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From: Brian Hickman [mailto:bhickman@hptb-law.com]

Sent: Monday, April 24, 2006 4:01 PM

To: Clarke, Robert

Subject: Comments on Proposed Changes to Practice

Dear Mr. Clarke,

Attached, please find my comments in response to the Proposed Changes to Practice for Continuing Applications, Requests for Continued Examination Practice, and Applications Containing Patentably Indistinct Claims, Notice of proposed rulemaking, first published in the Federal Register at 71 Fed. Reg. 48 (January 3, 2006) and then published in the Official Gazette at 1302 Off. Gaz. Pat. Office 1318 (January 24, 2006).

I hope that the suggestions made therein are given serious consideration.

Regards,
Brian Hickman

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Feedback on the Proposed Changes

by Brian Hickman¹

Redefining the Problem

To arrive at a sensible solution to a problem, it is essential that the problem itself be defined accurately. It appears that the current proposals are attempts to solve a problem that has been defined too narrowly. Clearly, the PTO is taking too long to act on newly filed applications. Similarly, the total latency between filing and issuance is also too long. However, these are not problems to be solved individually. Rather, they are merely symptoms of a more general problem which, if not addressed by the changes, may actually get worse by rules that attempt to address the specific symptom.

That larger problem is simply this: the PTO's current workload exceeds its current capacity. Further, the PTO's current projections are that the workload-to-capacity ratio will get even worse.

Increase Capacityⁱ

Having defined the problem accurately, a simple solution becomes apparent. Specifically, the workload-to-capacity ratio can be improved by increasing the capacity in proportion to (or to a greater extent than) the increase in workload.

Consider the situation in which a post office branch has become so swamped that it is unable to process mail in a timely manner. The obvious course of action is to expand that branch of the post office, not restrict the conditions under which people are allowed to send mail.

The PTO's capacity to examine cases can be increased in a variety of ways, the most obvious of which is to hire more examiners. If hiring examiners is difficult, then the PTO should change the conditions that make it difficult. Those changes may include raising the pay, decreasing the hours, increasing the benefits, and relaxing the time pressures placed on Examiners.

Clearly some of these measures (e.g. decreasing the hours, relaxing the time pressures) will actually decrease the capacity of each examiner, thereby requiring even more examiners to be hired to address the workload-to-capacity ratio problem. Ultimately, any and all of such measures will require money. Money, in effect, represents the PTO's ability to increase its own capacity. Therefore, the problem faced by the PTO can be thought of as a workload-to-money ratio problem.

Increase Money

There are a variety of ways the PTO can obtain more money to increase capacity, the most obvious of which is to stop other parts of government from siphoning off the

¹ The opinions expressed herein are solely those of the author. They do not necessarily represent the views of the author's firm, nor any of its clients.

PTO revenues. This is a well-known problem, and prior attempts to address it have been unsuccessful. Therefore, other steps are necessary.

Another way to increase the money available to expand PTO capacity is to increase fees. To most effectively address the workload-to-money ratio problem, any fee increases should be designed such that the more workload a task represents, the greater the fee assigned to the task.

The Workload-to-fee Ratio of PTO tasks

Each task performed by the PTO represents a particular workload-to-fee ratio. While the exact workload-to-fee ratio of a task may be hard to determine, the relative workload-to-fee ratios of many PTO tasks are obvious. For example, if two tasks have the same fee, then the task that requires more resources has a less favorable workload-to-fee ratio.

For example, consider the following three tasks, all of which have the same fee:

- (1) examining a new application filing
- (2) examining a continuation filing
- (3) examining an RCE

To examine a new application filing, the Examiner is supposed to read a specification about which she has no prior knowledge. Then the Examiner is supposed to search claims about which she done no prior investigation. The Examiner is then supposed to analyze the results of the search, which may include references that she has never seen before. Finally, the Examiner is supposed to write an Action. In writing the Action, the Examiner has nothing more than boilerplate to start from. The analysis portion of the Action must be drafted from scratch.

The examination of a continuation filing proceeds in a similar fashion, with the significant difference that the Examiner is already familiar with the specification, and has already performed a search on (usually) highly-related claims. In fact, if the continuation was filed to pursue claims that were not allowed in the parent case (which it usually is), then the examiner has already seen and searched the claims. Due to these differences, the workload-to-fee ratio of examining a continuation filing is much better than the workload-to-fee ratio of examining a new application filing.

The examination of an RCE is even easier than the examination of a continuation filing, since the examiner will already be familiar with the specification, the claims, and the prior art, and will already have a write-up that compares those claims to the prior art. Thus, from a pure workload-to-fee ratio perspective, RCEs are one of the best type of tasks Examiners can do.

Of course, this will come as no surprise to Examiners. Examiners know that RCEs give them the biggest “bang-for-the-buck”, and therefore often actively encourage applicants to file RCEs rather than resolve issues after final.

With the workload-to-fee ratios in mind, the PTO’s problems would be best addressed by increasing fees for:

- New application filings.
- Large specifications.
- Extra independent claims.

There are several high-workload tasks for which the PTO does not currently charge any fee. PTO revenue (and therefore capacity) can be increased, for example, by charging fees for tasks such as: responding to applicant responses and conducting interviews. Such fees may produce ancillary benefits as well. For example, it is not uncommon for applications to get in a sort of loop of non-final office actions and responses thereto. If each such response had a fee, the applicant would have more incentive to break out of the loop as soon as possible. This would be especially true if the fees became progressively higher with each iteration. A more detailed discussion on a progressive fee structure is provided below.

As another example, charging a fee for examiner interviews may result in decreasing the number of unproductive interviews. If a fee is being paid, both the applicant and the examiner are more likely to come prepared to bring the case to a final resolution. A more detailed discussion on interview practice reform is provided below.

While charging fees for these tasks may initially sound appalling to some, the adverse reaction to such fees would probably be short-lived, given that in most cases such fees would merely be noise relative to the legal fees they are paying for the exact same tasks.

Decreasing Workload

While the most appropriate solution to the workload-to-capacity ratio problem is to increase capacity, the current proposals by the PTO indicate that the PTO is determined to impose rules to decrease workload.

Specifically, the current proposals attempt to decrease workload by reducing what the PTO calls “rework”. Unfortunately, tasks that are considered rework are exactly those tasks that have the most favorable workload-to-fee ratios. Thus, a decrease in rework tasks will reduce revenue (the ability to increase capacity) far more than it will decrease workload. Consequently, the current rules will actually worsen the workload-to-capacity ratio that is causing the problem. In a nutshell, the current proposals relating to continuation practice will actually make the problem worse, potentially much worse.

However, there are many sensible ways to decrease workload. Several possibilities are outlined hereafter.

First Action Allowances

Currently, the culture of the examiner corps strongly discourages first action allowances. Many examiners candidly admit that they are coerced into rejecting claims even when they do not have sound grounds to do so. It is not uncommon for originally-filed claims to issue after several examination iterations.

Clearly, if an examiner has a good-faith position for why a case should not be allowed, the examiner should not allow the case. That is not the problem. The problem is that many (probably most) examiners treat the existence of any such position as optional during the first round of examination.

Perhaps the unwritten prohibition against first action allowances is the result of a tacit understanding that the examination performed during the first review is insufficient to achieve the confidence that a case should be allowed. If this is true, then more time

must be allocated to the initial review. Even though this increases the workload associated with the first review, that increase would be more than made up by the decrease in second (and subsequent) reviews of the same case.

Pro-forma Actions

Some examiners may believe that no amount of initial review is sufficient to achieve the confidence level required for first-action allowances. Whether or not that is true, it is clearly wasteful to require such examiners to formulate and reduce to writing arguments for rejections with which they themselves do not agree. Therefore, under these circumstances, examiners should be allowed to issue “pro-forma” action in which they merely (1) identify the closest reference, and (2) request the applicant to provide reasons why the current claims are allowable over the reference.

This practice would save the Examiner the time required to formulate weak arguments, and save the applicant time by not having to specifically address points made in those weak arguments.

In any case, pro-forma actions should only be allowed on the first iteration. Under no circumstances should examiners be encouraged to render rejections that they themselves do not agree with.

Combine PCT and US Examinations

Many cases are filed both directly in the U.S., and in the PCT using the U.S. as the examination authority. Such cases should always automatically be assigned to the same examiner, and examined at the same time. By this change, the PTO would decrease its workload by 50% for many of these cases (which are often separately examined by different examiners at different times).

In most cases, this change would result in the U.S. case receiving an examination before it otherwise would. This result will encourage some PCT applicants to select the USPTO when they otherwise might not. Thus, there may be a significant increase in one-examination-for-two-fees cases. Such cases are exactly what the PTO should encourage to improve its workload-to-fee ratio.

Progressive filing fees

If “rework” cases are to be discouraged, then they should be discouraged in a sensible manner. One way to discourage rework cases in a way that is less likely to adversely impact the workload-to-fee ratio is to charge progressive filing fees at each iteration. For example, the cost of filing a first RCE or continuation may be the same (or even less than) an original filing. However, the cost of filing a second RCE or continuation may be 50% more than an initial filing. This progression may continue so that at each iteration, an applicant has greater financial incentive to bring the process to final resolution. At the same time, the workload-to-fee ratio for those subsequent

iterations is extremely positive, providing significant revenue to allow the PTO to increase capacity.

In some cases, continuations are filed because appealing is perceived to be more expensive than filing an RCE, even when applicants have strong arguments of patentability that are being unreasonably ignored. Thus, another benefit of progressive filing fees is that, at some point, the filing fees will exceed the cost of an appeal. Consequently, it is more likely that cases that should be appealed will be appealed (instead of “churning” within the system).

Representative claims

The idea of only examining “representative claims” has merit, in that it will decrease workload without significantly impacting an applicant’s options. However, a simple scheme would be better. For example, it would be better to simply adopt a rule that only independent claims are examined. This rule should be newly applied at each examination iteration. For example, if in the initial examination, Claims 1 and 10 are independent, then Claims 1 and 10 will be examined. If the applicant amends in a manner that makes Claims 1, 5 and 12 independent (with Claim 10 cancelled), then during the second iteration Claims 1, 5 and 12 are examined.

No extra fee structure would be required by this scheme, since extra claim fees are already applied to independent claims above the limit. If an applicant wants what would otherwise be a dependent claim examined, the applicant would simply rewrite the claim in independent form.

The idea of combining claims from multiple applications, for the purpose of imposing some examination limit, is nonsensical. It punishes cases that have favorable workload-to-fee ratios relative to cases that have unfavorable workload-to-fee ratios.

The Importance of Interview Practice

Nothing moves a case to final resolution better than a well-conducted interview. Interviews can be significantly more productive than written actions for a variety of reasons. One such reason is that during interviews, applicants often discover that the real reason that claims are being rejected is not the reason set forth in the written actions.

For example, it is not uncommon for rejections to be the result of an Examiner not being comfortable with his own level of understanding of the technology (the more complex the technology, the more frequently this will be the case). Interviews provide a good forum in which an applicant can provide the Examiner a verbal tutorial, both of the technology in general and of the invention in particular.

As another example, the rejections may be the result of the Examiner’s inability to convince his supervisor that claims should be allowed. While Examiners often freely admit to this during interviews, it is never indicated in their written Actions. However, for the case to move forward, it is critical for the Applicant know such information.

As yet another example, the rejections may be based on the Examiner’s knowledge of art that has not yet been made of record. In theory, this should never be the case. However, in practice it often is.

Even when a written action states the real reasons for rejections, it often does not do so clearly. For example, it is common for a written action to assert that an element of a claim is described in a specifically identified section of a reference, without actually identifying what thing, mentioned within that section, is actually considered to be the element. Consequently, the applicant must guess what the examiner meant, and respond accordingly. If the guess is incorrect, an entire examination iteration is wasted.

Well-conducted interviews tend to remove obstacles by conveying to both parties information that (1) may never show up in written actions and responses, but that (2) is critical to bringing a case to final resolution. Relative to written actions, interviews require less examiner time, and resolve more issues. Thus, interviews represent a highly efficient way of doing business.

Improving Interview Practice

Because well-conducted interviews are so efficient at removing obstacles to final resolution, changes that improve the interview practice could lead to a significant reduction in “rework”, and thereby reduce the PTO’s overall workload.

There is any number of ways interview practice may be improved, including:

(1) give examiners the same credit for participating in an interview that they would receive for preparing a written action. This is critical. In fact, the current internal incentive system is one of the major obstacles to effective interviews, since examiners are better off denying interviews (or failing to participate in good faith) and then forcing the applicant to file an RCE, than they are if they resolve issues before an RCE is filed.

(2) require examiners to allow at least one interview after every action. The policy that permits examiners to refuse after-final interviews is nonsensical given the PTO’s aversion to “rework”, especially given that the final office action is often the first detailed communication of the Examiner’s true position;

(3) require that a person with signatory authority attend every interview, unless the applicant indicates that such participation is not necessary. This will eliminate the ineffectual interviews in which the Examiner simply repeatedly responds by saying that their supervisor would not agree;

(4) train examiners how to maximize the opportunity represented by interviews. Many examiners come ill-prepared, stating simply that they are only willing to listen. When the problem is that the basis for rejection is unclear, nothing will be accomplished by an examiner that only listens. Other examiners refuse to discuss their positions, and simply refer applicants back to the same confusing written arguments that necessitated the interview.

(5) charge fees for interviews. The fees would compensate for the additional resources that would be required for examiners to prepare adequately for them. Psychologically, the fact that the applicant is paying for the interview would encourage both parties to make it more productive.

Conclusion

It is the sincere hope of this author that the USPTO will give due consideration to the suggestions contained herein. These suggestions are based on observations made during more than a decade of extensive first-hand experience in the patent application

process. It is in everyone's best interest that the USPTO adopt sensible solutions to reduce the time-to-issuance of applications directed to patentable inventions.

ⁱ In recent town meetings, USPTO personnel have all but foreclosed consideration of any proposals relating to increasing capacity. As Hon. Director Dudas said at the Berkeley meeting, "we can't hire 4,000 examiners." The refusal to consider this most obvious solution is baffling, considering that the USPTO is uniquely empowered to adapt to increased demands for its services. Specifically, the USPTO is an absolute monopoly, of a highly-demanded service, that requires its customers to pre-pay monopolistic prices for services that will not be rendered for more than a year. Thus, the USPTO is better equipped than virtually any other organization to predict future capacity requirements and to fund any necessary expansion using its current revenue stream.

The USPTO is using a chart that shows a dramatic increase in application filings to predict a future workload-to-capacity crisis. See <http://www.uspto.gov/web/offices/pac/dapp/opla/presentation/focuspp.html>, slide 9. However, that very chart predicts an equally dramatic increase in future revenue. Further, if that chart included separate lines for revenue and workload, the workload line would lag more than a year behind the revenue line. If that dramatically increased revenue stream is not used to increase capacity, how will it be used?

The USPTO's reluctance to increase capacity may be due to logistical, rather than financial, considerations. For example, the USPTO may believe that it will be too difficult to add space for more examiners in its current facilities. However, one of unrealized benefits of the USPTO's move to electronic application files is that it will be relatively easy for the USPTO to expand using satellite offices. The location of satellite offices may be selected based on a variety of criteria, including cost-of-living and density of the customer base. Further, such satellite offices do not need to be equipped to receive applications. A central receiving office may be used to receive all new applications. Once an application has been received and scanned, the electronic file for the application can be handled at any office without any movement of physical material. Given the logistical flexibility provided by the USPTO's electronic systems, a large increase in capacity should be seriously re-considered as a long-term solution.