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21 December 2009

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Re: Docket No. PTO-P-2009-0054 Request for Comments

Dear Pinchus:

I'm happy to hear you've been put on the team to improve patent prosecution efficiency and quality; the Office couldn't have chosen a more competent and constructive person for the job!

My sense is that if the Office better capitalizes on the functions it does extremely well (e.g., reexamination) and punishes (rather than rewards) Examiner misbehavior, you will resolve most of your problems.

CATEGORY 1 – QUALITY MEASURES USED

The Office has identified several good indicia of prosecution failure. *See* 74 Fed. Reg. 65097, col. 2, § C. You could add to the list citing new grounds of rejection on appeal. (On that note, I see an interesting trend: an Examiner citing a new grounds of rejection on appeal (e.g., newly-cited art, newly-cited statutes), yet characterizing the new rejection as a mere clarification of a previously-raised rejection.)

Search Thoroughness Is a Red Herring

I respectfully believe the Office devotes inordinate resources to prior art searching. I say this for two reasons.

First, Examiners don't bother to use their search resources. Almost every prior art rejection I encounter cites art which is not relevant, or which fails to teach the limitations claimed, or which does not even qualify as prior art under the statute. All these failings would be immediately apparent to someone who takes the time to read the cited reference. This kind of examination failure is not due to inadequate search resources. Rather, it is due to Examiners

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simply refusing to take the time to read the art. Providing more and better search resources will not eliminate this problem.

Second, through searching in fact adds value only for a small proportion of issued patents, because most patents are never in fact enforced.¹ Patents which are not enforced do not need to be of particularly high quality.

Patents which are enforced, by contrast, can be presented to the Office for reexamination. The Office has earned an extraordinary reputation for reexamination quality.² The high quality of your reexamination process may enable the Office to free up resources to make prosecution more efficient. For example, Director Dudas tried to keep the number of arguably “defective” new patents to under 3% of total issuances. With that high accuracy, however, comes increased cost; the 3% limit made (and continues to make) prosecution *expensive* and *extremely slow*.

You could perhaps allow the number of allegedly-defective patents to increase somewhat, comfortable in the knowledge that an allegedly “defective” patent can be reexamined (if and when it is enforced) or simply ignored (if it is not enforced).

¹ This is due to, for example, rapid technological advances rendering the patented technology obsolescent, or the narrowness of the patent claims making design-around engineering easy.

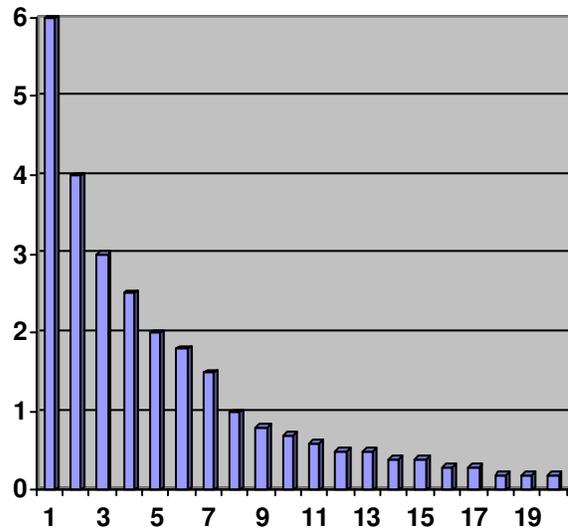
² The PTO’s Central Reexamination Unit is reversed on appeal less than 20% of the time, and the Board of Patent Appeals & Interferences enjoys an even lower reversal rate. Indeed, for *inter partes* reexaminations, the BPAI reversal rate is *zero* (0%). The Office thus enjoys a reversal rate significantly lower than that of The Court of International Trade, Federal District Courts and The Court of Appeals for the Federal Circuit. Courts admittedly address more complex factual situations than does the Office (e.g., the existence of “domestic industry” and the characterization of an “accused product”), but the Office’s CRU and BPAI resolve prior-art related issues more reliably (i.e., less statistical likelihood of reversal on appeal) than any other mechanism available.

CATEGORY 3 - PENDENCY

Pendency Delay Costs the Office Money

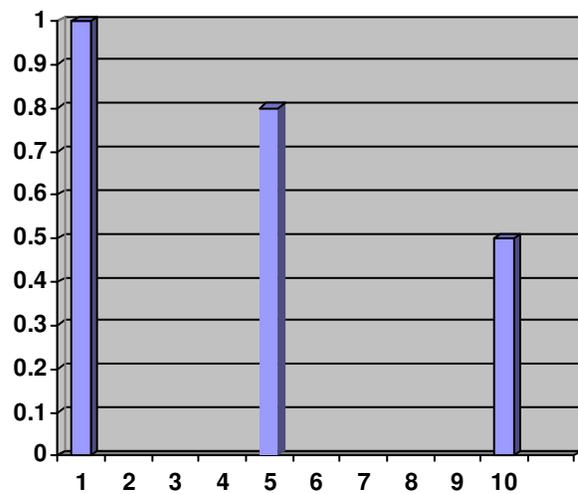
“Justice delayed is justice denied.” This is acutely true in patent prosecution, where delay destroys economic value for the Applicant, for the U.S. economy, and indeed for the Office itself.

Pendency delay costs both Applicants and the Office money, due to the time value of money. The time value of money means that the longer one must wait to receive a certain amount of income, the less valuable that income is. For example, imagine we have a patent worth \$20MM, and a patent term of 20 years. If we allocate the \$20M patent value over the 20 year patent life, the patent value is not \$1M per year. Rather, patent value decreases exponentially over time; the near-term years are far more valuable than \$1M / year, while future years are worth far less. You can illustrate the value of each year of patent term as a rapidly-shrinking series on a bar graph.



When a patent application is delayed, the most-valuable portion of the patent – the first few years of patent life – is destroyed. This loss is suffered by patent Applicants. As importantly, however, this economic loss is also suffered by *the U.S. economy* as a whole: this economic value is simply destroyed. When we delay patent prosecution, we destroy part of the source of our economic growth.

Delay harms Applicants and the U.S. economy. It also hurts the Office, because the same time-value-of-money law applies to the Office. When the Office delays prosecution, the Office delays patent issuance. This delays receipt of issue fees and maintenance fees. Assume, for example, an issue fee of \$1K; if the Office receives it today, it is worth \$1K. If the Office waits five years for it, however, the fee is worth somewhat less. If the Office waits ten years for it (a not uncommon prosecution delay for biotech patents), the fee is worth perhaps half of its value viz if it were paid today.



Expediting patent prosecution will expedite the Office's receipt of issue fees and maintenance fees, increasing real economic value of these fees to the Office.

Pendency Delays Arise From Three Main Causes

The lion's share of pendency delay arises from only three causes. First, my newly-filed patent applications sit fallow in the Patent Office for an average of three years before the Office even begins to examine them.

Second, in an international application, an applicant can pay to have allegedly-independent inventions examined contemporaneously simply by paying additional fees. In contrast, in the U.S. the Applicant must re-file the allegedly-independent invention as a separate "divisional" application. This means that the application sits fallow for several years, and then must be re-filed as a "divisional" application ... and sit fallow for several more years.

Third, many Examiners flatly refuse to do their job unless and until taken to court.³ This belligerence adds several years of needless delay.

The Office can easily alleviate each of these sources of delay.

New Applications Sit Idle for Several Years

Newly filed patent applications sit idle in the Office for several years before examination even begins. I see no excuse for this delay, because the Office charges Applicants up-front fees adequate to pay for the entire cost of examination.

If I pay a mechanic for an oil change today, I expect him to give me an oil change today. Similarly, if I pay the Office a patent application examination fee today, the Office should examine my application today, or this week, or perhaps this month – not at some indeterminate time several years in the future.

I understand the Office's explanation for this delay is that the Office does not have the resources to hire adequate examination staff. I find this excuse troubling because it implies that the Office misappropriates filing fees. Leaving applications to lay fallow implies that the Office took fees levied to cover its examination costs, and used those funds for some other, unrelated purpose. Were a company to accept payment for a service and then refuse to provide it, that company could expect to be sued. Were a law firm to accept client funds and spend them on unrelated expenses, the lawyer would be disbarred. Am I to understand that the U.S. Patent Office accepts as standard practice behavior flatly illegal for anyone else in the country?

³ Approximately 90% of my newly-filed applications are initially rejected for frivolous reasons. Occasionally, the Examiner will voluntarily withdraw their frivolous rejections; more often, I take them to court: approximately 80% of my issued patents require at least one appeal to the Board of Patent Appeals; perhaps 30% of my issued patents require *multiple* appeals. I can think of no other company which retains employees who refuse to work until sued.

Adopt PCT “Unity of Invention” Practice

A patent application can arguably be so large as to include more than one invention. Outside the U.S., Applicants simply pay additional examination fees to have all the various inventions be examined together in one fell swoop. In the U.S., however, the Office requires allegedly-different inventions be re-filed as separate applications. This prevents Examiners from addressing and resolving the entire application in one focused effort. It also dramatically increases pendency because an Applicant must file its application, wait several years while the application sits fallow, and then, when the Office finally decides whether the application includes more than one invention, respond by re-filing the allegedly-different inventions in separate “divisional” applications ... which then sit fallow for several more years.

The Office often repeats this game several times, effectively denying the inventor his right to patent altogether. For example, I have a case on my docket which was filed in 1998; the issued patent will thus expire in 2018. A “divisional” application is pending, but is not scheduled to even begin to be examined in May 2013. Assuming an unusually fast examination (i.e., one which does not require an appeal), the patent should thus issue circa 2016 – giving the inventor only *two years* of patent life.

The Office can entirely eliminate the delay before initial examination of divisional applications by allowing an Applicant to pay additional filing fees to have all the allegedly-different inventions examined at the same time.⁴

CATEGORY 7 - INCENTIVES

The Office has done a laudable job in identifying some indicia of prosecution failure. *See* 74 Fed. Reg. 65097, col. 2, § C. Several of these indicia indicate the Examiner issued at least two Official Actions without in fact examining the case: these indicia include: (a) multiple non-final rejections, (b) late or sequential restriction requirements, (c) re-opening prosecution after the filing of an Appeal Brief, (d) re-opening prosecution after the issuance of a Final Office Action, and (e) citing new grounds of rejection on appeal. Each of these indicate the Examiner’s initial Office Action(s) were, by the Examiner’s own admission, fundamentally inadequate. Each of these imply that the Examiner *said* they examined the case (in issuing Official Actions) without in fact doing so. Such failure is not, however, unusual; to the contrary, it is *ubiquitous*. *See* footnote 3 above.

Issuing Official Actions without examining the case is a quite serious failure. An Examiner cannot claim financial payment from The United States (examination performance “points” and appurtenant salary and benefits) for work which the Examiner did not in fact do; this is not only bad administration, it is arguably a criminal violation of government contracting law.

Ultimately, I sense you know the necessary solution as well as I do: were I to bill one of my clients for work I did not do, or were I to do work so careless it appeared I had not even read

⁴ At the end of examination, the Office can then issue a number of patents on that one file, to conform with the Constitutional dictate to issue one patent for each invention.

the prior art at issue, I would be fired. This is not harsh - this is capitalism, this is America, this is us at our hard-working, competitive best.

So, regarding incentive, I suggest two. First, the Office should adopt the U.S. military's up-or-out employment scheme; Examiners who fail to promote to SPE within a certain time should be retired. Second, if an Examiner does one of the five no-nos enumerated above (e.g., "(c) re-opening prosecution after filing of an Appeal Brief"), and does so more than once in a year, fire him.

SUMMARY

Many thanks for your work in improving the prosecution system. I look forward to perhaps having the pleasure of seeing you on my next visit to the PTO. In the interim, please accept my best wishes to you and your family for happy holiday season.

Sincerely,
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