

September 8, 2014

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

Via email: patent_pendency2014@uspto.gov

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

Dear Deputy Under Secretary Lee:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Yes, see answers to questions 1 and 2 above.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

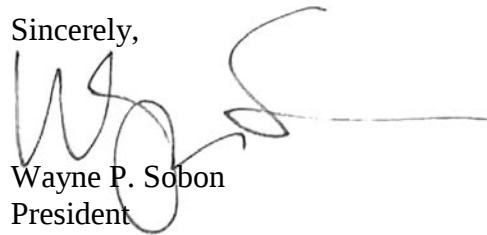
The goals of 10 and 20 months for pendency do not take into consideration the pendency from filing to receiving an action or the total pendency of RCEs. Considering that roughly one-third of all applications filed are RCEs, the Office should set a target for providing an action in those applications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

Current total pendency numbers reported by the Office as the main total pendency do not include RCEs, which are a very significant number of the applications being filed and examined by the Office. When an RCE is filed, there is an abandonment credited to the examiner, and pendency of that application ends for inclusion in the Traditional Total Pendency statistics. Any subsequent pendency¹ time for the RCE is not captured in the Traditional Total Pendency calculations, but rather is reported as a separate RCE statistic and in another statistic called Traditional Total Pendency Including RCEs. Because the pendency numbers have traditionally not included the RCEs, AIPLA acknowledges that including them now might be challenging. It is suggested that, however, at the very least, the numbers including RCEs should be reported along with the traditional numbers, not just shown on the Dashboard. Additionally, the Office should report serialized filings, which are filings that are not RCEs, to reflect a truer picture of actual new invention development. The Office should also consider transitioning to metrics that treat RCEs as actual continued examination processing rather than as a new application filing to better reflect the true purpose for establishing the RCE program. The RCEs should not be placed on the same docket as new applications because technically, they are amended applications, not new filings.

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

Sincerely,



Wayne P. Sobon
President

American Intellectual Property Law Association

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