

USPTO examination reform – current proposals and rational alternatives

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Faced with an ever-increasing backlog of unexamined patent applications, with examination pendency time soaring, the USPTO has proposed to curb US continuation practice and to examine only 'representative claims' in an application¹ as a way to reduce workload and throttle new filings. However, the USPTO's current proposals seek to solve a problem that has been defined too narrowly – a more rational solution is needed.² Clearly, the USPTO is taking too long to act on newly filed applications. Similarly, the total latency between filing and issuance is also too long. But these are not problems to be solved individually; rather, they are merely symptoms of a more general problem, which if not addressed by the rule changes, may become worse by rules that attempt to address the specific symptom. That larger problem is simply this: the USPTO's current workload exceeds its current capacity. Further, the USPTO's current projections are that the workload-to-capacity ratio will get even worse.

Increase capacity

The USPTO needs to take immediate steps to improve its workload-to-capacity ratio by increasing its capacity in proportion to (or to a greater extent than) the increase in workload. As an example, imagine a post office branch that has become so swamped that it is unable to process mail in a timely manner. The best response is to expand that branch, not restrict the conditions under which people are allowed to send mail.

The USPTO's capacity to examine cases can be increased in many ways. First, the USPTO can hire more examiners. In recent public meetings, USPTO personnel have declined to consider proposals involving increased capacity. This is baffling, because the USPTO is uniquely empowered to adapt to increased demands for its services. The USPTO has a monopoly on a highly demanded service and requires its customers to pre-pay monopolistic prices for services that will not be rendered for more than a year. Thus, the USPTO is better equipped than any other organization to predict future capacity needs and to fund needed expansion using its current revenue stream.

The USPTO's reluctance to increase capacity may be due to logistical issues. USPTO management may believe that it is too difficult to add space for more examiners in its current facilities. However, an unrealized benefit of the USPTO's move to electronic application files is that the USPTO can easily expand using satellite offices. The location of satellite offices may be selected based on a variety of criteria, including cost-of-living, density of the customer base, and availability of technically proficient candidate examiners. And the satellite offices do not need to receive applications – a central receiving office can be used, and after an application is received and scanned, any examiner in any office can examine the file without movement of physical material. Silicon Valley, Westborough (Massachusetts), Austin, Chicago? The time to consider USPTO branches is now.

If hiring examiners is difficult, then the USPTO should change the conditions that make it difficult – increasing pay or benefits, and addressing the time pressures placed on examiners. Ultimately, any and all of such measures will require money. Money, in effect, represents the USPTO's ability to increase its own capacity.

1. Notices of Proposed Rulemaking, 71 Fed. Reg. 48-69 (January 3, 2006), available online at: www.uspto.gov/web/offices/pac/dapp/opla/presentation/focuspp.html

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

Rational fee increases

How can the USPTO increase available funds?

Congressional fee diversion needs to be stopped, but prior attempts to address it have been unsuccessful. User fee increases appear to be the only rational alternative, but any fee increases must be designed so that fees are proportional to the work involved in a task. Each USPTO task involves a particular workload-to-fee ratio. While the exact ratio may be hard to determine, the relative ratios of many tasks are obvious. For example, if two tasks have the same fee, then the task that requires more resources has a less favorable workload-to-fee ratio. For example, all of the following three tasks have the same current fee:

- (1) examining a new application filing;
- (2) examining a continuation filing; and
- (3) examining a request for continued examination (RCE).

To examine a new application, the examiner is required to read a new specification, search claims about which no prior investigation has been done, and analyze the search results, which may include unfamiliar references. In writing an Office Action, the examiner starts with nothing more than boilerplate. The written analysis must come from scratch.

Examining a continuation proceeds similarly, but the examiner is already familiar with the specification, and has already performed a search on (usually) related claims. In fact, if the continuation presents claims that were not allowed in the parent case, then the examiner has already seen and searched the claims. The workload-to-fee ratio of examining a continuation filing is far better than the ratio of examining a new application.

Examining an RCE is even easier than a continuation, since the examiner is already familiar with the specification, claims, and prior art, and already has drafted a comparison of the claims to the prior art. Thus, considering only the workload-to-fee ratio, RCEs are one of the most efficient tasks examiners perform.

With the ratios in mind, the USPTO's problems would be best addressed by increasing fees for new application filings, large specifications, and extra independent claims – but continuations and RCEs should not be discouraged.

Other high-workload tasks do not currently have any fee. USPTO revenue (and therefore capacity) can be increased, for example, by charging fees

for tasks such as responding to applicant replies, and conducting interviews. Such fees may produce ancillary benefits. If every reply to an Office Action carries a fee, an applicant has more incentive to reach resolution by honest negotiation or amendment. If the fees become higher with every reply, the incentive increases further. Charging fees for interviews may reduce the number of unproductive interviews. Further, the cost of filing a second RCE or continuation could be 50% higher than an initial filing. This progression could continue so that an applicant has greater financial incentive at each filing to bring the process to final resolution. At the same time, the workload-to-fee ratio for those subsequent iterations is extremely positive, providing significant revenue to allow the USPTO to increase capacity.

This approach rationally connects fees to repeated work, and discourages that work without adversely impacting the workload-to-fee ratio. Some applicants may object to paying fees for these tasks, but in most cases such fees are insignificant compared to the legal fees involved in the same tasks.

Decreasing workload

The most appropriate solution to the workload-to-capacity ratio problem is to increase capacity, but the current USPTO rule proposals merely seek to decrease workload by reducing what the USPTO calls 'rework' involved in handling continuations and RCEs. Thus, the 'rework' actually have the most favorable workload-to-fee ratios. Thus, a decrease in rework tasks will reduce revenue and the ability to increase capacity far more than it will decrease workload. Consequently, the current rules will actually worsen the workload-to-capacity ratio that is causing the problem. In a nutshell, the current proposals relating to continuation practice will actually make the problem worse. However, there are rational alternatives to decrease workload, as now described.

First action allowances

Currently, USPTO management strongly discourages first action allowances. Many examiners candidly admit that they are coerced into rejecting claims even when they do not have sound grounds to do so – they are required to reject claims for the sake of rejecting or merely because claims 'appear broad', even though there is no relevant prior art. Clearly, if an examiner has a good-faith reason that a case is not allowable, the examiner should not allow the case – but the real problem is that examiners are not even allowed to consider the option of allowance on first action.

Perhaps the prohibition against first action allowances is driven by management's belief that examiners cannot, in a first review of a case, achieve confidence that a case should be allowed. If so, then more time must be given for the first review. This increases workload associated with the first review, but that increase would be fully offset by the decrease in second and subsequent reviews of the same case.

Pro Forma actions

Some examiners believe that no amount of initial review is sufficient to achieve the confidence needed for first-action allowance. Such examiners shouldn't be required to draft arguments for rejections with which they disagree. Therefore, examiners should be allowed to issue a *pro forma* action in which the examiner merely identifies the closest reference, and requests the applicant to provide reasons why the current claims are allowable over the reference. This would save the examiner the time required to formulate weak arguments, and save the applicant the time involved in specifically addressing the weak arguments. *Pro forma* actions should only be allowed as a first action; examiners must not be encouraged to render rejections with which they disagree.

Representative claims

The USPTO's proposal for only examining 'representative claims' has merit because it should decrease workload without significantly impacting an applicant's options. However, the proposal for combining claims from multiple applications, for the purpose of imposing some examination limit, is nonsensical – it punishes cases that have favorable workload-to-fee ratios.

The importance of interview practice

Nothing moves a case to final resolution better than a well-conducted examiner-applicant conference by phone or in person (interview). Interviews are often significantly more productive than written actions and replies. They may identify information that may never appear in written actions or replies, but that is critical to bringing a case to final resolution: an examiner's discomfort with his understanding of the technology or the invention; the examiner's inability to articulate, to a supervisor, a convincing argument for allowance; the examiner's inability to articulate what part of a reference allegedly shows the features of the claims; the examiner's knowledge of art not in the record, etc. Relative to written actions, interviews require less examiner time, and resolve more issues,

and represent a highly efficient way of doing business. How can interview practice be improved?

First, examiners should receive the same internal credit for participating in an interview that they receive for preparing a written action. Currently, the USPTO's internal productivity tracking system gives no credit for interviews, so examiners have no incentive to hold one. Second, examiners should be required to allow an interview after every action. The policy that permits examiners to refuse interviews after final action cannot be reconciled with the USPTO's desire to avoid 'rework.'

Third, a person with signatory authority should be required to attend every interview, unless the applicant requests otherwise. Many interviews are a waste of time because the examiner repeatedly responds to arguments by saying that a supervisor would not agree.

The USPTO should train examiners in maximizing the opportunity represented by interviews. Many examiners arrive unprepared, stating simply that they are 'only willing to listen'. When the basis for a rejection is unclear, nothing is accomplished with an examiner who 'only listens'. Other examiners refuse to discuss their positions, and simply refer applicants back to the same confusing written arguments that necessitated the interview.

Last, the USPTO should charge fees for interviews. The fees would compensate for the additional resources that are required for examiners to properly prepare for them. Further, the fact that the applicant is paying for the interview would encourage both parties to make it more productive.

Conclusions

Practitioners appreciate the USPTO's present dilemma, but the present rule proposals are not based on a full appreciation for the economics of USPTO services or the impact on applicants. The suggestions in this article are based on observations during nearly two decades of first-hand experience in the patent application process. While the world needs the USPTO to solve its present problems, to reduce the time to issuance of applications directed to patentable inventions all applicants and the public need the USPTO to adopt only solutions that have a rational basis in economics and policy.

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