

UNITED STATES PATENT AND TRADEMARK OFFICE

PUBLIC MEETING ON ENHANCED EXAMINATION  
TIMING CONTROL INITIATIVE

Alexandria, Virginia  
Thursday, July 20, 2010

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A G E N D A

Welcome:

BOB STOLL  
Commissioner for Patents

Opening Remarks:

DAVID KAPPOS  
Director, United States Patent and  
Trademark Office

Presentations:

RICHARD WILDER  
Microsoft Corporation

Q. TODD DICKENSON  
American Intellectual Property Law  
Association

ALEC SHIBANOFF  
American Innovators for Patent Reform

DOUG NORMAN  
Intellectual Property Owner's  
Association

STEVEN E. SKOLNICK  
3M

HANS SAUER  
Biotechnology Industry Organization

WARREN TUTTLE  
United Inventors Association

\* \* \* \* \*

## 1 P R O C E E D I N G S

2 (1:30 p.m.)

3 COMMISSIONER STOLL: Welcome to the  
4 United States Patent and Trademark Office's Public  
5 Meeting on Enhanced Timing Control Initiative,  
6 also known as the three-track examination  
7 initiative. It's my pleasure to welcome you to  
8 this discussion that is truly revolutionary and  
9 marks an historic shift in patent examination.  
10 Under the leadership of Director Dave Kappos, the  
11 United States Patent and Trademark Office has been  
12 able to break historical barriers that tied us to  
13 arcane processes and procedures. For the past  
14 year Dave has led us through changes that bring to  
15 life his vision for the U.S. patent system. He  
16 has challenged managers and employees to help him  
17 create a more efficient patent system, and the  
18 three-track proposal is the direct result of  
19 meeting this challenge.

20 You have all read and hear about our  
21 patent count system changes which ushered in the  
22 first fundamental change to the count system in 30

1 years, and the Quality Task Force which is a joint  
2 public effort between Patents and the Public  
3 Advisory Committee is an example of taking the  
4 initiative to forge a new path by tearing down our  
5 measures of quality and developing new ones.

6 Today the three-track proposal gives our  
7 applicants unprecedented control over their  
8 application examination process. At every step of  
9 the way, our proposals and changes always contain  
10 input and feedback from our stakeholders. We are  
11 getting quite good at roundtables. I've never had  
12 such good quality time with our applicants.

13 Each of our programs has as its core the  
14 element of inclusion with the groups that matter  
15 most whether employees or applicants. This  
16 profound culture change to transparency and  
17 collaboration is the most remarkable tool we have  
18 developed this past year. This forum is just one  
19 of many that we have had and will continue to hold  
20 to gather the critical input from our  
21 stakeholders. Mr. Kappos has brought vision and  
22 determination to the agency. His capable

1 leadership is felt at all levels. Please welcome  
2 the Under Secretary of Commerce for Intellectual  
3 Property and the Director of the Patent and  
4 Trademark Office, Mr. David Kappos.

5 DIRECTOR KAPPOS: Thanks, Bob, for that  
6 introduction and good afternoon everyone.

7 First I'd like to start by thanking  
8 everyone who's in the room today for taking your  
9 time to help us shape ideas and move forward in  
10 thoughtful ways that are in the best interests of  
11 the USIP system, indeed the global IP system, and  
12 most important innovation and the innovation  
13 community.

14 Let me begin this afternoon by framing  
15 the discussion just a little bit around why  
16 getting this matter right matters not only for the  
17 patent system but also for the applicant  
18 community, for the USPTO and for the U.S. Economy  
19 and even the global economy. I'll share a few  
20 details about the three-track proposal. Probably  
21 most people are familiar with it, I won't dwell on  
22 that too much, and how I believe that with the

1 benefit of your comments today it can strengthen  
2 our system and then I'll open the meeting up for  
3 dialogue.

4           This groups knows full well that  
5 innovation is the only sustainable source of  
6 competitive advantage for the U.S. economy in the  
7 21st century and the distance between innovation  
8 and the marketplace is shrinking. Said another  
9 way, innovation is moving more quickly all the  
10 time from creation to manufacture and to  
11 distribution and the trend is irreversible, and  
12 that's a good thing. IP has become the necessary  
13 instrument, in many cases the only instrument,  
14 that's available for innovators and businesses to  
15 capture value as ideas move into the marketplace.  
16 In this way IP has become as I often refer to it  
17 these days the world's currency of innovation. As  
18 you know, it is the certainty of the patent right  
19 that makes the patent a form of currency and it's  
20 IP's currency that allows businesses like many  
21 represented in the room today, whether patent  
22 owners or third-party competitors to make

1 investments and other business decisions with  
2 confidence. As you know, effective patent  
3 protection starts with providing quality and  
4 timely decisions on patentability. Unfortunately,  
5 it takes far too long to get patents in most  
6 offices including the USPTO and the backlog is a  
7 barrier to innovation and economic growth.

8           What are we doing about it? First,  
9 we're doing a lot already. We're looking at ways  
10 to improve how we measure and track quality of  
11 patent application review at the USPTO. We know  
12 that quality patent issuances create certainty in  
13 the marketplace and market certainty in turn  
14 facilitates growth for our economy and for our  
15 competitive environment on the U.S. and global  
16 basis. Second, we're reforming the USPTO as Bob  
17 mentioned a moment ago to reflect the criticality  
18 that it plays to our economy and we're  
19 transforming the agency to match the fast pace of  
20 technology and innovation and ensure efficient  
21 high-quality review of all patent applications.  
22 We believe we're off to a good start. We've

1 reengineered the way we motivate and monitor our  
2 corps of examiners, we've redefined performance  
3 plans at the management level to reflect the  
4 importance of high-quality examination and backlog  
5 reduction, coaching other things that are  
6 important to producing, developing and enhancing a  
7 high-quality workforce. We're fostering more  
8 communication between applicants and examiners to  
9 improve quality and efficiency, and we're working  
10 to build a new IT infrastructure that will speed  
11 patent application processing and improve search  
12 quality throughout our operation. But also  
13 critically, to decrease pendency while being  
14 responsive to marketplace reality we've begun to  
15 recognize what companies in the shipping business  
16 discovered a long time ago, that not all packages  
17 have to get to their destination at the same rate,  
18 that some require next-day service and others can  
19 take somewhat longer.

20           We all know that patent applications  
21 like the inventions they protect vary  
22 significantly and that some patents need to be



1 issued more quickly than others. Different firms  
2 and even individual applications for different  
3 products and services require varying processing  
4 speeds. So we at the USPTO, our nation's  
5 innovation agency, are proposing to adopt  
6 private-sector business practices and offer  
7 market-driven services. As an example, we're  
8 already experimenting with various ways of  
9 enabling applicants to receive accelerated review  
10 of technologies in areas that are priorities to  
11 the Obama administration like green technology  
12 which we all know is essential to battling climate  
13 change, and we'll be considering accelerated  
14 review in other categories of innovation that are  
15 also vital to our national interests.

16           Meanwhile, our expansion of project  
17 exchange gives all applicants with multiple  
18 filings greater control of the priority in which  
19 their applications are examined by providing  
20 incentives for applicants to withdraw unexamined  
21 applications that are no longer important to them.  
22 We hope that this will have a positive effect on

1 the backlog as well.

2           If we were operating today in an  
3 environment anywhere near acceptable pendency  
4 levels, my comments would probably end here and  
5 frankly we probably wouldn't need to discuss  
6 further prioritizing of application cues. If we  
7 were near acceptable pendency levels in the USPTO  
8 we'd have the luxury to keep on processing  
9 applications the way we have for eons now, first  
10 in, first out, where everyone waits in lockstep in  
11 the same line. But unfortunately we don't have  
12 that luxury. We have literally hundreds of  
13 thousands of applications in our backlog waiting  
14 to be examined. Our pendency is far from  
15 acceptable and frankly we're currently operating  
16 the most senseless system of delayed and  
17 delinquent examination imaginable. Moreover, for  
18 those who don't want to change, for those taking  
19 the view that the IP community, that is the USPTO  
20 and all applicants, everyone in this room, can get  
21 on top of our huge backlog and by just continuing  
22 along the same path that we've been on for some

1 time, everybody knows that there's a word for  
2 doing the same thing over and over again and  
3 expecting it to produce different results and it's  
4 not very pleasant. For those who prefer that the  
5 USPTO forego taking all available sensible  
6 actions, that is doing other things that we're  
7 working on, the actions that I mentioned earlier,  
8 of course we're going to work aggressively on all  
9 of those efforts and of course those actions are  
10 going to help, we think they're going to help a  
11 lot, I know they're going to help a lot, we know  
12 they're going to help a lot, but they're going to  
13 take time. They're going to take years to get all  
14 of these things accomplished and turn the backlog  
15 around based on what we're already doing.

16 In the meantime with about 720,000  
17 patent applications sitting and waiting to be  
18 examined, we can't wait for years. Many  
19 applications can unquestionably propel business  
20 expansion and create jobs for Americans and others  
21 urgently seeking work. Many applicants knowing  
22 this seek an effective way to accelerate the

1 processing of their applications, and many  
2 applicants who have limited resources or who  
3 prefer to have some time pass before their  
4 applications are examined want us to proceed more  
5 slowly on their applications. In fact, these  
6 later folks frankly have little to worry about at  
7 present given the current state of our backlog.  
8 And of course, these latter applicants also have  
9 another option already available to them to slow  
10 down patent prosecution, they actually have  
11 several options but the one I have in mind right  
12 now is called the PCT.

13 We're actually not talking about  
14 anything radical or divisive here. We're simply  
15 talking about responding to applicant concerns.  
16 We're talking about letting innovators create jobs  
17 now without requiring more years of waiting and  
18 we're giving them choices about how they spend  
19 their resources. In an era characterized by  
20 overwhelmingly moving sideways, we're actually  
21 talking about trying to move forward with this  
22 proposal. So I believe we must change and I wish

1 I could tell you we got enough change underway  
2 already. I wish I could tell you that we'll be  
3 able to get pendency under control quickly by  
4 proceeding with all the measures that I mentioned  
5 earlier. While measures are certainly critical  
6 and we believe will do tremendous things to get  
7 our backlog under control, we're years away from  
8 having it under control even with everything we're  
9 doing now.

10           While we continue to do everything that  
11 I mentioned earlier, we have got to do more. That  
12 brings us to the topic of today's forum. The  
13 three-track proposal is a comprehensive, flexible  
14 patent application processing model offering  
15 different processing options that are more  
16 responsive to the real-world needs of our  
17 applicants. Specifically under the proposal  
18 applicants would choose between the following  
19 three options. Track I, a prioritized examination  
20 process with a 12-month completion goal. Track  
21 II, the traditional examination process that  
22 currently takes about 34 months on average to

1 complete and that will serve as the default track  
2 so that you don't have to do anything differently  
3 and you wind up in the same place you are today.  
4 Then Track III, a PCT-like slower track with a  
5 30-month period to determine whether to finally  
6 prosecute an application. The program is designed  
7 to provide many benefits to the applicant  
8 community and to the U.S. patent system, but we  
9 want to be sure that the applicant community sees  
10 the value because the goal of this proposal is to  
11 benefit you.

12 As contemplated, the plan would allow an  
13 applicant to tailor the anticipated time of  
14 examination to their particular business needs and  
15 financial capabilities. The proposal would also  
16 allow applicants to accelerate applications that  
17 are important to their business now and hold off  
18 on applications that may not be critical. The  
19 result is that the USPTO's resources, your USPTO's  
20 resources, will be more focused on those  
21 applications that will be immediately valuable in  
22 the marketplace. Put another way, the result will

1 be to have the government do the most important  
2 work first. That doesn't seem odd to me, in fact  
3 that seems pretty straightforward that we'd all  
4 want the government doing your most important work  
5 first. It's basic good government.

6           The three-track option would also allow  
7 applicants to change lanes meaning speeding up or  
8 slowing down the examination process on their  
9 examinations as needed so that it builds in a fair  
10 amount of flexibility. I want to be clear on one  
11 point that we've heard some discussion about  
12 already and that is that the three-track proposal  
13 would not displace the acceleration programs  
14 currently in place and that includes the patent  
15 prosecution highway. In fact, what we're asking  
16 as one of our questions today is whether other  
17 acceleration programs should be cued with Track I  
18 or whether we should continue our current cueing  
19 process and that's one of the things that we  
20 clearly want feedback on.

21           The proposal involved three track also  
22 contemplates providing better work-sharing

1 capabilities by waiting to examine applications  
2 that claim priority from an application first  
3 filed in another country until we have an office  
4 action by the office in which the priority  
5 application was filed. If adopted, this proposal  
6 will put prior art and an office action from the  
7 office of first filing as well as an appropriate  
8 response from the applicant before the USPTO  
9 examiner when she or he starts their work. This  
10 in turn we believe will enable faster, more  
11 precise examination in the U.S. gaining maximum  
12 benefit from the overseas work effort.

13 In order to bring clarity to these and  
14 other issues and to ensure that the program serves  
15 its purpose of serving the needs of the applicant  
16 community, we've invited you here today. With  
17 that as background, I'd like to now open up for  
18 today's conversation.

19 MR. CLARKE: First we'd like Mr. Wilder  
20 representing Microsoft Corporation to come up.

21 MR. WILDER: Thank you very much.

22 Commissioner Stoll, Director Kappos, distinguished



1 members of the panel, distinguished audience, I  
2 appreciate the opportunity of appearing here  
3 today.

4 I have to say with some embarrassment  
5 that I'm from Microsoft but I don't have a  
6 PowerPoint presentation for you today. I  
7 apologize to you and more important to my  
8 colleagues who are watching online. I have just a  
9 few brief remarks here today. We're going to  
10 submitting some more detailed comments to the  
11 questions that are posed, the questions, but what  
12 I thought I'd do is to provide a handful of  
13 high-level points for the proposes of the  
14 discussion here today.

15 Let me begin by saying that Microsoft  
16 supports the office's proposal to give applicants  
17 more options in prosecution and more control over  
18 the timing of the examination. In this sense, we  
19 support the stated goals of this initiative to  
20 provide applicants with greater control over when  
21 their applications are examined and to promote  
22 greater efficiency in the patent examination

1 process.

2           From our perspective, the main benefits  
3 of the proposal fall into two areas. First by  
4 allowing applicants greater choice over the timing  
5 of examination, the proposal allows applicants to  
6 respond more effectively to changes in business  
7 plans, market conditions and competitive strategy.  
8 Providing applicants with choice also means means  
9 for identifying and prioritizing the most urgent  
10 or important applications based on the needs of  
11 the applicants themselves. Finally this  
12 flexibility will allow applicants to delay costs  
13 by deferring examination if that option is chosen.

14           In the same sense, we support in  
15 principle the proposal by the USPTO to provide an  
16 optional service to applicants to request  
17 supplemental search reports from select  
18 intellectual property granting offices. To be  
19 clear, we're not sure if we would take advantage  
20 of such a service, but we see it as an additional  
21 and innovative options for applicants and  
22 potentially an advance in the area of work

1 sharing. Certainly considerations of cost and  
2 speed would be taken into consideration by  
3 applicants in deciding whether to use such a  
4 service.

5 Second, the proposal has the potential  
6 to reduce pendency. For applicants in markets  
7 with rapidly evolving technology or short product  
8 cycles, the current delay between application and  
9 issuance can substantially diminish the strategic  
10 value of patenting. In sectors with short product  
11 cycles, the typical pendency period can exceed  
12 expected product life precluding effective patent  
13 life on some products. In our view, the only  
14 realistic way to substantially reduce pendency to  
15 sustainable levels is through enhanced work  
16 sharing among offices. In this regard, the  
17 proposal represents an important step forward in  
18 effective work sharing by putting into place a  
19 framework that will enlarge opportunities for  
20 applicants to benefit from the examination efforts  
21 of other offices. In sum, we believe the  
22 flexibility to choose among three examination

1 tracks will yield significant benefits for  
2 applicants and also help the office to address its  
3 workload and pendency challenges.

4           While we wholeheartedly support the  
5 office's efforts, as with any procedural change of  
6 this magnitude, there are a few potential concerns  
7 with respect to actual implementation, and again  
8 we'll get into more of the details of this in  
9 written submissions we'll be filing at a later  
10 date. First, clearly the proposal's effectiveness  
11 will require an appropriate fee structure that  
12 sets fees for the Track I examination at a  
13 sufficiently high level to prevent overuse of  
14 prioritized examination. If Track I draws so many  
15 or disproportionate resources that it does not  
16 provide substantially shorter pendency, this will  
17 obviously defeat the purpose of having  
18 differentiated examination tracks and obviate the  
19 beneficial effect on overall pendency. In  
20 particular, we'd be concerned if the devotion of  
21 resources to processing Track I examinations led  
22 to longer pendency in the processing of

1 traditional or Track II applications. Second, as  
2 we noted in a previous roundtable discussion  
3 regarding specifically the issue of deferred  
4 examination, we remain concerned that the time  
5 delays associated with deferred examination could  
6 introduce additional uncertainty for third  
7 parties. We believe it appropriate to require  
8 publication of all applications requesting  
9 deferral which will alleviate some of the  
10 uncertainty. Additionally, third parties should  
11 in appropriate cases have the ability to request  
12 examination of a published by unexamined  
13 examination in order to obtain certainty as to  
14 whether a patent will issue and as to the scope of  
15 the final claims. To prevent abuse, a third  
16 requesting examination should be obliged to pay a  
17 fee for examination and this would be a fee to  
18 initiate the examination process, but  
19 consideration should be given to setting the  
20 third-party fee at a lower level than the  
21 examination fee paid by the applicant. Finally,  
22 we would urge the office to provide strict

1 enforcement to ensure the final claims are in fact  
2 supported by the disclosure in the initial  
3 specification to prevent abuses in the deferred  
4 examination track.

5 Third, the proposal includes another  
6 potentially useful piece in the work-sharing  
7 puzzle and Director Kappos referred to this, the  
8 mechanism where a first filed application claiming  
9 priority would not be docketed for examination  
10 until certain elements were provide, a copy of the  
11 search report, first action and a reply to that  
12 action. This proposal clearly would be useful  
13 only to the extent that the proportion of  
14 applications claiming priority is significant and  
15 the work done by the offices and first filing and  
16 the reply of the applicant is actually used in the  
17 USPTO examination. Certainly such applications  
18 should be consistent with similar approaches taken  
19 by other patent offices, the IP5 offices in  
20 particular, and the processing of applications in  
21 the USPTO can and should be subject to certain  
22 work-sharing efforts underway such as accelerated

1 examination in the event of a first filing in a  
2 partner office in the patent prosecution highway  
3 system. These are neither overly complicated  
4 issues nor insurmountable challenges and we have  
5 every confidence that the office will  
6 appropriately address these and other challenges  
7 as the proposal is implemented.

8           In closing I'd like to commend Director  
9 Kappos and the office for pushing forward with the  
10 three-track proposal. As I noted earlier, there's  
11 an urgent need to address the pendency problem and  
12 this forward-looking proposal presents a serious  
13 effort by the office to do so in a manner that  
14 puts more choice in the hands of applicants. We  
15 strongly support the proposal and will be happy to  
16 assist the office in whatever way we can to see it  
17 through to full implementation. Thank you.

18           DIRECTOR KAPPOS: Dick, thank you very  
19 much for those comments. I wonder if it's okay if  
20 we run this panel a little bit by being able to  
21 have a question or two for you and for the  
22 subsequent speakers. The question I had while Rob

1 brings the microphone is you had some great  
2 suggestions relative to improvement that will  
3 counter the uncertainty issue involved with a  
4 having bolus of unexamined patent applications out  
5 there for Track III. What about the requirement  
6 under Track III to not only have 18-month  
7 publication but a search report prepared either  
8 required at 18 months or at the election of a  
9 third party that wants to have a search conducted?  
10 You mentioned that a third party should be able to  
11 trigger examination.

12 MR. WILDER: Right.

13 DIRECTOR KAPPOS: Would Microsoft either  
14 be in favor of or consider it to be helpful to  
15 also have at the time of publication for Track III  
16 the USPTO conduct a search and publish a search  
17 report or enable a third party to trigger that?

18 MR. WILDER: Absolutely. I think that  
19 would be helpful at 18 months to have that  
20 information. Again the whole thrust of our  
21 comments here were to reduce uncertainty and that  
22 would be something that would be in that



1 direction. Certainly having an 18-month  
2 publication if you're going to request a deferred  
3 examination to my mind would be a must have.  
4 Having search results or a search report would be  
5 very helpful in reducing uncertainty. Then having  
6 this additional trigger, this additional  
7 possibility of a third party even with that  
8 information of the published application, the  
9 published search report to say we'd really like to  
10 see this one pushed forward into examination.  
11 That would be an important element of it as well.  
12 But all of those things are in that same direction  
13 of reducing uncertainty which I think would be a  
14 good thing.

15 DIRECTOR KAPPOS: Are there other  
16 questions?

17 MS. RAI: A quick follow-up, Dick. You  
18 mentioned that the third-party examination fee  
19 might be lower than that charged to the applicant  
20 himself or herself. Do you have any particular  
21 thoughts regarding a subsidy if you will?

22 MR. WILDER: This is not something that

1 we've given some specific thought to as a company.  
2 I don't have a Microsoft suggestion on what that  
3 level should be. My own view is that there should  
4 be a fee connected with it but it shouldn't be one  
5 that is a fee that covers the cost of the  
6 examination because again the whole theory behind  
7 it is that you're providing a mechanism to reduce  
8 uncertainty to third parties. There would be some  
9 office processing that would be required in order  
10 to initiate the examination and so a fee connected  
11 with that administrative responsibility I think  
12 would be appropriate. But then taking it further  
13 and saying that the third party again to obviate  
14 the uncertainty should pay the entirety of the  
15 examination fee I think is too much. So it's more  
16 just a trigger fee.

17 DIRECTOR KAPPOS: We had a question from  
18 the audience? State your name and affiliation,  
19 please.

20 MS. SMALL: Andrea Small from Elan  
21 Pharmaceuticals. The question I have is around  
22 your third- party initiated examination. Who at

1 the end of the day is going to trump? Is it going  
2 to be the applicant? Because if you can change  
3 tracks and a third party pays for you to  
4 accelerate and you decide you want to defer, you  
5 could play a game of tag all day long.

6 MR. WILDER: The question is which would  
7 trump, whether it's the third party requesting the  
8 examination proceed or the applicant who requested  
9 the deferral of examination. My understanding of  
10 the deferred examination is that once the deferral  
11 period is over that it would then go into the  
12 normal Track II examination. It wouldn't then be  
13 accelerated necessarily. Maybe there would be a  
14 possibility of that being done. But I think it  
15 would be the third party would trump the applicant  
16 only in a limited sense by the applicant then no  
17 longer having the option to be able to defer  
18 examination. That deferral period would end and  
19 the application then would into the Track II or  
20 normal processing.

21 MR. CLARKE: After the application is  
22 received at first office action on the merits, the

1 ability to slow that application down again by  
2 switching lanes would be over. You're correct,  
3 sir.

4 DIRECTOR KAPPOS: Dick, thank you very  
5 much for the Q and A there.

6 MR. WILDER: Thank you.

7 COMMISSIONER STOLL: Todd, would you  
8 like to come up and present?

9 MR. DICKENSON: Thank you, Bob. I  
10 realize like Cher I only need to be known by one  
11 name.

12 COMMISSIONER STOLL: Is that Todd or is  
13 that Q?

14 MR. DICKENSON: My name is Q. Todd  
15 Dickenson and I'm Executive Director of the  
16 American Intellectual Property Law Association and  
17 I'm here today on their behalf. I also do indeed  
18 have PowerPoint presentation though I'm concerned  
19 that the most vital audience has got its back our  
20 presentation, but hopefully we can effect that.

21 First of all, let me like Dick thank  
22 Director Kappos, Commissioner Stoll, Mr. Array

1 (ph) and Mr. Clarke for convening this meeting  
2 today. We appreciate both the substantive  
3 opportunity to talk about and, secondly as always,  
4 we appreciate the transparency and the engagement  
5 with the stakeholder community which we think is  
6 vital and such a senior group I think is very  
7 impressive.

8 AIPLA, I think most of you know us,  
9 we're about a 16,000 member strong organization  
10 representing primarily legal service providers but  
11 also patent examiners, academics and others. We  
12 have a process for reviewing proposals like this  
13 which we did this time briefly describing it. We  
14 have several relevant committees who reviewed it.  
15 I should also state we're in the continuing review  
16 process because of when the written comments are  
17 due, but the purposes of this meeting, our  
18 relevant committees reviewed it and a number of  
19 those senior committee folks are here in the room  
20 today. We then recommended it to what we might  
21 call a blue ribbon panel of our more senior types,  
22 and then our board had a chance to review it and

1 passed comments last week. As I said, thank you  
2 for the opportunity to comment.

3 That said, let me start off with maybe  
4 general reactions to it on our behalf. First of  
5 all, I think it's fair to say there was great  
6 interest in it as a proposal. The kind of issues  
7 which are being framed up for which this is to be  
8 intended to deal with, pendency options, are good  
9 ones. We're always interested in dealing with  
10 those kinds of issues. That said, while I said  
11 there's great interest, there are many questions.  
12 There is some enthusiasm. I'd have to say at this  
13 point it's somewhat limited. I think that's a  
14 function of the questions and how the questions  
15 are answered. The flip side of that is that there  
16 are some significant concerns. Some of those are  
17 traditional legacy concerns that we have and  
18 others are newer. I appreciate the opportunity  
19 also that there may be questions and maybe I'll  
20 get to ask a few too and we'll see what happens.

21 Another broad concern candidly just  
22 before I speak specifically is that this is while

1 not overly complicated, it has the potential to be  
2 fairly complex and if you overlay this over the  
3 many processes we currently have, there is some  
4 concern that the complexity may approach a point  
5 at which it's a challenge for the average  
6 applicant, a challenge for the average attorney  
7 who in many ways we represent to make sure they  
8 provide the greatest benefit and the greatest  
9 clarity in the process to make the kinds of  
10 decisions that they have to make.

11 That said, let me start into it. This  
12 is a traditional Microsoft product and I have to  
13 make sure it was working.

14 COMMISSIONER STOLL: It's the operator.

15 MR. DICKENSON: It's the operator.

16 Isn't that always the way with the software?

17 With regard to the initiative generally,  
18 some of my slides will be certainly redundant of  
19 others and certainly redundant of the proposal,  
20 but this is the way we understood it and the way  
21 we analyze it in three big parts. First, the  
22 three-track options that have been alluded. One

1 is acceleration for a fee, second will be the  
2 traditional examination and third, I know it's not  
3 the preferred way of referring to it perhaps  
4 around here, but we're call it deferred  
5 examination for shorthand. Secondly, we were  
6 going to call this part share but my understanding  
7 is you don't believe it's the same as share, so in  
8 this light we just refer to it as how to handled  
9 first filed foreign applications. And the third  
10 is the supplemental search issue.

11 With regard to Track I of the  
12 three-track proposal, first the accelerated exam.  
13 This is our understanding of it, that it's based  
14 on a simple request and that it's intended to be  
15 cost recovery and intended to have a cost recovery  
16 fee. Dick raised the question of whether the fee  
17 should be greater and should incent applicant  
18 behavior. You run up obviously against statutory  
19 concerns there. But our understanding is your  
20 intention is to have it be cost recovery.

21 The applicant gets then put into either  
22 one of the two following things yet to be decided.



1 A single queue with applications from existing  
2 programs or a separate Track I queue. We didn't  
3 have any opinion at the moment on which of those  
4 is better than the other. I think we would hope  
5 that both of them would progress toward equally  
6 quick goals and that one and the other would not  
7 get in each other's way. We also understood the  
8 challenge of folding all of them in together  
9 because some of them are statutory, some of them  
10 have other complications associated with them.  
11 Our understanding is that first office action is  
12 due within 4 months of the target from the grant  
13 of this prioritized status which we understand to  
14 be entry into the queue. One issue would be to  
15 make sure that that date is specifically defined.  
16 Secondly, final disposition within a year, within  
17 12 months, from that same deadline. Additional  
18 resources, it's our understanding as has been  
19 commented from the fees are intended to be  
20 deployed to meet those deadlines without delaying  
21 Track II applications in any way or I assume  
22 affecting other operations of the office. If this

1 understanding is correct, we say that this  
2 particular part of the proposal, Track I, we see  
3 in a generally positive light.

4 Here are some of the questions however.

5 The strength of our support can be seen as  
6 somewhat depending on at least the following.

7 First, that there be first of all a permanent end  
8 to fee diversion. We're not even sure it's  
9 possible of course to raise the fee on the first  
10 track to a sufficient level to allow for its  
11 effective implementation, but we would be greatly  
12 concerned that there would be significant  
13 implementation of a higher fee without the  
14 insurance that those fees would go toward their  
15 intended target.

16 Secondly, no consequential delays for  
17 Track II applications. While that may go without  
18 saying, we think it's important to make sure that  
19 that is tracked routinely. How is that going to  
20 be measured? Is that going to be across all  
21 technologies aggregated, is it going to be in  
22 particular technologies? What's that going to

1 look like in real life? Secondly, is it available  
2 for all applications including Paris priority  
3 applications I've noted because I've seen a few of  
4 the presentations? Other speakers are raising  
5 concerns around the technical aspects of the Paris  
6 Convention as to whether this may contravene the  
7 Paris Convention because of certain circumstances  
8 may not indeed be available for all applicants.  
9 Those who can't afford it for example may be  
10 knocked out. While there's a proposed limit on  
11 the number of claims, there was the concern that  
12 currently it's too low and that we would suggest  
13 for example raising it to six independent and 40  
14 total.

15 Cost recovery questions. Some questions  
16 come up on this issue of cost recovery. First of  
17 all, what's the magnitude of the acceleration fee?  
18 Numbers have been tossed around in the multiple  
19 thousands of dollars. We're concerned to the  
20 opposite of Microsoft that if the fee is too high  
21 that may discourage use and the possible positive  
22 impact may be lessened because the acceleration

1 fee is too high. We're also acutely aware as  
2 others are since we represent small inventors as  
3 well as large that small inventors see this as a  
4 possible detriment if it gets too big and that  
5 their choices come down to either paying this fee  
6 they can't afford or under current acceleration  
7 opportunities supplying a lot of information which  
8 may trigger inequitable conduct concerns.

9           Secondly, PPH. Working sharing we  
10 strongly support these days as a good idea. There  
11 are possible detrimental effects on U.S.  
12 applicants however who want to use PPH in other  
13 offices that needs to be taken into account. If  
14 you obviously require the USPTO to accelerate the  
15 examination first to get the benefit of PPH in  
16 another country, if you can't afford that then you  
17 may be effectively blocked out from PPH because  
18 you can't afford the acceleration in the United  
19 States. Third, as it relates to small and micro  
20 entities, our understanding is that the goal is to  
21 have a fee consistent with small and proposed  
22 micro entity legislation. There needs to be

1 planning and one assumes that you're doing  
2 planning and modeling, that if there are too many  
3 small and micro entities taking advantage of this,  
4 the amount of revenue from that may not be  
5 sufficient to offset the resources needed to do  
6 the examination, you may not get the money in to  
7 pay for the examiners.

8           Track II, the current process. We  
9 understand this to be continuation of the current  
10 examination process, the default, and it is  
11 generally acceptable to us. Again current timing  
12 should not be delayed by any other aspects of the  
13 proposal, but in particular Track I.

14           Track III, the deferred examination.  
15 This is the part of this overall proposal that  
16 generated the most discussion and concern and  
17 questions for us so far. We've traditionally  
18 opposed deferred examination at AIPLA. When we  
19 participated in the roundtable about a year ago,  
20 actually now a year and a half ago, on deterred  
21 examination we had moderated our position  
22 somewhat. We were not opposed to deferred

1 examination but there were certain and significant  
2 issues that needed to be addressed. We don't see  
3 a lot of those concerns being addressed yet in the  
4 three-track initiative, though in fairness you  
5 have put this out as a work in progress as a big  
6 picture and have asked for our comments so those  
7 go hand in hand. And we would note that deferred  
8 examination being already available by rule though  
9 a significant amount of the fees have to be up  
10 front so that it's been rarely used is our  
11 understanding primarily because of that last  
12 concern. So for us to consider support for  
13 deferred examination at this time we believe it  
14 should include the following. A mandatory  
15 18-month publication and as was suggested by  
16 earlier questions, a search. Our understanding is  
17 that you may be analogizing this to the PCT and if  
18 that's case for the PCT fee you get a search so  
19 we'd like to see a search here preferably prior to  
20 publication. Again we would support third-party  
21 requests for examination and include in that  
22 option of accelerated examination which was

1 referred to before. It would really be critical  
2 to have a timely first office action after the  
3 deferral period ends. You don't need any more  
4 deferral after the deferral period ends. There  
5 are significant issues around patent adjustment of  
6 which you're aware and I'll more specifically  
7 about those in a second. And the question of  
8 intervening rights needs to be addressed as well.

9           Some additional issues, is there actual  
10 data to support the premise that there would be a  
11 reduction in workload. I note some of the other  
12 presentations today have some data which they're  
13 going to cite. We're aware of at least one study  
14 that's been referred to that suggests that at  
15 least when the deferral is short the kind of  
16 reductions we're talking about may not occur so  
17 we'd like a little greater assurance that there's  
18 been modeling and projection that it does indeed  
19 support the fact there will be a sufficient actual  
20 reduction. There's the concern that there may  
21 actually be a possible filing increase that some  
22 may have for patent business strategy reasons with

1 deferred examination. There is some concern that  
2 this is duplicative of or in conflict with the  
3 PCT. People may make choices based on strategic  
4 or even tactical issues that may not necessarily  
5 be in the best interests of the PCT system. We're  
6 curious if some applicants are only filing PCT  
7 applications for the option, does that start to  
8 reduce the revenue to the WIPO? Is that a bad  
9 thing?

10 Last, the question of gaming. There are  
11 a number of ways that we could see that this is  
12 possibly is gamed and IP attorneys are pretty  
13 clever folks. Will they file more questionable  
14 applications because of deferred examination in  
15 order to cover because it's deferred you'll get a  
16 de facto coverage that you might not otherwise be  
17 entitled to. Will there be switching between the  
18 tracks? How will that work exactly and will there  
19 be limitations on the ability to switch tracts  
20 particularly for tactical reasons? Also the  
21 traditional concern of deferred examination is the  
22 continued uncertainty. I think we think the



1 publication and some other things may go a long  
2 way to toward to addressing that uncertainty  
3 question, but there may be opportunities for  
4 gaming so that we're still somewhat lukewarm on  
5 this particular track.

6 Even more issues. Are there unintended  
7 consequences that we're not seeing now?

8 Specifically, is it better for this particular  
9 track or maybe for the proposal overall to have a  
10 pilot project of it? You've been very successful  
11 so far with a number of pilots. Maybe this would  
12 be a good pilot. An alternative might be if it is  
13 indeed intended to reduce current pendency, maybe  
14 we should look at a sunseting or after some  
15 period of time when the pendency is brought under  
16 control it may be sunsetted particularly if some  
17 of these other concerns become realized.

18 Patent term adjustment I mentioned  
19 specifically. It's appropriate certainly and  
20 maybe critical to reduce patent term adjustment  
21 for delayed examination and we know you've  
22 considered this as a key issue. How that gets

1 measured of course was the subject of a lot of  
2 discussion. We're still really unclear on what  
3 this average pendency is, how is it calculated,  
4 enterprise-wide, technology center, individual  
5 group? Does it change day to day? Is it like the  
6 stock market where we have to watch what our  
7 pendency is today to see how much adjustment we're  
8 getting? Those are all critical questions. Is  
9 the application of PTA reduction to the share  
10 possibly discriminatory? Obviously you have to  
11 wait and share so are you de facto going to have  
12 to have some term adjustment to the function of  
13 our share weight? We don't know. As I say, more  
14 time and details are needed.

15           Let me shift to the issue of what we're  
16 calling first filed foreign applications, what we  
17 might call share. It's our understanding that  
18 this calls for handling Paris priority  
19 applications as follows. If you file in the U.S.  
20 And you claim foreign priority, our understanding  
21 is that the application itself will be set aside.  
22 When and if the applicant submits the foreign

1 search report, the office action and the U.S.  
2 style response, all three of those things, then it  
3 will be put into the queue. That's our  
4 understanding. At that time if the applicant  
5 wants, they can request accelerated examination.  
6 If the foreign application is allowed it's our  
7 understanding, and we're curious about this  
8 particular piece, if it's deemed allowable or is  
9 allowed by the foreign office, then our  
10 understanding is that the applicant does not have  
11 to provide those particular pieces of information  
12 but only provide a notice to that effect to the  
13 PTO. That raises a number of issues and equitable  
14 conduct might be one, but is that a concern? Then  
15 it was not allowable then you have to submit an  
16 amendment but you wouldn't have to include  
17 arguments as to why they're not patentable.  
18 That's our understanding and we would appreciate  
19 any clarification.

20 Continuing on this issue, we have a  
21 number of concerns. I would say this probably was  
22 the issue that had by far the greatest concerns.

1 If we were likely to propose something, let me  
2 suggest this may be the one piece of the overall  
3 proposal we would be more likely to oppose than  
4 others. It primarily derives from the potential  
5 impact on foreign-based applicants. While we are  
6 the American Intellectual Property Law  
7 Association, a number of our members represent  
8 applicants from foreign countries here in the  
9 USPTO and they believe they should be treated  
10 equitably. And there are also strong concerns  
11 from our sister IP organizations from abroad who  
12 have sent us many letters, telexes, faxes, emails,  
13 expressing their strong concern as intellectual  
14 property organizations. They are a little bit  
15 more challenged to bring those concerns forward as  
16 foreign entities so I think it's important for us  
17 perhaps on their behalf to indicate their strong  
18 concerns about this. I think in particular if I  
19 could characterize it, the Japanese have the most  
20 significant and vocal concerns at this point.

21 There is a third concern about a  
22 retaliation risk from other offices if this is

1 implemented with detrimental effects on U.S.  
2 owners and it is seen in some ways as just  
3 generally contrary to harmonization principles,  
4 but we can see ways in which that could be  
5 ameliorated.

6 Will this proposal lead to a reduction  
7 in workload at the USPTO as well? Is that the  
8 goal for this? We could also see a circumstance  
9 under which it might lead to an actual increase in  
10 workload if foreign applicants then choose to file  
11 first in the USPTO and then file simultaneously  
12 with their home office in order to avoid what you  
13 might call mandatory deferral of this piece of the  
14 proposal, and then also be able to benefit from  
15 the availability of an accelerated exam. So you  
16 might actually see an increase if the goal here is  
17 to reduce the workload, we'd like to see the  
18 modeling on that as well. We're also concerned  
19 that in some ways this downplays PCT as a major  
20 means to achieve work sharing and we tend to  
21 support PCT in that regard.

22 Continuing, we are acutely aware because

1 we participate in the industry trilateral of both  
2 the trilateral and IP5 talks on international work  
3 sharing which includes share and some share-like  
4 proposals. We strongly believe these discussions  
5 should continue. We're curious as to why this  
6 particular piece of proposal is being put forth  
7 now when those discussions are ongoing and fairly  
8 mature. We had asked for and were given tentative  
9 belief that we would get additional information on  
10 the JPO and EPO handling. We're getting  
11 contrasting information. We believe that the  
12 office may be suggesting that they are identical.  
13 Our view of them is that's not entirely accurate,  
14 so we would to see a comparison chart if you will  
15 of how this would work with what JPO and EPO are  
16 proposing that might allay a lot of our  
17 harmonization concerns. We believe that shares  
18 should be continued to be discussed but in the  
19 context of other international work-sharing  
20 initiatives like we've outlined there, and that we  
21 do certainly agree that these should be  
22 accelerated.

1 Supplemental search. We have no  
2 objection to this in principle. Some of the  
3 issues and concerns that were raised include have  
4 we gotten commitments from other offices to do  
5 this? How will it then be used in the USPTO in  
6 the event that a supplemental search was obtained?  
7 Is there a requirement that it be submitted, for  
8 example? What's the effect on other legal issues,  
9 the presumption of validity and equitable conduct?  
10 Will the other offices outsource it? Do we have  
11 some commitment that they won't outsource it in  
12 ways that we would find undesirable? Will it  
13 require a reciprocal commitment from the USPTO  
14 thereby increasing workload in some ways? Is  
15 interface currently available with currently  
16 available resources? Is it going to cost more and  
17 what's that pricing going to be? That's our  
18 presentation. Thank you for the opportunity to be  
19 heard.

20 COMMISSIONER STOLL: Thank you,  
21 Executive Director Dickinson. It sounds like we  
22 have time for one or two questions. I'm going to

1 just scan around and see if anyone in the audience  
2 has anything that they want to have clarified. I  
3 don't see anything. I don't think we have  
4 anything from here. There was a great serious of  
5 questions and issues raised this is exactly why we  
6 want to have this meeting so we can get these  
7 kinds of issues out on the table, enabling the  
8 office to respond to them. Thank you very much.

9 MR. DICKINSON: Thanks. I appreciate  
10 it.

11 COMMISSIONER STOLL: Mr. Alec Shibanoff  
12 from American Innovators for Patent Reform. I  
13 guess you don't go by one name.

14 MR. SHIBANOFF: Alec is fine.  
15 Smart-aleck sometimes.

16 We'd also like to thank Director Kappos  
17 and Commissioner Stoll and the team for putting  
18 together this meeting and this opportunity for us  
19 to come and present. It really shows an  
20 enlightened leadership on the part of the Patent  
21 and Trademark Office so we're very pleased to be  
22 here and we hope that we can present some



1 interesting ideas. We informally polled our  
2 members and we are going to discuss today those  
3 issues in which there was generally a board  
4 consensus among our members. There some areas in  
5 which we didn't reach consensus so we kind of  
6 skipped over those areas.

7           Very quickly who are because we're  
8 relatively new and a smaller organization. We're  
9 a nonprofit trade association. We promote  
10 innovation and a stronger U.S. Patent system.  
11 We're in favor of stronger patents and stronger  
12 patent enforcement. Our members include  
13 inventors, small businesses, universities, patent  
14 agents, patent attorneys, other IP professionals  
15 such as patent litigators, licensing executives,  
16 technology transfer managers and any other  
17 stakeholders who have an interest in keeping  
18 America as the global leader in innovation.

19           It's not a surprise to anybody that the  
20 manufacturing base has gone south and  
21 unfortunately many of the service jobs have  
22 followed in the same direction, so in order to

1 maintain our leadership in technology-driven  
2 knowledge world, the United States has to continue  
3 to be the leader in innovation and we believe that  
4 stronger patents and stronger patent enforcement  
5 will so that so that that is our mission.

6 We want to applaud Director Kappos's  
7 efforts in updating and modernizing the patent  
8 office. He really is to be applauded for bringing  
9 both private industry initiatives and improving  
10 the current initiatives of the office. We are  
11 very pleased to see an emphasis on expediency and  
12 efficiency, and most important improve services to  
13 inventors. So we very much applaud his efforts  
14 and he really has brought a refreshing new  
15 attitude and approach to the patent office and  
16 we're very pleased to see that.

17 I'm going to start with some general  
18 observations on the three-track proposal and then  
19 later we'll get into some of the specific issues  
20 that were raised in the proposal to which we have  
21 responses. First of all, any effort to improve  
22 the quality and expedite the examination process

1 is certainly welcome and in fact desperately  
2 needed. As I said before, the proposal itself  
3 shows a refreshingly innovative attitude on the  
4 part of the patent office.

5 One of the statements in the proposal  
6 that really struck a chord with us was that the  
7 question does a one- size-fits-all application  
8 process fit the needs of all inventors. We  
9 believe that clearly it does not, but we also have  
10 to ask the question if a one-size-fits-all patent  
11 fits the needs of all inventors, so that's an  
12 issue that I'm going to talk about just a little  
13 bit at the end of our presentation.

14 Some additional general comments. The  
15 concept of paying a premium for expedited patent  
16 examination apparently offends some people. There  
17 are a lot of blogs out there and different  
18 comments on the web that somehow this is eminently  
19 unfair and that being able to pay for expedited  
20 examination favors the major corporations over  
21 small businesses and independent inventors and  
22 it's in fact the small businesses and the

1 independent inventors who we represent. However,  
2 that is the nature of free enterprise and a market  
3 economy, and in fact, other federal agencies, the  
4 passport bureau is just one example, currently  
5 charges a premium if you want to get your passport  
6 application expedited. So we don't have a problem  
7 with the concept of charging a premium for an  
8 expedited application.

9 For a patent applicant be it a large  
10 corporation or a small business or university or  
11 research lab or other entity that intends to bring  
12 a product or service to market that uses the  
13 patented invention, the additional cost of  
14 prioritized examination is simply one of the many  
15 costs of getting the product to market and it may  
16 be well worth that cost. So for the patent  
17 applicant who specifically seeks patent protection  
18 for his or her patent and doesn't necessarily need  
19 to bring it to bring it to market right away then  
20 Track II and ultimately Track III provide that.  
21 Just as we are not offended by airlines that  
22 charge additional for first class and business

1 class to those who are willing to pay extra, we  
2 are not offended that the patent office would  
3 offer expedited examination to those who are  
4 willing to pay a surcharge for it. However, we  
5 believe that the surcharge for large entities as  
6 proposed in the proposal should be pro rata  
7 greater than for small and micro entities, and of  
8 course we have to make sure that giving priority  
9 to one applicant doesn't slow down the process for  
10 someone else.

11 The proposal states that the patent  
12 office will need enhanced authority to set reduced  
13 fees for expedited applications for small entity  
14 and micro entity applicants and we very strongly  
15 endorse granting the patent office that enhanced  
16 authority. To be fair, the surcharge should not  
17 be an absolute number, but our recommendation is  
18 that it be a percent increase based on the  
19 respective filing fees then in effect. Because  
20 the proposal automatically favors large  
21 corporations who can afford the extra fee, we  
22 don't want to make this to the disadvantage of

1 small companies and independent inventors so we  
2 advocate that the percentage increase would be  
3 less for small and micro entities than for large  
4 entities and then of course the total revenue  
5 collected has to pay for the additional services,  
6 personnel, training and so on.

7 An area that we think needs to be taken  
8 a look at is ex parte and inter parte  
9 examinations. I will probably get a few moans  
10 from the group on this. We believe that expedited  
11 examination should be available for ex parte and  
12 inter parte's reexamination proceedings  
13 particularly ex parte reexamination proceedings  
14 that have been used by infringers to effectively  
15 to assassinate patents by keeping them forever in  
16 reexamination. The current law, even the proposed  
17 Patent Reform Act of 2010, S-515 and HR-1260, the  
18 reexamination proceedings have no restrictions on  
19 the number of ex parte reexamination proceedings  
20 that could be brought or the estoppels that could  
21 be created as a result. Consequently, an  
22 infringer can keep a patent in reexamination by

1 continually filing anonymous ex parte  
2 reexamination petitions. Enabling the patent  
3 owner to have the patent reexamined expeditiously  
4 would help the patent owner clear the cloud over  
5 the patent and would bring infringers to justice.

6           Regarding Track II and regarding the  
7 reuse of foreign search and examination work, we  
8 had a few comments. Expanding the current  
9 prosecution highway program to shorten the patent  
10 examination process by relying on the search  
11 report in the first office action and the reply to  
12 that action will clearly eliminate duplication so  
13 that we support that. Once again however this  
14 procedure will put small entities at a relative  
15 disadvantage because it's the large companies who  
16 traditionally file the international patent  
17 applications and do so much more often than  
18 independent inventors and small businesses so they  
19 would not be able to avail themselves of the  
20 prosecution highway to the same extent as large  
21 corporations. Therefore to be fair, this proposal  
22 should be coupled with other avenues that may help

1 expedite patent examination for small and micro  
2 entities who do not normally file patents abroad.  
3 This speaks further in favor of reducing the fees  
4 proportionately for Track I expedited examination  
5 for small and micro entities.

6           Regarding Track III, the applicant  
7 controlled 30- month queue, we absolutely support  
8 this proposal as we believe it will free up scarce  
9 resources and it will expedite applications for  
10 those who need faster patent application  
11 examination.

12           Let's talk about the publication of the  
13 patent for just a minute. Let's go back to  
14 patents 101. I think we all agree that a patent  
15 is a quid pro quo for invention disclosure. In  
16 exchange for a limited minority the inventor makes  
17 the patent public. So as long as the patent  
18 application is published 18 months after filing  
19 regardless of how long the application takes to be  
20 approved and how long it takes for the patent to  
21 be granted, so long as the patent application is  
22 published 18 months after filing, then society



1 benefits from invention disclosure and that qui  
2 pro quo arrangement is met. If the applicant  
3 wishes to delay examination and thereby free up  
4 the examiner's resources, how could anyone object  
5 to that?

6 I'm going to address some specific  
7 issues that were in the proposal where we felt we  
8 had some valuable input to contribute. Should the  
9 USPTO proceed with efforts to enhance applicant  
10 control of the timing of examinations?

11 Absolutely. For companies that have new products  
12 to bring to market, expedited processing of the  
13 patent application will simply make these  
14 companies more competitive and get the products to  
15 market faster, consumers will benefit and  
16 employees will benefit. While the long-term  
17 objective should be shortening the patent  
18 application process for all applicants, this  
19 initiative is to be applauded and it is certainly  
20 an appropriate first step. On the other hand, for  
21 those inventors who are still experimenting with  
22 their inventions, possibly having finalized them,

1 haven't brought them to market and may wish to  
2 delay the examination, there is no reason not to  
3 do that particularly as it would benefit everyone  
4 else in the application queue.

5           Would these tracks be beneficial to  
6 innovators? Adding new tracks to the examination  
7 process as we said before is certainly a step in  
8 the right direction. In fact, it's really three  
9 steps in the right direction. Multitier patent  
10 examination should improve the quality and  
11 expedience of patent application and it should  
12 benefit all inventors and assignees both large and  
13 small. However, what also needs to be considered  
14 beyond different tracks for the patent examination  
15 process is a multitier patent system, and again as  
16 I said, I'll talk about that a little bit toward  
17 the end.

18           Should more than three tracks be  
19 provided? This is an interesting question. As  
20 the starting point to improve and then ultimately  
21 shorten the examination process, we see three  
22 tracks as an attainable and implementable goal.

1 Once this multitier examination process is in  
2 place, at that time of course we can examine its  
3 benefits, there may be unforeseen circumstances or  
4 shortcomings that we don't see and we can then  
5 consider further improvement. Again, beyond  
6 multitier examination, we really need to take a  
7 look at a multitier patent system.

8           Some specific questions for the  
9 proposal. Should priority be given to specific  
10 patent applications such as green technologies,  
11 and we'll get another moan on this one. We  
12 believe they should not. Should a patent  
13 application for a green technology be given  
14 priority over let's say a drug for a disease, a  
15 drug that would cure a fatal disease? Then if  
16 that's the issue, then which specific diseases do  
17 we give priority to? What about an invention that  
18 would provide antiterrorist protection and might  
19 possibly save thousands of lives? This could  
20 quickly erode into a political rather than a  
21 substantive debate so we don't believe that any  
22 priority should be given to a specific technology.

1           Should prioritized examination be  
2 available at any time during examination or  
3 appeal? We believe that it should. If one of the  
4 primary reasons for creating expedited examination  
5 is to assist patent applicants, specifically those  
6 who have products and services that they want to  
7 bring to market quickly, then the entire  
8 examination process through all of its stages from  
9 initial examination to appeal to the Board of  
10 Appeals and Interferences, to reexamination and  
11 reissues should have an expedited examination  
12 option that the patent applicant can accept.  
13 Should claims under the Track I expedited  
14 examination be limited? Again we found that as an  
15 interesting question. We believe it should not.  
16 Applicants currently pay a premium for additional  
17 claims and so therefore it's our view that  
18 applicants who request expedited examination and  
19 who also need additional claims should be able to  
20 pay for the additional claims as they can now and  
21 then also pay an increased fee on top of that to  
22 cover expedited examination of those additional

1 claims.

2           What limitations should be placed on  
3 expedited examination applications? Very simply,  
4 we believe none. There should be no restrictions.  
5 Should the USPTO suspend prosecution of  
6 noncontinuing, non-U.S. patent office first filed  
7 applications to await submission of the search  
8 report and first action on merits by the foreign  
9 patent office? If an applicant files an  
10 application in the U.S. regardless of where this  
11 application originated and pays the application  
12 fees, then it's our view that the applicant is  
13 entitled to as an efficient examination as anyone  
14 else. Why should be discriminate against foreign  
15 filers or we could as mention previously run the  
16 risk of retaliatory efforts against our filers?

17           What level of quality should be  
18 expected? Should the patent office enter into  
19 agreements that would require quality assurances  
20 of the work performed by international patent  
21 granting offices? I'm going to get a few moans  
22 here as well. We believe it would be hypocritical

1 of us to require a higher-quality of examination  
2 than we have in our own country which has much  
3 room for improvement, and I'm sure we will see it.  
4 It's the consensus of the patent practitioners in  
5 our group that the quality of examination in the  
6 European patent office today is actually higher  
7 than that of the U.S. Patent and Trademark Office.  
8 So as long as the international patent granting  
9 office is acceptable to the European patent  
10 office, we believe then it should be acceptable to  
11 the U.S. patent office.

12           What language should the search report  
13 be transmitted in? We found this an interesting  
14 question. We applied to this the standard that's  
15 used in most private industry and that is that the  
16 report should be transmitted in the language in  
17 which it was originally produced so that there is  
18 always an original source in the original language  
19 to go back to, but it should be the job of the  
20 applicant to provide a valid third-party certified  
21 English translation when those documents are  
22 brought to the U.S. patent office.

1           Let's talk about a one-size-fits-all  
2 patent which I had referred to a couple of times  
3 before. The three-track proposal is based on a  
4 very valid conclusion that a one-size-fits-all  
5 patent examination does not meet the needs of all  
6 patent applicants. We go one step further.  
7 American Innovators for Patent Reform believes  
8 that a one-size-fits-all patent does not meet the  
9 needs of all inventors nor all inventions. So we  
10 advocate a multitier patent system with three  
11 classes of patents, junior patents, a senior  
12 patent and then a regular patent which would be a  
13 rollover of the current patent that we have today.  
14 While this would be a new idea in the U.S., such  
15 systems exist in Europe and Australia and other  
16 countries. In fact, our president, Dr. Alexander  
17 Poltorak wrote an op-ed piece on this that was  
18 published in the May 25 "Washington Times" so that  
19 we've had this idea for some time. If you go to  
20 our website and I'll give you the address later  
21 and you go to our press room, we have a link to  
22 that op-ed piece for those of you who would like

1 to read it.

2           We believe that new classes of patents  
3 would significantly reduce the examination  
4 backlog. A junior patent for example would be a  
5 minor improvement over prior art so that the  
6 result is it would only need to be examined for  
7 novelty. It's being submitted as an improvement  
8 of a prior patent so there is no obviousness  
9 issue. This would reduce the workload of the  
10 patent examiners and shorten the patent  
11 examination time for junior patents. In exchange,  
12 junior patents would receive a shorter term, maybe  
13 5 days from the date of issue, and they would not  
14 have exclusionary rights and in the case of  
15 infringement, the patent owner would only be  
16 entitled to collect reasonable royalties. So when  
17 you apply for a junior patent, you have some  
18 benefits. You get a faster application, you have  
19 a smaller application fee, but in turn you have a  
20 shorter term and you don't have the full  
21 protection of a current patent.

22           Other countries offer similar concepts



1 to junior patents. Germany offers a Gebrauch  
2 patent, Australia calls it a petty patent, in some  
3 European and Asian countries it's called an  
4 industrial model. They allow inventors to protect  
5 improvements on their existing products and they  
6 free up the patent office personnel to focus on  
7 other patent applications. We believe that  
8 examination of junior patents for issues of  
9 novelty could in fact become automated over time.  
10 We believe this could be software- driven process  
11 that could really reduce the manpower that would  
12 go into this.

13 A senior patent would be at the other  
14 end of the spectrum. A senior patent would be for  
15 major breakthrough inventions and they would be  
16 subject to more rigorous examination and we also  
17 support adding peer review to the examination  
18 process. Senior patents should also include  
19 exclusionary rights. We believe the senior  
20 patents that we lost as a result of the eBay  
21 decision should be entitled to injunctive relief  
22 in the event of infringement and that a senior

1 patent would enjoy the longest patent term.

2           Very quickly, the three patents that  
3 we're proposing include a junior patent. This is  
4 a minor improvement over existing patents. There  
5 would be no obviousness issue, a shorter  
6 examination period, you'd have a lower filing fee  
7 to encourage small entities particularly  
8 independent inventors to opt for a junior patent  
9 and that would further decrease the backlog at the  
10 patent office. The standard patent would be  
11 similar to the current U.S. Patent with a reduced  
12 examination period as a result of the reduced  
13 workload for junior patents. And we could still  
14 go ahead and offer the expedited examination as  
15 now proposed. A senior patent would be limited to  
16 major breakthrough inventions, would probably have  
17 a longer examination period, but this would only  
18 be for a small number of the applications that are  
19 for senior patents, and we could also offer  
20 expedited application for a senior patent, an idea  
21 for those of you to consider.

22           In summary, we believe that three tracks

1 is a step in the right direction, patent  
2 examination needs to be shortened and the  
3 application backlog absolutely needs to be  
4 reduced, and we believe that America's  
5 competitiveness depends on it. We need to be the  
6 innovations globally and in order to do that we  
7 need to get our patents issued sooner. We believe  
8 that a one-size-fits-all patent examination  
9 process clearly does not meet the needs of  
10 inventors so that we need multiple paths for  
11 patent examination. We believe that expedited  
12 examination is a very good idea but it be priced  
13 to make it fair and affordable for small and micro  
14 entities and the patent office will need and  
15 should be given the enhanced authority to do that.  
16 Then finally, just as a one-size-fits-all patent  
17 examination process does not the needs of today's  
18 complex innovation to invention to patent to  
19 market continuum, does a one-size-fits-all patent  
20 really need the needs of those complex  
21 technologies? I'm going to give my age away here,  
22 but when I was a freshman at Syracuse University,

1 "Future Shock" was required reading and I've taken  
2 it out about every 10 years and read through it  
3 again and Alvin Toffler was amazingly accurate in  
4 his prediction of innovation coming at an  
5 exponential rate and we are now living that future  
6 shock world.

7 Our website is [aminn.org](http://aminn.org) and we have a  
8 link there to be op-ed piece by our president and  
9 we'll also be posting our PowerPoint for those of  
10 you who would like to access it. Thank you very  
11 much for your kind attention.

12 DIRECTOR KAPPOS: Thank you very much,  
13 Mr. Shibanoff. We are now going to move to a  
14 break until 3:00 p.m. so that we'll reconvene at  
15 3:00 p.m.

16 (Recess)

17 COMMISSIONER STOLL: Next we have Doug  
18 Norman from IPO. Doug, would you like to begin?

19 MR. NORMAN: Thank you. Director  
20 Kappos, fellow members of the executive group here  
21 at the PTO, we thank you very much for the  
22 opportunity to be able to join with you today and

1 have a discussion about the issues on the  
2 three-track system. I would also on behalf of IPO  
3 like to thank you for being as active as you have  
4 been over the past 18 months in bringing us  
5 together and having such conversations. It's  
6 refreshing to be able to talk about things, and  
7 just in some of the conversations we've had so far  
8 in the last 45 minutes to an hour, I've been  
9 greatly enlightened by what I had understood  
10 certain aspects of the proposal were versus what I  
11 now understand those aspects of the proposals to  
12 be.

13 For those of you who are unaware or  
14 unfamiliar with the Intellectual Property Owner's  
15 Association, we are a trade association based in  
16 Washington, D.C. comprising over 200 corporate  
17 members as well as over 11,000 law firm, corporate  
18 and individual attorney members. We not only are  
19 intellectual property owners, but the vast  
20 majority of the corporate members are  
21 manufacturers and suppliers of product into the  
22 U.S. and the global economy and therefore we are

1 large-scale employers and have a keen interest in  
2 the patent system not only as owners but also as  
3 competitors of fellow corporations who also own  
4 patents and therefore I think we will bring to our  
5 presentation some views that as of yet have not  
6 been voiced.

7           Starting off on a couple of threshold  
8 issues that we have, first and foremost, the  
9 prioritized examination option is premised on the  
10 PTO's ability to actually collect fees, maintain  
11 those fees into itself and use those to further  
12 enhance the efficiency of the office. Therefore  
13 we want to say now we have stood alongside the  
14 office and we will continue to stand alongside the  
15 office in your struggle to make sure that fees are  
16 no longer diverted and that you can take advantage  
17 of all of the fees that you collect so that you  
18 can continue to move forward with the fine work  
19 that you do on behalf of all of us.

20           Another key threshold question that I  
21 want to mention as you've heard before from the  
22 other presenters and may hear more later, the

1 question over foreign-based application provisions  
2 that might delay examination of applications  
3 claiming priority to foreign applications and  
4 we'll talk more in detail about that later.

5 First of all, on the prioritized  
6 examination question, certainly IPO would be in  
7 favor of or would support such an option if it  
8 were one that we could absolutely guarantee would  
9 not in any way be to the detriment of the normal  
10 examination system. Therefore, if you could  
11 indeed collect the fees that would allow you to  
12 use those fees to make sure that the normal system  
13 is in no way treated to its own detriment, that  
14 would be fine. A concern we have is not only the  
15 fees and whether or not the fees can be allocated  
16 to the office at the appropriate time allowing you  
17 to make some long-range plans to get us out of the  
18 backlog that we're in now, but would be the  
19 question of how to deal with examiner training  
20 because if you move more examiners into an  
21 expedited or prioritized review, of course that  
22 will leave fewer to have to deal with the standard

1 system and it would like squeezing the air out of  
2 a balloon and it will move to another portion but  
3 it does constrict the balloon where you are making  
4 that squeeze. We do then continue to have  
5 concerns about that, the safeguards that would be  
6 around that, how we go about funding it and more  
7 on that perhaps a little bit later.

8           On the deferred issue or the voluntary  
9 delay that we would have available to some  
10 applicants, as you well know, IPO has historically  
11 traditionally opposed deferred examination and we  
12 want to make sure that not only are there rights  
13 that are conferred upon those examinations that  
14 are deferred, the ability to have those examined  
15 at some point in the future, but we would like to  
16 point out the rights that are sometimes often put  
17 at risk to members of the general public who look  
18 at patent examinations as they are published. We  
19 of course support the publication of these things  
20 as early as possible, but it is contrary to we  
21 believe what would be the genuine public interest  
22 in making sure that members of the public have the



1 right to be able to predict and have some  
2 certainty on what they're going to be facing going  
3 on into the future. Long-pending unexamined  
4 patent applications dampen competition. We've  
5 seen many instances in the past where jobs may  
6 move outside the United States because it's  
7 unclear whether or not one can manufacture in the  
8 United States arising from certain process patents  
9 that have gone unexamined over a long period of  
10 time and certainly we would want to make sure that  
11 such things don't continue to happen. It seems to  
12 us to be a very risky IP policy to put in place  
13 some sort of system whereby you can't get  
14 certainty and assurance within a certain amount of  
15 time after you see applications being filed and  
16 made part of the public record. We already have  
17 the 30-month ability to delay things via the PCT  
18 and therefore along with all of these other  
19 alternatives for backlog reduction, we think a  
20 good or perhaps a better way to do that is what  
21 you're already doing with giving refunds or  
22 allowing a switch to moving another application

1 belong to the same applicant into an examination  
2 queue when there is one that's going to be  
3 abandoned.

4           A big question that we have, some  
5 concerns that we have over the mandatory delay of  
6 examination of foreign- based applications are the  
7 ongoing gaming potential that you see. We believe  
8 that the effects on the backlog itself would be  
9 temporary because at some point as these things  
10 are moved out of the examination queue, they will  
11 eventually be restored after some foreign  
12 examination commences. This will disrupt the PTO  
13 workflow as it sits right now without any sort of  
14 net impact over the next 5 years we believe on the  
15 application backlog itself. We also are worried  
16 as the other speakers have been about retaliatory  
17 effects arising from what other offices may end up  
18 doing. We've heard both AIPLA and others mention  
19 that prior. As patent owners and as users of the  
20 system, this does significantly complicate patent  
21 strategies moving forward. It imposes certain  
22 consequences in the U.S. for legitimate decisions

1 that may be made on foreign applications such as  
2 when and where to file requests for examinations  
3 in the original foreign patent office, and this  
4 proposal seems to us is based on an assumption  
5 that foreign action in response filed with the  
6 U.S. examination later will advance the  
7 prosecution and lead to examination deficiencies  
8 even though the U.S. examiners still will need to  
9 conduct their own search and the various  
10 differences in the patent law as the first  
11 foreign-filed applications move forward probably  
12 we believe will limit the effectiveness of this as  
13 an efficiency tool.

14           Once the foreign office and response are  
15 filed, we have a significant question about will  
16 the U.S. Application enter the examination queue  
17 once the search report, the office action and the  
18 proposed response comes in, will that U.S.  
19 application enter the examination queue in the  
20 U.S. at the very end of the line or will it be  
21 bumped into the line where other applications made  
22 with the same U.S. priority date would be? That

1 makes a big difference if you look at a 3-month  
2 deferral and then moving things either to the back  
3 of the line or at the priority date line.

4 Another big question we have which is  
5 very serious is probably the most troublesome as  
6 our committee looked at this and had some  
7 discussions about it was the question around  
8 patent term adjustment and the unintended  
9 consequences. As always, clever patent lawyers  
10 will find ways to game the system, but also clever  
11 clients will hold their patent attorneys' feet to  
12 the fire and demand that they use every possible  
13 system and every possible procedure available in  
14 order to maximize patent term. Therefore, the  
15 effects of the deferral of the foreign-based  
16 applications on effective patent term and PTA  
17 highlight some of the I think perhaps intended  
18 consequences that we will end up seeing out of all  
19 of this. If the PTO defers examination of  
20 foreign-based applications without rewarding PTA,  
21 that brings up certain we believe treaty-based  
22 questions. But also we believe it will be nearly

1 impossible for the PTO to make an appropriate  
2 calculation to distinguish between  
3 applicant-caused delays versus the normal delay  
4 that may arise in the foreign patent system during  
5 the prosecution of that foreign-filed patent  
6 application outside the United States. Then  
7 trying to apply the USPTA rules which are already  
8 relatively complex and rife with litigation on top  
9 of that would impose a rather unreasonable burden  
10 upon both applicants and the PTO and I would say  
11 on behalf of IPO, members of the public who have  
12 to make a decision about how you're going to be  
13 dealing with deferred examinations and any future  
14 patent right that may arise from that. For  
15 instance, just looking at deferred examination as  
16 a whole, one needs to worry about the scope of the  
17 breadth of the claim that might eventually issue  
18 after the deferred examination and having to make  
19 tough business decisions now based on something  
20 that may not be examined for several years in the  
21 future. But adding the PTA on top of that brings  
22 a level of complexity that now you worry about not

1 only the scope and the breadth of that eventual  
2 patent application, but also the length of the  
3 term because it does seem like quite a morass to  
4 be able to decide exactly how the patent term  
5 adjustment will be dealt with in this scenario.

6 Finally, the Federal Register notice  
7 does reference the aggregate average time to first  
8 office action and again as AIPLA mentioned this  
9 morning or earlier this afternoon, we would ask  
10 how is that going to be measured? Will it be  
11 across the tech centers? Will different group art  
12 units have different aggregate patent average time  
13 to first office action? Is it going to be  
14 recalculated on a monthly basis, on a year basis?  
15 Will it be published so that we can make some  
16 predictions on how that's going to impact us not  
17 only as owners but also as those who will be third  
18 parties interested in making business decisions  
19 based on deferred applications? Finally, how is  
20 it that we can go about determining what the PTA  
21 will be both from the owner's standpoint as well  
22 as from the public's standpoint?

1           The question that was raised concerning  
2   the use of a supplemental search report from an  
3   intellectual property granting office, I would say  
4   IPO opposes this proposal. We certainly believe  
5   that the USPTO should really focus on its primary  
6   mission of searching and examining the  
7   applications before it. Some of our greatest  
8   concerns again as were voiced earlier by Mr.  
9   Dickinson for AIPLA include the level of search  
10   quality, how that's going to be impacted or how  
11   that will impact future litigations based on  
12   patents that are eventually granted and having  
13   either a single search or a supplemental search on  
14   top of it, will there end up being inequitable  
15   conduct charges arising against the attorneys  
16   and/or the owners of those patent applications?  
17   Does this really put us in a situation where there  
18   will be an inference that one would have a  
19   presumption of validity and other one may have an  
20   inference that it should not have a presumption of  
21   validity and/or invalidity could be shown by only  
22   a preponderance of the evidence rather than clear

1 and convincing? We have a concern that moving  
2 into a system whereby there would be one or one  
3 and a supplemental search report would give rise  
4 to a system where people will allege certainly in  
5 litigation that there is either a gold-plated  
6 patent you might say or at least first- and  
7 second-tier style patents.

8           So with that I will close again thanking  
9 you very much for the time that you've allotted  
10 us, and I'm open to any questions that you might  
11 have at this time.

12           DIRECTOR KAPPOS: Thanks for your  
13 comments, President Norman. This issue of  
14 uncertainty brought about by applications that are  
15 in a 30-month delay queue is one that is very  
16 important and one that we all are concerned about.  
17 Certainly we're concern here at USPTO. There are  
18 a lot of kinds of uncertainties of course and one  
19 of the ways that you perhaps can understand  
20 uncertainty I think is by looking at how  
21 participants, the parties that in other systems  
22 have the ability to challenge or to accelerate the



1 application of examinations that are in those  
2 systems in deferral, how those parties have  
3 actually behaved. We're fortunate today to have  
4 with us Professor Dietmar Harhoff who's at the  
5 back of the room who has studied some of these  
6 issues. I wanted to ask Professor Harhoff if he  
7 could offer a few comments in terms of the  
8 experiences that he has observed that other  
9 patent-granting authorities are having that have  
10 deferred systems especially in terms of any  
11 evidence that there is increased uncertainty  
12 brought on by those applications that are in  
13 deferral. Professor Harhoff, if you could perhaps  
14 use the microphone in the middle of the room if  
15 that's okay, we'd be interested in any comments  
16 that you could share based on your studies of  
17 deferred processing systems.

18 MR. HARHOFF: Thank you for asking me to  
19 contribute. It's a coincidence that I'm here  
20 today so this is not rehearsed in any way. We met  
21 before, but I'm glad to listen in to this debate  
22 and I'm glad to hear with what kind of effort and

1 enthusiasm you're trying to modernize and improve  
2 a system that is already a very good patent  
3 system.

4 I can report a little bit on the German  
5 system which is a deferred system that allows  
6 applicants to file requests for examination over a  
7 time period of 7 years, and in raw numbers that  
8 means at the end of the day that only two-thirds  
9 of the applications lead to a request for  
10 examination. Roughly one-third of the  
11 applications drop out because the owners recognize  
12 that even if granted their application is unlikely  
13 to be valuable because the technology or the  
14 market has moved on or whatever. The users who  
15 request examination relatively later typically  
16 from the pharmaceutical or the chemical industries  
17 with long life cycles where initially there is  
18 quite a bit of uncertainty to what extent the  
19 intention can contribute to the bottom line of the  
20 respective business.

21 You have I think pointed to the  
22 uncertainty question that was on the minds of

1 several speakers here. That is being discussed of  
2 course in other quarters as well and in Europe as  
3 well. It turns out that the German system has a  
4 mechanism by which third parties can request  
5 examination of pending patents. That is being  
6 used very rarely, in less than 1 percent of the  
7 cases. And that apparently has nothing to do with  
8 the fact that you set yourself up for litigation  
9 because it can be done anonymously.

10 I think from the perspective of my  
11 studies, the uncertainty that is most dominant in  
12 these fields is the uncertainty of the applicant  
13 as to where the invention is going and my  
14 observation is that by comparing the German system  
15 to the EPO system, if you start to push applicants  
16 in a process where they do not get the delay or  
17 the time that they need for decision making, they  
18 will try to get the time needed in other manners,  
19 in other ways, by filing divisionals. I'm not  
20 sure whether that applies to the United States as  
21 well and would lead to the filing of continuations  
22 in order to get the time needed.

1           It seems to me that in about 80 percent  
2 of the countries that have national patent  
3 offices, there is a deferred system with at least  
4 3, in some cases 5, in a few cases a 7-year period  
5 in order to file for the request for examination.  
6 I cannot recognize at least for the system that I  
7 know best which is the German system that we are  
8 facing a huge uncertainty issue, that there is  
9 some cloud of uncertainty hanging over the system  
10 although 25 percent of the applicants make the  
11 decision in years 5, 6 and 7. So I hope that that  
12 answers the question. I don't want to take too  
13 much time.

14           DIRECTOR KAPPOS: Thank you very much,  
15 Professor Harhoff for the comment there. That's  
16 helpful. I want to see if there are any questions  
17 from the audience if we have a moment left. Not  
18 hearing any, Commissioner Stoll, Deputy Director  
19 Barner are any other questions? External Affairs  
20 Administrator Rai? President Norman, thank you  
21 very much.

22           COMMISSIONER STOLL: Next I think we

1 have Steven E. Skolnick from 3M.

2 MR. SKOLNICK: Good afternoon. As  
3 indicated, I'm Steve Skolnick and I'm here today  
4 on behalf of 3M Innovative Properties Company and  
5 the 3M Company where I hold the position of  
6 Assistant Chief, Intellectual Property Counsel.  
7 I'd like to begin by saying that 3M fully supports  
8 the USPTO's efforts to innovate new approaches  
9 toward achieving its 2015 vision of leading both  
10 the nation and the world in intellectual property  
11 protection and policy. We appreciate the  
12 opportunity today to provide comments to the USPTO  
13 on the Proposed Enhanced Examination Time and  
14 Control Initiative. It's our opinion that frank,  
15 open exchanges and discussions like this will  
16 ultimately lead to a better patent system for  
17 applicants, for the USPTO and for the general  
18 public. There have been many fine compliments  
19 passed to Director Kappos and his leadership team  
20 and I'd like to echo those and say that we too  
21 have felt a fresh breeze blowing through the  
22 patent office and have enjoyed hearing, seeing and

1 experiencing the many fine changes that are taking  
2 place in that organization today.

3 I'd like to begin with some brief  
4 background about 3M Innovative Properties Company  
5 and 3M so that you can better understand a little  
6 bit about the perspective that we are bringing to  
7 this discussion. Then I will comment on what we  
8 see as the three main elements of the USPTO's  
9 proposal, the three-track examination system, the  
10 plan for examining patent applications that are  
11 based on a prior foreign filed application and  
12 then optional supplemental searches. But in the  
13 interests of time I'm going to focus my remarks  
14 mostly on those aspects of the proposal that were  
15 not really clear to us, where we had some  
16 questions or some particular concerns and then  
17 we'll follow-up with more detailed comments as we  
18 respond to the questions that were posed by the  
19 USPTO in the Federal Register notice.

20 As the intellectual property operations  
21 company for the worldwide 3M corporate family, 3M  
22 IPC received 518 U.S. patents in 2009, and we own

1 a portfolio that includes more than 10,000 pending  
2 U.S. patent applications and issued U.S. patents  
3 which means that we are actively involved in the  
4 patent arena and we're a significant consumer of  
5 the services provided by the USPTO and initiatives  
6 such as the one proposed by the patent office  
7 relate to a good part of what we do on a  
8 day-to-day basis.

9 3M is made up of six market-leading  
10 businesses that cover a very wide range of  
11 products and I won't bother to list all 50,000 of  
12 those products, but just know that the interests  
13 and experiences that we have span a broad range of  
14 industries and so we look at the proposal from the  
15 U.S. Patent Office from a number of different  
16 views based on our experiences in a lot of  
17 different industries.

18 We are very much a global enterprise.  
19 Although we are headquartered in the United  
20 States, we have options in more than 65 countries.  
21 Thirty-five of our international companies have  
22 laboratories and those laboratories may provide

1 technical service support to our customers who are  
2 located in those countries, they may be developing  
3 new products, they may be researching new  
4 technologies. Not surprisingly, we may file  
5 patent applications to protect those products and  
6 those technologies. Sometimes it is convenient  
7 for us to first file the patent application in the  
8 country where the R&D work was done and then  
9 within the following year file that patent  
10 application in other countries including the U.S.  
11 by route of the PCT. What that means is that our  
12 U.S. patent applications may have been ones that  
13 were filed in the USPTO or were first filed in the  
14 patent office of another country.

15           The first element of the USPTO's  
16 proposal for the three-track examination system,  
17 conceptually 3M supports a three-track examination  
18 system provided that it is based on several  
19 principles which I will expand on in the following  
20 slides. But overall we see a three-track  
21 examination system as something that has to  
22 appropriate balance the interests of a number of



1 different constituencies. Certainly the applicant  
2 wants to adequately protect its inventions and  
3 they have the desire to have freedom to choose the  
4 speed at which its applications are taken up for  
5 examination by the USPTO. Certainly the USPTO has  
6 an interest in having an efficient, high-quality  
7 patent application examination process, and  
8 finally, the general public has an interest in  
9 receiving timely notice about the scope and  
10 content of patent rights because this brings  
11 economic benefits that can stimulate new and  
12 continuing investments in business which can lead  
13 to the creation of new jobs.

14           Many of the implementation and  
15 administrative details for the three-track system  
16 have not yet really been announced so we've  
17 decided to focus today's comments on what I'd call  
18 high-level principles that we think should guide  
19 the formation of such a system. The first  
20 principle is that the system should not favor or  
21 disadvantage applicants based on their size of  
22 their financial means. Otherwise, we're concerned

1 that the system may simply be seen as unfair.  
2 Perhaps one way to address that would be to scale  
3 the fees based on an applicant's size. For  
4 example, having different fees for large, small  
5 and micro entities. Related to this is the second  
6 principle which has to do with the fee for  
7 participating in Track I, the prioritized  
8 examination. While we certainly understand that  
9 the USPTO has to set the fee so that it can cover  
10 its costs for administering Track I, the fee has  
11 to also be reasonable for applicants. Otherwise  
12 we are concerned that the benefits that would be  
13 afforded by having Track I may be seen as being  
14 more illusory than real. The Federal Register  
15 notice said that the Track I fee would be  
16 substantial and I don't believe there's been a  
17 public announcement about what that fee will be or  
18 a detailed explanation of exactly how the fee has  
19 been determined or will be determined and so we  
20 are interested in hearing more about how that is  
21 going to be arrived at by the patent office.

22 The third principle is that the system

1 should not discriminate against applicants based  
2 on where the application was first filed. If the  
3 three-track system imposes substantively different  
4 rules on applicant merely based on where the  
5 application was first filed, then it may leave the  
6 impression that the system is discriminating  
7 against certain applicants. The Federal Register  
8 notice recognizes that applicants may first file  
9 their patent applications in their local, regional  
10 or national patent office for business reasons or  
11 they may want to delay the translation costs that  
12 would have to be incurred upon filing a new USPTO.  
13 But there are many other reasons why an applicant  
14 might decide to file first in their local,  
15 regional or national patent office and to treat  
16 them differently for that decision would seem to  
17 be unfair. For example, if the invention is  
18 conceived in a particular country, then it's quite  
19 likely that the inventors, the research records  
20 and the patent professional who ultimately  
21 prepares the patent application are located there  
22 as well, and so to file the application in that

1 country's patent office is often just practical  
2 and convenient. Second, there are some countries  
3 that will permit patent applications to be first  
4 filed in another country but only after paying a  
5 fee and obtaining a foreign filing license. Of  
6 course that takes time, takes money and the  
7 applicant may not have that. In other countries,  
8 our experience has been that the procedure for  
9 obtaining a foreign filing license may not be well  
10 established or is not always clear and that the  
11 time that may be necessary for receiving that  
12 license can't always be accurately predicted.

13 For simplicity, transparency and ease of  
14 administration, the fourth principle is that there  
15 should be just one queue for all accelerated or  
16 prioritized applications. For example, if the  
17 applicant can obtain accelerated or prioritized  
18 examination by different routes, for example, you  
19 submit a petition to have the application made  
20 special or you pay a fee to join on to Track I and  
21 those routes have different procedures but  
22 ultimately a similar objective, then we're not

1     sure how in the end that all plays out and so we'd  
2     be interested in hearing more about the USPTO's  
3     plans in that regard.  Keeping in mind that the  
4     different avenues for requesting prioritized  
5     treatment that exists today were created for  
6     different reasons, if there is one queue then it  
7     would seem that the different reasons that exist  
8     for why we established those different queues in  
9     the first place shouldn't be undermined.

10           The fifth principle is that the pendency  
11     or Track II patent applications, in other words,  
12     those on the normal examination route, should not  
13     increase relative to today and I think that's a  
14     point that's been expressed by a number of other  
15     speakers who've come before me, and ideally of  
16     course we'd like to see the pendency of the Track  
17     II patent applications go down.

18           The sixth principle is that the maximum  
19     delay that is available under the Track III  
20     approach should be measured as 30 months from the  
21     earliest priority date because while offering  
22     applicants a limited opportunity to delay the

1 examination of their applications could certainly  
2 be advantageous by affording them additional time  
3 to evaluate their inventions before incurring the  
4 costs of examination so that that is a good thing.  
5 But if the delay is limited to 30 months from the  
6 earliest priority date, then applicants who first  
7 file in the U.S. will end up having the same  
8 opportunity to delay the examination of their  
9 applications as foreign applicants have today who  
10 are using the PCT route and entering the U.S.  
11 under Section 371. If the delay were to be longer  
12 than 30 months, then I think that conflicts with  
13 the general public's interest in receiving timely  
14 notice about the scope and the content of the  
15 patent rights. Related to this is of course is  
16 the timing of the publication, and as we  
17 understand the USPTO's proposal, that would  
18 mandate that Track III patent applications be  
19 published at 18 months and that's a requirement  
20 that we would also support.

21 As I said earlier, many of the  
22 implementation and administrative details for the

1 three-track system have not yet been announced,  
2 and as a result there are a number of questions  
3 that we have and we look forward to receiving some  
4 additional details on those as they become  
5 available. In the spirit of this being an open  
6 discussion and exchange of information, we also  
7 have some suggestions that we'd like to offer as  
8 well.

9           First, we're struggling to understand  
10 how currently pending applications and  
11 applications that are filed in the future but that  
12 claim priority back to an application that's  
13 current pending would be handled once a  
14 three-track system was started up. For example,  
15 could currently pending applications be eligible  
16 for Track I or Track III? Would applicants be  
17 able to file a continuation or a divisional or RC  
18 application that claims priority to a currently  
19 pending application and then jump on Track I?  
20 Second, as I've mentioned before, the Federal  
21 Register notice indicates that the USPTO intends  
22 to harmonize the existing application procedures

1 for applications that have been granted  
2 accelerated or special status. However, these  
3 applications have different eligibility  
4 requirements and different procedures and it's not  
5 clear to us how the USPTO will in fact achieve the  
6 harmonization of bringing those different tracks  
7 together. For example, petitions to make special  
8 that are based on an applicant's age or health or  
9 if the invention is directed to environmental  
10 quality, energy or countering terrorism or  
11 proceeding under the patent prosecution highway,  
12 then those do not require a fee, but petitions to  
13 make special submitted for other reasons do  
14 require a fee. Similarly, petitions to make  
15 special that are based on the applicant's age or  
16 health or where proceeding under the patent  
17 prosecution highway does not restrict the number  
18 of claims or the applicant's ability to traverse a  
19 restriction requirement and don't require that the  
20 applicant be willing to have an interview or  
21 require that the applicant provide an accelerated  
22 examination support document, but petitions to



1 make special for other reasons do touch on all  
2 these points and of course the patent prosecution  
3 highways themselves have their own rules. Third,  
4 we're wondering whether the USPTO has a plan to  
5 test all this under a pilot program giving the  
6 complexity and the scope of some of the changes  
7 that are intended.

8           Relating to fees, we have some questions  
9 there as well. Understanding that applicants can  
10 move among different tracks and may select them at  
11 different times, to what extent would the fees be  
12 adjusted to reflect that? Would there be  
13 different fees for an applicant who elects or opts  
14 in to Track I at the outset of the prosecution or  
15 the examination proposal as opposed to opting on  
16 to Track I in the midst or toward the end of the  
17 examination process? Would there be different  
18 fees for a Track I examination, that's the first  
19 filing in the patent office, as opposed to an  
20 application that's a continuation or divisional?  
21 And what about RCEs? How would they be handled?  
22 To the extent an applicant should elect to opt out

1 of Track I, would there be a refund available?

2 And what is the patent office hadn't done any work  
3 on that application? Would there be a refund that  
4 would be available?

5 There is a reference in the Federal  
6 Register notice to a surcharge for Track III which  
7 was something we didn't quite understand what that  
8 was intended to cover and the amount of the  
9 surcharge, so again we'd be interested in hearing  
10 some information about that. There was mention  
11 about the ability to defer certain Track III fees  
12 and again we'd like to know a little bit more  
13 about how that would work.

14 Regarding Track I, we recognize that  
15 patent prosecution is certainly a collaborative  
16 activity in that both the applicant and the USPTO  
17 have roles that they play and the actions that we  
18 take or don't take can either speed up or slow  
19 down the examination process. In light of that,  
20 we're wondering whether the USPTO has any plans to  
21 further incentivize the use of some of the compact  
22 prosecution techniques, whether it's telephone

1 restrictions, first action interviews, the use of  
2 other interviews, a more effective after final  
3 practice to help the USPTO achieve its goal of  
4 having a 12-month pendency for applications that  
5 are on Track I.

6           We also have some of the same questions  
7 that others have raised about what data are there  
8 that support the assumption that Track III will  
9 result in applications being abandoned prior to  
10 the USPTO taking them up for examination so that  
11 the office can conserve its resources and direct  
12 them to other applications. And expanding on  
13 this, we ask why isn't Track III available as an  
14 option at any time prior to the USPTO having taken  
15 a case up for examination provided that any other  
16 requirements for publication or the maximum period  
17 of delay have been met. Again as I mentioned, we  
18 believe that the 30-month delay should be  
19 calculated from the earliest priority date, and I  
20 mention that because it wasn't entirely clear to  
21 us from the Federal Register notice whether that  
22 was what was intended, although from other

1 comments I've heard subsequently I think that is  
2 what the USPTO has intended and that is something  
3 that we would support.

4           Regarding Track III, certainly this is  
5 an attempt by the patent office to encourage  
6 applicants to let go of patent applications that  
7 are no longer of interest to them and hopefully  
8 before the USPTO had started to examine them.

9 We're wondering whether there are other incentives  
10 that the patent office could offer that might  
11 encourage applicants to consider early abandonment  
12 of applications, for example, separating filing  
13 from examination so that there's a separate  
14 request and fee that has to be paid for  
15 examination rather than paying all the fees up  
16 front which might simply encourage applicants to  
17 just wait and see what happens in the first action  
18 on the merits before thinking about whether they  
19 want to abandon an application; or partially  
20 refunding a fee if an application is abandoned; or  
21 for an abandoned Track III application, giving  
22 applicants a reduced fee that could be applied to

1 a case that's subsequently put on Track I or Track  
2 II.

3 Let me turn a little now to the second  
4 element of the PTO's initiative, examining patent  
5 applications that are based on a prior foreign  
6 filed application. We certainly appreciate that  
7 the USPTO receives a substantial number of these  
8 applications each year and that being able to  
9 reuse the work generated by the office of first  
10 filing is something that can facilitate the patent  
11 office's own consideration of the same  
12 application. But for several reasons that I'll  
13 cover in the following slides, this is an element  
14 of the initiative that 3M is not able to support  
15 at the current time.

16 First, we see this as something that  
17 discriminates against applicants based on the  
18 country where the application was first filed by  
19 subjecting them to a different set of rules in  
20 terms of the timing of the examination and the  
21 information that they are asked to submit. As I  
22 mentioned earlier, there are many reasons why an

1 applicant might decide to first file their patent  
2 application in their local, regional or national  
3 patent office and to treat them differently for  
4 that decision seems unfair. The system that  
5 discriminate amongst applicants based on the  
6 country where the patent application was first  
7 filed could subject even U.S. Assignees to  
8 different or inconsistent treatment. If I can use  
9 3M as an example, although I believe that this is  
10 representative of a number of other applicants at  
11 the patent office, we have laboratories that are  
12 both in the United States and based in other  
13 countries. As I said before, we may find it  
14 practical and convenient to first file a patent  
15 application in the country where the  
16 research-and-development work was done, thus the  
17 country of first filing for us could be the U.S.  
18 or it could be another country. But even though  
19 all of those applications in the end are owned by  
20 the same company, 3M Innovative Properties  
21 Company, our U.S. patent applications would end up  
22 being treated differently by the U.S. Patent

1 Office simply based on where we decided to file  
2 the first application whether it was in the U.S.  
3 or filed first in another country. Then once  
4 having made that decision to first file in another  
5 country, that applicant could be penalized in the  
6 USPTO because long delays in the office of first  
7 filing whether it's a delay in taking the  
8 application up for examination or delays in  
9 getting to the first action on the merits would  
10 result in consequent delays with respect to the  
11 U.S. patent application. Of course, delays in  
12 examination at the USPTO also frustrates the goal  
13 of providing the general public with notice about  
14 the scope and content of the patent rights.

15 Applicants who wish to avoid delay in  
16 the USPTO could request and pay for accelerated  
17 examination in the office of first filing, but  
18 this seems to lead to a rather strange outcome  
19 because in order to have your U.S. patent  
20 application considered under Track II, the normal  
21 examination route, the applicant would have to  
22 request accelerated examination in another country

1 even though they don't have any desire to have or  
2 need a patent issued on an expedited basis from  
3 that country. Alternative, we're concerned that  
4 applicants might try to circumvent the USPTO rules  
5 by forum shopping, in other words, first filing in  
6 the USPTO. Again this is a concern that's been  
7 expressed by prior speakers and the result could  
8 be that the U.S. Patent Office's objective of  
9 reusing work generated by the office of first  
10 filing becomes undermined and the USPTO can end up  
11 in a worse position if the result is more  
12 applications filed in the USPTO sooner than  
13 otherwise they would have been. And given the  
14 number of recently negotiated patent prosecution  
15 highways, we are wondering whether these could  
16 simply become one-way streets that lead to the  
17 USPTO. We also have similar concerns expressed  
18 by other speakers before me that foreign patent  
19 offices might retaliate by adopting parallel rules  
20 in an attempt to level the playing field and if  
21 this were of course to happen then U.S. applicants  
22 in those other countries would be disadvantaged.



1           Again we have some questions and some  
2 suggestions about whether there are other ways to  
3 attack the problem that the USPTO is trying to  
4 solve with this approach. One is whether the  
5 recent rules announced by the EPO under Rule 1611  
6 could be adopted by the USPTO. Under the new rule  
7 in the EPO, if the EPO issued a written opinion as  
8 the international search authority under PCT  
9 Chapter 1 or an international preliminary report  
10 on patentability as the international preliminary  
11 examining authority under PCT Chapter 2, then the  
12 applicant is expected to respond to this first and  
13 under a shortened time period in order to avoid  
14 having its European patent application withdrawn.  
15 In essence, the EPO is compelling applicants to  
16 respond to work that the EPO has already done in  
17 the international phase of the PCT process and  
18 we're wondering to what extent the USPTO could  
19 consider a similar approach for applications where  
20 it is the international search authority under  
21 Chapter 1 or the EPEA under Chapter 2. Similarly,  
22 what consideration has been given to reusing other

1 work generated during the PCT, either Chapter 1 or  
2 Chapter 2 for applications entering the USPTO on a  
3 prior foreign filed application.

4 I think the comments here on this slide  
5 are similar to the ones that have also been  
6 expressed by other speakers. Given that the USPTO  
7 has negotiated many patent prosecuted highways  
8 with patent offices in other countries, there seem  
9 to be similar objectives of these programs, in  
10 fact they even overlap, and given that the USPTO  
11 has embarked on projects like share with the  
12 Korean IP office and has similar efforts underway  
13 with the EPO and the JPO, it simply wasn't clear  
14 to us how those different projects are related and  
15 how they would work together or how they would be  
16 coordinated. We do have a concern that if this  
17 initiative depends in part on successfully  
18 implementing share or related systems with other  
19 patent offices, what will happen if these systems  
20 are not supported by the other patent offices or  
21 after implementation they turn out not to work  
22 they had been anticipated.

1           Finally, I come to the third element of  
2 the proposal which is the option for having a  
3 supplemental search conducted. The Federal  
4 Register didn't provide a lot of detail to us  
5 about how this element of the program would work.  
6 On its face it wasn't immediately clear to us who  
7 would be the immediate beneficiary from this  
8 program because applicants who first file outside  
9 the U.S. or U.S. First filers who eventually will  
10 file outside the U.S. or U.S. first filers who  
11 don't file outside the U.S. but did a prefiling  
12 search in essence have or will receive what is in  
13 essence already a supplemental search. Overall,  
14 we're neutral with respect to this element of the  
15 initiative, but in the spirit again of an open  
16 discussion, we wonder whether this is perhaps the  
17 best use of the USPTO's resources because after  
18 all it's going to take time to negotiate and  
19 implement the appropriate arrangements with the  
20 different patent offices and we're also wondering  
21 what will happen if those patent offices ask the  
22 USPTO to provide reciprocal search services and

1    how the patent office here would gear up in  
2    response.  Again, we're interested in hearing more  
3    about that element of the program and how it would  
4    work.

5           In summary, I can say that 3M supports  
6    the idea of a three-track examination system  
7    provided that it's based on the high-level general  
8    principles that I mentioned.  We find it difficult  
9    to support the proposal for how patent  
10   examinations that are based on a prior foreign  
11   filed application would be handled and in general  
12   we're neutral on the element of giving applicants  
13   the option to request a supplemental search.  We  
14   appreciate having the opportunity to appear today  
15   and to offer our comments, and we very look  
16   forward to a continued discussion and dialogue  
17   with the patent office on the Enhanced Examination  
18   Time and Control Initiative and I thank you for  
19   the time to speak.

20           DIRECTOR KAPPOS:  Mr. Skolnick, thank  
21   you very much for the comments.  It looks like  
22   we're essentially out of time so I think we're

1 going to move now to Hans Sauer of BIO.

2 MR. SAUER: Good afternoon. Thank you,  
3 Director Kappos and Commissioner Stoll for hosting  
4 us this afternoon and thank you for giving BIO the  
5 opportunity to speak, and thank you to your teams.  
6 I am Hans Sauer. I am BIO's Deputy General  
7 Counsel for Intellectual Property. For those of  
8 you who don't know BIO, BIO is a trade  
9 association, it's the Biotechnology Industry  
10 Organization, a trade association with 1,200  
11 members, mostly corporate members but also  
12 including not-for-profit organizations, academic  
13 centers, some university technology transfer  
14 offices, in the United States and worldwide, 1,200  
15 of them, spanning from large international  
16 corporations whose revenues exceed the gross  
17 domestic products of some smaller countries, to  
18 the vast majority of companies being small  
19 companies who are not yet profitable and who are  
20 many years away from going to market.

21 So that's BIO's membership. It's a very  
22 diverse group in terms of size and revenues and

1 corporate maturity. It's also a very diverse  
2 group in terms of the products that they're  
3 working on. BIO's members work on biologic  
4 medicines, pharmaceuticals, agricultural and  
5 environmental, biotechnology products, diagnostics  
6 and the like. So it's a very diverse organization  
7 but there are important similarities too. It's  
8 not just the use of biotechnology that unifies  
9 BIO's members as we see them. BIO's members  
10 somewhat in counterdistinction even to what Dick  
11 Wilder explained earlier about the role that  
12 patents play and the kinds of products they  
13 develop. BIO's members all have in common that  
14 the products that they develop and bring to market  
15 take a very long time to be developed to market.  
16 Once they're on the market, these products are  
17 very long lived. They are protected by far fewer  
18 patents than the aggregate products see here on  
19 this table in the form of this laptop and the  
20 value per patent is very high.

21 Biotechnology companies are also very  
22 similar regardless of the technology they actually

1 work in in that they leverage their intellectual  
2 property for access to capital to attract  
3 investment partners and bring their products to  
4 market during the 10 years that it takes to get  
5 there on average. Biotechnology companies are  
6 also similar in their likelihood of failure  
7 because most products that are in the development  
8 stage and on which patents are filed at an early  
9 stage of development have a very large likelihood  
10 of never getting there because they fail for  
11 various reasons. So these unifying concepts if  
12 you will all inform BIO's assessment of PTO  
13 initiatives that are aimed at giving applicants  
14 more flexibility over their prosecution timing.

15           Among BIO members we hear very often a  
16 significant interest that's been expressed in more  
17 prosecution time and flexibility. There is on the  
18 one hand, and that takes the form of a request for  
19 additional time that is needed between filing and  
20 examination of the application. That is very  
21 often expressed. It's not universal among BIO's  
22 members, but it's a prevailing view. In some

1 cases there is the need for accelerated  
2 examination because small development stage  
3 companies may have to meet development goals,  
4 milestones in their business plans, sometimes  
5 there's ongoing infringement and if you're a small  
6 company you really need a patent very urgently, so  
7 that there need too on both poles of the spectrum  
8 if you will. Running through it all what we see  
9 among BIO's members is a very high sensitivity to  
10 inequitable conduct concerns. It comes up again  
11 and again whenever patent prosecution is being  
12 discussed.

13           With these concepts in the background, I  
14 can tell you what BIO has discussed in the past.  
15 BIO has in principle endorsed the three-tier  
16 patent examination timing structure before. We  
17 have done so in our letter to President-elect  
18 Obama. That letter was published in December  
19 2008, so how could we not support a PTO initiative  
20 that creates a three-track system that would give  
21 applicants more flexibility over their prosecution  
22 timing in principle? That's the joy part. BIO



1 has also previously commented on the patent  
2 prosecution highway and the SHARE initiative.  
3 That was an unhappy set of comments that we filed  
4 back then. That is also public. You can go read  
5 that, I've given you that here and that too  
6 informs our views on the current proposal. We're  
7 staying largely within the confines of what we've  
8 discussed before.

9 We thought one good approach to  
10 evaluating the current proposal would be to  
11 compare the proposed initiatives to the existing  
12 flexibilities not internationally but in the  
13 USPTO. So with respect to fast-track  
14 examination, the Tier I, when we look at BIO's  
15 members, we see that BIO members rarely use the  
16 existing acceleration options. BIO is a  
17 conspicuous nonuser of the patent prosecution  
18 highway. Similarly, the accelerated examination  
19 program seems to be used very little by BIO  
20 members and BIO members cite as reasons that at  
21 least the initial experience was that there are  
22 very high attorney costs associated with those,

1 they're very attorney intensive, very legal,  
2 there's a lot of work that needs to be done by a  
3 law firm so that really drives up the cost, and  
4 there is the inequitable conduct fear that's  
5 associated with the examination support document  
6 that I already alluded to. So fast-track  
7 examination, current options, not much use by BIO  
8 members as far as we know.

9           Deferral of examination. We don't know  
10 of a single instance of a biotech company that  
11 would have used the existing suspension of action  
12 provisions under Rule 103 that are available today  
13 in the PTO so that's just being used. When we ask  
14 why don't you use it, half the members are not  
15 even familiar with it and the others say it's a  
16 front end feeds kind of -- it's an opt-in process,  
17 there is this extra step to get even get into this  
18 deferral period that the PTO permits under Rule  
19 103, but the worst thing about it is it costs  
20 patent term adjustment, and in a technology where  
21 not front-end patent term but back-end patent term  
22 is the most valuable term, patent term adjustment

1 is of critical importance and that too plays a  
2 rule in the way BIO members would look at the  
3 Track III option.

4 With that said, contrasting it to the  
5 currently existing options, we think that Track I  
6 of the current proposal will be warmly received by  
7 biotech companies to the extent it is beneficial  
8 in those cases where a company really is hard  
9 pressed to get a patent quickly. That proposal  
10 seems to eliminate some of the disincentives that  
11 have been communicated to us by BIO members that  
12 attach to the currently available system, so that  
13 would seem to be supportable without much more  
14 comment.

15 Track III of the current proposal, the  
16 30-month track, seems to eliminate some of the  
17 disincentives that attach to the use of current  
18 Rule 103 in the patent office but some concerns  
19 remain. The first one that's going to be cited by  
20 us is again there too are patent term adjustment  
21 implications that could be an obstacle to the use  
22 of that so that patent term adjustment is always

1 going to be there as an issue when BIO members  
2 look at these proposals. Track III more  
3 specifically, to explain the need for additional  
4 time between the filing of an application and an  
5 examination, most BIO members, and again that's  
6 not all, there are important dissenters, believe  
7 that additional flexibility and being able to  
8 expand the time between the filing of an  
9 application and when it actually enters  
10 examination would help biotech and other  
11 slow-to-market technologies help better coordinate  
12 the slow pace of their product development because  
13 it takes on average 10 years to bring for example  
14 a biotechnology or biologic medicine to market, to  
15 coordinate that with the pace of patent  
16 prosecution to tailor their claims to the  
17 developing product and the like. Just deferring  
18 the filing of an application, waiting until you go  
19 to the patent office, is often not an option  
20 because biotechnology even if it is slow to  
21 develop commercially ready products is very fast  
22 paced as a science, so delaying in a competitive

1 environment the filing of a patent application is  
2 really not a good option so there is this time  
3 that needs to be bridged that we often hear about.

4 A word on deferred examination as well  
5 is that we've had a long discussion within BIO in  
6 2008 about deferred examination and we did a study  
7 of foreign deferral systems as well where we  
8 compared the experience of multiple member  
9 companies who use foreign requests for examination  
10 systems. The data that we have, and Track II by  
11 the way is not something we view as deferred  
12 examination. Deferred examination is not that.  
13 Track III is no more a deferred examination system  
14 I think than the PCT process is at this time.  
15 Deferred examination where it is available where  
16 you have a request for an examination system, we  
17 do know that in Japan for example where the period  
18 is 3 years, about 35 percent of applications today  
19 go abandoned without a request for examination  
20 being made at the 3-year mark. In Korea it's  
21 about 15 to 20 percent where the period is 5  
22 years. In Australia it's about 30 percent. The

1 deferral period in Australia is variable. The  
2 maximum is 5 years but the request for examination  
3 must be made depending on the technology at the  
4 time when the Australian commissioner directs the  
5 applicant to request examination so the IPO in  
6 Australia can tailor the review period to the  
7 relative workload in its art units. It's an  
8 interesting concept that's quite unique  
9 internationally. And as we heard earlier, in the  
10 German Patent and Trademark Office, the period is  
11 7 years where according to our information about  
12 40 percent of all applications go abandoned in the  
13 aggregate without a request for examination ever  
14 having been made.

15           That's not to say that the PTO would  
16 through a 30-month period in Track III be able to  
17 recognize the same benefits, but as far as we know  
18 even currently, about 10 percent of patent  
19 applications in the USPTO go abandoned after a  
20 first office action on the merits without any  
21 further reply. In some cases that may be because  
22 the rejection was so bad that the applicant just

1 gives up, but in some cases that may be because  
2 the applicant really no longer cares and in that  
3 case maybe wouldn't have to be examined at all.  
4 So there are insufficient incentives for  
5 applicants in the USPTO currently to drop out and  
6 to eliminate cases under the current frontloaded  
7 system that they're really no longer interested in  
8 and that is something that the three-tier  
9 structure in your proposal could address and does  
10 to some extent address.

11 Proposed Track III even though it's  
12 probably unlikely to realize the full 30 to 40  
13 percent abandonment benefit is more likely than  
14 Rule 103 to realize some of these benefits  
15 probably for applicants and possibly a little bit  
16 for the PTO as well and it might alleviate the  
17 workload in that sense. But for BIO's members,  
18 concerns over patent term adjustment implication  
19 offsets persist and the more important question is  
20 does it really provide prosecution timing benefits  
21 over the use of the PCT system? Because we see  
22 that the period of 30 months was quite possibly

1 selected quite deliberately because the patent  
2 office may have been sensitive to concerns we've  
3 already heard expressed about deferred  
4 examination. It's not an uncontroversial issue in  
5 the patent user community, but it doesn't seem to  
6 us in the first instance to offer many benefits to  
7 just filing a PCT application and entering the  
8 United States in the national phase. That would  
9 give the same deferral without the penalties that  
10 seem to attach. Or does it? That's going to be a  
11 question at the end.

12 Patent term adjustment. I haven't even  
13 begun to understand what the aggregate average  
14 period is. The question has been raised by others  
15 so I'll not go into it. Most of the questions  
16 that we do have relate to the treatment of foreign  
17 first filed cases as we've seen in earlier  
18 presentations here as well. In the first  
19 instance, let me make the observation that the  
20 vast majority of international application  
21 families, and this is taken from the WIPO World  
22 Patent Report, the 2008 report, originate in the



1 United States predominantly via the PCT. So  
2 biotech applications that are foreign filed  
3 originate in the biomedical arts, not just  
4 biotech, but biotech, pharma and medical  
5 instruments. The United States is by far the  
6 greatest originator of international applications  
7 and foreign filed applications in these arts and  
8 as far as we could tell from the WIPO World  
9 Patent Report, nowhere is U.S. predominance as  
10 pronounced as in the biomedical arts. So that to  
11 some extent offsets the concerns you're about to  
12 hear about the treatment of foreign first filed  
13 cases. Most cases in our technology do come from  
14 the United States, but not all do, and BIO's  
15 members are international. We do have big foreign  
16 members or big members that have foreign  
17 operations, we have foreign-based members and I've  
18 already spotted one in the room, who may be  
19 compelled under their own domestic filing laws or  
20 for their own business reasons to file in their  
21 own countries and then enter the United States.  
22 They mostly do so via the PCT and we don't

1 understand the proposal as of yet to relate to the  
2 PCT, but if we're wrong, we'd like to be  
3 corrected. Still, the Federal Register notice  
4 suggests that the proposed treatment of foreign  
5 first filed applications is to some extent a  
6 simple question of reciprocity. It points to the  
7 JP First Program which also accords priority to  
8 applications that are first filed in the Japanese  
9 Patent Office and that is probably true, but to  
10 our knowledge, as of yet no U.S. applicant is  
11 required to walk into the Japanese Patent Office  
12 with a certified translation of its USPTO or first  
13 office action and to file a reply to the Japanese  
14 examiner as if the U.S. application had been  
15 issued under Japanese law and then have that done  
16 as a condition of getting their case examined, so  
17 that doesn't seem to be the case. On the other  
18 hand, if that's where we're headed in discussions  
19 in the trilateral, that would be very good to know  
20 too and it would be quite important.

21 Foreign first filed cases. We had a  
22 couple of very practical questions. If I

1 remember, when a foreign office action reached me  
2 if it wasn't from an English-speaking country, it  
3 typically arrived in the form of a reporting  
4 letter from foreign counsel. Local counsel writes  
5 up the foreign office action in some loose form of  
6 translation or description in English and then  
7 gives a proposed response to the foreign patent  
8 examiner so I'd read and I'd go, fine, whatever it  
9 is. But the office action itself, it's not a  
10 coincidence that I've pasted these in there, if  
11 they're from an English-speaking country, I can  
12 read that, but that document there, I can identify  
13 that that's in Arabic script even though I won't  
14 like sign in that patent office certified, but I  
15 wouldn't even know that that's in Farsi and I'm  
16 far from knowing what that really says. So the  
17 office action itself I guess in the first instance  
18 would have to be filed in a certified translation  
19 so I have to get that when I don't have to do that  
20 today. As an applicant in the patent office, I  
21 guess I would also have to make very sure that I  
22 understand absolutely exactly what the foreign

1 examiner is saying so that I can file this reply  
2 that explains how the foreign office action  
3 relates to U.S. patent law and how it would  
4 operate under U.S. patent law.

5 That it has a couple of other practical  
6 implications too. What if I, and that happens  
7 often in biotech, have to reply to formality  
8 objections in the foreign patent office so that  
9 claim format is often different and statutory  
10 subject matter in patent offices outside the  
11 United States does not always correspond to  
12 statutory subject matter in the United States in  
13 the biomedical arts. So if I have to reply to  
14 that, maybe I can say this doesn't reply or maybe  
15 I have to write something else.

16 Nonprior-art-related rejections are also not  
17 uncommon in the biomedical arts and they differ by  
18 substantive patent law. How is this going to  
19 interact with U.S. restriction practice where the  
20 case may be restricted subsequently by the  
21 examiner in ways that are not apparent from the  
22 foreign claim and that have no relation to the

1 reply that I filed or to the rejection? Will I  
2 sacrifice the doctrine of equivalence with this  
3 preliminary reply? And who's going to decide if  
4 the reply is even responsive to the foreign office  
5 action because at this point the case is not  
6 docketed to any examiner? Is there somebody, a  
7 formality officer, at OIPE who is going to decide  
8 whether what I wrote in my reply is responsive to  
9 the Iranian examiner's office action? These are  
10 just a couple of practical questions, but they  
11 highlight the concern that there is a sense that  
12 the requirement to file a reply to the foreign  
13 office action complicates U.S. patent prosecution  
14 in much bigger ways than is first apparent and  
15 there is a question whether perhaps just filing  
16 the foreign search report would accomplish many of  
17 the same benefits so that I'd like to ask that.

18 I'd like to close with a few selected  
19 open questions. One question we had was can an  
20 application claiming foreign priority ever be  
21 fast-tracked without waiting for foreign searches  
22 and office actions? There may be instances where

1 it's really very, very urgent to get a U.S. patent  
2 even if you're a foreign applicant. What if  
3 there's ongoing infringement, somebody is already  
4 practicing your stuff in the United States? U.S.  
5 Applicants could go to the patent office and get a  
6 patent very quickly under Track I or if it's not  
7 abolished under one of the other then existing  
8 acceleration proceedings and get that patent fast,  
9 that sometimes happen today, and then sue or get a  
10 license or whatever it is. Foreign applicants  
11 won't be able to do that apparently under this  
12 proposal. They will have to wait until the  
13 foreign examiner issues an office action and the  
14 search report and they may be able to accelerate  
15 that if the foreign office allows an acceleration  
16 option but not all foreign offices do.

17           Likewise, there may not, and that's been  
18 said before, always be an option to just file in  
19 the U.S. first then if you're so worried about  
20 that because some foreign countries do de facto or  
21 de jure compel applicants to file in the country  
22 where they reside or where the invention was made

1 or the laboratory was located or whatever it is.  
2 So we can see instances where foreign applicants  
3 systematically wouldn't have the same remedies and  
4 opportunities that U.S. applicants would have and  
5 that is a question that as an organization that  
6 does have important foreign members we can't be  
7 blind to.

8           Generally the impact of foreign  
9 prosecution delays on U.S. patent term and patent  
10 term adjustment is something that we'd like to  
11 spend more time on and that we'd like to give more  
12 thought to. We don't think we should have a  
13 situation where foreign applicants should be  
14 penalized in the U.S. Patent Office under a double  
15 penalty if you will of expended pendency and  
16 bigger patent term adjustment debits for foreign  
17 patent office delays.

18           We also had a question of what's really  
19 so terrible about not requesting examination in  
20 the Canadian Patent Office until it needs to be  
21 requested and still hope for examination in the  
22 United States without being penalized for patent

1 term adjustment delays that were allegedly called  
2 for not requesting examination in Canada? So that  
3 it always comes back to that. We think there is a  
4 possibility that this proceeding, the treatment of  
5 foreign filed applicants, would import some  
6 foreign examination backlogs into the system that  
7 would inure to the disadvantage of foreign  
8 applicants so that we share that concern.

9           One big question that's in the room for  
10 us is how much of this relates to the treatment of  
11 national stage PCT applications that enter the  
12 United States? The Federal Register notice is not  
13 very explicit. Again we understand it to apply  
14 right now only to plain vanilla applications that  
15 claim direct foreign priority, but there is a  
16 question toward the end that asks, Should be PCT  
17 applications be treated like a continuing  
18 application? So that causes some consternation as  
19 to what does that have to do with the PCT? What  
20 are the hopes and aspirations of the patent office  
21 to fold that process in to the proposal? But  
22 unless you think that we're pooh-poohing it with



1 all these questions, the three-track program is  
2 really something that I think will be warmly  
3 received. I think there are really good ideas  
4 there. It really comports with what we've been  
5 asking for. And if we can iron out the wrinkles  
6 and address that patent term adjustment concern  
7 that attaches to Track III, I think that will be  
8 something that's really workable and takes us in  
9 the right direction. Thank you for your patience.

10 DIRECTOR KAPPOS: Thank you very much,  
11 Mr. Sauer. I think we're going to take a break  
12 now. We're running somewhat behind schedule I  
13 believe, so why don't we break until 4:30 and get  
14 back together and finish then? Thank you.

15 (Recess)

16 DIRECTOR KAPPOS: I'm sure everyone is  
17 anxious to get wrapped up here and so we're going  
18 to move to our last set of speakers, the first one  
19 being Warren Tuttle of UIA. Warren, if you can  
20 join us.

21 MR. TUTTLE: Thank you very much,  
22 Director Kappos, Commissioner Stoll, and all the

1 wonderful people and employees here of the USPTO  
2 of which we are very fond. My name is Warren  
3 Tuttle. I do serve currently as President of the  
4 UIA which is the United Inventors Association  
5 which I'll tell you about in a second. I also  
6 professionally in the world of open innovation. I  
7 run the External Product Development Program for a  
8 large house wares company called Lifetime Brands.  
9 They're the largest nonelectric house wares  
10 company in America. Most of you probably have  
11 never heard of Lifetime Brands but you surely have  
12 heard of some of the brand names that they market  
13 goods under including Farberware which is a brand  
14 name that they own. They produce products under  
15 the Cuisinart and KitchenAid labels, they own  
16 Mikassa and Towle Silver which is one of the older  
17 companies in America, and are totally committed to  
18 a culture of open innovation and helping  
19 inventors.

20 But I'm not speaking on behalf today of  
21 Lifetime Brands. I am speaking on behalf of the  
22 United Inventors Association which is probably

1 America's largest nonprofit association dedicated  
2 to inventor education. We do a lot of cool  
3 things. We certify over 70 local inventor clubs  
4 around the country in virtually every state,  
5 although for the first time I was in Hawaii in  
6 March and there is no club in Hawaii so I'm  
7 determined to get one started there. I may go  
8 back. These clubs are really the backbone of our  
9 organization. I call them continually boots on  
10 the ground. These are real live inventors who  
11 meet on a regular basis. They discuss issues and  
12 they really talk about the trends in open  
13 innovation today. We also reach over 12,000  
14 inventors every month with our newsletter. We do  
15 some very cool things to help educate inventors  
16 including a recent addition to our agenda which is  
17 moving out to industries to sponsor inventor  
18 spotlight areas at trade shows, and we just came  
19 off of a very, very successful one at the Hardware  
20 Show which is a phenomenal show each year in May  
21 in Las Vegas, we did the DRT TV show in San Diego,  
22 and we just were signed up the other day to do the

1     PGA show.  So if anyone's a golfer, we'd love to  
2     have you come down there in January.

3             We also have quite a few corporations  
4     that are members of the UIA and they go through a  
5     very rigorous certification program.  We want to  
6     ensure that companies have the right attitude  
7     toward open innovation and how they treat  
8     inventors, and we just started a new company  
9     identifying inventor-friendly companies and it's  
10    something that we're pursuing now so that we're  
11    all about education.

12            Thank you very much for hosting today  
13    this three- track patent examination hearing and  
14    allowing me the opportunity to speak.  I have been  
15    incredibly impressed as have all of us at the UIA  
16    during the past year with the USPTO's significant  
17    efforts to reach out to the independent inventor  
18    community at all levels on a variety of issues.  
19    Let me stop and go off the notes and say we  
20    really, really appreciate this, and Dave, you've  
21    really done a terrific job in setting the trend  
22    here.

1           Hopefully this outreach is generating  
2 helpful and healthy feedback and it certainly  
3 ensures that many more independents will be  
4 involved in the process and as a result will have  
5 a greater stake in ensuring the USPTO's success.

6           The three-track patent reform proposal  
7 under discussion today is another strong attempt  
8 in our opinion by the USPTO to identify  
9 differences in patent applications and  
10 appropriately adjust for demand and circumstance.  
11 The end goal of organizing the patent application  
12 process to reflect priority and hasten the review  
13 and expedited potential allowance of fast-track  
14 patents makes a great deal of sense. This pursuit  
15 should have innovation more rapidly launch and  
16 sooner thrive in the U.S. marketplace. While  
17 supportive of the overall USPTO three-track patent  
18 examination proposal as currently constructed,  
19 particularly the ability for individuals to change  
20 tracks midstream, I appreciate this opportunity to  
21 point out a few small but very important issues  
22 facing the independent inventor community within

1 the current proposal.

2           Clearly, the most significant concern  
3 for the sergeant inventors will be the additional  
4 costs involved with purposing the option one  
5 fast-track application process. An important  
6 concern certainly is the money, and though the  
7 extra costs may certainly prove a burden for many,  
8 of equal concern we feel is the perception that  
9 may grow through word of mouth and other viral  
10 communications painting this reform effort as just  
11 another one favoring larger companies. The  
12 natural intuitive thought process for many  
13 spirited independent inventors may be that only  
14 larger companies or wealthy individuals will be  
15 able to afford the fast track. A result in  
16 populism may resonate if this issue is left  
17 unattended and in the hands of some firebrands if  
18 I may even be used to potentially create ill-  
19 will. This needs to be addressed from the outset  
20 to gain rational understanding and trust.

21           So far the initial feedback that I've  
22 gotten from most inventors starts off on this

1 track. I think they tend to be a little bit  
2 negative and circumspect in the beginning and I  
3 think it's important to get that turned around  
4 quickly because otherwise I think there could be a  
5 PR problem not only with this particular issue but  
6 other things that you want to do down the road.  
7 Adding to this possible perception, there appears  
8 no recognition in the proposal for small entity  
9 status. I understand that there are issues on how  
10 you do that, but I might suggest small- entity  
11 recognition and perhaps additionally some other  
12 helpful options such as supplying some sort of  
13 benefit when there is favorable economic  
14 development potential for an independent inventor  
15 with less than five patents. We would be pleased  
16 at the UIA to help brainstorm at any time to  
17 identify such helpful and appropriate options as  
18 well as empathetic language.

19 With respect to Track III examination,  
20 there will likely be a lag in fully evaluating  
21 this program until the first wave of delayed  
22 applications hit in 30 months when filings

1 dropouts and revenues can be inspected. From an  
2 independent inventor perspective, the extra  
3 development time appears to be a less-important  
4 issue than it might to a larger biotech or  
5 pharmaceutical company. This does not necessarily  
6 mean it's bad. It's not a zero-sum game. If it  
7 helps other folks that's fine. It's just simply  
8 an observation. And we feel without having all  
9 the facts at hand of course which you will know in  
10 time that typically the small independent inventor  
11 probably wants to go a quicker track because they  
12 want to sign that licensing deal and start  
13 collecting revenues and with a patent put on the  
14 side they probably will not be able to accomplish  
15 that. It may also may prove a challenge educating  
16 independent inventors on the specifics of the  
17 Track III program because there is some  
18 complication with it. Most probably will not  
19 understand for instance that the patent term will  
20 be shortened as one example. The UIA looks  
21 forward to some day helping the USPTO in getting  
22 the word out to the independent inventor community



1 in making sense out of all of this.

2 Thank you once again for the opportunity  
3 to participate today in this USPTO initiative  
4 clearly designed to streamline the patent process,  
5 spur innovation and create new jobs. We're all  
6 for that. And thank you for listening and always  
7 keeping the U.S. independent inventor in mind as  
8 you move forward with promoting helpful change.  
9 Thank you.

10 DIRECTOR KAPPOS: Thank you very much,  
11 Mr. Tuttle. Let me comment very briefly that as  
12 we construct every proposal that we are making at  
13 the USPTO, we're extremely cognizant and concerned  
14 to ensure that the interests of these independent  
15 inventor communities, small and even medium  
16 enterprises, are being carefully accounted for, so  
17 that we really appreciate the comments and will  
18 obviously take them on board along with all the  
19 other comments expressed today. I had one  
20 question if that's okay. You didn't mention  
21 anything about another important aspect of the  
22 proposal which is the prioritizing of overseas

1 first filed applications. Did you have any  
2 comments on that?

3 MR. TUTTLE: It's something that we  
4 haven't looked at closely at this point. We  
5 haven't had a chance as a group to study it  
6 further so we've kept our remarks to what we  
7 thought was most important today.

8 DIRECTOR KAPPOS: Are there any  
9 questions or comments from the audience?  
10 Executive Director Dickinson?

11 MR. DICKINSON: Thank you, Director  
12 Kappos. I had some comments for Mr. Tuttle and I  
13 certainly understand and I think most of us would  
14 want to ensure that small inventors are not  
15 disadvantaged in any way by these proposals. A  
16 question is that part of the challenge is I think  
17 is that the office's hands are tied in aspects of  
18 this particularly around issues of very, very  
19 small inventor status getting a very different fee  
20 structure that might advantage them over the large  
21 corporations you're concerned about. The tying  
22 problem is the statute. You've been fairly

1 supportive of patent reform. This issue is caught  
2 up in the Patent Reform Bill. Would it be a good  
3 idea for a lot more small inventors to come  
4 onboard for patent reform so that they are able to  
5 take opportunities like this in hand?

6 MR. TUTTLE: I would say that if  
7 structurally your hands are tied in doing certain  
8 things, I think it's going to be critical to also  
9 launch a simultaneous PR effort to talk about some  
10 of the other positive things that you're working  
11 on so that the message goes out together because  
12 if you can't do certain things at this time until  
13 you're able at a later date maybe to come back and  
14 readdress, I think it's a perception issue. I  
15 think it's crucial that we help get that word out  
16 and some of the other great things that you're  
17 talking about doing in the building that we really  
18 get that word out at the same time.

19 DIRECTOR KAPPOS: Thank you very much.  
20 I think we're ready to move on to our open  
21 statement period so that we want to open the floor  
22 up to anyone else in the room who'd like to make a

1 comment. We may get everyone out of here pretty  
2 close to on time as well. I'll give one more  
3 chance is there are any further observations.

4 We've got a written comment period open.  
5 We look forward to getting comments in writing in  
6 any forum, email, a letter or whatever. It  
7 completes on August 20 so that there is plenty of  
8 time, in fact, one month from today. I want to  
9 conclude by thanking everybody for your patience,  
10 for your support and the wonderful comments on  
11 this comprehensive program. We will take them  
12 onboard. We will of course wait until the August  
13 20 and then we'll be trying to move forward with  
14 something that responds and that accommodates what  
15 we've heard today. Thanks again and safe travels.

16 (Whereupon, at 4:45 p.m., the  
17 PROCEEDINGS were adjourned.)

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## 1 CERTIFICATE OF NOTARY PUBLIC

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14 /s/Carleton J. Anderson, III

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