



Before the

United States House of Representatives Committee on the Judiciary Subcommittee on
Courts, Intellectual Property, and the Internet

Regarding

“Oversight of the U.S. Patent and Trademark Office”

September 13, 2016

Statement of the Computer & Communications Industry Association

The Computer & Communications Industry Association (“CCIA”) is an international, nonprofit association representing a broad cross section of computer, communications and Internet industry firms employing more than 750,000 workers and generating annual revenues in excess of \$540 billion.¹ CCIA requests that this statement be included in the record of this hearing.

I. Quality Patents Matter

Patent examiners, those people who review applications and decide which patents to issue, are generally measured based on how much time they spend reviewing each application, the faster, the better. Although there is a “patent quality” component to their performance ratings, examiners’ pay and promotions are based almost entirely on their speed and efficiency.

High patent quality, however, is crucial to the proper functioning of the innovation economy. CCIA members have been consistent targets of patent assertion entities (“PAEs”)

¹ A list of CCIA members is available at <http://www.ccianet.org/members>.

using poor quality patents. Poor quality patents take a great deal of time and money to litigate, which places enormous pressure on an accused company to settle. The result is an industry built almost entirely on patent litigation that drains about \$30 billion a year from the U.S. economy.²

Improving patent quality would greatly slow the growth of this patent litigation industry, and eventually reverse the trend. Moreover, better patent quality puts the public on clear notice of what technology requires a license and what is in the public domain. “High-quality patents enable certainty and clarity of rights, which fuels innovation and reduces needless litigation.”³

Unfortunately, the USPTO has had a mixed history when it comes to issuing high-quality patents. For example, one study found that, when validity was resolved by a court, litigated patents had at least one invalid claim about a third of the time, and patents asserted by PAEs had at least one invalid claim over half of the time.⁴

II. The USPTO Needs a Strong, Consistent and Clear Definition of Quality

The Government Accountability Office (“GAO”) recently released two reports, “Patent Office Should Define Quality, Reassess Incentives, and Improve Clarity,”⁵ and “Patent Office Should Strengthen Search Capabilities and Better Monitor Examiners’ Work,”⁶ directed at improving patent quality. CCIA hopes that the Committee will focus on the recommendations in these reports as part of its oversight of the U.S. Patent & Trademark Office (“USPTO”).

The USPTO has recognized the need to improve quality and has put in place its Enhanced Patent Quality Initiative.⁷ The USPTO has initiated a number of promising pilot

² James Bessen & Michael Meurer, *The Direct Costs from NPE Disputes*, 99 CORNELL L. REV. 387 (2014).

³ U.S. PATENT & TRADEMARK OFFICE, ENHANCED PATENT QUALITY INITIATIVE (2016), <http://www.uspto.gov/patent/initiatives/enhanced-patent-quality-initiative-0>.

⁴ Michael Risch, “A Generation of Patent Litigation,” 52 SAN DIEGO L. REV. 67, 112 (2015).

⁵ GOVERNMENT ACCOUNTABILITY OFFICE, “Patent Office Should Define Quality, Reassess Incentives, and Improve Clarity,” GAO-16-490 (June 2016), <http://www.gao.gov/products/GAO-16-490>.

⁶ GOVERNMENT ACCOUNTABILITY OFFICE, “Patent Office Should Strengthen Search Capabilities and Better Monitor Examiners’ Work,” GAO-16-479 (June 2016), <http://www.gao.gov/products/GAO-16-479>.

⁷ *Supra*, n.3.

programs and has directly focused on improving patent quality.⁸ While the USPTO is to be commended for its efforts to date, the GAO's reports make clear that there is still more work to be done.

The main problem that the GAO found is that there is no consistent definition of patent quality at the USPTO.⁹ Without such a definition, it is nearly impossible to develop standard practices to produce better patents. The USPTO's current "definition" of a quality patent is:

A quality patent is one that is correctly issued in compliance with all the requirements of Title 35 as well as the relevant case law at the time of issuance.¹⁰

This definition is unhelpful for several reasons. First, it sets the bar far too low. Mere compliance with the rules is the bare minimum that one should expect from the USPTO. Compliance with Title 35 and case law, however, fails to ensure high quality. The Inspector General of the Department of Commerce observed that:

High-quality patents are generally considered to be those whose claims clearly define and provide clear notice of their boundaries, while low-quality patents are those that contain unclear property rights, overly broad claims, or both. Increasing concerns regarding abusive patent litigation and ambiguous patents heightens the need for USPTO to ensure adequate processes are in place to promote issuing high-quality patents.¹¹

The USPTO's approach fails to ensure that patents "provide clear notice," in large part because it fails to ensure that there is a clear record. An applicant's interaction with the USPTO has consequences. If, for example, an applicant says that a term has a particular meaning and gets a patent as a result, the applicant should be held to that meaning. The Federal Circuit, however, has held that only a "clear and unmistakable" statement in the record is binding on the patent owner.¹² Accordingly, it is essential that the record be clear as to why an examiner allows a patent.

⁸ These initiatives are described in the GAO's first report, *supra*, n.5 at 12–14.

⁹ *Id.* at 21.

¹⁰ *Id.* at 50.

¹¹ U.S. DEPARTMENT OF COMMERCE, OFFICE OF INSPECTOR GENERAL, "USPTO Needs to Strengthen Patent Quality Assurance Practices," No. OIG-15-026-A, at 1 (Apr. 10, 2015).

¹² *Sandisk Corp. v. Memorex Prods.*, 415 F.3d 1278, 1287 (Fed. Cir. 2005).

The USPTO's definition, however, includes nothing about the examiner's interpretation of claim language or the examiner's reasons for allowing a patent. As a result, many patents issue with ambiguous records, leaving the public to guess at the true meaning of many claims.

Another problem with the USPTO's definition of "quality patent" is that it is far too malleable. By its own terms, it changes with the case law. This shifting definition makes it impossible to truly hold patent examiners accountable for quality. After a major patent opinion is issued, the USPTO must develop new guidelines and then promulgate that guidance. This creates a new point of failure, namely, training. If training is ineffective or does not reach all examiners, there will be inconsistent understanding of the new guidelines and, therefore, inconsistent quality.

The major problem with the USPTO's current definition is that it cannot be measured effectively. Compliance with Title 35 and relevant case law is almost entirely subjective. If every action by an examiner has to be reviewed by another human being, only a small fraction of actions can be reviewed with the USPTO's current Quality Assurance Specialists. This means that very few issued patents are receiving proper quality assurance.

Moreover, examiners have no clear performance measures with respect to quality—only very specific production goals to meet. That is, examiners have little consistent guidance as to how to ensure that they are only allowing high quality patents. And there is no way to consistently hold examiners accountable for maintaining quality.

III. Conclusion

As the GAO states,

Without a consistent definition of patent quality, USPTO is at risk of having its staff work at cross purposes to improve patent quality based on their individual definitions of patent quality. Further, without improvements to measurable goals and performance indicators, USPTO is at risk of not being able to fully measure and capture key performance data on whether the agency is meeting its strategic goal to optimize patent quality.¹³

¹³ *Supra*, n.5 at 37.

The USPTO *is* working to improve the clarity of the record for patent applications.¹⁴ Without a clear, consistent, and measurable definition of patent quality, however, it will be extremely difficult to produce the desired results: high quality, clear patents.

This Committee has an opportunity to encourage the USPTO to create such a definition. CCIA hopes that the Committee will pursue this opportunity.

¹⁴ *Supra*, n.3.