

*Comments of the Section of Intellectual Property Law of the American Bar Association for the President-Elect Obama Transition Team Considering Issues Relating to the U.S. Patent and Trademark Office*

The comments concerning qualifications of the Director and Deputy Director of the PTO and those relating to PTO funding and fee diversion represent views of the American Bar Association. The views expressed in other sections of this paper have not been considered or approved by the ABA House of Delegates or Board of Governors. They are the views of the Section of Intellectual Property Law ("the Section"), and should not be considered to be views of the Association.

## I. QUALIFICATIONS OF DIRECTOR AND DEPUTY DIRECTOR OF THE PTO

Twenty years ago, the American Bar Association adopted a policy advocating "any person selected to be Commissioner or Deputy Commissioner of Patents and Trademarks be a lawyer having experience in patent and trademark law, knowledgeable of both domestic and international laws concerning these matters, and well qualified to represent the United States Patent and Trademark Office domestically and to advocate United States positions on patent and trademark matters internationally." The title for these offices has since been changed to "Director" and "Deputy Director."

Ten years ago, in recognition of the growing size and complexity of the U.S. government's patent and trademark operations, the ABA amended the above policy to also recommend that persons selected for these two offices "have management skills sufficient to oversee the operations of the Patent and Trademark Office."

Title 35, United States Code contains a similar but less demanding statement of qualifications for the Director, that he or she "has a professional background and experience in patent or trademark law." In recent practice, even this minimal requirement has not been demanded of all those appointed to the Office of Director of the PTO. We urge that the new Administration insist that appointees as Director and Deputy Director have the qualifications called for in the ABA policy.

## II. PTO FUNDING AND FEE DIVERSION

In the early 1990's, shortly after patent and trademark fees were substantially increased so that user fees provided 100 percent of the funding for the Office, Congress began a practice of diverting millions of dollars of user fee collections each year to fund activities unrelated to the PTO. These amounts exceeded \$100 million in some years. The American Bar Association has long recommended that the legislative mechanism for funding the PTO be changed to prohibit such diversion of user fee collections. While this is yet to occur and we continue to urge that it be done, we are pleased to note that for the past four years, no user fees have diverted to other purposes. A critical factor in this development was the decision of the Bush Administration to no longer include an accommodation for diversion in its annual appropriations request to the Congress.

## III. EXPAND PRE-GRANT THIRD PARTY SUBMISSIONS OF PRIOR ART

The Section favors expanding the right of the public to submit prior art in pending patent applications.

Perhaps the single best means to improve patent quality is to get relevant prior art before PTO examiners and make it easy for them to appropriately apply that prior art. Competitors and others having ordinary skill in a particular art are more than willing to submit such relevant prior art, but current law only allows them to do so within two months of publication, and with the consent of the applicant. Moreover, current law does not allow a submitter to make any kind of statement of the relevance of the prior art. As a result, would-be submitters refrain from putting prior art before examiners because they are concerned that the examiner will not appreciate the significance of the prior art.

While legislation is needed to reap the full benefits of third party submission of prior art, improvement can be made in advance of legislative change. An example is the Peer to Peer (P2P) Pilot Program which the PTO began in 2007. P2P provides a collaborative, online process in which members of the public can pool their knowledge and locate potential prior art. The P2P program is based upon the applicant's consent to such submissions. Volunteer applicants who filed or will be filing applications in the computer arts have the opportunity to consent to the placement of their published applications into P2P. Collaborative reviews of such applications are being conducted on the P2P website. The Section recommends that the PTO make that program or a substantially similar program available to all applicants and all technologies.

#### IV. MAINTAIN THE CURRENT LEVEL OF RULEMAKING AUTHORITY OF THE PTO DIRECTOR

The Section opposes extending substantive rulemaking authority to the PTO.

35 U.S.C. Section 2 provides authority for the Office to establish regulations, not inconsistent with law, which “govern the conduct of proceedings in the Office.” The Federal Circuit has interpreted this section as a *limited* grant of authority, which does not include authority to issue substantive rules. *Merck & Co. v. Kessler*, 80 F.3d 1543 (Fed. Cir. 1996). The *Merck* court also ruled that since PTO rules cannot have the “force and effect” of law, the rule of controlling deference in *Chevron, U.S.A., Inc. v. NRDC, Inc.*, 467 U.S. 837 (U.S. 1984), does not apply.

We agree with these interpretations, and do not support recent legislative proposals to expand the rulemaking authority of the PTO Director.

The difference in the authority to establish regulations to conduct proceedings in the Office and substantive rulemaking is significant. With substantive rulemaking authority, the rules and determinations by the Office would have the “force and effect of law” and would be entitled to the controlling deference set forth in *Chevron*. For example, rather than promulgating guidelines regarding the Office's interpretation of utility under § 101, obviousness standards under § 103 or the written description under § 112, the Office could draft substantive rules applying the Office's interpretation and setting forth a rule-based interpretation of the statute. Such rules and the resulting determination would be entitled to the *Chevron* deference. The determination of the Office would be sustained unless the Court found the rule or determination to not be a “reasonable one.” Any number of other issues, some of which are currently in debate by patent professionals and scholars, could be taken up by the Office and resolved through interpretative rules – each having the full force of law and accorded *Chevron* deference.

Public policy determinations are properly made by Congress with judicial interpretation. The patent laws reflect a delicate balance of competing policies. Over the last 200 years, the patent laws have been amended as a result of considerable public debate and discussion by elected officials in Congress, who are best positioned to make the policy trade-offs to achieve the constitutional mandate to promote the sciences. Providing substantive rule-making authority to appointed PTO officials removes this debate from elected officials in Congress to appointed officials, for whom accountability to the public is limited to the notice and comment requirements of rulemaking and court oversight that the agency action is “reasonable.”

#### V. DO NOT IMPLEMENT THE PENDING CONTINUATION AND CLAIMS RULE CHANGES

A current issue regarding PTO rulemaking authority is presented by the Office's Proposed Continuation Rules and Proposed Claim Rules, which are currently under challenge in the *Tafas v. Dudas* litigation pending in the Federal Circuit. The Section opposes implementation of these rules, both because of the substantial questions about the authority of the Office to make these changes, and because of the potential negative effects of the changes. These proposed rules offer drastic changes to practice without fully anticipating or addressing various practical

issues required for their implementation. Although constraints on continuation and claiming practice may be warranted, the PTO's proposed constraints are too draconian and create more problems than they solve.

## VI. IMPROVEMENTS IN EXAMINATION PRACTICES: A BETTER ALTERNATIVE TO RULE CHANGES

There are a number of actions that the Office could take to improve the examination process that would not pose such a potential for damaging effects.

The PTO should provide additional incentives to its existing examiner corps, including advancement and competitive compensation, in order to retain those examiners who meet the high standards required. In addition, the PTO should promptly increase its training for the present examiners.

The Office should change the current system, which rewards examiners with a "count" for each application examined, and should provide examiners with appropriate time in which to perform comprehensive searches and evaluations up front, and incentives to issue patents on allowable claims or to reject claims on legally appropriate grounds. In recognition of the vast diversity of patent applications with respect to length, number of claims, complexity of claims, and potentially pertinent prior art, the time that patent examiners are allotted for patent examinations should be tied to these complexity factors and the costs for the differential examination time requirements should be reflected in differential fees.

Another important step toward achieving lower pendency and higher quality is identifying how the PTO and applicants can better work together to permit issuance of a thorough, well-searched, and well-argued first action on the merits. Two measures to improve examiner/applicant cooperation that warrant further study are preexamination conferences and more useful Information Disclosure Statements. More meaningful participation by the applicant, however, requires adequate "safe harbor" provisions from unwarranted inequitable conduct allegations. Accordingly, any proposed changes to encourage applicant disclosure must be made hand-in-hand with inequitable conduct reform, such as presently being considered by Congress.

A large number of cases enter the U.S. using the PCT route. This number is continuously increasing. Such cases come in with a full search and a written opinion and in some instances a full examination. The examiner typically disregards this information and carries out his or her own search and examination independently of the material provided. If all of this PCT material were utilized and only a "top off" search was done, this could considerably reduce the amount of time necessary to address such PCT cases