforceable by the PTO and has no legal force;⁷ the controlling law is 37 C.F.R. § 1.104(d)(2). This misuse of Official Notice is concentrated in a few examiners, between 5% and 10% of the corps in the electrical, computer, and mechanical fields, but it is surprisingly consistent among these examiners.

These two examination defects (isolated words rather than entire claims, and Official notice) contribute a high fraction of the "rework" problem, waste examination resources of both the PTO and applicants, and significantly increase patent pendency, and cause waste of everyone's time that reduces examination and patent quality.

First, MPEP § 2144.03(C) should be removed from the MPEP. It misstates the law—it reflects the PTO's lack of understanding of administrative law, specifically the differences between intra-agency review under Chapter 5 of the Administrative Procedure Act and court/agency review under Chapter 7. The cases cited in MPEP § 2144.03(C) only reflect the latter, and are inconsistent with statute in the intra-PTO examination or appeal context. If MPEP § 2144.03(C) were ever the law, a January

⁶ See, e.g., footnote 5.

⁷ See *Final Bulletin for Agency Good Guidance Practices*, discussed in § IV.F of this letter, and fully cited in footnote 11.

2007 Bulletin from the Executive Office of the President forbade the PTO from continuing to enforce it.

Second, the PTO should provide more detailed training on correct examination practices, in particular, on the proper use of Official Notice and Final rejection. SPEs should take a more active role in reviewing Office Actions for whether correct examination practices have been followed. The Office should instruct examiners and SPE's that MPEP § 710.06 is a procedure that the Office gave applicants to motivate correct and complete examination, and examiners have no authority to overrule PTO policy stated in § 710.06.⁸ The PTO should also emphasize to examiners that no Office employee has individual authority to rewrite the MPEP, or to deny a request for a complete Action, when the request is framed as a request under MPEP § 710.06.

3. Increase the explanation of the pertinence of the reference

Rejections have become sketchy—when method and apparatus claims to the same invention are present, examiners just copy the discussion of one to the other, and seem to think that because the Action is long, it is complete,.

Examiners should be instructed that it's OK to examine method-apparatus twin claims in a single paragraph, but that paragraphs should carefully address all claim language, designate portions of references relied on, and explain pertinence as required by 37 C.F. R. § 1.104(c)(2).

4. Print pre-grant publications in column-and-line number format

Patent quality could be improved by using a column and line number format in pre-grant publications. Issued patents use the column and line number format, rather than paragraph numbers. In the past when issued patents were the majority of cited references in an Office Action, parties cited sections of a reference by column and line number.

⁸ See, e.g., 10/771,221, papers from February to March 2009; 11/927,240, papers from June to August 2008; 10/042,371, papers from June to July 2007.

When pre-grant publication of pending applications was introduced, publications were published with a paragraph number format rather than with column and line numbers. Citation to a full paragraph rather than to one or two sentences in the paragraph necessarily results in a reduction in the clarity of the citation, and “in not as nearly as practicable.” The precision of reasoning that is enforced when parties had to cite by column and line number was lost. Now that a significant number of pre-grant publications are cited as references in Office Actions, citation to full paragraphs without additional discuss as to the relevance of the contents of the paragraphs reduced the clarity of the explanation of the pertinence of the reference and therefore the clarity of the rejection. Clarity of reference citation would be easily improved by simply applying the column and line number format to pre-grant publications.

B. Second Actions should be prepared with greater care

Office Actions are prepared with less care today than some years ago. Often in a second action, the examiner will simply copy the first action and add some supplemental analysis—but the new analysis is irreconcilably inconsistent with the old. Grammatical errors add unnecessary ambiguities. Actions frequently contain references to claims that have been canceled, claim language that has been deleted (or neglecting to address claim language that has been added), references that are no longer cited, and rejections that have been withdrawn.

The PTO should train and caution examiners in the proper use of recycled text in Office Actions.

C. Enforce rules relating to premature final rejection

Examiners are often unwilling to consider (and often simply ignore) arguments as to premature finality. Accordingly, applicants are forced to resort to filing a Request for Continued Prosecution (RCE) to overcome a rejection that is more relevant to the patentability of the subject invention than those previously presented and that could have been raised earlier in the prosecution.

D. Distill the courts' definition of "new ground of rejection" into the MPEP

A key to proper operation of "compact prosecution" and premature final rejection is a well-understood definition of the key term "new ground of rejection." If examiners understand that the first Office Action must be complete or the second action will not close prosecution, then examiners will be strongly incentivized to give a complete and precise examination in the first Action. A useful restatement of the law of "new ground of rejection" was offered for inclusion in the MPEP in one of the Appeal comment letters.⁹ That definitional analysis, or something much like it, should be incorporated into the MPEP.

E. Provide balanced guidelines under 35 U.S.C. § 103

In order to improve the Examination process, I recommend that MPEP § 2142-2143 provide rationale to support *allowance* under 35 U.S.C. § 103. MPEP § 2142-2143 provide a reasonable synthesis¹⁰ of *KSR International v. Teleflex, Inc.*, 550 U.S. 398 (2007) and ground for *rejection* under 35 U.S.C. § 103.

The § 103 rejection guidelines properly emphasize criteria discussed in *KSR*, for example, that combining prior art elements according to known methods to yield a predictable result is not patentable. The guidelines indicate that the examiner may use the rationale that patentability under 35 U.S.C. § 103 is not supported when there is mere substitution of one known element for another to obtain a predictable result. Due to the potential for hindsight in a "predictable result" based rejection, the examiner, as stated by the Court in *KSR*, should provide "some articulated reasoning with some rationale underpinning to support the legal conclusion of obviousness." *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398, 418 (2007) (see also *Ex parte Competitive Technologies, Inc.*, B.P.A.I. (2009)). At least in the financial services

⁹ <http://www.uspto.gov/web/offices/pac/dapp/opla/comments/bpai/boundy.pdf>, Attachment F starting at page 75.

¹⁰ See J. Steven Rutt, et. al., *Journal of the Patent and Trademark Office Society*, Vol. 89, No. 11, p. 839-847 (2007).

industry where I practice most, a showing of “predictable result” or “reasonable expectation of success” is almost *never* made in an Action, even though many of the hypothetical combinations of art proposed by the examiner are totally unworkable. If the form paragraphs required the examiner to write *something*, the examiner would usually catch the error, and we’d all waste less time on untenable rejections. The guidelines should be amended to emphasize that when an examiner invokes the “predictable result” rationale, the examiner is required to provide the reasoning with some substantial evidence rationale to support the rejection.

The PTO should also require examiners to actually follow the Guidelines. Because there are seven sets, examiners fail to take them seriously or consider them precisely. The PTO should provide seven specific form paragraphs, conforming to the seven rationales in MPEP § 2143, and require examiners to be specific, particular, and thorough.

F. Implement the Final Bulletin on Agency Good Guidance Practices

The PTO’s commitment to those portions of the Administrative Procedure Act that create obligations for agencies (particularly 5 U.S.C. §§ 552, 553, 555 and 558), the Paperwork Reduction Act (44 U.S.C. §§ 3506, 3507 and 3512), Executive Order 12,866 and the *Final Bulletin for Agency Good Guidance Practices* (“Good Guidance”), issued by the Executive Office of the President in 2007¹¹ has been less than encouraging. The PTO should observe these provisions with the same vigor that it gives to the portions that restrict applicants, *e.g.*, 5 U.S.C. § 706, *Dickinson v. Zurko*, 527 U.S. 150 (1999).

¹¹ Executive Office of the President, *Final Bulletin for Agency Good Guidance Practices*, OMB Memorandum M-07-07, <http://www.whitehouse.gov/omb/memoranda/fy2007/m07-07.pdf> (Jan. 18, 2007), http://www.whitehouse.gov/omb/assets/regulatory_matters_pdf/012507_good_guidance.pdf, 72 Fed. Reg. 3432 (Jan. 25, 2007). Good Guidance §§ I, IV. In a telephone call to the Office of Management and Budget on September 24, 2009, I confirmed that the Good Guidance Bulletin remains in effect, and that it binds agencies with the force of law equivalent to a numbered Executive Order.

The PTO should provide training in basic principles of administrative law, as required by the President's *Good Guidance Bulletin*. When the PTO fails to comply with the law, the legitimate expectations of applicants guaranteed by the administrative law are frustrated, and the examination-prosecution process breaks down. An administrative law audit that identified lax observance of procedure, and set processes in motion to correct that lax procedure, could substantially improve the cooperative efficiency between the PTO and applicants, and would likely identify additional issues that should be addressed.

V. Category 4—Pilot Programs

Deferred Examination, or examination on request, is an immensely valuable idea that could solve many of the PTO's problems. Such a pilot program can free examination resources at the PTO, thereby resulting in reduced pendency.

VI. Category 5—Customer Surveys Regarding Quality

Past surveys have not been sufficiently targeted to obtain information as to the extent to which the PTO is achieving its dual goals of improved quality and pendency. The questions were targeted at issues of clerical performance and the like—issues that are easy to measure, but have negligible economic effect.

PTO surveys should ask questions that matter to the substance of applications, prosecution, and the quality of the final product (the issued patent). The surveys should solicit meaningful answers that identify the kinds of errors that create costs of time and money for the Office and for applicants, and that guide attention to errors that where quality can be improved.

Survey questions should be specific as to the practices of the examining corps in examining applications and the practices of the PTO staff in administering the PTO.

The following are some suggested questions for surveys:

- In rejections under 35 U.S.C. § 101, do examiners consistently follow the flowcharts and make the findings required by MPEP § 2106 and memoranda to the examining corps?

- In rejections under 35 U.S.C. § 102, do examiners consistently consider all claim language, including interconnections and limitations of arrangement?
- Are "portions relied on" designated "as nearly as practicable?"
- If the citation of a portion of a reference is not sufficient to make the examiner's position absolutely "apparent," do examiners "clearly explain the pertinence?"
- When asserting inherency, do examiners consistently make showings of "technical fact or reasoning" to establish that the asserted subject matter is indeed inherent?
- In rejections under 35 U.S.C. § 103, do examiners consistently follow one of the rationales for obviousness set out in MPEP § 2142, with a showing of all legal elements?
- When asserting official notice, do examiners consistently follow MPEP § 2144.03(A) and (B)?
- When an issue of the examiner's personal knowledge is challenged under 37 C.F.R. § 1,104(d)(2), do examiners consistently replace personal opinion with substantial evidence?
- When raising obviousness double patenting issues, do examiners consistently make all the showings required, including precisely identifying the difference between **one** claim in the pending application and **one** claim in the reference patent/application, and making a precise showing of obviousness of the difference?
- When making rejections under the enablement requirement of 35 U.S.C. § 112 ¶ 1, do examiners consistently make the showings required by MPEP §§ 2161 - 2163?
- When making rejections under 35 U.S.C. § 112 ¶ 2 (indefiniteness), do examiners call out genuine ambiguity or indefiniteness, or do they rely on "rules of thumb" and formulae that exist solely for historical reasons, but do not indicate genuine ambiguity?

Note that the above sample survey questions are couched in general terms about the examining corps rather than about the actions of a specific examiner. The PTO needs to recognize that applicants and their attorneys are often reluctant to comment about specific examiners and their SPEs, because applicants and their attorneys are frequently assigned to the same examiner or SPE in follow-on or related applications.

VII. Category 6—Tools for Achieving Objectives

In its Request for Comments, the PTO requested input on the tools that could be made available to users and the PTO to enhance the quality of the PTO's processes.

It would be helpful if the PTO developed a URL naming scheme that made it easier to cite documents uniformly. For example, every document in a file history could have a URL of the form

www.uspto.gov/ifw/[8-digit serial number]/[year-mo-da]/a-b-c-d-e

or some similar naming convention. If every page in a prosecution history were "branded" with a page number as it was added to the file history, then every page could be uniquely referred to by a URL of the form

www.uspto.gov/ifw/[8-digit serial number]/[page-number]

These two conventions would permit ready citation to Office Actions submitted in IDS's, citation to references during prosecution, citation to pages in appeals and judicial review, and the like.

VIII. Category 7—Incentives

In its Request for Comments, the PTO requested input on the types of incentives that it could use to promote its goals.

A. Compensation and promotions

Compensation and promotions must be tied to compliance with correct examination practices and cooperative, high quality, compact, and speedy prosecution.

If examiners know they'll be held to high standards of compact, high quality prosecution, they will be more receptive to correctly examine completely in the first action. They will be more likely to group and restrict claims, to cite the best reference and make the best rejections immediately, to properly explain the pertinence of the reference, to proofread Office Actions, and to take initiative to advance prosecution. They will be less likely to raise new grounds of rejection later in the prosecution, misuse Official Notices, and correctly apply final condition to Office Actions.

B. Enforcement of rules

Getting rules enforced is simply impossible. For a rather dramatic example, where a T.C. Director forced an application into abandonment as retaliation for the simple act of asking an examiner to follow the rules, see 09/672,841, papers from July 2007 to August 2009. When examiners believe that they have the authority to rewrite the MPEP, and supervisory personnel refuse to enforce PTO regulations relating to their subordinates, poor quality can be the only result.

C. Reopening on appeal

SPE's should be very ready to reopen prosecution on Pre-Appeal where the SPE sees procedural omissions, even if the SPE is not entirely convinced of patentability. This would provide great incentives for examiners to examine carefully and completely, and would ensure that an applicant is given a fully developed issue for appeal.

IX. Specific areas of particular PTO interest

A. Topic V(2): comprehensive initial application

The Notice sets forth a series of criteria for an initial application. Many use the word "reasonable." Of course almost all practitioners would agree with this list, because almost all recognize that prosecution costs are minimized and patent value is maximized when applications are prepared to this list. Applicants already have very strong incentives to prepare applications in the manner set forth.

If there is any difference of opinion, it might relate to the word "reasonable." Given the economic incentives on applicants, does the PTO have any reason to believe that applicants are doing anything "unreasonable" in any significant numbers? As the Notice notes in its opening paragraphs, enforceability of any guidelines is important to determining the relevance of a question or comment: how would the PTO propose to enforce any position it developed? Because the PTO provided none of its underlying data (see discussion in § II of this letter), the question is meaningless, and no real answer is possible.

There are two reasons that applications are filed in less-than-robust condition.

- First, foreign inventors often give U.S. counsel minimum time to work with an application before it must be filed. Perhaps the PTO can create incentives to reduce the frequency of the former, though a solution is not immediately apparent to me.
- Second, applications are prepared and filed in haste when a statutory bar (U.S. or foreign) is imminent, or the company is very cost constrained at application filing time and is willing to accept increased future costs in order to avoid going bankrupt today preparing a better patent application. The PTO should oppose the "first inventor to file" provision of S.515 and H.R. 1260, because similar laws have been shown in other countries to increase haste and decrease the quality of filed applications.¹²

B. Topic V(3) Comprehensive first action

I agree with the PTO's concerns expressed here. The best way to assure that first actions are complete is through incentive structures.

Applicants (especially outside counsel) are under *tremendous* pressure to minimize patent life-cycle costs.

On the other hand, the Office's count system and promotion system based on one-sided use of quality reviews gave examiners significant incentives to short-cut, and to reject for spurious reasons. It's too early in the reengineering process to see how results will change; at this point, I can only note with appreciation the policy changes and the general change in process and examiner helpfulness.

C. Topic V(4): Comprehensive and clear response

The Notice, at 65099, col. 2, notes "the process is most efficiently advanced when the applicant's response presents all the information at applicant's disposal bearing on the patentability of the claims and desired issuance of a patent."

The PTO should keep in mind the legally-permissible definition of "efficient." Under Executive Order 12,866, "efficiency" means the maximization of net social benefits, and "to impose the least burden on society." Under the Paperwork Reduction

¹² Lo & Sutthiphisal, Does it Matter Who Has the Right to Patent: First-to-Invent or First-to-File? Lessons from Canada, *NBER Working Paper No. w14926*, http://ssrn.com/abstract_id=1394833

Act (PRA), 44 U.S.C. § 3506(c)(2)(A)(iv), efficiency means to “minimize the burden of the collection of information on those who are to respond.” It appears that this portion of the Notice is using another definition of “efficient.” The Notice’s definition would require applicants to maximize their own costs early, in order to minimize the PTO’s. Executive Order 12,866 permits such cost shifting if and only if the PTO can show that its cost savings were at least as great as those shifted to applicants.

Applicants respond to PTO actions in order to minimize expenses. Applicants usually start with the assumption that the examiner has some level of competence, and that a small argument will be sufficient to show the examiner the error in the rejection analysis, and thereby win allowance. Larger arguments and evidence come into play almost exclusively when an examiner fails to self-correct an error. It is impossible to tell *a priori* which examiners are capable of self-correction, and which are not, and do the best they can with that uncertainty. (Note that this uncertainty is remarkably increased by the PTO’s refusal to enforce its own procedural rules, particularly the requirement to “answer all material traversed,” see § IV.C and VIII.B.) Applicants only climb the marginal cost curve as necessary. E.O. 12,866 and the PRA require the PTO to continue to permit this.

The best way to achieve optimum cost sharing is correct pricing. If the cost of an RCE is set to reflect the average cost to the PTO of examining an RCE (as the PTO is required to do, 35 U.S.C. § 41(d)), at a price-to-effort-neutral value, then applicants will correctly select the approach that minimizes total cost, and the PTO will be properly funded for its work.

The PTO would be well-advised to conduct a Regulatory Impact Analysis under OMB Circular A-4¹³ before acting in this area.

¹³ http://www.whitehouse.gov/omb/assets/regulatory_matters_pdf/a-4.pdf

D. Topic V(5): Interviews

I agree with a statement that Director Kappos made at a breakfast meeting in Boston on January 26, 2010: interview early, interview often. Examiners should be encouraged to pick up the phone any time. The most valuable interview would be before first action, to discuss the invention to be claimed. In many cases, the examiner can raise a red flag issue to which the applicant can file a preliminary amendment before the examiner invests more than an hour or two. In many cases, the applicant can direct the examiner's attention to the most-important claim language.

X. Conclusion

This Notice asks valuable questions. However, before the PTO can reliably act on the answers, the PTO should ask the *correct* questions, and comply with the Information Quality Act so that the public can submit quality comment letters.

Sincerely,

/s/ David E. Boundy

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