

*Before the*  
United States Patent and Trademark Office  
Alexandria, VA

*In re*

2018-2022 Draft Strategic Plan

**COMMENTS OF  
COMPUTER & COMMUNICATIONS INDUSTRY ASSOCIATION**

On August 22, 2018, the United States Patent and Trademark Office (the “Office”) requested comments on its 2018-2022 Draft Strategic Plan (“Plan”).<sup>1</sup> The Computer & Communications Industry Association (“CCIA”)<sup>2</sup> submits the following comments.

**I. Summary of CCIA’s Positions**

CCIA appreciates the Office’s continued attention to improving the ability of patent examiners to obtain the best prior art, enhancing the Office’s internal and external information technology, enhancing the availability of operational data within and outside of the Office, and ensuring that the Office is held accountable to the goals raised within the Plan. However, the Plan raises several significant concerns. In particular, CCIA is concerned by the Office’s focus on applicants’ interests to the exclusion of the public’s interests and to the exclusion of the progress of the useful arts. CCIA is also concerned by the apparent mismatch between the Plan’s stated goals and recent actions taken by the Office.

The Office’s focus on applicants to the exclusion of the interests of competitors and the public at large is illustrated in several ways:

- a) Treating applicants as customers purchasing a service, rather than as applicants seeking to obtain a government-sanctioned public franchise;<sup>3</sup>
- b) Characterizing the Office’s mission as the recognition and securing of intellectual property rights, rather than as the determination of whether those rights should be recognized and granted; and
- c) Consistently omitting from the Plan any perspective regarding the public’s interests in the ability to compete without facing the threat of improvidently granted intellectual property.

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<sup>1</sup> See <https://www.uspto.gov/about-us/news-updates/uspto-seeking-public-comments-draft-2018-2022-strategic-plan>.

<sup>2</sup> CCIA is an international nonprofit membership organization representing companies in the computer, Internet, information technology, and telecommunications industries. Together, CCIA’s members employ nearly half a million workers and generate approximately a quarter of a trillion dollars in annual revenue. CCIA promotes open markets, open systems, open networks, and full, fair, and open competition in the computer, telecommunications, and Internet industries. A complete list of CCIA members is available at <http://www.ccianet.org/members>.

<sup>3</sup> See *Oil States Energy Svcs. v. Greene’s Energy Group, LLC*, at \*7 (2018) (slip op.).

The Plan’s focus on applicants to the exclusion of the interests of the public at large, including innovators in related fields, combined with the lack of specific accountability within the Plan as to how the Office will measure progress towards those goals it has identified, thus fails to direct the Office towards fulfilling its Constitutional mission of securing patents to inventors in order “to promote the progress of [ ] useful arts.”<sup>4</sup>

## **II. The Plan Should Be Modified To Incorporate The Perspective Of The Public**

The Plan addresses only a portion of the Office’s responsibility to the public and should be modified to explicitly incorporate the perspective of the public at large, including future innovators who may be deterred from innovation by the issuance of unclear or invalid patents, risking harm to the public at large and to the fundamental purpose of the patent system.

### *A. Patent Applicants Are Not Customers*

The Plan embraces an inappropriate viewpoint by treating applicants as customers. The prevalence of this viewpoint within the Plan is illustrated by the simple fact that the word “customer” appears 70 times, while the words “inventor”, “invention”, and “invent” appear a total of 6 times combined.<sup>5</sup>

The Office is not a business, despite its focus on customers—and in at least two places, on “fee-paying customers.”<sup>6</sup> Its Constitutional mission is to determine if the grant of a patent is appropriate in order to provide for the progress of the useful arts, not simply to provide patents to those who pay fees to the Office. Treating applicants as “customers” implicitly places their needs and desires over those of the public, who might not interact with the Office on a daily basis. Despite that lack of interaction, the public relies on the Office to properly perform its mission in order to ensure that members of the public can practice what is already known and build on that knowledge.

Without an appropriate balance between the various stakeholders, the Office runs the risk of prioritizing the grant of patents, including patents that shouldn’t have issued. This risks tying up broad areas of technology and rendering known technology unusable. This is particularly problematic when broad patents are improvidently granted in newly developing areas (e.g., artificial intelligence, autonomous vehicles, augmented reality, or additive manufacturing), where smaller innovators may not have the resources to challenge patents and as a result may decide to innovate in other areas—or not at all.

During the early 2000s, the Office’s Corporate Plan defined its primary mission as “to help customers get patents.”<sup>7</sup> During this same era, the Office issued a significant number of low quality patents, some of which were the impetus for the creation of the covered business method review program and the America Invents Act as a whole.<sup>8</sup> The Office should not repeat its earlier mistake.

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<sup>4</sup> U.S. Const., art. I, § 8, cl. 8.

<sup>5</sup> “Applicant” appears precisely once.

<sup>6</sup> See Plan at 20.

<sup>7</sup> USPTO Corporate Plan at 20 (2000).

<sup>8</sup> See H.R. Rep. No. 112-98 at 54 (2011) (“the issuance of poor [quality] business-method patents during the late 1990’s through the early 2000’s led to the patent ‘troll’ lawsuits that compelled the Committee to launch the patent reform project 6 years ago”).

*B. The Office's Mission Is To Determine Whether A Patent Should Be Granted*

The Plan describes the Office's fundamental purpose as "to foster innovation, competitiveness and job growth by recognizing and securing IP rights."<sup>9</sup> However, the Office's primary mission is not to recognize and secure IP rights, but to determine whether a right should be recognized at all. Phrasing the Office's mission as "recognizing and securing IP rights" de-emphasizes the examinational role of the Office in favor of its role as grantor, a de-emphasis that serves to prioritize grants over examination.

This prioritization is mirrored in the Office's fee structure, which collects only 30% of fees from filing, search, and examination,<sup>10</sup> despite those tasks consuming the vast majority of the Office's budget. These fees significantly underfund the Office's examinational activities, with the operating costs met only if the Office grants a sufficient number of patents. As a single example, an applicant for patent pays a \$660 search fee and a \$760 examination fee.<sup>11</sup> However, the cost to the Office to provide these services is approximately \$4,500.<sup>12</sup> The inverse relationship is found in issue and maintenance fees, which have minimal cost to the Office but require substantial payments from applicants. The Office's fee structure thus prioritizes issuance of patents. CCIA supports the restructuring of patent fees so that more of the cost of examination is collected at the time of examination, avoiding reliance on uncertain issuance and maintenance fees, in order to improve the Office's ability to serve the public interest.

Similar to the "customer" focus described above, a focus on granting rights over determining whether grant is appropriate runs the risk of tipping the balance in favor of patent applicants and away from other stakeholders, with the concomitant risk of choking off economic growth and the innovation of others. One key method by which the Office can account for this risk is by ensuring that there is a reliable path for addressing whether rights should have been granted via *inter partes* review (IPR) and post-grant review (PGR) procedures. The Plan should explicitly recognize the role of IPR and PGR in ensuring that patent rights were properly granted, thereby promoting reliability and certainty for all stakeholders.

*C. The Office Must Take Into Account The Perspective Of The Public*

The Plan states that the Office faces a challenge because "U.S. patentability standards and patent opposition procedures continue to create uncertainty for rights holders."<sup>13</sup>

However, the Plan fails to address the uncertainty created by improvidently granted patents and the role that those same standards and procedures play in alleviating that uncertainty for both the public, including other innovators. Patentability standards help ensure that patents on abstract ideas are not issued by the Office and, when necessary, provide litigants with the ability to defend themselves against such patents. And opposition procedures provide increased assurance to the public that patents that should not have issued can be challenged in a fair and reliable manner in front of Administrative Patent Judges who have expertise in both the relevant law and the relevant technology.

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<sup>9</sup> Plan at 6.

<sup>10</sup> See USPTO Fiscal Year 2017 Performance and Accountability Review at 30 (2017).

<sup>11</sup> See USPTO Fee Setting Table of Patent Fees — Current, Proposed and Unit Cost (2018), available at <https://www.uspto.gov/about-us/performance-and-planning/fee-setting-and-adjusting>.

<sup>12</sup> *Id.*

<sup>13</sup> Plan at 35.

Similarly, the Plan states that “[t]o keep competitive in an increasingly globalized economy, large and small American businesses need as much certainty as possible in the creation, enforcement and protection of their IP, both domestically and abroad.”<sup>14</sup> However, this statement depends upon the Office properly making the original determination as to whether a grant is warranted. Large and small American businesses need to be certain of their ability to practice that which was already known and to innovate in new areas of technology without the risk of overly broad patents pre-empting the entire area.

The public—ranging from established competitors to startups looking to create new innovations to the interest of the public at large in being free to practice the known and the obvious without threat of litigation—has a significant interest in Office operations, and the Plan must recognize those interests. The issuance of invalid patents can deter, rather than promote, innovation, depriving the public of new advances and stifling economic growth. The lack of any sufficient recognition of these public interests renders the Office’s plan insufficient and imbalanced.

### III. The Plan Is Inconsistent With Recent Actions By The Office

The Plan sets forth several goals which are inconsistent with recent actions initiated by the Office.

For example, the Plan identifies the reliability of patent grants as important, stating that the “reliability of patent grants also extends to USPTO’s decision consistency.”<sup>15</sup> However, the Office’s recent proposal to change from broadest reasonable interpretation (BRI) to *Phillips* constructions in *inter partes* and post-grant reviews does the opposite. If the proposal is adopted, the result will in fact be an increase in the possibility of inconsistent decisions within the Office due to the use of the BRI claim construction standard in other Office proceedings such as *ex parte* reexamination and reissue.<sup>16</sup> This circumstance will decrease consistency, contrary to the goals set forth in the Plan.

Similarly, the Plan sets a goal for the Office to “optimize the fee structure under existing authorities” in order to “ensure that the fee schedule [] supports sound public policy.”<sup>17</sup> As described above, in the most recent round of fee-setting, the Office continues to rely on patent grants to subsidize examination operations.<sup>18</sup> Studies show that this fee structure can potentially result in the grant of marginal patents and distort grant patterns across technology areas.<sup>19</sup> The Office thus continues to apply a fee structure which has negative public policy impacts by both incentivizing the grant of patents that are on the margin of validity and by shaping the areas of technology which receive patents, creating technological winners and losers.

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<sup>14</sup> Plan at 17.

<sup>15</sup> Plan at 11.

<sup>16</sup> See generally Comments of CCIA *in re* Changes to the Claim Construction Standards for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board (2018), available at <http://www.ccianet.org/wp-content/uploads/2018/07/CCIA-Comments-on-the-Proposal-to-Adopt-the-Phillips-Standard-in-AIA-Trials.pdf>.

<sup>17</sup> Plan at 24.

<sup>18</sup> See *supra* Section II(B).

<sup>19</sup> See, e.g., Michael Frakes & Melissa Wasserman, *Does Agency Funding Affect Decisionmaking?: An Empirical Assessment of the PTO’s Granting Patterns*, 66 Vanderbilt L. Rev. 65 (2013), available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1986542](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1986542).

Finally, while not directly inconsistent with the Plan, in light of the recent severe outage experience in Office IT systems, the goals within the plan that address IT modernization must be prioritized.<sup>20</sup>

To the extent the Office wishes to adopt the goals set forth in the Plan, it should consider whether its recent actions have exemplified these goals.

#### **IV. Conclusion**

The Office's operations have a function in ensuring that the American economy thrives, providing applicants with a reward for innovation. However, the Office's operations also create the risk of choking off innovation and economic growth by granting patents that should not have issued. In order to ensure that this risk is avoided, the Office must ensure that the interests of all stakeholders—applicants, other innovators, and the public—are represented within strategic planning, and that no undue deference is provided to any one stakeholder group, regardless of whether they pay fees to the Office. In addition, the Office must ensure that its actions are aligned with the goals set forth in the Plan, reversing course on those actions which are inconsistent.

Respectfully submitted,

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<sup>20</sup> See, e.g., Plan at 22.