

# **Made to Measure: How an antiquated performance measure leads to bad patents**

**Lee A. Hollaar  
Professor, School of Computing  
University of Utah**

**October 31, 2007 version**

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Comments or suggestions on this proposal should be sent to  
hollaar@cs.utah.edu)**

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## **Introduction**

It is time for the United States Patent and Trademark Office (USPTO) to bring its current system for determining examiner performance into the 21st Century. There is no need to continue the current coarse-grained “count” system, which may have made sense when records were kept with paper and pencil, but has no justification now. It has been said that the measure determines the system, and that is certainly the case here.

Equally archaic is the patent fee structure, developed to make it easy for an applicant to determine the amount of the check included with the application. While there is a surcharge for long applications and claims beyond 20, that is only a very limited approximation of the effort required to examine the application. And even those surcharges aren’t considered when determining examiner performance.

In a recent report,<sup>1</sup> the Government Accountability Office noted that the assumptions the USPTO uses to calculate patent examiner production goals were established in the 1970s and have not been adjusted to reflect changes in science and technology. On October 4, 2007, the USPTO announced that it would begin a study to reevaluate examiner production goals.

This paper suggests changes to performance measure and application fees that will not only improve the examiners’ work environment, but also result in higher quality patents.

## **The present system**

The current “count” system is described in Section 1705 of the Manual of Patent Examining Procedures (MPEP). An examiner receives one count for a first action on the merits for an application. This will normally be a rejection of

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<sup>1</sup> *Hiring Efforts Are Not Sufficient to Reduce the Patent Application Backlog*, GAO-07-1102, September 2007.

one or more of the pending claims or an allowance. The examiner received a second count for the disposal of that application. Disposals include allowances, abandonments, requests for continued examination, an answer to an appeal, or the start of an interference if the application is otherwise in a condition for allowance. If the examiner allows all the claims in the first office action, two counts are received.

The expected amount of time to get these two counts varies by the experience of the examiner and the particular technology being examined. Primary examiners mechanical devices have only 11.2 hours, while computer systems and software it is 22.1 hours.<sup>2</sup>

The application fee system is equally simplistic. There is a standard fee – originally a single fee, but now consisting of a basic filing fee, a search fee, and an examination fee. If there are more than twenty claims or three independent claims, there is a surcharge for the additional claims. Recently, a surcharge for applications longer than 100 pages was added.<sup>3</sup>

This recognizes that applications with more claims require more work, as do longer applications. But while the USPTO collects additional revenue to support the additional work, it does not translate that into additional credit for the examiner performing that work on the particular application. The examiner receives the same credit for the disposal of a short application with few claims as for the applications with a large number of claims that the proposed rules try to address. That makes no sense.

In a hearing before Congress in 2005,<sup>4</sup> the president of the patent examiners' union noted that

Quotas established in 1976 are still in use today. In the meantime, technology is more complex, specifications are bigger, applications have more claims, and the amount of literature to be searched has ballooned. Electronic file wrappers cost examiners 1 to 3 hours of extra work per case. Examiners need a 20 percent increase in time per case.

Applicants pay substantial fees for excess claims, large specifications and information disclosure statements. Examiners must be given time proportional to these fees to ensure that applicants will get what they have paid for.<sup>5</sup>

According to a GAO survey, 67 percent of the patent examiners agree with union officials that the current production goals are among the primary reason that they would consider leaving the USPTO, 62 percent are dissatisfied with

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<sup>2</sup> National Academy of Public Administration, *US Patent and Trademark Office: Transforming To Meet the Challenges of the 21st Century*, August 2005, page 213, Table D-2.

<sup>3</sup> Effective for applications filed on or after December 8, 2004. See Pub. L. 108-447.

<sup>4</sup> *Review of U.S. Patent and Trademark Office Operations, Including Analysis of Government Accountability Office, Inspector General, and National Academy of Public Administration Reports*, Hearing before the Subcommittee on Courts, the Internet, and Intellectual Property of the Committee on the Judiciary, House of Representatives, September 8, 2005, Serial No. 108-48.

<sup>5</sup> *Id.*, at 149.

the time allotted to achieve those goals, and 50 percent are dissatisfied with how the goals are calculated.<sup>6</sup>

### **Gaming the measure**

The original count system gave the examiner a credit for each substantive action performed. But that rewarded the piecemeal examination of an application, so that each issue would be addressed in a separate action and give the examiner another count. With the advent of compact examination of applications, where all issues are to be addressed in the first office action, the change was made to the current system.

Rather than increase the count by piecemeal examination, some examiners now increase the possible count for an application in two new ways, amply demonstrating how the measure determines the system. First, the examiner can make a rejection “final,” generally on the second office action. This requires the applicant to pay a new fee to continue the examination. This, in turn, allows the examiner to receive a count for the disposition of the original application and another for the first action on the merits of the continuing application.

This had led to new USPTO rules that would limit the number of continuations.<sup>7</sup> While the rulemaking proposal noted that “The current volume of continued examination filings – including both continuing applications and requests for continued examination – and duplicative applications that contain ‘conflicting’ or patentably indistinct claims, are having a crippling effect on the USPTO’s ability to examine ‘new’ (*i.e.*, non-continuing) applications,”<sup>8</sup> it did not acknowledge that part of the reason for the problem with continuations may be the consequence of some examiners gaming the current performance measure. And the final rules do nothing to address this aspect of the problem.<sup>9</sup>

The second way for an examiner to increase the counts received for an application is to make a restriction requirement. Each divisional application requires its own fees and the examiner receives counts as if it were a separate application. Some patent practitioners feel that examiners sometimes issue restriction requirements to force an applicant to file additional applications to provide the opportunity for additional credits for examining a long or complex application.<sup>10</sup> That also highlights the difficulties caused by the current system of performance measurement and fees.

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<sup>6</sup> GAO-07-1102, at 16.

<sup>7</sup> 72 Fed. Reg. 46716 (August 21, 2007).

<sup>8</sup> 71 Fed. Reg. 48, 49 (January 3, 2006).

<sup>9</sup> On October 31, 2007, the District Court for the Eastern District of Virginia issued a preliminary injunction, halting the implementation of the rules. Perhaps the USPTO will take this opportunity to develop rules that recognize that some of its problems with continuations are the result of the current examiner performance measures. The new USPTO rules seem to ignore that the applicant has paid an additional fee to continue the examination, and when looking at the workload imposed by a continuation, not recognizing that that workload should be less than for a new application because the examiner is already familiar with the application.

<sup>10</sup> And, of course, to pay an additional application fee.

## **Toward a modern system**

As the USPTO has automated, it has become easier to collect the information needed to better credit examiners with the work that they have performed. For example, the USPTO already counts the number of pages for each document submitted by the applicant, as can be seen in the entries for the Image File Wrapper of an application.

With the advent of electronic filing of applications, many (if not most) applicants no longer pay the fees by including a check with their application, but by furnishing a charge card number. It no longer makes sense to have a fee structure that does not recognize the effort required for a particular application so the applicant can easily determine the amount of a check to mail with the application.

At the same time it reforms its internal performance measuring system, the USPTO should ask Congress for authority to charge for other things within the control of an applicant that require additional examiner time, such as voluminous information disclosures that are more calculated to bury the examiner in hopes of a quick initialing of the sheet for a reference so that it can't be used in later litigation. The USPTO should even consider recommending to Congress surcharges for particular technologies, such as business method patents where the "second set of eyes" program has improved examination quality but at a clear increase in cost.

To see how a change to the examiner performance measures and the fees charged to applicants can provide substantial benefits over the current system, consider the submission of pertinent prior art by the applicant and the effect of time and nature of claims during the prosecution of a patent application.

## **Submission of pertinent prior art**

For at least three times in 2006, the USPTO has tried to impose a requirement for an applicant to characterize the prior art submitted along with an application for the examiner to consider and, in fact, argue why the invention as claimed is patentable in light of that prior art.

The first time was as part of the proposed "Changes to Practice for the Examination of Claims in Patent Applications,"<sup>11</sup> where document descriptions are required as part of the Examination Support Document required when there are more than ten representative claims selected for initial examination.

It showed up again in the "Changes to Practice for Petitions in Patent Applications To Make Special and for Accelerated Examination,"<sup>12</sup> where document descriptions are required as part of the Accelerated Support Document that must be filed in order to jump to the head of the multi-year backlog of pending applications, or at least go to the end of the other applications that have cut in line by meeting all the requirements for "accelerated" examination.

Finally, under "Changes to Information Disclosure Statement Requirements and Other Related Matters,"<sup>13</sup> document descriptions would be

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<sup>11</sup> 71 Fed. Reg. 61 (January 3, 2006).

<sup>12</sup> 71 Fed. Reg. 36323 (June 26, 2006),

<sup>13</sup> 71 Fed. Reg. 38808, (July 10, 2006).

required for “English language documents over twenty-five pages, for any foreign language documents, or if more than twenty documents are submitted.”

All three proposals met with strong opposition, although the first two have been adopted.<sup>14</sup> Describing a prior art reference by a patent applicant can only hurt the enforceability of the granted patent. If it overstates what a reference shows, not only will the examiner rely on that overstatement, but so will an alleged infringer when trying to show that the patent is invalid in view of the prior art. If it understates what the reference shows, the alleged infringer will claim that the patent is invalid because of “fraud on the patent office” (or the nicer way of saying that, “inequitable conduct”). The “fraud” may not even be relevant to the infringement, but simply a way that a true infringer can weasel out of liability.

### **An incentive to help the examiner**

By changing the examiner performance measure and the fee structure, as well as a simple statutory change to make prior art considered by the examiner more valuable in later litigation involving the issued patent, both the examiner and the applicant will benefit.

Submission of prior art beyond a nominal number of pages should be subject to a fee based on the number of additional pages submitted by the applicant. At the present time, there is only a charge when an Information Disclosure Statement is filed late in the prosecution of the application, and that charge is not dependent on the size of the filing. The new fee structure should be based instead on the number of pages filed so that the applicant is encouraged to file pertinent prior art and not a box of semi-related material. The USPTO would be paid and the examiner credited for the time necessary to properly consider the documents.

A substantially-reduced fee should be available when the applicant also provides suitable information to help the examiner understand the important parts of the document and its relevance to the claims under examination, especially if submitted before the initial examination of the application. The examiner can count on the accuracy of the information supplied by the applicant, and doesn't have to separately review the submitted material, because any mischaracterization of the material would be brought up by the defendant when the patent is litigated to invalidate the patent.

To warrant a surcharge to cover the time necessary for an examiner to review each prior art document submitted by an applicant and comment for the file on how it relates to the patentability of the claimed invention, the USPTO should ask Congress or the courts to give deference only to the fact-finding of the examiner with respect to the prior art considered.<sup>15</sup> Then, applicants will

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<sup>14</sup> The final rules abandoned the requirement for an examination support document when there were more than 10 representative claims, instead imposing it when there are more than five independent claims (or dependent claims that cross statutory classes) or more than 25 total claims. See 72 Fed. Reg. 46716 (August 21, 2007).

<sup>15</sup> Right now, through what may be a misunderstanding of a Supreme Court decision, there is no special deference given to the examiner's fact finding, with clear and convincing evidence required whether the particular prior art has been considered by the examiner or not. See Hollaar and Knight, “Unclear and Unconvincing: How a

have an incentive to submit the most pertinent prior art (to get the heightened deference) and also a disincentive not try to bury the examiner in prior art (because they will be paying for the volume they submit). The submission fees and performance credits will give the examiner the time to read and understand every document that the applicant submits. Applicants can also benefit from providing a description of the submitted art, not only in as a substantially-reduced submission fee but also in having their characterization influence the examiner's fact-finding with respect to the submitted art.

### **Claiming to aid prosecution efficiency**

The USPTO has noted that “applications which contain a large number of claims continue to absorb an inordinate amount of patent examining resources, as they are extremely difficult to properly process and examine.”<sup>16</sup> But even though the USPTO collects additional fees for applications with more than twenty claims or three independent claims, they don't credit the examiner for the extra work.

Surprisingly, there is no charge made when an examined-and-rejected claim is replaced by a new claim, even though this may require a completely new search by the examiner (unless the examiner can issue a final office action and make the applicant pay for continued prosecution).

And except for the distinction between independent and dependent claims, there is no difference in the fee for a claim regardless of whether its form makes examination more difficult. For example, a *Markush*-type claim may require the searching for prior art for all the alternatives given in the claim element that has alternatives, yet it is treated as any other claim instead of recognizing the extra work required as is done for a multiple dependant claim.<sup>17</sup> Again, while this made sense when it was necessary to have a simplified fee system so that an applicant could determine the amount of the check to mail with the application, this makes little sense today.

### **Special treatment for after-allowance claims**

The USPTO has noted:

The Office's current practice for examination of claims in patent applications provides for an initial examination of each and every claim, independent and dependent, in every Office action on the merits of the application. The Office's current practice for examination of claims in patent applications is less efficient than it could be because it requires an initial patentability examination of every claim in an application, notwithstanding that this effort is wasted when the patentability of the dependent claims stand or fall together with the independent claim from which they directly or indirectly depend. Thus, the Office is

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misunderstanding lead to the heightened evidentiary requirement in patent litigation,” <http://digital-law-online.info/papers/jk/unclear.htm>.

<sup>16</sup> 71 Fed. Reg. at 62.

<sup>17</sup> The USPTO has recognized this problem, proposing new rules directed at *Markus*-type claims and other claims that state alternatives that require additional searching. See 72 Fed. Reg. 44992 (August 10, 2007).

proposing to delay the patentability examination of most dependent claims until the application is otherwise in condition for allowance. The Office, however, will examine every claim in an application before issuing a patent on the application.<sup>18</sup>

This recognizes that many dependent claims have little to do with patent prosecution, but instead provide fall-back positions if a claim is held invalid because of prior art put forward in litigation. There is little need to examine such claims beyond a simple determination that they are of proper form and that they have support in the specification.

One possible approach would be to allow such claims to be added to an application after allowance, at a reduced fee and with little delay in issuance of the patent. Perhaps only a nominal fee would be charged if a document was supplied indicating where the support for the added limitation of the dependent claim can be found in the specification. Since the applicant is not being asked to characterize the work of others, but only point the examiner to a portion of the application, the chance that this would result in a charge of inequitable conduct is negligible.

Because such after-allowance dependent claims would not be examined separately against prior art, since they contain all the limitations of a claim allowable in light of all the prior art considered by the examiner, they should only enjoy a presumption of validity with respect to whether they are definite and supported by the specification. But any presumption of validity of such claims when prior art not considered by the examiner is asserted in litigation is weak anyway, which is precisely the time they are necessary – because a fully-examined claim has been invalidated on new art.

Surprisingly, the USPTO appears not to recognize how holding off filing dependent claims until only a pro forma examination is required, instead of requiring additional searching in the initial examination for the added limitations of the dependent claims, would aid in the examination of an application.<sup>19</sup> Instead, it hopes to reduce pendency and improve quality by limiting claims by requiring a burdensome examination support document if there are more than 25 total claims.

To encourage holding off filing dependent claims until after the allowance of their parent claims, there should be a substantially higher fee for dependent claims examined during the prosecution of the application, recognizing the need for additional searching and often the determination of a reason for combining two or more references, and a minimal fee if they are filed after allowance.

Another time when after-allowance claiming can improve examination efficiency is when the invention can be divided into two or more distinct components, such as a transmitter portion and a receiver portion. These must be claimed separately (often along with claims for the overall system) when there is a viable market for just one component of the patented invention. If the invention were claimed only as the overall system, at best a competitor producing the component would be only a contributory infringer and would have no liability if some substantial noninfringing use of its product could be shown.

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<sup>18</sup> 71 Fed. Reg. at 62.

<sup>19</sup> Response to Comment 324, 72 Fed. Reg. at 46825-46826.

However, once the patentability of the overall system has been determined, the examination of claims for the components is straightforward, particularly if the claims are written in a form that incorporates the same limitations of the overall system claims.

While the examiner performance measure should be expanded to consider the number of claims reviewed by the examiner during the prosecution of the application, because of the reduced work for the examiner in handling after-allowance claims, they should only result in a reduced credit when compared to claims being actively prosecuted.

### **Examination of claim sets**

There is another reason why dependent claims are presented in an application, only partially recognized by the USPTO “representative claim” proposal. They can substantially aid in the prosecution of the application by proposing a range of alternatives for the broadest scope of the patent, and allowing the examiner to indicate where he or she would draw the line given the prior art located as the first office action is being prepared.

The USPTO proposal discouraged this by requiring that any dependent claims that are part of such a “claim set” be designated as a representative claim to be examined and count toward the ten representative claims that are allowed to be designed before the burdensome “examination support document.”

#### ***Efficiency in examination***

This does not recognize how a claim set can be efficiently examined. Dependent claims include additional limitations and therefore require additional searching by the examiner. But the examiner need only search for prior art that would cause the rejection of the last, and narrowest, dependent claim of the claim set and if such art was not found, determine from the references whether any of the broader claims in the set are patentable.

The examiner would indicate this by rejecting any claim that is unpatentable based on the prior art found in the search, but only objecting to the dependent claims that would be patentable over the found prior art and indicating that the claim would be patentable if rewritten as an independent claim incorporating all the limitations of the claims on which it depends, as is already the practice.<sup>20</sup> The applicant would then copy those limitations into the dependent claim and have that new independent claim allowed.

If applicants thought that the examiner had drawn the line too strictly, they could then reply based on the differences in scope between the allowable and rejected claims and how those are addressed in the prior art. If it was desirable to receive a patent quickly, the claims in contention could be cancelled, allowance taken after rewriting the objected-to claim, and a continuing application filed containing the claims in contention and a terminal disclaimer.

This is exactly the type of efficient prosecution the USPTO should be encouraging though the fees for claims. A special fee, less than the cost of a independent claim and the dependent claims in the designated claim set should be given for each claim set designated by the applicant.

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<sup>20</sup> See MPEP 608.01(n)V.

### **Replacing most divisional requirements**

The use of claim sets for efficient examination could substantially reduce the need for many restriction requirements, where the examiner makes the applicant prosecute only a subset of the initial claims and file divisional applications for the remaining claims. Some have said that the current count system encourages this as a way for an examiner to get not only two counts for the original application, but two counts for each divisional application.

The most common restriction requirement is when two forms of the same invention are claimed without also claiming only the common elements of those forms (species claims with no genus claim), or when two different classes of invention are claimed such as a composition of matter and a particular method of using that composition of matter.

For example, a restriction requirement may be proper if one claim has elements A, B, and C and another claim has elements A, B, and D, but only if there is also not a claim with elements A and B. But whether the A,B claim is present or not, the examiner has to search for prior art for both those elements and uses the results for examining both the A,B,C and the A,B,D claims. The requirement for divisional applications to increase fees and provide additional credit for the examiner is far too coarse-grained.

The use of claim sets can provide an alternative to restriction requirements as a way to increase fees and examiner counts. Claims A,B,C and A,B,D would be in different claim sets, and require separate fees. (The claim set including A,B,C could be independent claim A, dependent claim A,B adding B to claim A, and dependent claim A,B,C adding C to claim A,B.) There should be some reduction in the fees recognizing that both claims A and A,B are part of both claim sets.

### **A problem from the Federal Circuit**

But that many not be enough to encourage this helpful way of claiming. Under the Federal Circuit's opinion in *Honeywell v. Hamilton Sundstrand*,<sup>21</sup> restating a dependent claim in independent form by simply copying all the limitations of its parent claims is a narrowing amendment, and therefore a surrender of the doctrine of equivalents.

This problem can be avoided by writing all the claims to be considered in independent form (and paying a slightly-higher fee), since cancellation of claims not patentable should not prejudice the allowable independent claims, which would have a possible scope under to doctrine of equivalents up to the rejected claims. But the examination is complicated because the examiner must now determine how one independent claim differs from another. If one is simply a copy of another with a limitation added (as would be the case with a dependent claim), then this only requires a word-for-word check to determine what has been copied. However, if the claim is stated somewhat differently, it may require a separate search strategy on the part of the examiner.

The USPTO should work with other interested parties to have Congress legislatively overturn the Federal Circuit's *Honeywell* decision, because the advantage to the long-standing practice of using dependent claims to make examination more efficient should be promoted, not penalized.

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<sup>21</sup> 370 F.3d 1131, 71 USPQ2d 1065 (Fed. Cir. 2004).

## Examination support for functional claim elements

When a claim element is written using functional language under Section 112, sixth paragraph, the examiner must locate that portion of the specification that gives the corresponding structure, material, or acts. This may be difficult if such portions are not clearly indicated, and a mistaken determination by the examiner leads to a wasted office action and response.

Applicants should be encouraged to furnish information for each functional claim element as to where the structure, material, or acts that support it are located in the specification.<sup>22</sup> This is already required in appeal briefs filed with the Board of Patent Appeals and Interferences.<sup>23</sup>

There should not be concern on the part of applicants in providing this information, in contrast to characterizing prior art publications, because who better than the applicant knows where they described the structure, material, or acts that they were contemplating when they wrote the functional claim element.

There should be a surcharge for each functional claim if it is necessary for the examiner to locate the corresponding structure, material, or acts in the specification, and indicate where they are located for the record, because the applicant has not provided that information. Too often now, the examiner does not have the time to comb the specification for the information. A surcharge if the examiner has to locate and identify this information would support giving the examiner credit for the time spent.

Having the location of the corresponding structure, material, or acts on the record, either because it was provided by the applicant or as a finding made by the examiner, would also substantially help in the proper interpretation of the claim by someone reviewing the patent or by a court when the patent is being litigated.

## Simplified claiming for multi-class inventions

It is common for software-based inventions to include claims in at least two classes: method (“process” in the statute) and system (“machine” in the statute). As the result of the USPTO’s acceptance of computer program product (*Beauregard*-type) claims in its examination guidelines, a third statutory class is generally included: “manufacture.” Some have suggested extending the manufacture class to include propagated signals carrying a program that implements the patented method.<sup>24</sup>

This multiplicity of claims does not impose an additional burden on the examiner if a claim strategy emphasizing the patentable method and reaching

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<sup>22</sup> *In re Donaldson*, 16 F.3d 1189, 29 USPQ2d 1845 (Fed. Cir. 1994).

<sup>23</sup> “[E]very means plus function and step plus function as permitted by 35 U.S.C. 112, sixth paragraph, must be identified and the structure, material, or acts described in the specification as corresponding to each claimed function must be set forth with reference to the specification by page and line number, and to the drawing, if any, by reference characters.” 37 C.F.R. § 41.37(c)(1)(v).

<sup>24</sup> See, for example, Linck and Buchanan, “Patent Protection for Computer-Related Inventions: The Past, the Present, and the Future,” 18 *Hastings Comm/Ent L.J.* 659 (1996). But see *In re Nuijten*, 2007 U.S. App. LEXIS 22426 (Fed. Cir. 2007), holding that such claims do not fit into any of the four statutory subject matter categories.

the other classes through simple dependent claims is used. For example, if claim 1 is in the form:

1. A method operating on a digital computer, the method comprising:  
[Step one of the method];  
[Step two of the method];  
. . . ; and  
[The last step of the method].

Then, with boilerplate support in the specifications, the apparatus and article of manufacture can be claimed as:

2. A digital computer system programmed to perform the method of claim 1.
3. A computer-readable medium storing a computer program implementing the method of claim 1.

The claims are clearly presented in a way that helps the examiner by highlighting the patentable aspects being claimed (the particular method) and requires little additional work for the other two statutory classes. Such claiming should be encouraged by the USPTO, perhaps by not charging for dependent claims in the form above.

Such claims outwardly resemble “product-by-process” claims:

1. A method for manufacturing [product], the method comprising:  
[Step one of the method];  
[Step two of the method];  
. . . ; and  
[The last step of the method].
2. The product of the process of claim 1.

However, while the cross-class claims for the software technique require no additional search and only need to be examined as to form, because their novelty and nonobviousness depend solely on the method claim, the opposite is true for product-by-process claims. As noted in the MPEP, “The lack of physical description in a product-by-process claim makes determination of the patentability of the claim more difficult, since in spite of the fact that the claim may recite only process limitations, it is the patentability of the product claimed and not of the recited process steps which must be established.”<sup>25</sup>

However, new USPTO rules actually penalize this form of claiming by treating such dependent claims as if they were really independent claims.<sup>26</sup> That means that such dependent claims would be counted toward the five independent claims beyond which an examination support document must be filed, not just toward the 25 total claims.<sup>27</sup>

While both types of cross-class claims are dependent claims now entitled to a lower fee, clearly, the USPTO should charge more, and provide appropriate

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<sup>25</sup> MPEP 2113, citing *In re Brown*, 459 F.2d 531, 535, 173 USPQ 685, 688 (CCPA 1972).

<sup>26</sup> New 35 CFR 1.75(b)(2), second sentence.

<sup>27</sup> The USPTO seemed to ignore this problem for software-based inventions and the ease in which it can be solved with little extra work for the examiner, instead discounting the burdensome effect of the requirement for an examination support document in limiting the number of claims an applicant will file. See Response to Comment 202, 72 Fed. Reg. 46794.

performance measure credit, for product-by-process claims because of their extra search and examination requirements. But at most only a nominal fee should be charged for cross-class dependent claims for software-based inventions in the form discussed above, since they require no additional searching and little extra examination.

## Recommendations

Congress should amend the patent statutes to give the USPTO authority to set fees, subject to appropriate oversight, based on the effort required to handle items filed by an applicant. It makes little sense to establish fees for the handling of additional or dependent claims by legislative fiat, especially when the effort to process such claims differs dramatically depending on when they are presented and their form.

Instead, Congress should simply indicate the total fees to be charged for a basic application – one in a conventional technology that is simple to examine, such as a mechanical device, with a limited number of claims, such as the current threshold of three independent and twenty total, whose application is has fewer than 100 pages. The level of examination given a patent application (which could run the gamut from simply examining the application as to form to spending hundreds of hours searching and reviewing prior art) should be decided by Congress, balancing the quality of initial examination with reducing applications (and through those, disclosures of prior art) because of higher fees. This is similar to what is done when a private party orders a patent search, indicating a dollar amount for the search as a proxy for the depth of searching desired.

Based on that Congressional authority and indication of the level of effort for examining a basic application, the USPTO can then determine the factors that require additional examiner effort that are within the control of the applicant, such as the nature of the claims and when they are presented or the submission of prior art. For each of those factors, an appropriate surcharge and examiner performance credit should be determined.

At the same time, the USPTO should develop ways to improve examination efficiency and promote them through preferential fees. This could include substantially lower charges for after-allowance dependent claims, especially when accompanied with supporting information, and the use of claim sets to give the examiner a number of options in determining patentability. A possible surcharge for functional claim elements, recognizing that they require the examiner to determine the corresponding structure recited in the specification before examining the claim, could be reduced or remitted if the applicant indicates in an additional filing where the structure is described in the specification.

To encourage the submission of prior art by the applicant, Congress should amend Section 282 to indicate that heightened deference is to be given only to the actual fact-finding by the USPTO. Such an amendment might change the first sentence of that section to read: “A patent shall be presumed valid, *and rebutting any finding of fact made by the Patent and Trademark Office shall require clear and convincing evidence.*” The accompanying legislative history would indicate that any other fact-finding would follow the normal standard for civil litigation – a preponderance of the evidence.

Finally, Congress should statutorily overrule the Federal Circuit's misguided decision in *Honeywell v. Hamilton Sundstrand* by amending Section 112 to make it clear that amending a dependent claim by including the limitations of its parent claims does not affect doctrine of equivalents considerations. This could be done, for example, by changing the last sentence of the fourth paragraph to read: "A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers, *and any later incorporation of those limitations in the claim shall not be considered a narrowing amendment of the claim.*"

## **Conclusion**

The present statutory fee structure and examiner performance measure is an artifact of the need for simplicity no longer justified when computers track all the material submitted by the applicant and credit cards are used to authorize fee payment rather than having to determine the fee and attach a check to the application.

But many of the problems that the USPTO is trying to address through recent rulemaking proposals, such as excessive claims and continuations or having the applicant supply and characterize prior art, don't recognize that those problems are artifacts of the current fee structure and performance measures. Since the measure often determines the system, the real solution is going to measures – fees and performance counts – that promote more efficient and better examination.