

**Responses to Questions for the Record for
Michelle K. Lee
Nominee for Under Secretary of Commerce for Intellectual Property
and Director of the U.S. Patent and Trademark Office (USPTO)**

Submitted on February 5, 2015

Senator Chuck Grassley (R-IA)

1. **You've stated that "[w]e need to fix the problem of abusive patent litigation, but we need to do so without diminishing the rights of legitimate patent holders."**

- a. **Can you describe specifically what such a reform would look like?**

Answer: Our patent system, especially recently, has experienced numerous changes on many fronts including in the courts and through administrative agencies such as the United States Patent and Trademark Office (USPTO) and the Federal Trade Commission (FTC). Helpful reform, whether judicial, administrative or legislative, would curtail abusive patent litigation practices while preserving the rights of patent owners to effectively enforce legitimate patents against infringement. Even with changes that have occurred in the courts and administratively, I believe there can and should be further legislative improvements to our patent system. As I stated in my hearing, each branch of the government has an important role to play in ensuring that our patent system is as strong as it can be. If confirmed, I look forward to working with all stakeholders, Congress, the judiciary and other parts of the Administration, to determine how we can together achieve meaningful and balanced reforms that strengthen our patent system for our innovators.

- b. **What are the rights of legitimate patent holders that might be threatened by efforts to curb abusive patent litigation?**

Answer: Efforts intended to curb abusive patent litigation practices should target those practices and not prevent a patent owner from asserting his or her legitimate patent right to exclude an infringer from making, using, selling, offering for sale or importing his or her patented technology.

- c. **How, specifically, do you think the right balance could be struck?**

Answer: The right balance can be struck through a thorough, careful consensus-based review of proposed legislative initiatives by Congress and the Administration in consultation with a diverse group of stakeholders in the patent community.

2. **What do you believe is the most pressing patent reform that could be accomplished legislatively? Administratively?**

Answer: I believe that legislation considered in the 113th Congress in the Senate and the House of Representatives addressed many of the key issues that ought to be considered as part of further legislative reforms. The specifics of any particular proposed reform should be considered and weighed against other legislative proposals as well as the impact of other recent changes (legislative, judicial and administrative) to our patent system to ensure meaningful and balanced improvements.

With respect to important reforms that can be implemented administratively, the Office is currently engaging with its stakeholders to consider changes that might be made to, among other things, the

new trial proceedings that the Office recently implemented pursuant to the 2011 *Leahy-Smith America Invents Act* (AIA). The Office conducted a nationwide listening tour on this subject in April and May of 2014. As a result, in June of 2014, the Office published a Request for Comments in the *Federal Register* and, at stakeholder request, extended the period for receiving comments to October 16, 2014. The Request for Comments asked 17 questions on ten broad topics, including a general catchall question, to elicit any proposed changes to the AIA post-grant program that stakeholders believe would be beneficial. The Office received 37 comments from bar associations, corporations, and individuals encompassing a wide range of issues. The Office is carefully reviewing all comments received in response to the Request for Comments and plans to issue an initial set of rules and/or guidance changes in the second quarter of fiscal year 2015 that encompass simple modifications. After two years of experience with these proceedings, the goal is to consider targeted refinements to the USPTO's implementation of these proceedings to ensure consistency with Congress' intent in enacting the AIA.

Also, the USPTO is implementing a new Enhanced Patent Quality Initiative that will build toward excellence in three core areas: (1) examining patent applications; (2) customer service; and (3) quality measurement. On March 25-26, the USPTO is planning a two-day Patent Quality Summit to share with the public the USPTO's proposals on each of these three areas and to solicit the public's input on these and any other patent quality enhancing ideas. If confirmed, I look forward to continuing this important initiative at the USPTO.

- 3. You've stated that "[c]reating a world-class quality patent system means that we need to keep all options on the table—big and small, before examination, during examination, and post-examination[.]" What are some specific reforms you have in mind for each stage of the patent examination process that would improve the quality of patents?**

Answer: Before examination, it is essential that patent applicants and their attorneys or agents have a clear understanding of the patentability standards applicable to their inventions. The USPTO can help by providing readily available information regarding USPTO's examination procedures, guidelines and patentability requirements as well as "best practice" information to patent applicants. During examination, it is critical to ensure that the examiners have substantive, targeted training in their fields of technology and access to relevant prior art. After examination, it is important to maintain effective, expedient and low cost post-issuance administrative review proceedings that provide an alternative to costly and protracted federal court litigation. All these efforts are dependent on the USPTO having continued full access to its fee collections through the appropriations process.

- 4. According to a recent report in Retraction Watch, the Patent and Trademark Office (PTO) currently employs Dr. Bijan Ahvazi, who previously had worked at a division of the National Institutes of Health (NIH). While at NIH, Dr. Ahvazi faked findings in three different papers. In October 2014, the Office of Research Integrity banned Dr. Ahvazi from participating in Public Health Service related research without supervision for two years. According to the news report, Dr. Ahvazi continues to be employed by PTO as a patent examiner, and made over \$126,000 in 2013.**

- a. Is it true that Dr. Ahvazi continues to be employed by PTO?**

Answer: Dr. Ahvazi has been employed by the USPTO since January 2008.

- b. If so, if you are confirmed, will you continue to allow Dr. Ahvazi to review patents, despite his research misconduct? Why or why not?**

Answer: USPTO actions regarding employee conduct are subject to procedural restrictions. Every patent examiner has his or her performance tracked and reported bi-weekly. Examiners are subject to performance-based action for poor performance at the end of every quarter and at the end of each fiscal year. During each bi-week, quarter and fiscal year, an examiner must maintain an acceptable level of examination quality with respect to any of the numerous examination duties set forth in the quality element of the performance appraisal plan (PAP) for which the examiner is responsible at his or her grade and level of authority. If confirmed, I will ensure that employees are held accountable for both their performance and conduct using the procedures available to me.

- c. What actions would you take to make sure that there is no fraudulent activity by patent examiners at PTO?**

Answer: If confirmed, I would continue USPTO's efforts to prevent misconduct through training and other measures, and to investigate and address misconduct when it does occur. I would also continue to appropriately refer waste, fraud, and abuse to the Department of Commerce Inspector General as appropriate.

- d. Do you believe that hiring someone with a history of fraud like Dr. Ahvazi's indicates a fundamental flaw in PTO's hiring practices? If so, what steps would you take to investigate the issue and take corrective action? If not, why not?**

Answer: The USPTO makes every effort to hire well-qualified patent examiners who possess technical, legal and communication skills to perform effectively the job of patent examination. In addition, as with many other federal agencies, the USPTO conducts an extensive background investigation for suitability to perform the job.

Once hired, patent examiners are routinely evaluated on performance, and are subject to disciplinary action, including termination, suspension or reprimand, for misconduct or inadequate performance.

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Senator Orrin G. Hatch (R-UT)

- 1. When you appeared before this committee in December, you said, “There continues to be a problem with abusive patent litigation and I believe there can and should be further legislative improvements.”**

Do you still agree that Congress should pursue patent troll legislation?

Answer: Yes, I believe there can and should be further legislative improvements to our patent system to address litigation abuse. As I said in my confirmation hearings, each branch of the government—the judicial, executive and legislative—has a role to play to ensure that our patent system is as strong as it can be. Congress has a role to play in crafting balanced, meaningful and consensus-based legislation that strengthens our patent system for all innovators. And, the United States Patent and Trademark Office (USPTO) has a role to play, including the effective implementation of the 2011 *Leahy-Smith America Invents Act* (AIA), seven administrative actions designed to increase the clarity of patents and level the playing field for all innovators, and a recently announced Enhanced Patent Quality Initiative.

- 2. Section 285 of the Patent Act was Congress’s attempt to deter bad behavior in patent litigation. Yes or no, do you agree that Section 285 has failed to achieve its objective?**

Answer: No. Many courts have made appropriate determinations of what constitutes “exceptional cases” and awarded attorney fees to the prevailing party when warranted by the facts of a particular case. However, as good stewards of our patent system, it is incumbent upon all of us to determine whether and how we might further strengthen our system through meaningful and balanced reforms in light of the rapidly evolving technical, business and legal environments. If confirmed, I look forward to working with our stakeholders, Congress and other parts of the Administration to make our patent system the best it can be.

- 3. Yes or no, do you believe that Section 285 needs to be amended to deter abusive and meritless litigation?**

Answer: A carefully crafted amendment could build upon recent court cases related to awards of attorneys fees. If confirmed, I look forward to hearing from a wide range of stakeholders on any changes needed to section 285.

- 4. Yes or no, do you agree the Supreme Court’s cases in *Highmark* and *Octane Fitness* do nothing to ensure the recovery of fee awards from insolvent shell corporations?**

Answer: I am unaware of any cases that have involved an insolvent shell corporation and a court’s consideration of awarding attorney fees to the party prevailing against such corporation.

5. **Understandably, the USPTO is focused on reducing the backlog and pendency of its patent applications. If confirmed, what will you do to ensure that patent examinations are of the highest quality? Obviously, the issuance of high quality patents would greatly minimize exposure to abusive litigation practices by trolls.**

Answer: Enhancing patent quality will continue to be a top priority for the USPTO. The USPTO is implementing a new Enhanced Patent Quality Initiative that will build toward excellence in three core areas: (1) examining patent applications; (2) customer service; and (3) quality measurement. On March 25-26, the USPTO is planning a two-day Patent Quality Summit to share with the public the USPTO's proposals in each of these three areas and to solicit the public's feedback on these and any other quality enhancing ideas. Further, I recently created a new position of Deputy Commissioner for Patent Quality, which will be charged with identifying the ways that the USPTO can further enhance patent quality. If confirmed, I look forward to continuing this important initiative.

6. **From your earlier answers on the Sensitive Application Warning System (SAWS), I understand that applicants are not "generally" notified when an application is placed in the SAWS program. Are there circumstances under which an applicant is notified that their application is in the SAWS program? If so, what are those circumstances?**

Answer: The Sensitive Application Warning System program is one of many internal efforts that the USPTO has in place to ensure that only the highest quality patents are issued by the Office. By bringing an additional quality assurance check to a very small number of pending patent applications, this program ensures that applications that could potentially be of great interest to the public are properly issued or properly denied.

There are currently no circumstances under which an applicant is formally notified that his or her application is subject to this program. However, it is possible that applicants may become aware informally of their inclusion in the program during the prosecution of their application.

7. **I understand that interested parties have submitted Freedom of Information Act (FOIA) requests for a list of applications that have been flagged for the SAWS program and that these requests have been denied under FOIA exemption (b)(5). Do you agree that information relating to the applications included in the SAWS program should remain hidden from the public and the applicants? If so, why?**

Answer: The Sensitive Application Warning System program is a quality assurance check which is part of the pre-decisional, deliberative process for certain patent applications. The Office has provided information about the very small percentage of applications in this quality assurance program, approximately 0.04% or roughly 200-300 applications out of a total of more than 500,000 new applications filed per year. Publicly identifying which applications have undergone review under this program may color those applications in the public's eye and lead to unjustified inferences as to the issued patent's strength or weakness.

8. **In your earlier answers on the SAWS program, you stated that an application in the program “undergoes the same types of examination procedures as any other patent application, and is held to the same substantive patentability standards.” You also indicated that the SAWS program acts as “an additional quality assurance check.” If applications in the SAWS program undergo the same examination procedures and are held to the same patentability standards, how are they treated differently than applications not in the SAWS program?**

Answer: From a procedural perspective, these applications undergo the same types of examination procedures. The additional quality assurance check ensures that the USPTO is properly issuing or properly denying these applications.

9. **When can this Committee and stakeholders expect the interim guidance on subject matter eligibility to be updated, including with software claim examples? Please be as specific as possible.**

Answer: The USPTO has already updated its interim guidance on subject matter eligibility and provided software claim examples. The Office updated its interim guidance on December 16, 2014, and provided software claim examples on January 27, 2015. The USPTO also held a public forum on January 21, 2015, to discuss the guidance and receive feedback from our stakeholders, and is now in a 90-day public comment period on the guidance and accompanying examples. Currently, the Office is engaged in training its examiners on the interim guidance and the claim examples, and will shortly make those training materials available to the public.

After the comment period closes on March 16, 2015, the USPTO will carefully consider and evaluate the comments and feedback from the public, as well as recent court developments, and determine whether any further changes to the 2014 interim guidance are necessary. If changes are needed, the USPTO will determine the best way to promptly communicate these changes to patent examiners and the public, such as through additional examiner training, additional examples and/or revised guidance published on our website. The USPTO does not have a specific date for additional guidance updates at this time because the USPTO needs to evaluate the case law developments and input from the public to determine whether, and to what degree, changes may be needed.

10. **I have heard from stakeholders who are concerned that the interim guidance on subject matter eligibility does not provide enough direction to examiners on evaluating what is an “abstract idea,” particularly as it relates to software. When the interim guidance is updated, will it include more direction and examples to assist examiners in this evaluation?**

Answer: Yes, in fact, the USPTO already issued an update to the guidance including software claim examples on January 27, 2015, which provides direction to examiners on evaluating what an “abstract idea” is in the context of software-related inventions. The USPTO has been mindful to craft guidance and training materials that direct examiners to identify “abstract ideas” by comparing claimed concepts to the types of ideas that the courts have found to be abstract. As the courts continue to apply and interpret *Alice Corporation Pty. Ltd. v. CLS Bank International, et al.* in future decisions, the USPTO may provide additional software-related claim examples to further inform examiners and our stakeholders about the evaluation of “abstract ideas.”

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Senator Lindsey O. Graham (R-SC)

- 1. The America Invents Act, signed into law in 2011, required the establishment of USPTO satellite offices, which bring many of the USPTO's services to regional locations. In your opinion, have the USPTO satellite offices been a success? If so, what has made them successful?**

Answer: Yes, I believe that the United States Patent and Trademark Office (USPTO) satellite office program, even in its early stages, meaningfully benefits our nation's innovation communities and the Office. In fact, I served as the first regional director of the Silicon Valley satellite office, and I take great pride in leading the development of this program.

As prescribed by the 2011 *Leahy-Smith America Invents Act* (AIA), the USPTO has established four satellite offices across the United States, permanent offices in Detroit and Denver and temporary offices in Silicon Valley and Dallas—permanent offices are scheduled for completion for both of the latter locations later this year.

In all four satellite office regions, we have successfully increased and expanded outreach activities to the members of the local innovation communities, including independent inventors, businesses technology incubators, intellectual property practitioners, schools, universities, bar associations, trade associations and other government offices. Additionally, the USPTO has been able to recruit highly qualified patent examiners for both the Detroit and Denver offices, and the same is expected for the Silicon Valley and Dallas locations. The USPTO expects the retention rate of the new patent examiners in the Detroit and Denver offices will be consistent with or exceed that of new examiners in Alexandria. Together, the recruiting and retention of highly qualified patent examiners contributes to patent application backlog reduction and enhances the quality of patent examination.

The USPTO has also been able to hire Administrative Patent Judges in each of the four satellite offices to reduce the Patent Trial and Appeal Board's (PTAB's) appeal and trial inventory. Nearly 20 percent of judges are based in the satellite offices; many of them would not have considered a career in government service but for the availability of employment at the satellite offices.

Finally, the satellite offices provide stakeholders with easier access to USPTO services including prior art searching, examiner interviews, and PTAB hearings. Also, the USPTO benefits from increased input from a wider range of stakeholders on its policies, programs, and procedures, enabling the Office to better serve our nation's innovators.

- 2. What criteria does the USPTO consider when deciding where to place one of these satellite offices? Is geographic diversity one of the criteria the USPTO should consider?**

Answer: Yes, geographic diversity of the satellite office locations was one of our selection criteria. In fact, the AIA provided a number of criteria to consider during the selection of the satellite office locations, including:

- geographic diversity among the offices;

- ability to achieve the purposes of the satellite office, including increasing outreach activities to patent filers and innovators, improving recruitment and enhancing patent examiner retention, decreasing the number of patent applications waiting for examination, and improving the quality of patent examination;
- availability of scientific and technically knowledgeable personnel in the region from which to draw new patent examiners at minimal recruitment cost; and
- economic impact to the region.

In regards to the geographic diversity criteria, the four satellite office locations represent a regional presence in each of the time zones in the continental United States.

Senate Report 113-181 provided further guidance for the Office to consider when selecting any additional satellite offices, which we have followed. Again, geographic distribution of existing satellite offices was a factor.

“Satellite Offices.—The Committee maintains support for USPTO's nationwide workforce program and the establishment of satellite offices. The Committee's recommendation will support allowing existing satellite offices to occupy permanent facilities. Additionally, the Committee recognizes the value of creating additional satellite offices in regions with a high volume of patents filed and issued to provide increased access to patent seekers. When selecting locations for additional satellite offices, the Committee directs USPTO to consider the regional volume of patent activity, geographic distribution of existing satellite offices, availability of donated space for satellite offices within a geographic area not currently served by USPTO, access to transportation options, and proximity to universities and patent experts.” [S. Rep. No. 113-181, at 24 (2014)]

3. The USPTO has placed, or plans to place, satellite offices in the Northeast, the Midwest, Texas, the Mountain West, and the West Coast. One notable omission is the Southeast, where the manufacturing and innovation economies are blossoming. Does the USPTO have any plans to locate a satellite office in the Southeast in the near future? If so, has the USPTO considered any particular locations in the southeast?

Answer: At this time, the USPTO is focused on opening and supporting its four existing satellite offices, and is not considering additional satellite office locations. Remaining work includes opening permanent satellite offices in Silicon Valley and Dallas later this year. The Office may consider establishing additional satellite offices in the future. Regardless of a physical presence in a region, the USPTO actively supports innovators throughout the country and is constantly working to make USPTO services and other resources readily available nationwide.

For example, the USPTO supports a nationwide network of Patent and Trademark Resource Centers (PTRCs) at public and university libraries, including at least one PTRC in every state in the Southeast. In South Carolina, a PTRC is located at the R.M. Cooper Library at Clemson University. These centers play a valuable role in their state by disseminating patent and trademark information and supporting the diverse intellectual property needs of the local innovation community.

Working with the North Carolina Bar Association, the USPTO helped to establish a Pro Bono program covering North Carolina, South Carolina, and Tennessee. On February 17, 2015, the Office will launch a Pro Bono program in Georgia.

Finally, since the beginning of 2014, the USPTO's outreach in the Southeast has included: (1) hosting informational "roadshows" in which the Office both sought input from and educated our stakeholder community on new USPTO policies, rules, and procedures; (2) participating in student inventor programs and competitions; (3) offering inventor assistance seminars for innovators and entrepreneurs; and (4) contributing to intellectual property conferences and providing education on intellectual property topics at numerous universities.

If confirmed, I look forward to further supporting the important innovation in the Southeastern region.

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Submitted on February 5, 2015

Senator David Vitter (R-LA)

1. **In your July 2014 testimony before the House Judiciary Subcommittee on Courts, Intellectual Property, and the Internet, you stated “the USPTO believes that additional legislative changes to build upon the AIA are needed to further enhance patent quality and to lessen abuses in the system.” In comments at the Chamber of Commerce’s Global IP Center conference in November 2014, you said that “the challenge and the promise” for the USPTO “is that we continue to make sure our IP system is balanced and impactful and incentivizing innovation.”**

Moreover, during your December confirmation hearing you acknowledge that the legal landscape surrounding patents—including judicial and administrative developments such as the *Alice* and *Octane Fitness* Supreme Court decisions and the USPTO’s ongoing implementation of the AIA—is “extremely dynamic,” and that these changes “need to be taken into account as we carefully and cautiously determine what additional changes need to occur.” You also noted that “changes can occur through any number of channels. They can occur judicially, they occur legislatively and they can occur administratively through the Patent Office, through the FTC.”

- a. **Have these changes, highlighted in your statements, reduced the need for legislative reform in Congress? Do you still agree that Congress should act “carefully and cautiously” before enacting additional legislative changes to the patent system?**

Answer: I believe there can and should be additional legislative improvements to our patent system. The recent changes that you describe should also be considered and weighed in crafting balanced, impactful and consensus-based legislation. As it would for any piece of legislation, I agree that Congress should act carefully and cautiously in considering and enacting additional legislative changes to the patent system.

- b. **What specific changes do you believe Congress should make to the patent system that would achieve a balance between curbing litigation and actively incentivizing innovation?**

Answer: Legislative changes to discourage abusive patent litigation practices should specifically target those practices and not prevent a patent owner from asserting his or her legitimate patent right to exclude an infringer from making, using, selling, offering for sale or importing his or her patented technology. Legislation in the 113th Congress addressed many of the key issues, which remain worthy of consideration and discussion again in the 114th Congress. If confirmed, I look forward to working with all stakeholders, Congress, the judiciary and other parts of the Administration to determine how we can work together to achieve meaningful and balanced reforms that strengthen our patent system for our innovators.

- c. **In what ways will your agency work with Congress to promote that balance and ensure that combating abusive litigation does not devalue patent ownership and de-incentivize innovation?**

Answer: Congress and the United States Patent and Trademark Office (USPTO) share the goal of promoting innovation. Intellectual property rights play a key role in incentivizing innovation. Patent practice and policy experts at the USPTO are available to provide briefings to Members of Congress and their staffs on a range of operational, procedural and policy matters and provide, upon request, technical drafting assistance. USPTO experts are also available to help identify case law relevant to proposed legislative provisions and provide context for how a court might interpret the statutory intent of those provisions.

With respect to the Office's post grant proceedings, which were recently implemented pursuant to the 2011 *Leahy-Smith America Invents Act* (AIA), the Office is currently engaging with its stakeholders to consider changes to improve the proceedings. The Office conducted a nationwide listening tour on this subject in April and May of 2014. As a result, in June of 2014, the Office published a Request for Comments in the *Federal Register* and, at stakeholder request, extended the period for receiving comments to October 16, 2014. The Request for Comments asked 17 questions on ten broad topics, including a general catchall question, to elicit any proposed changes to the AIA post-grant program that stakeholders believe would be beneficial. The Office received 37 comments from bar associations, corporations, and individuals, encompassing a wide range of issues. The Office is carefully reviewing all comments received in response to the Request for Comments and plans to issue an initial set of rules and/or guidance changes in the second quarter of fiscal year 2015 that encompass simple modifications. After two years of experience with these proceedings, the goal is to consider targeted refinements to the USPTO's implementation of these proceedings to ensure consistency with Congress' intent in enacting the AIA.

- d. **What are the respective roles of Congress, USPTO, the FTC, and other entities in enacting or implementing those changes?**

Answer: The role of Congress is to craft balanced, meaningful and consensus-based legislation. Changes to the Patent Act can, of course, only be enacted by Congress.

The USPTO implements statutory changes through regulations. The Office can also make changes to existing regulations, or changes in the Office's practices and allocation of resources to help ensure the timely examination and issuance of high quality patents. The USPTO also has a role in sharing its patent practice, policy and litigation expertise, including technical drafting assistance, upon request, with Congress.

The Federal Trade Commission (FTC) plays a role in identifying, analyzing and taking appropriate regulatory action when patent owners conduct patent enforcement activities that may be determined to be unfair or deceptive acts or practices. The FTC has played a useful role through its past reports on the patent system, and its investigation of abusive demand-letter assertions and other inequitable practices.

- 2. In your December confirmation hearing before this Committee you stated that so-called “patent trolls” are a problem and that “there can and should be more legislation.” What specific issues of abusive patent litigation do you think can and should be addressed by Congress rather than by ongoing changes in the courts?**

Answer: In crafting balanced, meaningful and consensus-based legislation, all the issues discussed in the 113th Congress are worthy of consideration and discussion again in the 114th Congress. If confirmed, I look forward to working with all stakeholders, Congress, the judiciary and other parts of the Administration to determine how we can together achieve meaningful and balanced reforms that strengthen our patent system for our innovators.

- 3. In your previous confirmation hearing you noted that the new *inter partes* review procedure established by the America Invents Act and implemented just last year by the USPTO has proven “popular” among patent stakeholders. This procedure has already resulted in invalidation of nearly 75 percent of all challenged patent claims. What is your assessment of this new procedure generally, and what are your thoughts on its effects on patent quality and patent review moving forward?**

Answer: The trial proceedings established by the AIA have provided a quicker, less expensive alternative to patent litigation in U.S. district courts. The public has recognized their value by filing nearly 1,500 total petitions last fiscal year alone—three times more than was expected when the proceedings were first implemented. Consistent with congressional intent, these proceedings can help ensure the highest quality patents possible in our system.

- 4. How have *inter partes* review and other post-grant procedures helped curb abusive patent litigation?**

Answer: Although these proceedings are still relatively new, the Office has heard from some that, because the USPTO’s post-grant procedures provide a lower-cost alternative to district court litigation on the issue of validity, the cost of settling patent litigations has decreased.

- 5. In your view, what would be the effect on American business competitiveness in the global economy if Congress were to enact changes to the patent system that make it more difficult to enforce patent rights? Would such changes disadvantage American businesses attempting to challenge foreign infringing goods?**

Answer: Legislation that makes it more difficult to enforce patents could disadvantage domestic as well as foreign patent holders. The goal of any proposed legislation should be to promote innovation, not litigation, and legislation should not favor any patent owner on the basis of his or her technology or nationality, or otherwise make it more difficult to enforce legitimate patent rights.

6. **You stated at a recent Chamber of Commerce Global IP Center conference that “there is a lot of case law development and refinement to be had” in the wake of the AIA and recent Supreme Court cases including *Alice*, *Nautilus*, *Octane Fitness*, and others. What changes has the USPTO made to its various review procedures to implement these decisions?**

Answer: The USPTO carefully considers the developments in the case law, and if needed, implements appropriate changes to its procedures (including examination and AIA post-grant proceedings), examination guidance, and training materials to ensure their compliance with the law.

For example, in response to the *Alice Corp.* decision, the USPTO studied the case carefully and determined that changes to the examination process were needed to implement the decision. The USPTO developed and issued interim guidance on subject matter eligibility on December 16, 2014, to implement the necessary changes, published software claim examples on January 27, 2015, and is currently in the process of training examiners in accordance with the interim guidance and examples.

7. **USPTO is currently in a 90-day comment period for its subject-matter eligibility guidance after *Alice*. How soon after the end of the comment period in March can the public expect final guidance?**

Answer: After closure of the comment period on March 16, 2015, the USPTO will carefully consider and evaluate the comments and feedback from the public, as well as any new court developments, and will determine whether changes to the 2014 interim guidance are necessary. If changes are needed, the USPTO will determine the best way to promptly communicate these changes to patent examiners and the public, such as through additional examiner training, additional examples or revised guidance published on the USPTO website. The USPTO does not have a specific date for “final” guidance at this time because the USPTO needs to evaluate the case law developments and input from the public to determine whether, and to what degree, changes may be needed. Even after such “final” guidance may be issued, the USPTO continually reviews the case law to determine whether additional changes are required.

8. **At your December confirmation hearing, you said that it is “not productive” to attempt to define the term “patent troll.” Instead, you expressed a preference for curbing “abusive behavior.” As both a former patent litigator and in your current position as acting director of the USPTO, what types of practices do you view as “abusive”? What specific changes to the litigation system are necessary to curb abusive behavior? What changes—if any— would you recommend Congress include in patent legislation?**

Answer: Abusive practices may include, but are not limited to, vague or bare assertions of patent infringement, demands for licensing fees based on the cost of litigation and not the value of an infringed patented technology, or excessive discovery demands.

In crafting balanced, meaningful and consensus-based legislation, the issues discussed in the 113th Congress are worthy of consideration and discussion again in the 114th Congress. Further review and discussion of these and any other issues should take into account the changes in the patent law landscape reflected in recent court decisions and administrative agency initiatives, including the USPTO’s implementation of the AIA and numerous other actions focused on patent quality and leveling the playing field for all innovators.

a. What in your view would not be productive in attempting to define the term?

Answer: There is no generally agreed-upon definition of the term “patent troll.” This fact alone restricts the term’s utility to the ongoing patent-reform debate. Rather than focusing on who is or is not a “patent troll,” I believe it is more productive to focus on curtailing abusive litigation. Bad actors in the patent system are not confined to any particular business model. Even operating companies and manufacturers sometimes engage in abusive litigation. Conversely, companies that do not practice a technology in the field of the patent that they own, and whose primary business is licensing their patented technology, will often appropriately enforce legitimate and valuable patent rights. Reform legislation that is restricted to particular business models may fail to address some abusive behavior, and, at the same time, prevent the enforcement of important patents that are valid and infringed.

9. What is your office doing to protect American inventors from foreign patent infringers?

Answer: Strengthening international intellectual property (IP) protection and enforcement is a key element in protecting American inventors from foreign infringers. Through policy guidance, technical advice and capacity building programs, the USPTO continues to work toward a sustainable integrated intellectual property enforcement framework. At the international level, the USPTO works bilaterally with foreign governments to provide analysis, advice and training and technical assistance on IP enforcement compliance, including hosting workshops, seminars and education and outreach programs on best practices for protecting patent and other intellectual property rights. The USPTO also works directly with the Office of the United States Trade Representative to provide expert assistance in negotiating new international enforcement obligations in trade agreements.

On the domestic front, the USPTO has been and continues to be very actively engaged in providing a robust educational outreach initiative to U.S. small- to medium-sized businesses, covering the full range of intellectual property, including patents. All programs include training on protecting and enforcing intellectual property in the U.S. and abroad, and are designed to reach American businesses that are exporting or are considering exporting, as well as those businesses that are not actively considering exporting but want to better understand how to protect themselves from intellectual property theft from abroad. These programs include the particularly well-received “IP Boot Camp,” which is offered in the field throughout the U.S., “China IP Road Shows” and related “mini-events” focusing on intellectual property issues in China (as well as similar initiatives for other countries, e.g., Brazil), and other events and presentations throughout the U.S. as well as webinars.

10. In 2013, the President announced several executive actions directed toward “bringing greater transparency to the patent system and level the playing field for innovators.” These included (1) requiring patent owners engaged in proceedings before the USPTO to regularly update the agency on the actual owner of the patent; (2) engaging in targeted training for examiners to improve the clarity of functional patent claims; and (3) publishing new educational and outreach materials to assist small businesses and others facing patent litigation. Can you update the committee on the status of these initiatives, and offer your assessment of how effective they have been (or will be) at reducing abusive patent litigation while ensuring that the rights of patent owners are protected?

Answer: The USPTO has made substantial progress in implementing the President’s executive actions related to IP. First, to make patent ownership information available to the public, the USPTO has revamped its existing assignment database, which houses ownership information that is

voluntarily submitted by patent owners. The new database offers a cleaner user interface and includes a variety of search functions not previously available to make it simpler for the public to locate ownership information. Second, the USPTO has successfully trained all examiners on four new training modules focused on functional patent claims and clarity of the patent record. The USPTO designed these training modules to help examiners more accurately identify and treat functional claims during examination as well as to build a more complete patent record through enhanced documentation. Third, the USPTO designed and released an on-line toolkit to educate the public about all aspects of patent litigation, including how to respond to a patent infringement complaint and how to locate an attorney. The toolkit also features links to other websites that may be useful to those facing patent litigation.

To keep the public abreast of the new information and tools made available under these executive actions, the USPTO has extensively publicized its implementation activities through blogs, webinars, and public meetings. The USPTO likewise has made all materials available to the public on its website. Members of the public have shared that these trainings and toolkit are useful. The USPTO intends to continue monitoring and improving the effectiveness of its services going forward and will continue advancing transparency in the patent system. To this end, in January the USPTO recently launched a new initiative to enhance the quality of patents issued by the Office. This initiative will further reduce needless litigation by bringing more clarity and certainty to the scope of patent rights.

11. What additional steps will USPTO take on its own to ensure that the patent review process continues to promote innovation?

Answer: The innovation that is fostered by a strong patent system is a key driver of economic growth and job creation. Effectively promoting such innovation requires that issued patents fully comply with all statutory requirements and, of equal importance, that the patent examination process advance quickly, transparently, and accurately. The USPTO has taken steps to provide clear and consistent application of its statutory examination mandates. For instance, the USPTO has recently released new training for examiners in the area of functional claiming, guidance on subject matter eligibility of claims, and an improved classification system for searching prior art faster and more efficiently. Additionally, the USPTO has begun to implement long-range plans to improve its operational capabilities, such as upgrading information technology (IT) tools for its patent examiners through the Patents End-to-End program and expanding international work-sharing capabilities, all of which will help improve the quality of issued patents.

High quality patents permit certainty and clarity of rights, which in turn fuels innovation, promotes economic investment and reduces needless litigation. Presently, the USPTO is launching a new, wide-ranging initiative to enhance the quality of patents issued by the USPTO. The initiative, which will be described in further detail in an upcoming *Federal Register* notice, will focus on three elements: excellence in examining patent applications; excellence in customer service; and excellence in measurement of quality. On March 25-26, the USPTO is planning a two-day Patent Quality Summit as a first step to facilitate a public discussion of these proposals and to solicit feedback on these and any other quality enhancing ideas.

12. Please comment on changes to the USPTO's funding structure that will most benefit patent quality and efficiency.

Answer: Patent quality and efficiency, as well as many other aspects of the operation of the USPTO, have and will continue to benefit from the fee-setting authority granted to the Office pursuant to the

AIA. With the ability to set its own fees, working with appropriators to ensure that the Office has full access to fees collected, and collaborating with our stakeholders to create an operating reserve to buffer the Office against fluctuations in collections, the USPTO is able to contemplate and carry out initiatives previously considered impractical.

13. Can you speak to your thoughts on the value of intellectual property—specifically patents—in driving innovation and economic growth in the United States? What, in your view, is the role of the USPTO in promoting this process?

Answer: Innovation is the life blood of the U.S. economy, and patents are the currency of innovation. A 2012 Department of Commerce report, prepared jointly by the USPTO and the Economics and Statistics Administration, found that intellectual property-intensive industries, including those which rely on patents, accounted for some 40 million jobs, which pay on average 42% more than non-IP based jobs, and represented nearly 35% of U.S. GDP. As the clearinghouse for U.S. patent rights, the USPTO plays a key role in fostering job creation and economic growth, paving the way for investment, research, scientific development and commercialization of new technologies.