Before the
United States Department of Commerce
Patent and Trademark Office

In the Matter of
Request for Comments on Enhancing Patent Quality

Docket No: PTO-P-2014-0043

Comments of the United States Federal Trade Commission and the United States Department of Justice

May 6, 2015

The U.S. Patent and Trademark Office ("the PTO" or "the Office") issued a Federal Register Notice on February 5, 2015 ("the Notice"), requesting public comment on a comprehensive initiative to increase the quality of granted patents.[1] The initiative focuses on improving three "pillars" of patent quality: (1) excellence in work products; (2) excellence in measuring patent quality; and (3) excellence in customer service. The Federal Trade Commission (the "FTC") and the Department of Justice (together the "Antitrust Agencies") support increasing patent quality as part of their mission to protect and promote competition and consumer welfare. Because the first pillar, "excellence in work products," directly impacts competition and innovation, the Antitrust Agencies focus these comments on the PTO's proposals under this pillar.

Promoting "Excellence in Work Products" Facilitates a Well-Functioning Patent System

A well-functioning patent system can promote competition, innovation, and consumer welfare.[2] Patents encourage investments in innovation by enabling the patent holder to prevent others from appropriating the value of its technology without compensation. Because patents publicly disclose the inventions that they embody, the patent system also promotes the dissemination of scientific and technical information that might not otherwise occur. Working in tandem with the patent system, market competition stimulates innovation by creating consumer demand for new or better products or processes. Patents can also promote innovation by preventing copying for the term of the patent, while at the same time making clear the boundaries of the protected inventions so as to facilitate their transfer and the ability to design around them.[3] The patent system serves its intended purpose if it promotes and protects innovation and does not inadvertently serve as a barrier to it.

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[1] Request for Comments on Enhancing Patent Quality, 80 Fed. Reg. 6475 (Feb. 5, 2015) [hereinafter Notice].

[2] For more than 20 years, the Antitrust Agencies have addressed the complementary role of intellectual property and competition in their policy and enforcement efforts. *See* U.S. DEP'T OF JUSTICE AND FED. TRADE COMM'N, ANTITRUST GUIDELINES FOR THE LICENSING OF INTELLECTUAL PROPERTY (1995), *available at* http://www.usdoj.gov/atr/public/guidelines/ipguide.htm; FED. TRADE COMM'N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY (2003) [hereinafter 2003 Report], *available at* http://www.ftc.gov/os/2003/10/innovationrpt.pdf; U.S. DEP'T OF JUSTICE & FED. TRADE COMM'N, ANTITRUST ENFORCEMENT AND INTELLECTUAL PROPERTY RIGHTS: PROMOTING INNOVATION AND COMPETITION (2007), *available at* http://www.justice.gov/atr/public/hearings/ip/222655.htm; FED. TRADE COMM'N, THE EVOLVING IP MARKETPLACE: ALIGNING PATENT NOTICE AND REMEDIES WITH COMPETITION (2011) [hereinafter 2011 Report], *available at* http://www.ftc.gov/os/2011/03/110307patentreport.pdf; U.S. DEP'T OF JUSTICE & U.S. PATENT & TRADEMARK OFFICE, POLICY STATEMENT ON REMEDIES FOR STANDARDS-ESSENTIAL PATENTS SUBJECT TO VOLUNTARY F/RAND COMMITMENTS at 1−2 (2013), *available at* http://www.justice.gov/atr/public/guidelines/290994.pdf.

[3] Comments of the Antitrust Division of the U.S. Dep't of Justice & the U.S. Fed. Trade Comm'n, In re Notice of Roundtable on Proposed Requirements for Recordation of Real-Party-

The Antitrust Agencies endorse the PTO's recognition that patent quality affects these innovation incentives. As the Notice observes, "high quality patents permit certainty and clarity of rights,"[4] which, in turn, can promote innovation and "reduce[] needless litigation."[5] Similarly, ensuring that "issued patents fully comply with all statutory requirements [of validity]," among other steps, can "effectively promote[] … innovation."[6] The FTC has reached the same conclusions in its own policy efforts, recognizing that "chief among the attributes of a well-functioning patent system … are appropriately granted, valid rights with well-defined boundaries that provide clear notice of what technology is protected and what is not."[7]

Notice is important to an effective patent system because it "enables parties to contract efficiently … facilitating both collaboration among firms with complementary expertise and competition among inventions in technology markets."[8] This function can promote specialization among firms and create alternative pathways for innovative products to come to market, benefiting both competition and consumers. [9] In other words, when issued patents provide certainty regarding their validity and the scope of their claims, they function most like property rights that facilitate market transactions benefiting competition.[10]

By contrast, uncertainty regarding the validity or scope of granted patents can undermine the benefits of the patent system.[11] This uncertainty can impede business planning and deter investment in ventures that may be clouded by the threat of third party patent claims.[12] Uncertainty may impose transaction costs through needless litigation to determine the scope and

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in-Interest Information Throughout Application Pendency and Patent Term, Docket. No. 2012-0047 at 4 (Feb. 1, 2013) ("In an optimal marketplace for patents, competing technologies would be well known, claims would be well specified, and the applicability of claims would be clear. … [So], firms developing products could weigh the relative merits, likelihood of licensing, and licensing costs of competing technologies and decide whether to license the patented technology, develop a non-infringing competing technology, or omit the covered feature.") [hereinafter Filing], *available at* https://www.ftc.gov/policy/policy-actions/advocacy-filings/2013/02/proposed-requirements-recordation-real-party-interest.

[4] Notice, *supra* note 1, at 6476.

[5] *Id*.

[6] *Id*. The FTC has previously observed that "the statutory standards of patentability appear largely compatible with competition," and, when the standards are "properly interpreted, they tend to award patents only when necessary to provide incentives for inventions, their commercial development, or their disclosure." 2003 Report, *supra* note 2, Exec. Summ. at 4.

[7] 2011 Report, *supra* note 2, at 46; Filing, *supra* note 3, at 3.

[8] 2011 Report, *supra* note 2, at 74.

[9] *Id*. at 33.

[10] *Id.* at 74 (noting that the issuance of high-quality patents that provide notice as to their scope "is essential for patents to operate as a property system"); 2003 Report, *supra* note 2, ch. 6, at 3 ("Patent rights render innovation a tradeable commodity by reducing transaction costs and enabling licensing negotiations.").

[11] 2011 Report, *supra* note 2, at 74 ("[P]oor-quality patents [are] a significant competitive concern and a potential impediment to innovation." (*citing* 2003 Report, Exec. Summ. at 5)).

[12] 2003 Report, *supra* note 2, ch. 5, at 3−4.

validity of granted patents.[13] It may raise costs by encouraging manufacturers to take licenses to avoid the risks of infringement of unclear claims.[14] It may also prevent parties from entering into otherwise beneficial license arrangements because of an inability to agree on the scope or strength of the patents to be licensed.[15] This uncertainty can distort market behavior, preventing innovation and commercialization of otherwise valuable technologies.

The Antitrust Agencies understand that the PTO must effectively "balance between the interests of patentees and the interests of the public."[16] For example, steps to enhance patent quality may add costs or delays to patent applicants. The Antitrust Agencies believe, however, that the public benefits of certainty and patent quality to innovation and competition outweigh these potential costs to private parties. Consequently, the Antitrust Agencies fully support implementation of the new procedures, outlined below, that would more clearly define patent boundaries and provide more "certainty as to their validity *to encourage investment in research, development and commercialization*."[17]

Proposal 1: Applicant Requests for Prosecution Review of Selected Applications

The PTO proposes expanding the scope of review by its Office of Patent Quality Assurance ("OPQA").[18] The OPQA currently conducts reviews of randomly selected office actions from examiners, collecting data that allows the PTO to identify trends and challenges to improve future training and improvements to examination processes.[19] In the Notice, the PTO proposes a mechanism for patent applicants to request OPQA review of their application where an applicant believes that the application contains an issue that would benefit from further review.[20]

The Antitrust Agencies support expanded OPQA review. In 2003, the FTC recommended that the PTO expand its "second-pair-of-eyes" review program to identify problems and issues in certain technical fields and industries where the examiner could benefit from additional review and experience.[21] The FTC noted, however, that because of the potentially high costs of such additional review (e.g., additional examiner time needed), the PTO should focus on areas where it would have the most impact.[22]

The same principles apply to the proposal outlined in the Notice. Additional oversight from OPQA can enhance the PTO's institutional knowledge and capability by identifying and understanding issues during the examination process that challenge patent examiners. Using the OPQA process to improve guidance and training can increase prosecution consistency over time.

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[13] *Id*. at 3.
[14] *Id*. at 2−3.
[15] *Id*. at 4; 2011 Report, *supra* note 2, at 46−47.
[16] 2003 Report, *supra* note 2, ch. 6, at 21.
[17] Notice, *supra* note 1, at 6476 (emphasis added).
[18] *Id.* at 6478.
[19] *Id*. at 6478−79.
[20] *Id*.
[21] 2003 Report, *supra* note 2, ch. 6, at 19−20.
[22] *Id*.

Furthermore, by incorporating applicant input in the OPQA process, the PTO can better allocate its limited resources on areas where private parties have identified uniquely challenging issues, and which are likely to have the greatest impact for their respective industries.[23] Incorporating applicant input is also consistent with the FTC's prior suggestion that the PTO strengthen the examination process by allowing examiners to take better advantage of the information and knowledge possessed by applicants.[24]

Proposal 2: Automated Pre-Examination Search

In its second proposal, the PTO proposes providing examiners with access to improved, automated, pre-examination prior art searches.[25] The Notice notes that there have been significant recent advancements in computerized searching algorithms and database technologies, and includes a request for input on new tools that might be useful to conduct a pre-examination search.[26] The Notice likewise explains that the PTO "is continuously looking into better ways to get the best prior art in front of an examiner as soon as possible in the examination process."[27]

The Antitrust Agencies support the PTO's efforts to pursue automated tools to assist the examiner in prior art discovery. As the FTC has previously noted, "enhancing examiners' access to and ability to appreciate and deal with prior art … could improve patent quality and remove impediments to competition."[28] Enhanced access includes access to both prior patents as well as relevant non-patent literature.[29]

Advancements in information technology, including digitization, have improved access to potential sources of both patent and non-patent prior art. Nevertheless, this improved access may create a novel problem: the difficulty of sifting through the large volume of electronically available information to identify and digest the prior art that is relevant. Novel advances in search technologies, including the use of advanced natural language and linguistic software tools, can help examiners evaluate the scope and content of the available prior art more quickly.[30]

In general, more tools to identify and evaluate the prior art will improve patent quality. It is important, however, that there be some tools that can search sources of non-patent prior art.[31] As the Notice indicates, the pre-examination search currently conducted by the PTO's Scientific and Technical Information Center (STIC) is "limited to U.S. patents and U.S. patent application

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[23] *Id*.
[24] *Id.*, ch. 5, at 32.
[25] Notice, *supra* note 1, at 6479.
[26] *Id*.
[27] *Id*.
[28] 2003 Report, *supra* note 2, ch. 5, at 10.
[29] *Id*. at 7.
[30] *See id*. at 11−14 (FTC recommendation that the PTO employ procedural mechanisms including the expanded use of relevance statements and examiner inquiries to enlist the applicant's expertise in identifying relevant art).
[31] *Id.*, ch. 4, at 40. (FTC suggestion for such tools in the context of examining business method patents).

publications."[32] The PTO should consider whether there are search tools that will allow its examiners to include non-patent publications in the pre-examination search.

A more comprehensive pre-examination search will improve patent quality by compensating for the inherent limitations of an *ex parte* process in which an examiner is largely on his or her own in conducting prior art searches, save for some assistance from the applicant under the latter's duty of candor.[33] Although competitors may have information and expertise about the prior art that an examiner would find useful, waiting for such prior art to surface during infringement litigation only adds transaction costs and inefficiencies to the patent system. The PTO's efforts to discover and consider more relevant prior art during prosecution could reduce some of these costs.

Proposal 3: Clarity of the Record

In its third proposal, the PTO addresses the clarity and accuracy of its Official record. The Antitrust Agencies agree that a clear patent record is necessary to "provide[] patent boundaries that are clearly defined to the benefit of the patent owner, the courts, third-parties, and the public at large, giving inventors and investors the confidence to take the necessary risks to launch products and start businesses, and the public the benefit of knowing the precise boundaries of an exclusionary right."[34] Due to the importance of the prosecution history in providing the public notice of the scope of issued claims and the importance of this notice in promoting investment in innovation and commercialization, the Antitrust Agencies fully support the PTO's efforts to improve the clarity and accuracy of the record.

Information exchanged between applicants and examiners is potentially a fertile source of information regarding the intended scope of the claims.[35] Often, a simple statement on the record may cut through considerable ambiguity.[36] The Antitrust Agencies agree that a well-documented prosecution record will inform the scope and interpretation of the issued claims in light of the prior art of record, providing notice to the public of what subject matter is covered by patent claims and what is not. This much-needed guidance on claim scope and clarity will, in turn, promote the invention, development, and commercialization of innovative products by helping third parties and patentees avoid uncertainty as to their rights.[37]

First, the PTO recommends making claim construction explicit in the prosecution record.[38] The Antitrust Agencies agree that explicit statements regarding claim scope in the prosecution history would provide enhanced notice to the public.[39] Such statements could include enhanced reporting of "exchanges [between the examiner and applicant] discussing what

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[32] Notice, *supra* note 1, at 6479.
[33] 2003 Report, *supra* note 2, ch. 5, at 7−8.
[34] Notice, *supra* note 1, at 6479.
[35] 2011 Report, *supra* note 2, at 112.
[36] *Id*.
[37] *Id.* at 75.
[38] Notice, *supra* note 1, at 6479.
[39] 2011 Report, *supra* note 2, at 112−13.

a claim means" and "exchanges regarding patent scope."[40] By reducing ambiguity in the exchange between the examiner and the applicant, this proposal would allow the public to better understand the applicants' arguments that pending claims are patentably distinct from the prior art and to understand applicants' intent when amending claims during the patent prosecution process. In addition, making explicit how the examiner understood the meaning of pending claims will serve the patent system's notice function by providing additional intrinsic evidence of claim construction in the prosecution history for the public's subsequent use.[41]

Second, the PTO recommends that examiners include further detail when recording their interviews with applicants.[42] Interviews are unique in prosecution because they reflect an interactive discussion between an examiner and an applicant, with a give-and-take dialectic that may not arise in the more formal, written exchange of office actions and responses/amendments. The FTC has previously supported "increasing and recording examiner [and] applicant exchanges" and meaningful reporting of interviews[43] because putting these exchanges "down on paper produces an information product that then feeds into claim interpretation later down the road."[44] Making record of applicant interviews may capture the views of applicants who otherwise may be hesitant to make statements that could later be used to narrow the interpretation of their claims.[45] This proposal would provide a more robust record of exchanges between examiners and applicants, which, as noted above, would increase the clarity of the intrinsic record available to the public.

Third, the PTO proposes improving examiner use of statements of reasons for allowance.[46] The FTC has previously recommended that "the PTO continue to encourage examiners to make greater, and more informative, use of statements of reasons for allowance…"[47] The FTC advocated that these statements be utilized as interpretive guides in the prosecution history.[48] By requiring the examiner to recapitulate in a statement, for example, how the granted claims are distinct from the prior art of record, this proposal would provide further record evidence of claim scope. In addition, enhanced statements in the prosecution history would later assist the patentee and third parties assessing the impact of additional prior art on the validity of granted patents. An examiner that determines, for example, whether additional prior art is redundant of that already considered during prosecution could avoid the costs and inefficiencies of needless litigation.

In general, the availability of a more complete and accurate prosecution history will provide greater clarity of the metes and bounds of patent claims. As the PTO recognizes, this

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[40] *Id*.
[41] *Id*.
[42] Notice, *supra* note 1, at 6479.
[43] 2011 Report, *supra* note 2, at 112−13.
[44] *Id*.
[45] *Id.* at 85 (citing workshop testimony indicating "that the system generally creates 'an incentive to be as vague and ambiguous as you can with your claims' and to 'defer clarity at all costs.'")
[46] Notice, *supra* note 1, at 6479.
[47] 2011 Report, *supra* note 2, at 115−16.
[48] *Id*.

clarity benefits both inventors and investors by providing greater confidence to innovate, knowing that improvements are more likely to be protected. This same clarity also benefits the public by delineating the boundaries of an exclusionary right, thereby providing competitors (and other potential licensees) with better information when deciding whether to seek a license of or to design around the claimed technology. Based on years of observing the marketplace for patents and patented technology, the Antitrust Agencies fully support the PTO's efforts to create a more detailed prosecution record.

Conclusion

The Antitrust Agencies commend the PTO for its continuing efforts to enhance patent quality, and supports efforts to define more clearly the boundaries of a claimed invention. Clearer patent notice can encourage market participants to collaborate, transfer technology, or—in some cases— to design-around patents, thus leading to a more efficient marketplace for intellectual property and the goods and services that practice such rights.