

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re:

PTO Docket No.: PTO-C-2006-0039

For: **Comments on USPTO's Draft  
Strategic Plan for FY 2007-2012**

**71 Fed. Reg. 50048  
(August 24, 2006)**

**Comments on USPTO's Draft Strategic Plan for FY 2007-2012**

USPTO Strategic Plan Coordinator  
600 Dulany Street  
Madison East  
Room 7A45  
Alexandria, VA 22313-1450  
Attn: Joan Bolton

*by email*  
*StrategicPlanning1@uspto.gov*

Dear Ms. Bolton:

Intellectual Ventures, LLC appreciates the opportunity to comment on the Request for Comments to the USPTO Strategic Plan for FY 2007-2012 published August 24, 2006, at 71 Fed. Reg. 50048 regarding the USPTO draft Strategic Plan ("Strategic Plan").

**I. Executive Summary**

Intellectual Ventures relies on a strong patent system. In general, we support the framework of the Strategic Plan. However, the Strategic Plan lacks detail, and so, our support comes with reservations. The importance of a strong patent system is critically important to our company and the American economy. The Strategic Plan sets the policy for the future American patent system. Therefore, the details of the policies set by the Strategic Plan are vitally important. Intellectual Ventures strongly urges the Office to revise the draft Strategic Plan in far greater detail. The Office should publish the revised, detailed Strategic Plan, and allow the public to comment again before finalizing the Strategic Plan.

Four guiding principles are listed in the Strategic Plan, namely, quality, certainty, cost-effectiveness and accessibility.<sup>1</sup> Quality must be the preeminent guiding principle. Only high-

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<sup>1</sup> U.S. Patent and Trademark Office, *Strategic Plan -- 2007-2012*, page 2 (August 21, 2006).

quality protection will create the necessary incentives to encourage investment in innovation. While the other guiding principles are important, they do not have the same effect of encouraging investment in innovation. The Office should not implement policies that reduce patent application pendency at the cost of reducing patent quality. With this in mind, Intellectual Ventures offers the following comments on the Strategic Plan, while reserving the right to comment further on a revised, more detailed Strategic Plan.

## II. Introduction

The global economy has reduced economic barriers for entry into the marketplace. Goods are now manufactured by the lowest-cost producer. The U.S. is not a low-cost producer. Investment in new manufacturing facilities in the U.S. is on a steep decline. In 2004 alone, 70 chemical manufacturing plants were closed in the U.S., and 40 more were scheduled for closure.<sup>2</sup> Of the 120 new chemical manufacturing plants currently being built globally, each costing over one billion dollars, *only one is in the U.S.* — while 50 are in China.<sup>3</sup> The economic incentives to invest in U.S. manufacturing have been greatly diminished.

Now, the economic incentives for investing in U.S. innovation are also at risk. The U.S. has historically created incentives for domestic investment in innovation by offering the highest quality intellectual property protection in the world. High-quality patents are at the heart of this protection. If the U.S. patent system does not continue to offer high-quality and timely protection for innovation, the incentive for investing in research and development in the U.S. will disappear. If no single country stands out with strong patent protection, then economic factors will force the outsourcing of research and development, just like manufacturing. Investments in innovation will go to the lowest-cost provider. With the loss of investments in research and development would come a corresponding loss in the value of U.S. corporations, high paying jobs, and the high standards of living Americans have come to enjoy.

Research and development is a high-risk venture. High-quality patent protection is required to reward investors for taking such risks.

Furthermore, universities and small start-up or emerging technology companies rely on high-quality patents to protect their innovations in the marketplace. These market participants usually do not have the bargaining or market power that many global corporations have. Without high-quality patents, Universities and emerging technology companies are at risk of having their innovations misappropriated. The economic incentives to invest in the innovation created by these important small entities will be diminished if high-quality patent protection is not available to them.

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2 Schmidt, D.G., “America’s Gathering Storm,” *Chemical and Engineering News*, 83:65, The American Chemical Society (2005), available at <http://pubs.acs.org/cen/acsnews/83/8349acscomment.html>

3 *Id.*

### **III. Intellectual Ventures is an Invention Company That Relies on a Strong Patent System to Drive its Innovation**

Intellectual Ventures is in business to create and invest in new inventions. Intellectual Ventures works with internal and external inventors – some of the brightest minds of today’s inventive society – to create new inventions.<sup>4</sup> We also build upon our inventions by licensing and acquiring intellectual property from industrial, government and academic partnerships. We rely on a strong patent system to protect the innovation our company fosters. For more information about the business model and work of Intellectual Ventures, please visit our website: <http://www.intven.com/about.aspx>.

Our inventions are diverse. They span a range of technologies in a myriad of practical applications, including software, semiconductors, medical devices and biotechnology. We apply technologies in different combinations and unique ways to solve problems and make novel advancements. We find that inventions at the cutting edge often push boundaries and cannot be easily classified into neat categories. To promote the progress of science and the useful arts as charged, the U.S. patent law and system needs to sensibly reflect such technological realities, and to remain flexible and open to protect innovation across diverse areas.

### **IV. An Alternative Examination System Carries Risks and Greater Details of the Office’s Plans Are Needed**

The draft Strategic Plan argues that an alternative examination system is needed because the Office’s services are in greater demand.<sup>5</sup> The Strategic Plan suggests offering a variety of “patent products” and different quality review metrics as components to the alternative examination system. However, the Strategic Plan goes no further in detail. These components have the potential to greatly impact the quality of U.S. patent protection. Productive comments cannot be given without greater detail. After outlining the specifics of the alternative examination system, the Office may find that less drastic reforms will achieve the Office’s goals with less risk.

#### **A. Greater Details Are Needed On What “Patent Products” the Office Is Considering Because More Products Will Not Necessarily Lead to Higher Quality or Lower Pendency**

Patent registrations (“petite patents”) and deferred examination are often discussed as alternative products the Office might offer. Intellectual Ventures advises the Office to approach such products with caution. While each alternative product seemingly carries potential benefits, there are many risks associated with them. It is imperative that the Office revise the Strategic Plan with greater detail so that consumers can provide more constructive input.

Petite patents issued by the Office through a simple registration is likely to add little value to the U.S. patent system. While the Office could likely reduce pendency initially by quickly issuing registrations, the Office should expect to receive a deluge of registration

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4 For a list of senior inventors at Intellectual Ventures, see <http://www.intven.com/inventors.aspx>

5 U.S. Patent and Trademark Office, *Strategic Plan -- 2007-2012*, page 14 (August 21, 2006).

applications over time. Some applicants will seek to “land grab” and cover an entire area of research by obtaining many quick registrations with questionable validity. Registrations will likely increase uncertainty because third parties will have no basis upon which to judge the validity of the registrations.

Patent registrations will likely offer little protection to applicants. However, unsophisticated applicants may unwittingly file for registrations, in the hope that a quick and inexpensive registration will offer protection for an invention. It is more likely than not that the value of registrations will be low. It is also unclear what standard of review courts will use when adjudicating the validity of a registration. Currently, issued patents enjoy a presumption of validity, but registrations likely will not receive the same presumption. This question brings uncertainty into the system, which should be avoided.

Deferred examination carries risks as well. Deferred examination carries the risk of weakening the notice function of the patent system. Deferred examination creates uncertainty for third parties who cannot determine the scope of claims that will issue.

#### **B. An New, Objective Quality Review System Could Be Useful But Greater Details Are Needed**

The Strategic Plan states that the Office wants to develop objective quality metrics.<sup>6</sup> While the Office is commended for considering new methods of measuring quality, little details are given in the Strategic Plan. Quality patents begin with a quality patent application examination. Quality examination requires, at the outset, that the examiner perform a thorough search of the art. Quality examination also requires high-quality Actions from the Office. The Office can issue higher quality Actions by increasing examiner training, oversight and teamwork. The Office should increase examiner accessibility, allowing applicants to interview examiners routinely. Increasing the dialogue between applicants and examiners focuses examination and increases its efficiency. And finally, uniform application of the law across all technology art units will lead to higher quality patents.

#### **C. The Office Should Increase Investments In Its Greatest Resources—Human Resources**

The Strategic Plan discusses how the Office hopes to hire more examiners and offer them greater training.<sup>7</sup> However, the Strategic Plan gives little detail on how the Office plans on improving its human resource management. The Office should focus more on improving the morale of the examining corps. Low morale amongst examiners leads to low-quality work product and high attrition rates. While additional direct compensation helps to retain examiners, higher morale and clear career opportunities within the Office will help reduce attrition. A revised Strategic Plan should be published giving more details on employee growth, career development, continuing education opportunities and other Office policies regarding examiners.

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<sup>6</sup> U.S. Patent and Trademark Office, *Strategic Plan -- 2007-2012*, page 16 (August 21, 2006).

<sup>7</sup> U.S. Patent and Trademark Office, *Strategic Plan -- 2007-2012*, pages 13-14 (August 21, 2006).

For example, greater details should be given on the Office's plans to expand the work@home program. Importantly, greater details are needed on the Office's plans to open regional Offices. There is concern that the limited space available to the Office on its current campus is driving much of its human resource management policies. Intellectual Ventures urges the Office to focus first and foremost on patent quality. All decisions regarding human resources should be made with the goal of increasing patent quality and timeliness.

The policy of moving examiners away from the Office to examine applications will likely adversely impact examination quality. In any work environment, junior-level employees are trained most effectively through direct interaction with senior-level managers. Having junior-level examiners to work in isolation, either from home or remotely, would likely exacerbate one of the core problems with examination quality — accountability.

The Office should emphasize advanced technical degrees and industry experience in its hiring. The Office should also encourage in-house technical symposium on the state of the art in key cutting-edge areas. These symposia have been quite successful and engaged examiners in the past. Companies, inventors, and members of public are even more willing to lead such in-house tutorials and discussions now. The Office should also continue to support examiner's getting advanced technical degrees in the technologies they are examining.

Patent Academy training should cover topics that help Examiners appreciate their roles in promoting the U.S. economy. Lectures and interactive discussions on the global IP marketplace and the role of intellectual property—especially patents—to companies, universities, and inventors in the 21<sup>st</sup> century knowledge-based economy would help instill greater appreciation for the importance of patent quality.

## **V. Recently Proposed Rule Changes Will Not Further the Office's Goals of Creating an Efficient, High-quality Patent System**

The Office is currently proposing a number of changes to the patent rules. Intellectual Ventures believes that many of the proposed rules would exacerbate problems an already challenged patent system, and has submitted extensive comments and proffered alternatives to proposed rules. We commend the Office for withholding, thus far, any final rulemaking for continuations and claims practice. We urge the Office to revise these proposed rules and republish them for further public comment. In addition, the proposed changes to Information Disclosure Statement practice and Accelerated Examination would improperly seek to shift the burden of examination to applicants. The Office is urged not to implement the rules as proposed, but to publish revised changes, for which the public can provide further comments. Intellectual Ventures strongly urges the Office not to drive consumers out of the patent system by implementing elaborate and complex rules that would likely increase pendency and decrease resultant patent quality.

## **VI. Constructive Reforms To The Patent System Require Greater Focus On The Office's Human Resources And Not Elaborate, Complicated Rulemaking**

We offer the following five guidelines for the Office as it continues to develop its Strategic Plan:

1. Another cycle of notice and comment is required with a more refined, elaborate and detailed draft Strategic Plan.
2. Patent quality must remain paramount in all policies, which requires, among other things, improved resources for searches and well-trained examiners who are provided with appropriate incentives to remain at the Office for many years so that their experience and expertise can be brought to bear on the searches and examinations.
3. A variety of patent products will not increase value in the patent system or substantially (if at all) reduce pendency. Some proposed rules will either decrease patent quality or improperly prohibit applicants from obtaining patent protection to which they are statutorily entitled, or both.
4. Elaborate and complicated rulemaking that shifts examination of prior art and other burdens to applicants will not, in general, increase quality or lead to efficient examination, and represent a departure from the appropriate responsibilities of the Office.
5. Hire more and better-trained examiners with a goal of higher morale and greater oversight and accountability.

## **VII. Conclusions**

Intellectual Ventures believes that the draft Strategic Plan correctly emphasizes quality, certainty, cost-effectiveness and accessibility as guiding principles for future policy. However, the draft Strategic Plan lacks details and should be revised for further public comment.

Intellectual Ventures submits that the Office should focus its reform efforts on its human resources. Quality and timeliness should be paramount to the Office. The Office should seek to hire more examiners, train them better and more regularly, and offer greater, more clear career incentives to keep them at the Office.

Consideration of the above comments is respectfully requested.

Respectfully submitted,

**Intellectual Ventures, LLC**

A handwritten signature in cursive script that reads "Matthew Rainey". The signature is written in dark ink and is positioned above the printed name and title.

Matthew Rainey, Esq.  
Vice President/Patent Counsel

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