



**IN ORDER TO FORM A MORE PERFECT PATENT EXAMINATION SYSTEM—IT IS TIME TO UPDATE
COMPACT PROSECUTION TO COMPACT PROSECUTION 2.0**

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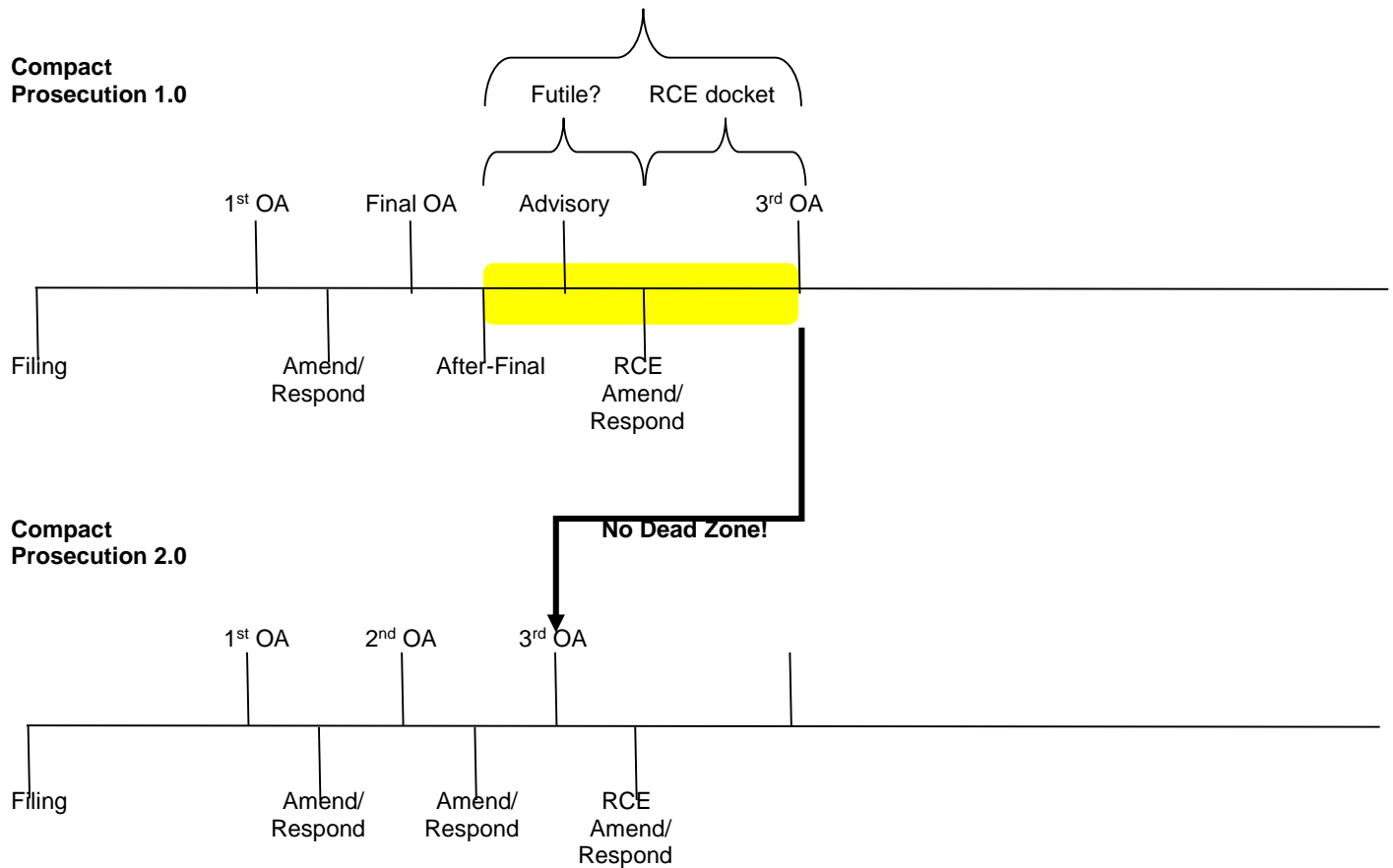
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I. Overview

The U.S. patent examination system has been operating under the tenets of “compact prosecution” (“Compact Prosecution 1.0”) for over 40 years. During this time the backlog of unexamined patent applications has exploded which is now exacerbated by large inventories of work in progress -- RCEs waiting for action and *ex parte* appeals awaiting decision by the Patent Trial and Appeal Board (“PTAB”). While Compact Prosecution 1.0 is not entirely to blame for these large backlogs, we have identified two significant dead zones in Compact Prosecution 1.0 that needlessly delay the ultimate disposition of a patent application once examination on the merits is initiated—final rejections and the manner in which RCEs are docketed, which can be illustrated as:

After-final dead zones



These two dead zones typically result in an initially examined application sitting idle for 2.5-19.5 months.

We believe the elimination of the two dead zones will result in a more efficient patentability determination once a patent application is initially examined and provide a more appropriate balance between the competing goals of reducing the unexamined new case backlog and completing the examination of applications in a timely efficient manner once the examination process has started.

Thus, we propose a makeover of the current patent examination system to transition from Compact Prosecution 1.0 to Compact Prosecution 2.0. The hallmark of Compact Prosecution 2.0 is, once a patent application is initially examined, the examination process continues without artificial stops until the case is allowed, appealed or abandoned, i.e., no dead zones. By keeping the case under constant consideration, it is believed that the overall efficiency of patent prosecution will be significantly enhanced. Under Compact Prosecution 2.0, the issues will be more quickly narrowed and focused so that final resolution of the patentability issues will be more efficiently and effectively concluded which will result in increased capacity in the Examining Corps to reduce the backlog of unexamined patent applications.

There are various ways in which Compact Prosecution 2.0 can be implemented at the USPTO. Complementary to the proposed Compact Prosecution 2.0 system, we also outline a possible implementation that focuses on changes to the how patent examiner productivity and docket management are measured. In addition, changes are proposed to the manner in which a patent examiner's work product is reviewed and evaluated.

It is believed that the changes proposed herein do not require any change in legislation, only changes in the rules and policies which govern the patent examination system. It is understood that certain of the proposed changes will require consultation and/or negotiation with the patent examiners' labor union, the Patent Office Professional Association ("POPA"). However, absent any unforeseen need for legislation, all that is needed to improve the patent examination system is the will to change. As George Bernard Shaw is credited with stating, "Progress is impossible without change, and those who cannot change their minds cannot change anything."

II. Background

The basic ebb and flow of the patent examination system in the United States is provided by the Patent Act of 1952. 35 U.S.C. § 131 tasks the Director to "cause an examination" and 35 U.S.C. § 132(a) provides for an applicant's response to any rejection, objection or requirement made as a result of the "examination." 35 U.S.C. § 132(b) provides authority for the PTO to promulgate regulations that provide for continued examination upon the paying of a fee, i.e., RCEs. 35 U.S.C. § 2(b)(2)(A) provides for the PTO to establish "regulations, not inconsistent with law...[to] govern the conduct of proceedings in the [PTO]."

Thus, one looks to Title 37 of the Code of Federal Regulations in order to determine how the day to day interactions between patent examiners and patent applicants during the examination of a patent application are to occur and the Manual of Patent Examining Procedure ("MPEP") for guidance as to the specifics for how patent examiners and practitioners put the patent examination process into effect.

In the late 1960s to the early 1970s, the PTO implemented Compact Prosecution 1.0 and concomitantly changed the metrics of measuring patent examiners productivity performance from counting total actions mailed to the current hours per balanced disposal system. The key to Compact Prosecution 1.0 is the PTO policy that, normally, the prosecution of every patent application can be carried out in a single round consisting of an office action and an applicant response, such that, in the event that the applicant response does not place the application in condition for allowance, every second office action on the merits should be a final rejection.

However, in the decades which have passed since the advent of Compact Prosecution 1.0, the landscape of patent examination has changed so dramatically that it is believed that events have overtaken and indeed overwhelmed the concepts of Compact Prosecution 1.0. Examples of the changing landscape from the late 1960s to the early 1970s include:

- Significant technological changes, e.g.,
 - The change from analog to digital technology and the attendant explosion of digital devices and computer implemented processes
 - The *Chakrabarty* decision and the attendant explosion of biotechnology patent applications
- Significant legal changes, e.g.,
 - Change from 17 year patent term from date of grant to 20 year patent term from date of filing
 - Advent of the Federal Circuit
 - PTO and applicants need to take into account the court's continuing clarification of claim construction both inside and outside the PTO
 - Understanding and putting into practice through claim language the court's decisions on what constitutes infringement of a patent claim
 - Understanding of the evolving law of obviousness, written description and patent eligible subject matter
 - Transitioning to the AIA
- Significant administrative changes, e.g.,
 - PTO became a user fee funded agency
 - Paper files replaced by the IFW
 - Computer based searching

- Significant economic changes, e.g.,
 - Increased value of patents

The technological changes mean that many patent applications no longer fit the two office action model. Specifications are more complex and claim sets are more expansive to take into account the complexity of the technology and provide adequate protection of the technology in light of Federal Circuit precedent. Consideration of modern patent applications and patentability issues is significantly more complex than 40 years ago. Prosecution under a 20 year term from filing date is different than under the previous 17 year term from date of grant. Delays in prosecution were tolerable under the previous 17 year term provision while the 20 year term provision requires that the patent application be constantly moving in the examination system in a positive direction. The many decisions of the Federal Circuit that the PTO and applicants now have to take into account require careful thought as to the precise language used to define the technology in the specification and claims. As we transition to the AIA, both the PTO and the applicants will be practicing in two different legal landscapes which will require careful thought and consideration to avoid traps for the unwary. With the PTO now being supported by user fees, the emphasis on generating revenue upon a per application basis as before is no longer relevant as the PTO can provide for new services and charge an appropriate fee. The advent of the IFW and computer based searching provide efficiencies that could not be imagined 40 years ago. All of these facts lead to the conclusion that the Compact Prosecution 1.0 policy of making every second office action final is outdated and needs to be replaced.

The hours per balanced disposal patent examiner productivity metric is also outdated. This metric first focuses examiners on how many of the 80 hours each pay period are chargeable to time spent on examining activities followed by a calculation as to how many “counts” they need for those hours. Productivity is measured every pay period with a mid-year performance review given to each patent examiner in April to discuss the patent examiner’s performance for the first six months of the fiscal year. Each patent examiner then undergoes a full fiscal year performance review after the conclusion of the fiscal year in September. Patent examiners are eligible for cash awards for exceeding productivity and docket management expectations. For example, PTO management have changed the value of various counts in recent years to incentivize patent examiners to prioritize the initial examination of patent applications at the expense of picking up RCEs

Over the years that have passed since the advent of Compact Prosecution 1.0 there has been minimal change to the patent examiner’s productivity expectations. PTO management makes changes to the patent examiners’ docket management criteria based in large part of which cases have policy priority. For example, when the current administration began its focus on reducing the number of unexamined patent applications, it changed the docketing system for RCEs so the examiners were no longer required to take an RCE up for action within two months of its filing. Instead RCEs are docketed such that a

patent examiner need only take one RCE up for action every 1-2 months. This artificial dead zone is inconsistent with the “continued” part of a RCE.

Thus, the PTO can and has used the patent examiner’s performance review and cash award programs to influence examiner behavior to implement its policy decisions as to work priorities. Despite the efforts over the last 13 years to reduce the unexamined patent application backlog under Compact Prosecution 1.0 using various manipulations of the patent examiner’s count and docket management systems, the backlog remains high and is now accompanied by significant RCE and *ex parte* appeal backlogs.

Building upon the experiences of operating under Compact Prosecution 1.0, we propose a makeover of the current patent examination system to transition from Compact Prosecution 1.0 to Compact Prosecution 2.0. The goal of Compact Prosecution 2.0 is to increase efficiency by eliminating prosecution dead zones. The hallmark of Compact Prosecution 2.0 is, once a patent application is initially examined, the examination process continues without artificial stops until the case is allowed, appealed or abandoned. By keeping the case under constant consideration, it is believed that final resolution of the patentability issues will be more efficiently and effectively concluded. Complementary to the proposed Compact Prosecution 2.0 system, we also propose changes to the how patent examiner productivity and docket management are measured. In addition, changes are proposed to the manner in which a patent examiner’s work product is reviewed and evaluated. All of the proposed changes are with one thought in mind—once started, prosecution does not come to an artificial stop or extended pause.

III. Proposed changes to the patent examination system

A. End Compact Prosecution 1.0 and shift to Compact Prosecution 2.0

We believe that the elimination of “final” rejections and the attendant after final practice is long overdue. The practice of making a rejection “final” is in essence an administrative convenience that allows the PTO and examiners to measure productivity. While such a time out in the examination process may have made sense during the era of paper files and 17 year term from date of grant, the practice now causes a needless disruption in the examination process. This especially seen in that after final practice on the part of patent examiners is all but extinct. One only needs to look at the RCE backlog to understand this and to look at the need of PTO management to provide patent examiners an additional three hours to consider after final submissions (in the After Final Consideration Pilot 2.0 (“AFCP 2.0”).¹

The PTO in recent years has encouraged interviews in patent applications to improve communications and assist in bringing about a prompt resolution of the issues in the case. Experience and statistics show that interviews are helpful in these regards. However, a patent applicant is not

¹ Use of the additional time provided in AFCP 2.0 is **optional** on the part of patent examiners. It is understood that a mandatory institution of the pilot program would need to be negotiated with POPA.

entitled to an interview after a final rejection as a matter of right. In the majority of cases where an interview is granted the usual response from a patent examiner is to urge applicants to file an RCE in order to have any claim amendments considered, no matter how innocuous. It is especially frustrating to have an after final interview and believe that an agreement is at hand only to be told to file a RCE and then, not have the RCE promptly picked up for action. All too often the delay in picking up a RCE means that all positive momentum in the case has dissipated.

Compact Prosecution 2.0 promises to enhance efficiency by shortening the examination cycle and improving quality, ensuring that the examination process occurs while the subject matter is fresh in everyone's mind.

B. Compact Prosecution 2.0

1. Eliminate the dead zones

By eliminating final rejections, the initial examination period will provide two office actions on the merits with amendment and/or presentation of evidence permitted after each office action as a matter of right. It is expected that initial examination fees would be adjusted to account for increased work of considering a full response to a second office action. If needed, a third office action will be issued. However, any response thereto must be accompanied by a RCE fee per 35 U.S.C. § 132(b). The RCE fee will provide two additional office actions with amendment and/or presentation of evidence permitted after each office action as a matter of right. Any response to each subsequent second office action must be accompanied by an increasing RCE fee.

Approval must be sought prior to all third office actions in the initial examination and each second office action in a RCE. It is understood that is a departure from present practice in terms of primary examiners but experience tell us that an independent, meaningful review of a case can be important.² Statistics show that a significant number of final rejections are ultimately determined to be in error through pre-appeal brief conference requests, appeal conferences triggered by the filing of an appeal brief and PTAB decisions reversing the examiner's rejection at least in part. With over 7,000 patent examiners and a robust hoteling program where patent examiners work in most part in isolation of each other, it is too much to expect that there will be consistency between art units and individual patent examiners, especially with significant changes in the law and the rapidity with which technology is advancing.

Approval of a proposed third (or fourth, fifth, etc.) office action would preferably be by way of a conference with the examiner and two neutral conferees. Conferees should have the authority to remove any pending rejection but the ultimate decision to allow claims would remain with the patent examiner.

² However, the departure would be consistent with current policy, see MPEP § 707.02 ("The supervisory patent examiners are expected to personally check on the pendency of every application which is up for the third or subsequent Office action with a view to finally concluding its prosecution.")

It is believed that these conferences will promote collegiality and consistency. They also will provide constant feedback to patent examiners as to their patentability determinations and provide PTO managers with real time feedback as to the effectiveness of examiners in making patentability determinations. A cadre of independent conferees who are up to date on significant changes in patent law and jurisprudence as well as PTO policy and practice should noticeably decrease the overall pendency of patent application due to their informed judgments of the propriety of maintaining rejections. If these conferences are independent and meaningful, they will carry weight with patent applicants as they will understand that the issues have been independently considered. Such conferences should bring more “finality” to a case than does the present final rejection practice.

2. Interviews after the third office action in the initial examination and after initial office action in each RCE are expected

In keeping with the thought of narrowing and focusing the issues in a more expeditious manner, it is expected that interviews would be encouraged at this stage to avoid just another exchange of papers. Knowing that the office action has been vetted by the independent approval process, applicants will have a better idea which way the application should go so such interviews should be productive. A SPE should participate in each interview in cases handled by non-signatory authority examiners and it is suggested that a SPE can participate in interviews in cases handled by a primary examiner at the request of the primary examiner or applicant. Again, a collaborative process with meaningful input from all parties can only help to bring the examination process to an end.

3. Applicant may appeal to PTAB after second rejection under 35 U.S.C. § 134(a)

If Compact Prosecution 2.0 is adopted it is expected that the need for *ex parte* appeals will diminish. For example, there will be less incentive to appeal after the second office action since an applicant has already paid for a third office action with conference. In addition, the periodic meaningful conferences provided by Compact Prosecution 2.0 will provide useful input to both the patent examiner and applicant thereby allowing each to objectively evaluate the real strength of their respective positions.

Viewed another way, Compact Prosecution 2.0 provides a modified version of the current multi-stage appeal process by keeping the spirit of the pre-appeal brief conference yet providing ample reason to avoid an early appeal as the constant consideration of the case and improved review of office actions will provide an increased understanding of the issues and narrowing of the differences.

a) Applicant has the option of attending the Appeals Conference

If despite the more intense scrutiny by both the patent examiner and applicant, the case does go on appeal, we propose that applicant have the option of attending the appeal conference that is now held

internally to consider appellant's brief. This will help to enhance collaboration and avoid unnecessary appeals.

b) Applicant has the option of requesting mediation after receiving the Examiner's Answer

If applicant and the examining corps remain in disagreement and the application continues along the appeal trajectory, we propose that applicant have the option of requesting mediation after the briefing is completed. Given the large increase in the number of APJs, it is suggested that an individual APJ serve as the mediator. As needed, a conference between the patent examiner and applicant can be moderated by mediator. It is envisioned that the mediator be empowered to order withdrawal of any of the pending rejections but the ultimate decision to allow a patent application remains with the examiner.

IV. Proposed changes to patent examiners' count and docket management metrics

A. End the concept of balanced disposal

It is believed that using the "balanced disposal" metric has lost its usefulness and causes undue disruption and delay in completing an examination once started as the examiner is actually "rewarded" for stopping and then re-starting the examination. Instead, each patent examiner should be assigned an expectation of initially examining "X" number of unexamined cases per fiscal year.³ "X" should be based upon factors such as complexity of technology and applications; experience level of examiner; and historic analysis of the number of claims examined in the first office action on the merits in the art area as now used. Other factors will become apparent to ensure that "X" is a rational number.

This change will allow patent examiners to use their professional judgment as to how much time the initial examination of each application will need instead of the present assigned hours/balanced disposal, keeping in mind that "X" number of cases needs to be initially examined each fiscal year. The provision of a finite goal of new cases entering the pipeline each fiscal year provides incentive for examiners to resolve cases (abandonment/allowance/appeal) in the pipeline expeditiously in order to pick up new cases, thus, providing a more appropriate balance between new work and work in progress. It is envisioned that patent examiners would be eligible for cash awards for exceeding the "X" number.

B. End the concept of measuring examiner docket activity based upon a pay period

It is proposed that each response and office action be docketed in such a manner that the next office action is due no later than two-three months from the filing date of the response. Extending the deadline to three months from the current two months will allow the patent examiner to better balance

³ Alternatively, each examiner could be assigned an expectation of disposing of "X" number of cases per fiscal year, with disposals only be measured by appeals, abandonments and allowances. Both metrics encourage the examiner to resolve cases holistically rather than piecemeal.

workloads of new work and work in progress. Patent examiners should be eligible for cash awards as they approach a two month or better average response time.

It is also proposed that all office actions should be submitted for mailing/review no later than two-three months from the filing date of applicant's response, not by the end of the pay period where that date falls as is the present case. This is similar to applicant's deadline to respond to office actions and spreads the resources needed for processing the patent examiner's work product and SPE review thereof over a month instead of concentrating it during, or all too often at the end of the pay period. This would result in the elimination of so-called "Count Monday" where SPEs are inundated with work to review and approve. Procedures should be instituted including appropriate incentives to avoid end loading. SPEs should have at least 3-5 working days to approve all submitted work regardless of when it is submitted.

C. Institute an actions per disposal performance metric for patent examiners

An efficient patent examination system balances new work with work in progress. Measuring actions per disposal more accurately reflects true time it takes to dispose of an application and provides an accurate metric for measuring that balancing effort. As mentioned, the present hours per balanced disposal rewards examiners for artificially stopping and re-starting the examination process as well encouraging "tailoring" productivity by managing "counts" to fit the number of examination time hours per pay period. Emphasis should be on rewarding successful conclusion of the examination process in an effective and efficient manner instead of artificially "disposing" of an application by issuing a final rejection.

An added benefit of this metric would be the curtailing of the ubiquitous "additional" search for the mythical reference that is rarely found that currently routinely provides the reason for not entering an after final amendment or considering an after final submission. One focus of the prescribed conferences should be why any further search is needed except for a true update of the existing search. This will encourage a thorough search during the initial examination.

D. Docket the first continuation and divisional application based upon priority date

This will avoid needless term loss in continuations and term extension in divisionals under the safe harbor of 35 U.S.C. § 121. This action will provide the opportunity to pick these cases up while the parent examination is fresh, thus, providing more efficiency in the patent examination process.

E. Docket continuation-in-part, second and subsequent continuation and divisional applications based upon filing date

Since a continuation-in-part is in large part a new application, it should not receive priority in the examination queue. Further, applicants in second and subsequent continuation and divisional applications have by definition already obtained a complete examination of at least one application.

Thus, this provides an appropriate balance to reducing the unexamined case backlog versus continuing cases.

V. Proposed quality initiatives

A. Continue with present quality review of actions in real time with proposed office actions randomly selected and reviewed for quality purposes before the action is mailed

It is believed such a procedure, especially if performed by independent personnel outside of the TC, will provide significant input as to how well patent examiners are performing. Since productivity would no longer be measured on a count system and monitored based upon pay periods, the review can take place in an orderly, timely manner. This system would provide instant feedback to patent examiners and PTO management on quality of work. It is important that proposed office actions be reviewed prior to mailing and those determined to need revision are not mailed so as to not waste applicant's resources responding to an obviously deficient office action.

B. Establish an interim ombudsman program that helps resolve aggravated cases on the merits in real time

If the proposed conferences are implemented and are meaningful, the need for such a program would diminish over time. The present program requires QASs, ombudsmen and SPEs to defer to primary examiners which experience tells leads to a significant number of RCEs and *ex parte* appeals. Again, management authority is limited to directing the primary examiner to remove pending rejections. The ultimate decision as to allowing the case remains with the primary examiner but any subsequent proposed rejection should be reviewed by a manager.

C. Publish data that inform the patent community of how individual art units are performing in relevant prosecution and appeal areas

Such real time data will allow the patent community to recognize high achieving art units and temper expectations when cases are assigned to low achieving art unit. It will also ensure that the patent community is being provided with accurate data. Appeal decisions should be analyzed on an issue-by-issue and art unit-by-art unit basis to identify outliers and guide appropriate corrective action.

VI. Conclusion

Despite intense efforts over the past thirteen years through two administrations to lower the unexamined new case backlog, it remains stubbornly high and is now accompanied by high numbers of RCEs and *ex parte* appeals. The efforts over the years to lower the number of unexamined new cases have been based on making tweaks to Compact Prosecution 1.0. History tells us that Compact Prosecution 1.0 has run its course and it is time to change. Compact Prosecution 2.0 offers a break from the past system that has resulted in the present circumstances and provides a new path to accomplishing

the twin goals of reducing the unexamined new case backlog and expeditiously concluding the examination process once it is started.