UNITED STATES MANUFACTURING COUNCIL

October 22, 2015

The Honorable Penny Pritzker
Secretary of Commerce
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

Dear Madam Secretary:

The Manufacturing Council (Council) believes strongly in our country's patent system as one of the foundations for innovation in manufacturing. The vast majority of U.S. patents are granted to companies with significant manufacturing operations. The Innovation, Research and Development committee of the Council has given detailed consideration to the current system, and offers the following recommendations to boost patent quality to further foster innovation.

The patent system, ingrained within our Constitution, was designed to encourage innovation and innovators in our country. Over the past twenty years, as technology has advanced, and the number and breadth of patent applications has skyrocketed, applications tripling between 1994 and 2014,[1] the task of patent examiners has become increasingly more complex and difficult. This trend has also resulted in dynamic tension between applicants seeking the broadest possible claims coverage for their inventions, and the granting of overly broad patents that can have the effect of stifling future innovations. The proliferation of Non-Practicing Entities, sometimes referred to as "patent trolls," is, in part, a symptom of this dynamic tension, as is the significant expense and complexity of patent opposition and/or litigation. According to the American Intellectual Property Law Association, the median patent litigation cost for U.S. cases involving $1 - $25 million at issue, is $1.4 million through the end of discovery and $2.6 million through final disposition.[2]

The 2011 America Invents Act and recent pending legislative efforts — H.R. 9, Innovation Act, and S. 1137, the PATENT Act demonstrate Congress' desire to help address issues within the post-grant patent review process and abuses of the litigation system. However, we believe it would be worthwhile to focus in more depth on key aspects of the burgeoning level of patent contests and litigation; namely, the scope and breadth of claims allowed in the patents when granted, and the processes involved in the examination phase. As the United States Patent and Trademark Office (USPTO) has said, "[h]igh quality patents permit certainty and clarity of rights, which in turn fuels innovation and reduces needless litigation." (Federal Register, "Request for Comments on Enhancing Patent Quality", February 5, 2015).

Over the past several years, both the White House, through executive actions, and the USPTO, through policies, proposed regulations and the establishment of a more comprehensive patent quality division, have been working to address these issues[3]. Although many initiatives have been proposed and commenced, we would recommend that particular focus and attention be devoted to the following initiatives and proposals:

1. Enhance Examiner Training: Continue to improve patent examiner training. The USPTO has created a variety of training programs, ranging from training for new examiners, experienced examiners, and supervisory examiners. The USPTO also requires annual training on changes in the law or examination procedures, and offers voluntary refresher training. We would recommend that efforts be made to create a comprehensive training program with mandatory continuing education requirements, similar to those required for attorneys in most states to retain their license to practice law, to ensure that the knowledge base of all examiners remains current. We also would recommend that this program include formal certification/re-certification requirements, and a system to track each examiner's progress through the program.[4] Finally, the USPTO could consider adopting compensation incentives tied to certification, in combination with the proposed incentives discussed in paragraph 3 below.

2. Upgrade Quality Composite Metric: Continue the efforts to improve the Quality Composite Metric, including incorporating measures relating to the clarity and rigor of claims construction, and measures for the efficacy of examiner training, in addition to the current consideration of examination outcomes (i.e., review of allowances). The USPTO should implement a count system awarding metrics primarily linked to persuasive office actions of the USPTO's position on claims rather than one primarily based upon production of either allowed or abandoned applications.[5] The USPTO has said it is "committed to issuing patents that clearly define the scope of the rights therein, that are within the bounds of the patent statutes as interpreted by the judiciary, and that provide certainty as to their validity…" (Federal Register, "Request for Comments on Enhancing Patent Quality", February 5, 2015). We would urge the USPTO to redouble their efforts in this crucial area; without adequate metrics of this type, it will be difficult to garner the improvements sought.

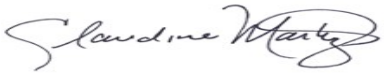
3. Augment Examiner Evaluation: Consider implementing changes to the measurements used for examiner evaluation, using the improved quality metrics discussed in point 2 above as a foundation for those measurements.[6] The USPTO should investigate leveraging those metrics and creating an incentive system designed to encourage and reward examiners awarding high quality patents, and serve as an early warning system for those who are not, enabling corrective measures to be implemented. The goal of the USPTO should be to recognize and reward in real time an examiner who issues office actions that are persuasive rather than merely sufficient. Just as importantly, the USPTO should consider corrective personnel measures in cases where there is a record of poorly written or analyzed office actions graded per the parameters in footnote 3, including weighing such a record when considering advancement of examiners. Such a system would help avoid the issuance of poor quality patents that then must be challenged through expensive litigation and/or reexamination.

4. Accelerate Crowdsourcing: Continue to develop a viable system to utilize crowdsourcing tools during the examination process to identify and evaluate prior art. In November of 2014, the USPTO decided to further explore the potential use of crowdsourcing during patent examinations, and requested additional public input on specific questions relating to potential use of crowdsourcing. We believe crowdsourcing may be of significant value, and would urge the USPTO to present proposed guidelines for use as soon as practical, and to probe the possibility of utilizing crowdsourcing in all examinations of published applications unless the examiner and the applicant both agree it is not necessary or appropriate for the particular application under review. In cases where a patent application has not been published, examiners should rely on other traditional tools and processes for examination of the application that do not require publication of the invention.

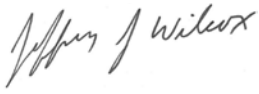
Properly implemented, efforts such as these should have the effect of increasing the quality of patents issued, which should in turn have the benefit of reducing the number of patent contests and the amount and cost of patent litigation. This also should lead to the ultimate goal of encouraging more innovation. Therefore, the Council strongly recommends that the Department of Commerce consider implementing these recommendations within the USPTO to upgrade patent quality, reduce the number of unnecessary and costly patent disputes and free more manufacturers' resources for innovation, research and development.

Respectfully submitted,

Susan Smyth
Chair, Manufacturing Council



Claudine Martinez
Vice-Chair, Manufacturing Council



Jeffrey Wilcox
Co-Chair, Innovation, Research and Development Subcommittee

Christie Wong Barrett
Co-Chair, Innovation, Research and Development Subcommittee

[1] Patent applications tripled between 1994 and 2014. Statistics are set forth in the U.S. Patent Statistics Chart, Calendar Years 1963 – 2014. http://www.uspto.gov/web/offes/ac/ido/oeip/taf/us_stat.htm)

[2] The 2013 AIPLA Report of the Economic Survey further indicates when the amount at issue is above $25 million, these figures rise to $3 million through the end of discovery and to $5.5 million through final disposition.

[3] http://www.uspto.gov/patent/initiatives/enhanced-patent-quality-initiative https://www.whitehouse.gov/the-press-office/2014/02/20/fact-sheet-executive-actions-answering-president-s-call-strengthen-our-p

[4] This would include, for example, training symposiums when the USPTO office releases its own guidelines for interpretation of subject matter eligibility, written description, enablement, and anticipation/obviousness via the 2011 America Invents Act (for example utility guidelines were released on July 30, 2015 http://www.gpo.gov/fdsys/pkg/FR-2015-07-30/pdf/2015-18628.pdf).

[5] The production count system uses metrics tied to timeliness and expressing a correct outcome. A count system tied to persuasive office actions would improve quality by requiring an examiner to effectively communicate issues of (1) clarity and rigor of claim construction; (2) how the specification correctly or incorrectly positions the claims over the statutory requirements of subject matter eligibility (35 U.S.C. §101), written description (35 U.S.C. §112, first paragraph), and enablement (35 U.S.C. §112, first paragraph); and (3) how the scope of the claims may require adjustment in view of prior art via the statutory requirements of novelty (35 U.S.C. §102) and non-obviousness (35 U.S.C. §103). For more details, please see David Stein, Submission of Comments Regarding Enhancing Patent Quality, USPTO Talk at http://www.usptotalk.com/files/patent-quality-comments.pdf (May 6, 2015).

[6] There are numerous possibilities to be considered that the USPTO could utilize to achieve this goal, such as: (i) implementing an internal program to identify, acknowledge and reward exceptionally persuasive office actions; (ii) offering writing workshops for examiners focusing on developing concise written arguments; (iii) establishing accountability mechanisms for an examiner's technical errors related to the clear meaning of a reference or reversal of an examiner's position via appeals or pre-appeal conferences; (iv) requiring examiners to identify additional support or arguments to address an applicant's response using objective evidence from prior art rather than an examiner's opinion; (v) using data mining techniques to quantify examiner quality; and (vi) applying pattern-matching techniques to avoid boilerplate or repetitive rebuttals by an examiner to applicants' responses, and to encourage thoughtful review of applicants' references. See *id*. Each of these focal points could be used to assess and provide a component metric in a holistic approach to attain quality office actions.