

*Before the*  
**Department of Commerce**  
**U.S. Patent & Trademark Office**  
Alexandria, Virginia

*In re*

Request for Comments on USPTO's  
Draft Strategic Plan for FY 2007–2012

Docket No. PTO–C–2006–0039

**COMMENTS OF THE  
COMPUTER AND COMMUNICATIONS INDUSTRY ASSOCIATION**

Pursuant to the request for comments issued by the United States Patent & Trademark Office (PTO) and published in the Federal Register at 71 Fed. Reg. 50,048 (Aug. 24, 2006), the Computer and Communications Industry Association (CCIA) submits the following comments with respect to the PTO's draft Strategic Plan 2007-2012.

**I. About CCIA**

CCIA represents large, medium and small companies that participate in the information and communications technology industries, including computer hardware and software, electronic commerce, telecommunications and Internet products and services. CCIA members represent more than \$200 billion in annual revenues.

**II. CCIA Applauds the PTO for Acknowledging the Current Quality Problem.**

CCIA commends the draft strategic plan for acknowledging the scope of the quality problem. As the plan notes, the PTO's internal review process does not yet inspire public confidence, due in large part to widespread adverse publicity concerning the quality of many

issued patents. Given the need to strengthen public confidence in the patent system, CCIA applauds:

- 1.) the PTO's support of the Peer to Patent project. This deserves greater attention in the body of the report, because of the possibilities it offers for the future of patent examination;
- 2.) the discussion in the report of tailoring examination process to the needs of different applicants. CCIA greatly appreciates the PTO's willingness to experiment with the variables of examination and the acknowledgment that one size does not fit all. The design of procedures and options needs to be linked to the vision of peer review as offering a higher standard for patent quality;
- 3.) the PTO's support of a higher standard of nonobviousness as evidenced in the Solicitor General's criticism of the Federal Circuit's "suggestion test" in *KSR International v. Teleflex*. The PTO's strategic plan should commit to undertaking further work on this aspect of quality over the next five years since the current standard is widely perceived to be responsible for the high level of inadvertent infringement in the IT sector.

CCIA believes that the PTO's efforts to improve quality should undertake to parse out the nature of quality problem, especially differentiating between problems associated with finding prior art and problems associated with the nonobviousness standard. Different problems will necessitate different strategies. All strategies must focus on public accountability, however. For example, unless the current internal review process contributes to a shared understanding of examiner performance, it is unlikely to remedy the patent system's confidence crisis.

The internal review process could conceivably be used, along with expanded use of the second-pair-of-eyes review and the experiment with peer review (and an opposition system, if and when it is implemented), to calibrate and assess the value of different investments in quality

assurance. Another investment option that deserves exploration in the plan is a public bounty system for contributing prior art, backed by the PTO's institutional commitment to the quality and integrity of the bounty system. Timely submission of relevant knowledge would save PTO resources, encourage expert involvement in monitoring patent applications, and reduce waste for applicants, examiners, and competing innovators.

### **III. The PTO Needs to Evaluate the Threshold Standard of Patentability.**

Whatever the outcome of *KSR International*, the strategic plan should assure that the basic threshold of patentability continues to be addressed and evaluated. Abraham Lincoln spoke of the patent laws as adding the fuel of interest to the "fire of genius." He would be shocked by today's entitlement program, in which anything more than the routinely obvious may potentially yield a patent. Today, undistinguished patents are so plentiful in IT that innovative producers frequently trip over each other's patents. In addition, genuine innovators are tripped up by patents asserted by non-producing entities whose business model is based solely on "being infringed." Effectively raising the standard would not only reduce the risks imposed on innovative producers by patent opportunists, it would help reduce the PTO's mammoth backlog of applications. Similarly, it would help IT firms contain the cost of portfolio building, which they need to do to maximize freedom of operation. Most importantly, the PTO's evaluation of the threshold of patentability must reach beyond the traditional patent community, which has an inherent economic interest in the easy availability of patents.

### **IV. The Plan Should Commit to Investigating the Relationship Between Examination Procedures and Quality.**

In regard to the discussion of elective examination procedures and standards, the strategic plan must directly confront the issue of trade secrecy. It must do so not by reflexively maintaining the myth that there is a bright fast line between patents and trade secrets that must be

maintained, but rather by acknowledging that the line between secrecy and the public record of patents has become increasingly blurred and ambiguous. In the past, trade secrecy has been revered as the absolute prerogative of the patent applicant until the patent issues. However, there is a cost to secrecy that is borne by the applicant's competitors. It allows for blindsiding prior to publication that in turn limits of value of patent-related information and discourages searching (since searching is necessarily inconclusive). This problem is especially pronounced when the basic threshold is low since that increases the odds of independent invention during the blind period before publication. The logical response to such problems is to recognize that the applicant's benefit from secrecy must be weighed against the cost to competitors and the integrity of the system as a whole – and therefore paid for by the applicant.

The PTO must treat scientifically the challenges of information search and examination when designing new procedures. As an agency that is devoted to innovation, the PTO should be at the forefront of research in knowledge management and information science, especially problems related to aligning incentives with the desired outcomes. To this end, the PTO should be closely connected to researchers, as well as other agencies and institutions working in these fields, including the National Archives and the National Science Foundation.

#### **V. The Strategic Plan Should Reflect that the Intellectual Property System Balances Competing Interests.**

The mission statement expressed in the draft plan refers to providing high quality and timely examination, guiding intellectual property policy, and delivering intellectual property information and education worldwide. As the draft plan acknowledges, however, quality and timeliness presently pose serious problems. The former mission, “to help customers get patents,” inflicted long-term damage to the credibility of the patent system – in terms of both the credibility of the PTO's commitment to quality and that of the PTO's policy guidance. Both

have been undercut by a failure to acknowledge the costs of intellectual property while only touting its benefits. Too often, advocacy for more intellectual property – more patents in particular – has contributed to the problems experienced by the IT sector. Indeed, until the FTC and other agencies responded to deep discontent with the patent system (recently validated by the IT sector’s push for strong patent reform), there was no indication from the PTO that system might not be working as intended. Unfortunately, trace elements of this unbalanced perspective persist in the draft plan.

In this regard, it is worth noting the statement cited in the draft plan: “U.S. intellectual property today is worth between \$5 trillion and \$5.5 trillion, equivalent to about 45 percent of U.S. GDP and greater than the GDP of any other nation in the world.” This statement appears in a report commissioned by an intellectual property advocacy organization,<sup>1</sup> which derives the figure from a paper by three respected economists.<sup>2</sup> However, the economists’ paper measures *intellectual capital*, not just intellectual property, and the consultants uncritically assume that the two are the same. Certainly intellectual property is important, but this assumption merits review.

Similarly, to speak in terms of pro- and anti- IP forces does not contribute to the credibility of the PTO’s policy leadership. Truly “anti-IP” forces lack legitimacy and thus are not a threat to the system; the PTO has no interest in legitimizing mere anarchists in its strategic plan. On the other hand, thoughtful critics of current dysfunctions in the intellectual property system should not be lumped in with anarchists. Accordingly, CCIA recommends that the PTO avoid labels that could be misconstrued as *ad hominem* attacks.

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<sup>1</sup> Robert Shapiro and Kevin Hassett, “The Economic Value of Intellectual Property,” USA For Innovation Report, October 2005; available at [http://www.usaforinnovation.org/news/ip\\_master.pdf](http://www.usaforinnovation.org/news/ip_master.pdf)

<sup>2</sup> Carol Corrado, Charles Hulten, and Dan Sichel, *Measuring Capital and Technology: An Expanded Framework*, Finance and Economics Discussion Series 2004-65. Washington: Board of Governors of the Federal Reserve System, 2004; available at <http://www.federalreserve.gov/pubs/feds/2004/200465/200465abs.html>

The strategic plan needs to acknowledge the true scope of the challenges the PTO is facing in ensuring that the patent system is fulfilling its purpose of promoting innovation. If the PTO is going to fulfill its mission of promoting innovation, it needs a practical research agenda that extends from information science, knowledge management, and the search for prior art all the way to understanding the profound changes currently occurring in technology, innovation, commercial practice, and the global economy. The latter is essential if the PTO is to provide meaningful information on how the system actually works for (and against) small businesses and innovators. Such understanding is also essential if the agency is going to responsibly fulfill its obligations as a policy advisor.

To this end, the PTO should commit to spending a percentage of its fee income to support applied research to help it better perform its job. It should cultivate a community of expertise, inside and outside the agency, to help it address the challenges it faces. This will help ensure that important initiatives, like the peer review project, receive the feedback they deserve.

Respectfully submitted,

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