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 ("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 to 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 patents 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

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

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 level 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]

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 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 because putting these exchanges "down on paper produces an information product that feeds into claim interpretation later down the road."[43] [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, recorded 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 112-123.
[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 115-116.
[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 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, leading to a more efficient marketplace for intellectual property and the goods and services that practice such rights.