

OVERSIGHT OF THE U.S. PATENT AND
TRADEMARK OFFICE

HEARING

BEFORE THE
SUBCOMMITTEE ON
COURTS, INTELLECTUAL PROPERTY,
AND THE INTERNET

OF THE
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HOUSE OF REPRESENTATIVES
ONE HUNDRED SIXTEENTH CONGRESS

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OVERSIGHT OF THE U.S. PATENT AND TRADEMARK OFFICE

THURSDAY, MAY 9, 2019

HOUSE OF REPRESENTATIVES

SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY, AND THE
INTERNET

COMMITTEE ON THE JUDICIARY

Washington, DC.

The subcommittee met, pursuant to call, at 2:10 p.m., in Room 2141, Rayburn House Office Building, Hon. Henry C. “Hank” Johnson, Jr. [chairman of the subcommittee] presiding.

Present: Representatives Johnson, Nadler, Jeffries, Stanton, Lofgren, Correa, Roby, Collins, Chabot, Jordan, Ratcliffe, Johnson of Louisiana, Biggs, Cline, and Reschenthaler.

Staff Present: David Greengrass, Senior Counsel; Madeline Strasser, Chief Clerk; Moh Sharma, Member Services and Outreach Advisor; Jamie Simpson, Chief Counsel, Courts, Intellectual Property, and the Internet; Rosalind Jackson, Professional Staff Member, Courts, Intellectual Property, and the Internet; Thomas Stoll, Minority Chief Counsel; and Andrea Woodard, Minority Professional Staff Member.

Mr. JOHNSON of Georgia. The Subcommittee will come to order. Without objection, the Chair is authorized to declare a recess of the subcommittee at any time.

We welcome you to this afternoon’s hearing on oversight of the U.S. Patent and Trademark Office. I will now recognize myself for an opening statement. Thank you.

Good afternoon, and welcome to the House Judiciary Subcommittee on Courts, Intellectual Property, and the Internet’s hearing on oversight of the United States Patent and Trademark Office.

I am pleased to welcome the Under Secretary of Commerce for Intellectual Property and Director of the USPTO, Andrei Iancu. This is his second appearance before the committee. He was first before us on May 22, 2018, a few months after he was confirmed on February 5.

Today’s hearing will elicit critical information regarding the state of the agency and in response to the questions that we will ask.

Intellectual property is of vital importance to the U.S. economy. For example, economists have studied the impact of the award of

a patent to small businesses, concluding that the award of the first patent to a startup on average leads to 16 additional employees after 5 years and \$10.6 million in additional sales over 5 years.

But businesses of all size have also come to Congress raising concerns about lawsuits based on patents they believe should not have issued, causing them to spend money on lawsuits instead of R&D.

This gets to the heart of the key question that drives patent law policy: How to balance the many competing interests to ensure that the patent system incentivizes and promotes innovation to the greatest extent possible. This is the discussion I hope to have here today.

A strong patent system starts with a country that creates and encourages the next generation of innovators. This subcommittee's first hearing examined research showing that we are falling behind in this task because our patent system demonstrates a lack of diversity in who is getting patents. The USPTO recently issued a report showing that only 12 percent of U.S. inventors are female.

Thanks to the passage of the SUCCESS Act last year, the USPTO is following up on this report with further research on underrepresentation of other groups, including racial minorities and veterans, in fulfillment of the provisions of the SUCCESS Act, a bill where I was the lead Democratic cosponsor, along with Representative Steve Chabot.

This is important work. Fully understanding the contours of underrepresentation is an important step in designing policy that can ensure that as a Nation we are not leaving potential inventors behind and groundbreaking innovations undiscovered.

A strong patent system requires clear rules which lead to reliable patent grants that attract the investment needed to turn a patentable invention or innovation into a marketable product or service.

I have concerns that a foundational section of the Patent Act, 35 USC Section 101, which governs patent-eligible subject matter, is not delivering this needed clarity due to a series of recent Supreme Court cases. This poses a threat to innovation in critical technologies, such as medical diagnostics. We in Congress are considering whether we must take action.

Meanwhile, the USPTO has recently tried to address this problem at the agency level with new examiner guidance. I hope we will be able to learn more about that initiative.

Director Iancu has also made a number of changes to the post-grant procedures created by the Leahy-Smith America Invents Act of 2011, including changes to the Trial Practice Guide, the creation of two new standard operating procedures, rulemakings on claim construction and claim amendments, and the issuance of a significant number of binding agency opinions in recent months.

I know that stakeholders have a range of opinions on these proceedings, their fairness and effectiveness, and I look forward to hearing why these recent changes were needed and the impact that they have had.

Turning to trademarks, I am alarmed by reports of an increase in fraudulent trademark applications, especially the large number coming from China. This means that American businesses might not be able to register marks they are actually using, hurting their ability to establish their brand and grow their businesses.

I am also concerned about reports that companies are illicitly using the trademarks of reputable companies to sell counterfeit goods. I would like to hear what the USPTO has done to address this so far, what else it plans to do, and what role Congress should play to ensure the smooth and fair administration of intellectual property rights in this country.

Director Iancu, thank you for coming here today, and I look forward to your testimony.

It is now my pleasure to recognize the Ranking Member of the Subcommittee, the gentlewoman from Alabama, Mrs. Roby, for her opening statement.

Mrs. ROBY. Thank you, Chairman Johnson.

And thank you, Director Iancu, for testifying before the subcommittee today.

America continues to lead the world in the development of new technologies, from immunotherapies that save lives to the apps that answer our questions with just a few swipes of our phones, to novel inventions that make our lives better.

The patent system is key to the United States remaining on top. A strong patent system helps to encourage robust investment in the development of new technologies. If research produces a valuable invention, companies know their patents will safeguard that investment and the invention from bad actors.

To eliminate fraudulent patent litigation, Congress and the courts made several changes to patent litigation rules and legal standards. There has been much debate in the patent community as to whether these changes have been beneficial for the patent system. For example, some have criticized the U.S. Supreme Court's patent eligibility test as undermining the reliability of patents in certain critical U.S. industries, including medical diagnostics and data compression.

Today I hope to hear Director Iancu's views on the patent eligibility test, whether the USPTO's guidance on the issue is sufficient to address concerns, and if he thinks Congress should act, his expert advice on a possible legislative fix that would work for all interested stakeholders.

One of the most significant recent changes to the patent system was made in 2011 when Congress passed the America Invents Act. This legislation established the Patent Trial and Appeal Board, commonly referred to as the PTAB, and inter partes review proceedings, known as IPRs.

These new procedures authorize the USPTO to consider challenges to patents and to withdraw improperly issued patents. The process was intended to be a simpler, cheaper alternative to district court litigation.

There has been much debate since establishment of the PTAB and the IPR proceedings about whether these changes have been good for the patent system. Opponents of the PTAB argue that IPR proceedings make it too easy to invalidate a patent, pointing to high invalidation rates for patents that the agency agrees to review. They argue this casts a cloud of uncertainty over all issued patents and that this uncertainty discourages investment and contradicts the very purpose of the patent system. One persistent con-

cern has been the repetitive filing of similar challenges to patents by the same or related parties.

Proponents of the PTAB argue that changes to the patent system were necessary due to poorly drafted and overbroad patents that were being used in abusive litigation. They argue that the PTAB has been successful in its original intent by removing bad patents from the patent system.

The USPTO needs to ensure that challenges are not being used to harass patent owners while still effectively weeding out bad patents. But in considering any tweaks, we must ensure that a proper balance is struck, protecting companies from abusive legislation while ensuring patent owners' rights.

There are also two trademark issues that I would like to explore with Director Iancu today.

First, the sale of counterfeits online appear to have become a significant problem for trademark owners. The problem is so pervasive that just over a month ago, the President issued a memorandum ordering the Secretary of the Department of Homeland Security to work with several other Cabinet members and agencies to investigate and issue a report on the problems.

As the head of the agency that issues trademarks and participates in anti-counterfeiting efforts, I would like to hear Director Iancu's views of the problem and possible administrative and legislative solutions that Congress and the White House should consider.

Secondly, I want to hear from Director Iancu on steps the agency is taking to address fraudulent trademark applications filed from overseas and what, if anything, the agency is doing to remove registrations that were improperly granted by USPTO.

I would like to again thank Director Iancu for his participation in this hearing, and I very much look forward to delving into these very important issues. Thank you.

Mr. JOHNSON of Georgia. Thank you, Congresswoman.

I am now pleased to recognize the chairman of the full committee, the gentleman from New York, Mr. Nadler, for his opening statement.

Chairman NADLER. Thank you, Mr. Chairman.

Mr. Chairman, today's hearing focuses on what has been a time of great change to our innovation landscape. In 2011, we passed the most significant changes to the patent system in a generation with the America Invents Act, known as the AIA. As patent stakeholders were still adjusting to that, the Supreme Court issued a series of decisions on patent-eligible subject matter, dramatically changing how the relevant statute, 35 USC Section 101, impacted both patent examination and patent litigation.

And these are only two of the biggest changes in a time when the patent system's importance to American competitiveness has arguably never been more crucial to our increasingly knowledge-based economy.

When this subcommittee held its last USPTO oversight hearing, almost exactly a year ago, Mr. Iancu had only recently been confirmed as the USPTO Director. Now that he has been Director for over a year, we have the opportunity to discuss what new policies his office has implemented, where the patent and trademark sys-

tems stand today, and what role Congress needs to play to ensure that these systems are organized for our Nation's innovators and entrepreneurs.

Turning first to the AIA, an important element of that legislation was the creation of procedures to challenge a patent's validity after issuance by the USPTO. The most used procedure, the inter partes reviews, or IPRs, have proven extremely popular and now handle around 1,500 cases a year. Because IPRs are now such an important part of the patent landscape, they have garnered much attention, and they have both supporters and critics.

Congress intended IPRs to be a fast and more efficient way to challenge patents. The question before us now is how well these challenges are meeting that goal and what impact have they had on the overall patent landscape.

To that end, Director Iancu, during his tenure, made a series of changes to the Patent Trial and Appeal Board, or PTAB, which hears these IPR challenges.

To me, these changes raise the question of whether Congress delegated the right amount of rulemaking authority to the USPTO to adjust these proceedings over time. I worry about an adjudicatory process that changes too much with any change in agency leadership. I look forward to the Director's thoughts on how we can assure stability and predictability at the PTAB.

I also want to learn more about how IPRs have impacted the overall patent landscape. I understand from many stakeholders that they have succeeded in providing a less expensive way to challenge patents that should not have been issued than challenging in district court.

At the same time, some stakeholders are concerned about the impact on some patent holders' ability to enforce their rights now that they may need to go through an IPR proceeding before a court will hear their infringement claim.

Additionally, as most IPRs have parallel litigation in district courts, some ask whether the AIA lived up to its promise of delivering more efficiency or if it has simply fostered duplication.

Another topic on which Director Iancu has taken action is on patent-eligible subject matter. He recently issued new guidance to patent examiners that distilled the existing case law into a streamlined test rather than have patent examiners, most of whom are not lawyers—thank God—essentially apply a case law approach when assessing this issue.

While this move is understandable given the need to provide clear guidance to 8,000-plus patent examiners, USPTO does not have rulemaking authority in this area. And so the question is, is it improperly exercising what amounts to rulemaking authority, or perhaps we should give it rulemaking authority. I am curious, therefore, about the process used for distilling the case law into guidance, especially given that some of the case law seems to be in conflict.

Most importantly, I am interested in how the USPTO is ensuring that the patents it issues deserve the presumption of validity with respect to this issue if there ends up being a clear divergence between the USPTO's guidance and the Federal Circuit.

Without doubt, Director Iancu has the reins of this agency at an important time. The United States is a world leader in innovation, which is a key driver of economic growth. His stewardship of the USPTO is vital to ensuring that the United States remains in this position.

I look forward to his testimony, and I yield back the balance of my time.

[The statement of Chairman Nadler follows:]

**Statement of the Honorable Jerrold Nadler, Chairman of the House
Committee on the Judiciary, for the
Hearing on Oversight of the U.S. Patent and Trademark Office
Before the Subcommittee on Courts, Intellectual Property, and the
Internet**

**Thursday, May 9, 2019, at 2:00 p.m.
2141 Rayburn House Office Building**

Mr. Chairman, today's hearing focuses on what has been a time of great change to our innovation landscape. In 2011, we passed the most significant changes to the patent system in a generation with the America Invents Act, known as the AIA. As patent stakeholders were still adjusting to that, the Supreme Court issued a series of decisions on patent eligible subject matter, dramatically changing how the relevant statute, 35 U.S.C. § 101, impacted both patent examination and patent litigation. And these are only two of the biggest changes in a time when the patent system's importance to American competitiveness has arguably never been more crucial to our increasingly knowledge-based economy.

When this Subcommittee held its last USPTO oversight hearing, almost exactly a year ago, Mr. Iancu had only recently been confirmed as the USPTO Director. Now that he has been Director for over a year, we have the opportunity to discuss what new policies his Office has implemented, where the patent and trademark systems stand today, and what role Congress needs to play to ensure that these systems are optimized for our nation's innovators and entrepreneurs.

Turning first to the AIA, an important element of that legislation was the creation of procedures to challenge a patent's validity after issuance by the USPTO. The most-used procedure, the *inter partes* reviews, or IPRs, have proven extremely popular and now handle around 1,500 cases a year. Because IPRs are now such an important part of the patent landscape, they have garnered much attention and have both supporters and critics. Congress intended IPRs to be a faster, more efficient way to challenge patents. The question before us now is how well these challenges are meeting that goal, and what impact have they had on the overall patent landscape.

To that end, Director Iancu, during his tenure, made a series of changes to the Patent Trial and Appeal Board, or PTAB, which hears these IPR challenges. To me, these changes raise the question of whether Congress delegated the right amount of rulemaking authority to the USPTO to adjust these proceedings over time. I worry about an adjudicatory process that changes too much with any change in Agency leadership. I look forward to the Director's thoughts on how we can ensure stability and predictability at the PTAB.

I also want to learn more about how IPRs have impacted the overall patent landscape. I understand from many stakeholders that they have succeeded in providing a less-expensive way to challenge patents that should not have been issued than in district court. At the same time, some stakeholders are concerned about the impact on some patent holders' ability to enforce their rights, now that they may need to go through an IPR proceeding *before* a court will hear their infringement claim.

Additionally, as most IPRs have parallel litigation in district courts, some ask whether the AIA lived up to its promise of delivering more efficiency, or if it has simply fostered duplication.

Another topic on which Director Iancu has taken action is on patent eligible subject matter. He recently issued new guidance to patent examiners that distilled the existing case law into a streamlined test, rather than have patent examiners—most of whom are not lawyers—essentially apply a case law approach when assessing this issue. While this move is understandable given the need to provide clear guidance to 8,000-plus patent examiners, the USPTO does not have rulemaking authority in this area.

I am curious, therefore, about the process used for distilling the case law into guidance, especially given that some of the case law seems to be in conflict.

Most importantly, I am interested in how the USPTO is ensuring that the patents it issues deserve the presumption of validity with respect to this issue, if there ends up being a clear divergence between the USPTO's guidance and the Federal Circuit.

Without doubt, Director Iancu has the reigns of this Agency at an important time. The United States is a world leader in innovation, which is a key driver of economic growth. His stewardship of the USPTO is vital to ensuring that the United States remains in this position. I look forward to his testimony, and I yield back the balance of my time.

Mr. JOHNSON of Georgia. I thank the gentleman.

And at this time, I recognize the distinguished ranking member of the full committee, the gentleman from Georgia, Mr. Collins, for his opening statement.

Mr. COLLINS. Thank you, Mr. Chairman. I appreciate that.

And, Director, thanks. It is good to see you. We see each other quite often at events like this. Good to see you, though, and thanks for testifying.

This is an important part. This is really, frankly, of all the things that we do in this committee, is one of those areas that I believe we find some of our common agreement and our greatest gains if we just simply put our mind to it and say, how can this affect?

This is also probably, although it is much less publicized as many of the other things in our committee that we do and doesn't get the press that it deserves, this is the thing that actually drives and focuses our economy in ways that many of us in this room could never imagine and have been talking about for years.

Because I believe the very things that your office deals with and the very things that our Patent and Trademark Office continues to work with really determines where we are going to be in the coming years, whether it be in technology that already exists or the technology that we couldn't even think of at this point.

So again, I just want to think about that. And when we celebrated World IP Day, I think it all just emphasized really those things that we all can come in agreement on.

I am hopeful, Mr. Chairman, as we work through these things, this will be something that we focus on a great deal in the future.

However, just like the chairman, there are some things that I think we are discussing and want to continue to talk about, and that is making sure that the patent litigation abuse problem is something we continue to look at, but also make sure that it is fair, not only to all patent holders, small, medium, and large, but also make sure that there is an easier system in which there is not just a constant what I will call circle of litigation, circle of problems, in which there is never a surety of that content or that patent owner actually having something to be valuable.

One of the areas that I do want to talk about, and I know we will talk about today, is the patent eligibility issue, and of course that is the 101 discussion.

The Supreme Court has basically put us through, Director, as you well know, a tortured exercise and called on the courts and Congress to fix it. The way they have come about it, especially with the opinions of the U.S. Court of Appeals on the Federal Circuit, the highest patent court in the land next to the Supreme Court, in which at least five of the expert judges there complained that the test is flawed and must be replaced. Okay.

We cannot sit back and continue to watch our mighty patent system, a key driver of this innovation, continue its slide. That is why myself and several of my colleagues in the House and Senate, including my friend Chairman Johnson and numerous stakeholders, have been investigating to develop a patent eligibility test that works for all.

Another area of the patent system that requires our attention is the USPTO's implementation of the inter partes or IPR pro-

ceedings. It has been 8 years since we established those proceedings, and they have both been heralded and vilified all at the same time. I know that is not surprising to anybody on this committee.

But many are happy to avoid the costly patent dispute in a Federal court instead of rely on the PTAB to quickly and less expensively invalidate an accuser's patent, but others argue that the PTO has implemented countless rules skewed against patent owners that result in good patents being struck down in bad IPR decisions.

I have heard numerous reports that defendants in litigation are filing multiple similar attacks on the same patent or are using surrogates to skirt prohibitions to repeat attacks.

I have also learned that since, in instances where small businesses also assert their patents in Federal court to stop the theft of their valuable IP, those fees instead are forced to defend themselves—from those fees, they are forced to defend themselves and their patents before a PTAB, which issued a questionable decision invalidating the patents.

Fortunately, some of these small innovative companies could afford to appeal the PTAB's law decision and have their patents restored by the Federal Circuit. But this demonstrates the PTAB proceedings may be used by well-funded companies to harass small businesses into submission.

The cost for appealing a bad PTAB decision may be too much for small businesses to bear, resulting in the loss of their patents, their innovations, their business, and at the hands of an unscrupulous copycat.

Again, the very thing that we are trying to avoid, we are actually seemingly incentivizing, and that is something that we need to look at.

In this hearing, I want to hear about these concerns and want to know about the patent eligibility test and how we should craft it to promote investment in important technology industries while avoiding a resurgence of patent litigation abuse. No one wants to go back there. But we also can't have a system that incentivizes an incessant going back and forth or what I will just call a circular, never being sure is my patent worth what my patent is supposed to be worth.

If we ever lose that in this country, if we ever get to the point to where our patents and our copyrights, our trademarks, the very thing that really has based our intellectual property exercise on for well over 200 years, if we get to that point to where that doesn't matter, then we will go backwards economically, we will go backwards in the world, and we will have our and see our brain drain, is what I will call it, that hope drain, will go other places where it is protected.

The reason we have the greatest economic system, especially involved in IP and all these other decisionmakers, is we protect our IP. Strong intellectual property protection is not a hindrance, it is the very catalyst to growth. It is the very catalyst to our economic engines.

And with that, I look forward to this hearing. I thank you for being here. It is always a pleasure to see you. And I appreciate the

work that you have been doing in this area to find a solution and to not just simply wait and say, well, whatever Congress does, I will work.

You have been able to take some of that initiative, that is a good thing to see, because I think you have been taking all the players into that role as we go forward.

With that, Mr. Chairman, again, thanks for calling this hearing. This is, again, a good time for this committee, and I appreciate you calling it. And I yield back.

[The statement of Mr. Collins follows:]

**Statement of Ranking Member
Doug Collins
Hearing on "Oversight of the U.S. Patent & Trademark Office"
House Judiciary Committee
Subcommittee on the Courts, IP, and the Internet
Wednesday, May 9, 2019, 2:00 PM**

Thank you, Mr. Chairman, and thank you, Director Iancu, for testifying before the Committee today, we greatly value the important work that you are doing at the U.S.P.T.O.

Just two weeks ago, we celebrated world IP day. But participating in those events made me realize something troubling. Today, our inventors have less reason to celebrate the U.S. patent system, and more reason for concern. Over the last decade or so, Congress and the courts have made dozens of changes to the patent system to address patent litigation abuse. I supported most of those changes. But combined, these numerous changes have created an unhealthy patent system. We have overcorrected.

For many, these changes have created an environment in which patents fail to provide any confidence that investments in R&D will be protected. I fear that, although well intended, these changes have replaced a “patent litigation abuse problem” with one that poses an even greater risk to the economy—a patent uncertainty problem. I fear that our weakened patent system makes it much harder to justify decisions to invest in new technologies. Because patents are less likely to survive a challenge in district court or at the PTAB, I also fear that we have created an environment where it is safer to steal a technology developed by small businesses, than to pay for it.

Two areas of patent law are of greatest concern to me. First, the U.S. Supreme Court’s recent cases rewriting the patent eligibility test have created tremendous uncertainty

about whether certain types of patents will stand up in court. Director Iancu has described the U.S. Supreme Court's test as a "tortured exercise" and has called on the courts and Congress to fix it. There are now several opinions issued by the U.S. Court of Appeals for the Federal Circuit, the highest patent court in the land, next to the Supreme Court, in which at least five of the expert judges there complain that the test is flawed and must be replaced.

We cannot sit back and continue to watch our mighty patent system, a key driver of innovation in this country, continue its slide. That is why I am working with several colleagues in the House and Senate, including my friend Chairman Johnson, and numerous stakeholders, to investigate and develop a patent eligibility test that works for all.

Another area within the patent system that requires our close attention is the USPTO's implementation of inter partes review (IPRs) proceedings. It has been eight years since we established those proceedings, and they have been both heralded and vilified. Many are happy to avoid a costly patent dispute in federal court, and instead rely on the PTAB to quickly and less expensively invalidate an accuser's patent.

But others argue that the PTO has implemented countless rules skewed against patent owners that result in good patents being struck down in bad IPR decisions. I have heard numerous reports that defendants in litigation are filing multiple similar attacks on the same patent, or using surrogates to skirt prohibitions against repeat attacks.

I also have learned of instances where small businesses sought to assert their patents in federal court to stop the theft of their most valuable IP, instead being forced them to defend their patents before the PTAB, which issued a questionable decision invalidating their patents. Fortunately, some of these small innovative companies could afford to appeal the PTAB's flawed decisions, and have their patents restored by the Federal Circuit, but this demonstrates that PTAB proceedings may be used by well-funded companies to harass small businesses into submission. The cost of appealing a bad PTAB decision may be too much for most small businesses to bear, resulting in the loss of their patents, their innovations, and their business, at the hands of an unscrupulous copycat.

In this hearing, I want to hear from Director Iancu on both of these concerns. I want to hear how a patent

eligibility test should be crafted to promote investment in important technology industries, while avoiding a resurgence of patent litigation abuse. I also want to hear from him on whether the PTO is doing everything it can to implement AIA proceedings in a manner that is fair to patent owner and petitioner alike, and what, if any changes, Congress should make to those proceedings. I also want to hear from Director Iancu on the issue of mass foreign filings of trademark applications containing fraudulent assertions of use.

I look forward to delving into these very important issues.

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Mr. JOHNSON of Georgia. Thank you, Representative Collins, for your remarks.

I will now introduce today's witness. Andrei Iancu currently serves as the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office. Andrei Iancu provides leadership and oversight to more than 12,000 employees, with an annual budget of over \$3 billion. He is also the principal adviser to the Secretary of Commerce on domestic and international intellectual property policy matters.

Prior to joining the USPTO, Director Iancu was the managing partner at Irell & Manella LLP, where his practice focused on intellectual property litigation. He has also taught patent law at the UCLA School of Law and earlier in his career was an engineer at Hughes Aircraft Company.

Director Iancu holds a J.D. from the UCLA School of Law, an M.S. in mechanical engineering, and a B.S. in aerospace engineering, both from UCLA.

We welcome Director Iancu and thank him for participating in today's hearing.

Before proceeding with testimony, I hereby remind the witnesses that all of your written and oral statements made to the Subcommittee in connection with this hearing are subject to penalties of perjury pursuant to 18 USC Section 1001, which may result in the imposition of a fine or imprisonment of up to 5 years or both.

Please note that your written statement will be entered into the record in its entirety. Accordingly, I ask that you summarize your testimony in 5 minutes. To help you stay within that time, there is a timing light on your table. When the light switches from green to yellow, you have 1 minute to conclude your testimony. When the light turns red, it signals that your 5 minutes have expired.

Director Iancu, you may begin.

STATEMENT OF THE HONORABLE ANDREI IANCU, UNDER SECRETARY FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE U.S. PATENT AND TRADEMARK OFFICE, U.S. PATENT AND TRADEMARK OFFICE

Mr. IANCU. Thank you, Chairman Johnson, Ranking Member Roby, Chairman Nadler, Ranking Member Collins, and members of the subcommittee. Thank you for this opportunity to discuss the operations, programs, and initiatives of the United States Patent and Trademark Office.

I would like to highlight some issues of particular interest.

First, we are pleased that Congress continues to provide the USPTO with access to all anticipated fee collections, which is critical to our ability to plan and provide certainty to inventors and entrepreneurs.

Second, as part of the USPTO's efforts to reach all potential inventors, in February we issued a new report which found that, while there have been gains in female participation in science and engineering occupations, those gains have not led to comparable increases in female inventors awarded patents.

The USPTO is committed to working with industry, academia, other government agencies, and Congress to help broaden the innovation ecosphere, demographically, geographically, and economi-

cally. I would like to thank this subcommittee for holding a hearing on this issue last month to highlight the problem.

For our part, the USPTO has targeted programs to increase participation in STEM and intellectual property for women and other underrepresented groups. For example, as just one of many programs, the USPTO will host on May 14 its annual Women's Entrepreneurship Symposium in Alexandria.

The USPTO also recently updated our website to better serve new inventors and entrepreneurs. Now, with one click, visitors are directed to a U.S. map where they can find a multitude of free resources in their area to better help them navigate the patent and trademark system to protect their intellectual property. We continue to update these materials.

Third, regarding patent operations, last year I testified that we would improve the conduct of AIA trials by our Patent Trials and Appeal Board. I indicated that we were studying, among other things, claim construction, the amendment process, the institution decision, the composition of judging panels, and the variety of standard operating procedures. I am happy to report that we have implemented successful improvements in all of those areas.

I also testified that the USPTO would work to provide guidance for examiners and the public regarding the issue of patent eligibility pursuant to Section 101. I am happy to report that we have done that. The new guidance synthesizes the relevant case law, clarifies the eligibility analysis, and I believe will lead to more consistent results.

By now, virtually all of our examiners and administrative patent judges have been trained on this new guidance, and the results to date have been excellent. And this is good news because the status quo ante prior to our recent guidance is no longer tenable.

If the United States is to maintain our technological edge in an increasingly competitive global environment, the American patent system must move beyond the confusion of the past several years when it comes to this most fundamental question in the patent system: What matter is eligible for patent, and what matter is not?

I believe that the framework we laid out in our recent guidance works well and goes a long way towards solving the predicament we have found ourselves in.

I hope that other authorities will join us as we continue our efforts to bring clarity to this critically important part of our patent system. I commend the congressional working group for its efforts on this issue, and the PTO stands ready to help with the legislative process as needed.

Fourth, on the trademarks front, we published a notice of proposed rulemaking in February that would require U.S.-licensed counsel for foreign-domiciled applicants. This should help reduce the number of potentially bad faith trademark applications from overseas filers. We are also studying other options for decluttering our register and may also consult with Congress regarding possible legislative tools.

Finally, on the operations side, we have recently hired an experienced chief information officer, and we continue to work to improve our technology infrastructure.

Mr. Chairman, the USPTO is a remarkable agency with a dedicated nationwide workforce. I am proud to be part of it. Thank you again for the opportunity to testify today, and I look forward to your questions.

[The statement of Mr. Iancu follows:]

STATEMENT OF ANDREI IANCU UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE SUBCOMMITTEE ON COURTS, INTELLECTUAL PROPERTY, AND THE INTERNET COMMITTEE ON THE JUDICIARY UNITED STATES HOUSE OF REPRESENTATIVES “Oversight of the United States Patent and Trademark Office” May 9, 2019

I. Introduction

Chairman Johnson, Ranking Member Roby, Chairman Nadler, Ranking Member Collins, and Members of the Subcommittee:

Good afternoon. Thank you for this opportunity to discuss the operations, programs, and initiatives of the United States Patent and Trademark Office (USPTO). I am honored to be here with you today to share the many changes and initiatives that the USPTO has implemented this past year in pursuing these goals.

The USPTO's mission is a critical one. It is directed toward fostering innovation and economic growth by providing innovators and entrepreneurs with the protection and certainty they need to raise capital, build their businesses and bring their products and services to the marketplace. During the last year, the Office has implemented many changes that seek to create more certain, predictable and reliable intellectual property rights. I am pleased that our efforts have been recognized. In March, the U.S. Chamber of Commerce's Global Innovation Policy Center ranked the United States the number one overall global leader and standard setter for the protection and enforcement of intellectual property (IP) rights. The same study ranked the U.S. second in the world for Patents, Related Rights, and Limitations in its 2019 International IP Index, up from tied for 12th last year and tied for 10th the year before. Similarly, in the 2019 Bloomberg Innovation Index, the United States returned to the top 10, rising from 11th last year to 8th overall this year and ranking best for the strength of its patent activity and high-tech density. With the dedication and professionalism of the employees of the USPTO, we will continue to lead and set the standard for IP protection, which serves the interests of all of its constituents and the public at large.

Our overall goal is to ensure that rights owners and the public alike have confidence in, and can rely on, a predictable and well-functioning IP system. This confidence spurs inventors to invent.

investors to invest, companies to grow and create new jobs, and science and technology to advance. I will continue to work with my team at the USPTO, with Secretary Ross and his team, others in the Administration, this Committee, and our stakeholders to identify and advance policies and initiatives that are working and reassess those that are not.

To attain that goal, we need to maintain a sustainable funding model. We are very pleased that the Administration and Congress continue to provide the USPTO with the authority to spend all anticipated fee collections. This provides us with the resources and flexibility needed to continue: reducing the patent application backlog; shortening patent pendency; improving patent quality; enhancing patent administrative appeal and post-grant processes; fine-tuning trademark operations; engaging effectively internationally; and investing in our information technology (IT) infrastructure. This also enables the USPTO to continue to build, retain and effectively manage the highly educated and talented nationwide workforce it needs to properly serve the stakeholder community.

We work hard to leverage every dollar we receive in fees to best serve our stakeholders. One of our most successful leveraging tools is our award-winning telework program. Approximately 88% of our employees participate in the USPTO telework program. It saves tens of millions of dollars annually in real estate costs. It also saves millions of dollars of commuting costs annually, allows us to continue operations even when the rest of the federal government is closed due to weather emergencies, and allows us to hire – and retain – the most skilled and successful workers from every corner of the United States. For example, we currently have approximately 200 employees working remotely for the USPTO in North Carolina, almost 30 in Delaware, more than 50 in South Carolina, and more than 300 in California. These employees – your constituents – are serving America's inventors and entrepreneurs each day, while contributing to local economies throughout the United States.

We are also thankful that Congress recently extended the USPTO's fee setting authority for eight additional years in the Study of Underrepresented Classes Chasing Engineering and Science Success (SUCCESS) Act of 2018. This authority allows the Office to continue to set user fees to more efficiently recoup its operational costs with input from our stakeholders.

The following provides an overview of some of our key programs and initiatives.

II. Patent Operations and Initiatives

Clear Patent Examination Guidance: Subject Matter Eligibility and Written Description

Between 2010 and 2014, the Supreme Court issued a series of decisions – *Bilski*, *Mayo*, *Myriad*, and *Alice* – that significantly impacted patent eligibility law and continue to generate substantial public debate. In the wake of these decisions—as well as numerous Federal Circuit decisions applying what is now known as the *Mayo-Alice* two-step framework—the USPTO has striven to provide guidance to patent examiners and the public on its understanding of these decisions.

The USPTO issued new guidance in a Federal Register notice published on January 7, 2019 revising the procedure at the USPTO for determining whether a patent application claim or patent claim is directed to a judicial exception— a law of nature, natural phenomenon, or an abstract idea— under the first step of the *Mayo-Alice* framework. The revision is two-fold.

First, the new guidance explains that abstract ideas, pursuant to case law, generally fall within one of three groups: mathematical concepts, certain methods of organizing human activity, or mental processes. Second, and pursuant to two centuries of case law, the new guidance explains that a patent application claim or patent claim that recites a judicial exception is not “directed to” the judicial exception if the judicial exception is integrated into a practical application of the judicial exception. The USPTO sought public comment on this new guidance, and comments were requested by March 8, 2019. USPTO received over 2,400 comments on this new guidance with some comments supportive of the guidance and others expressing concern. The USPTO is reviewing these comments and will continue to seek stakeholder feedback and make adjustments as necessary as we continue to monitor the effects of the newly issued guidance. The USPTO previously issued guidance in a Federal Register notice published on April 20, 2018, pertaining to the inquiry into whether an additional element or elements represent well-understood, routine, conventional activity under the second step of the *Mayo-Alice* framework. The USPTO similarly sought public comment on that guidance. The USPTO has trained patent examiners on the April 2018 and the January 2019 guidance and is in the process of ascertaining what further training is appropriate. In addition, in June 2018, the USPTO issued guidance on how to evaluate the patent eligibility of “method of treatment claims” in view of the Federal Circuit’s decision in *Vanda*. The USPTO’s patent eligibility guidance, training materials, and other documents, including frequently asked questions, are available on the USPTO’s website. The guidance is designed to increase the certainty and predictability of the patent eligibility analyses and provide a more consistent analytical framework to guide inventors, practitioners, examiners, and the public in finding the appropriate lines to draw with respect to patent eligible subject matter.

The USPTO also issued additional guidance in the Federal Register notice published on January 7, 2019, for the examination of claims in patent applications that contain functional language, particularly patent applications where functional language is used to claim computer-implemented inventions. The guidance addresses written description and enablement issues under 35 U.S.C. § 112(a), particularly relating to computer-implemented functional claims that recite only a solution or outcome to a problem without reciting how the solution or outcome is accomplished. The guidance further addresses issues related to the examination of computer-implemented functional claims having means-plus-function limitations under 35 U.S.C. § 112(f). The USPTO sought and is reviewing public comments on this new guidance. We have now also implemented training for patent examiners on this guidance.

I will continue to engage stakeholders and the public about ways to reduce the uncertainty around these critical areas of patent law.

Patent Pendency and Inventory

The IP system must be efficient and the USPTO is continuing to work to ensure that patents issue within a timely manner, subject to the statutory guidelines. The timely issuance of patents helps to provide certainty in the marketplace, and helps businesses and innovators make informed decisions on the development and marketing of their products and services.

In FY 2019, the USPTO expects to receive more than 600,000 patent applications. The inventory of unexamined patent applications is currently approximately 550,000 - which is down from more than 750,000 in 2009.

In terms of processing patent applications, the average time to first office action (first action

pendency) has been reduced from 25.9 months in January 2009 to a current level of 15.9 months and our goal is to reduce that number to less than 15 months by the end of FY 2019. Average total pendency has fallen from 33.8 months in January 2009 to a current level of 23.7 months and our goal is to maintain that number at less than 24 months through the end of FY 2019.

Updates to examiner performance evaluation

The USPTO recently informed its examining corps of some important updates, anticipated to take effect in FY 2020, which will bring the examination process in better alignment with the USPTO's goals of providing predictable and reliable patents rights to stakeholders. In particular, these updates revise the evaluation of examiner performance of patent examining duties via the examiner performance appraisal plan (PAP). The updated PAP establishes a roadmap for enhanced patent quality by providing examiners with a list of best practices as to how to more effectively search prior art, create a clear written prosecution record, and more efficiently examine patents using principles of compact prosecution. This roadmap provides a greater emphasis on search by highlighting the importance of searching the inventive concept as disclosed in an application so as to identify the best prior art in the case at the earliest possible time in prosecution.

Patent Quality

Providing high quality, efficient examination of patent applications is key to the issuance of reliable patent rights. The USPTO's actions – whether to reject a patent application or allow a patent application – have a real-world impact on applicants, the public, and the economy.

In general, quality patents are those that issue in compliance with all the requirements of Title 35 of the United States Code as well as relevant case law at the time of issuance and are able to survive challenge down the line. Performing a thorough prior art search to help issue claims of proper scope is an important part of issuing quality patents that can stand up to scrutiny, if challenged. In addition, any action issued by the Office must include sufficient detail so that applicants and the public can better determine the basis for examiner decisions.

The USPTO is focusing on improving examiner searches through the following initiatives:

- Training: The USPTO has evaluated the training offered to examiners with a goal of increasing available training opportunities. This includes training on proper search techniques and search strategies as well as training on search tools, particularly for foreign patents and non-patent literature.
- Providing Additional Resources to Examiners: The USPTO is also providing additional resources for examiners to assist with prior art searches when needed. This includes making available internal experts to help with search strategies based on technology and classification as well as assistance with available search tools. A USPTO task force is determining how information technology, such as artificial intelligence, can be leveraged to assist with locating and retrieving prior art for examiners. As I discussed last year in my testimony, we constantly seek ways to improve our prior art search and quality of examination.

- Exploring New Processes: The USPTO is also testing new processes that can help with enhancing prior art searches, including pilot programs that serve to test these processes. This includes, for example, collaborative search pilots between multiple USPTO examiners as well as between USPTO examiners and examiners from foreign patent offices. The USPTO also recently concluded a pilot program to help examiners identify applications that would benefit from a pre-search interview, so that any confusion with issues like claim construction can be resolved prior to performing an initial prior art search.

The USPTO is increasing transparency and collaboration between internal and external stakeholders by providing guidance and educational opportunities to external stakeholders. The USPTO's Stakeholder Training on Examination Practice and Procedure (STEPP) program is a 3-day course that provides external stakeholders with a better understanding of how and why an examiner makes decisions while examining a patent application. Based on the success of STEPP, the USPTO now also provides Virtual Instructor Led Training classes, which consist of short 2-hour courses on various patent topics. In addition, the USPTO holds monthly quality chat webinars with external stakeholders on patent quality topics with a substantial portion of the time reserved to answer questions from stakeholders and capture their feedback. Patent quality is a shared responsibility with external stakeholders and continued collaboration will lead to an improvement in the quality of incoming applications.

Examiner Training

Providing training and guidance to USPTO's employees is of utmost importance for supporting high-quality examination. Examiner training is provided for both newly hired and experienced examiners and may be delivered corps-wide or to specific disciplines. Legal training already completed this fiscal year includes extensive training to employees on the examiner guidance issued in January 2019 related to subject matter eligibility. The first phase of this training was completed in February. In addition, training on 35 U.S.C. §112 is currently in process and other training under development for delivery later this year includes training on claim interpretation, restriction, court decisions, and prior art rejections.

The USPTO also conducts Examiner Quality Chats, in a webinar format, to cover a range of patent quality topics and collaborates with stakeholders to provide technical training for examiners to enhance their subject matter expertise. The USPTO's Patent Examiner Technical Training Program (PETTP) provides opportunities for technologists, scientists, engineers, and other experts from industry and academia to voluntarily provide technical training and expertise to patent examiners in-person or virtually from their location. The Site Experience Education (SEE) program provides an opportunity for commercial, industrial, and academic institutions within the continental United States to voluntarily host patent examiners for technical site visits - organizations who volunteer to host these examiner visits contribute to improving the quality of patent examination by keeping patent examiners updated on the latest technologies and innovations in their field of examination.

Customer Experience

The USPTO is committed to improving the customer experience consistent with the President's Management Agenda. The USPTO has taken steps to better understand the perceptions of the IP community across multiple customer user groups in order to deliver an outstanding experience that is consistent, clear, and intuitive. The USPTO is currently gathering customer feedback data

and using the information to continuously improve processes and tools. By measuring customer feedback and then providing transparency on customer experience performance, it provides its customers and stakeholders a voice at the table and motivates business units within the USPTO to work together toward common, customer-oriented outcomes, so that the USPTO remains the global leader in Intellectual Property.

The USPTO recently administered its semi-annual Patent Quality Survey, which ran from January to mid-February and coincided with the issuance of the revised patent subject matter eligibility guidance. The results from that survey indicated the largest improvement in customer perceptions of quality since the inception of the survey in 2006. The percentage of customers citing overall quality as “good/excellent” increased by 10 percentage points, with customers of the electrical Technology Centers displaying the biggest positive shift in perceptions.

Fee Setting Authority

In September 2018, the USPTO exercised the fee setting authority that Congress recently extended in the SUCCESS Act and began the process of adjusting its patent fees by working with the Patent Public Advisory Committee to host a special public hearing on new proposed patent fees.

These proposed fees were based on a biennial review of our fees that the Agency conducted in FY 2017 where we determined that patent fee adjustments are needed to provide the USPTO with a sufficient amount of revenue to recover its aggregate costs for patent operations. The USPTO anticipates that the proposals will take effect in January 2021, which is three years after the previous adjustments. The USPTO must consider what the financial needs of the Office will be at that time and beyond.

In short, the proposed fees provide the resources and flexibility the USPTO needs to continue reducing the patent application backlog; shortening patent pendency; improving patent quality; enhancing patent administrative appeal and post-grant processes; engaging effectively internationally; and improving our IT infrastructure. These fee proposals will also enable the USPTO to continue to build, retain, and effectively manage the highly educated and talented workforce it needs to properly serve our stakeholder community.

III. Patent Trial and Appeal Board

AIA Trial Filings and Ex Parte Appeals

The USPTO’s Patent and Trial Appeal Board (PTAB) conducts AIA trial proceedings and adjudicates ex parte appeals of examiners’ final rejections. Since 2012, when the AIA trial provisions became effective, the USPTO has received more than 9,700 trial petition filings and has issued more than 4,900 decisions on institution and nearly 2,500 final written decisions within the statutory due dates. Additionally, the USPTO reduced the inventory of ex parte appeals from nearly 13,000 cases in fiscal year 2017 to fewer than 11,000 cases in fiscal year 2018, with a goal of reaching a steady state of 10,000 cases pending at any one time. The USPTO also reduced ex parte appeal pendency in fiscal year 2018 to an average of 15.3 months from an average of 17.8 months in fiscal year 2017, with an ultimate goal of about 12 months.

Issuance of Procedural Improvements and Guidance

The USPTO has made several significant improvements to AIA trial proceedings during the past year for enhanced transparency, fairness, certainty, and predictability.

First, the USPTO published a final rule in Federal Register harmonizing the claim construction standard to match the federal courts. Second, the USPTO recently issued a notice in the Federal Register summarizing the current motion to amend practice after the PTAB issues a final written decision in an AIA trial proceeding. Third, the USPTO released an updated trial practice guide to provide additional guidance on trial procedures such as the use of sur-replies, pre-hearing conferences, institution factors, hearing times, proper use of expert testimony, and motions to strike and exclude. Fourth, the USPTO released guidance to implement the Supreme Court *SAS* decision concerning partial institution of AIA trials and the Federal Circuit *Aqua Products* decision regarding the burden of proof for establishing the patentability of proposed amended claims. Finally, the USPTO published two standard operating procedures for the PTAB, one for paneling cases and the second for issuing precedential decisions. In fact, the USPTO recently designated several decisions as precedential on the topics of joinder, the use of live testimony at hearings, procedures to file motions to amend, request for rehearing, and real parties in interest.

We are monitoring our implementation of the various improvements to ensure optimal usage. Likewise, we are continuing to assess other possible changes to the AIA trial standards and processes. For instance, to manage the proceedings even more effectively, we are endeavoring to issue more precedential decisions and possibly a second update to the trial practice guide.

Ensuring the High Quality of Decisions

The USPTO has taken a number of actions to issue high timely decisions and enhance decisional quality. The PTAB administers weekly legal training to ensure judges, patent attorneys, law clerks, and paralegals are knowledgeable on the latest legal and policy developments. Additionally, the PTAB participated in an intra-agency working group to develop the newly-released guidance for determining subject matter eligibility under § 101 and conducted extensive training on the application of this guidance to ensure its consistent application.

Collaborating with Patent Examiners

The PTAB is enhancing its collaboration with the patent examiners in furtherance of a “one agency” goal. The PTAB is delivering quarterly training to examiners on various topics, such as the law of obviousness, to aid examiners in strengthening their legal analysis and work product. Additionally, the PTAB has conducted two joint studies with Patents. The first study assessed the use of parallel proceedings before the PTAB and patent examiners on the same patent. The second study focused on the frequency in occurrence of prior art and arguments raised in trials that were previously considered by the examiner during the examination of the challenged patent. The results of these studies will be ready to share with the public soon. The PTAB and Patents are continuing to explore ways to engage for education and mutual benefit.

Enhancing Transparency

The USPTO increasingly disseminates data about AIA trials and ex parte appeals to enable data-driven decision making and to better educate stakeholders. As part of this effort, the USPTO

publishes monthly statistics about its proceedings. Additionally, the USPTO continues to conduct and publish studies on certain aspects of AIA trials in response to stakeholder feedback. During the past year, the USPTO published studies on motions to amend, expanded panels, and trial outcomes for Orange Book-listed patents. The PTAB also hosts periodic webinars and participates in various speaking engagements to keep the public abreast of current developments.

USPTO is working to replace PTAB's legacy IT systems. A new system for AIA trials has already been launched, and the system for ex parte appeals is under development. There will be a follow-on investment to enhance the functionality of the new IT system to keep pace with changing business needs. The PTAB also revamped its website to be more user-friendly, including the addition of features that enable quick identification of new procedures, processes, and precedent.

IV. Trademark Operations & Initiatives

The USPTO registers marks (trademarks, service marks, certification marks, and collective membership marks) that meet the requirements of the Trademark Act. We create and maintain the federal register of trademarks that now includes approximately 2.4 million registrations. Federal trademark registration provides important benefits to trademark owners that help them to enforce rights in their mark against unauthorized users and to enlist the help of U.S. Customs and Border Protection to exclude counterfeit goods from importation.

The register itself includes notice to applicants, other trademark owners, and our examining attorneys of the registrant's claim of ownership in a mark and allows them to search the availability of marks for registration in the United States.

Trademark pendency and quality have been impressive during the recent period of immense growth. During this time, the USPTO has devoted considerable resources on measures to address inaccurate and sometimes fraudulent claims of use that undermine the reliability of the use-based trademark register. The unauthorized practice of law in trademark matters has grown markedly, and the USPTO has responded by instituting random audits of post-registration maintenance filings to require proof of use for specific goods or services in the registration, obtaining software to aid our ability to detect fake specimens of use, and proposing a rule requiring that foreign-domiciled parties use an attorney who is licensed to practice law in the United States to represent them in trademark matters before the USPTO. The USPTO is exploring additional measures and welcomes the opportunity to discuss them with the public and this Committee.

Performance Goals

For more than a decade, the USPTO has met or exceeded its trademark pendency and quality targets despite sustained growth. Since 2008, trademarks have been registered in less than 12 months from filing an application, on average, with a first action issued between 2.5 and 3.5 months from filing. The USPTO and its trademark stakeholders consider these to be optimal pendency rates.

First and final action “compliance rates” measuring examination quality continue to be high. Customers are filing 99.9% of all new applications electronically and the number of trademark applications processed completely electronically has also increased. This benefits workflow processes, data collection, and file management. The USPTO continues to engage the public to identify ways to efficiently process trademark applications with a goal of requiring all new filings and communications to be electronic in FY 2019.

Managing Growth and Maintaining Pendency and Quality

Trademark application filings historically have averaged annual increases between 6% and 8% during the last 34 years -- with only 4 years of negative growth during that period. Application filings for FY 2018 increased by 7.5%. Although our forecast for FY 2019 was for a 6% filing increase, so far, this fiscal year, our filings have increased by about 2% compared to the same period in FY 2018. We now expect application filings to increase by about 1% for the remainder of the fiscal year. Additionally, forecasts indicate that trademark application filings will decrease slightly in FY 2020, but are still expected to increase between 5% and 7% over the next eight years.

Improving the Accuracy of the Register

For the public and the USPTO to reliably determine whether a mark is available for registration, the trademark register must accurately reflect marks that are in use in the United States for the goods and services identified in the registrations. For several years, the USPTO has been working to improve the accuracy and integrity of the trademark register. Although we have consulted with stakeholders and implemented a number of measures designed to address this issue, more can be done.

There has been a rise in behaviors that undermine the accuracy and reliability of the trademark register. As I mentioned in my testimony last year, USPTO has faced a surge of foreign applications during the last few years, particularly from China, in some cases with inaccurate or possibly fraudulent claims of use of the mark for the goods or services specified in the application. Many of these applicants appear to be filing these questionable applications on the advice or with the assistance of foreign individuals and entities who are not authorized to practice law in the U.S. and therefore should not be representing trademark applicants before the USPTO.

Steps taken to address the rise in fake specimens include piloting software to help determine if a photograph submitted as a specimen of use has been digitally altered and actively encouraging lawyers to report suspicious specimens for pending applications. To highlight the significance of use statements to those who sign application and post-registration declarations, the USPTO has improved the readability of the declarations and required the statements in them to be acknowledged by checking a box next to each one. We also have increased the number of post-registration maintenance filings we audit, and the Trademark Trial and Appeal Board is piloting expedited cancellation procedures in cases raising nonuse or abandonment claims. To address the unauthorized practice of law, the Commissioner for Trademarks has issued orders excluding a number of apparently Chinese citizens from appearing before the USPTO in trademark matters. And, on February 15, the USPTO issued a proposed rulemaking to require U.S. counsel for all foreign-domiciled trademark applicants, registrants, and parties to TTAB proceedings. If

implemented, the rule would enable the USPTO to more effectively use available mechanisms to enforce foreign applicant compliance with statutory and regulatory requirements in trademark matters. The comment period for that proposed rule closed on March 18, and the USPTO is currently reviewing and considering those comments.

V. Additional Domestic and International Intellectual Property Policy

The USPTO plays a leading role in promoting strong and balanced protection and effective enforcement of IP at home and abroad. In particular, the USPTO “advise[s] the President, through the Secretary of Commerce, on national and certain international intellectual property policy issues,” and advises “Federal departments and agencies on matters of intellectual property in the United States and intellectual property protection in other countries.” Among other things, the USPTO advocates for global IP norms and understandings and conducts technical assistance and capacity-building programs for foreign governments and U.S. stakeholders through our Global Intellectual Property Academy (GIPA). *See generally* 35 U.S.C. 2(b). Through GIPA, we conducted about 150 in-person training activities, serving more than 7,000 individuals, including about 5,000 foreign government officials.

Some key developments and activities related to international and other (non-patent or trademark) policy issues are as follows:

Patent Prosecution Highway

The Patent Prosecution Highway, or PPH, is a cooperative initiative that facilitates the timely entry of innovative U.S. products into foreign markets and key trading partners, like Japan, Chile, and Mexico. Under the initiative, an applicant receiving a favorable patent ruling in one office may request that another participating office expedite the examination of a counterpart patent application. The PPH has allowed U.S. inventors to expedite examination in foreign IP offices with high patent backlogs, like Brazil. The timely determinations facilitated by the PPH provide greater legal certainty to American businesses and inventors across various international markets. The USPTO has led the global efforts to promote the cooperative framework, which has benefitted thousands of U.S. inventors.

Technical Assistance to Support Trade Negotiations & Other Trade Initiatives

Currently, the United States has free trade agreements in force with 20 countries and the USPTO provided expert technical advice and support on IP protection and enforcement in connection with the negotiations of all these agreements. The USPTO provides support in relation to implementation of the IP provisions of these agreements. Most recently, the USPTO assisted the U.S. Trade Representative (USTR) in developing the IP chapter of the United States–Mexico–Canada Agreement or USMCA. Signed by the President in 2018, the USMCA currently awaits approval by Congress. The USPTO is proud of its ongoing role supporting the development and implementation of IP provisions of the U.S. trade agreements, and in ensuring strong and effective protection and enforcement of IP rights critical to driving innovation, creating economic growth, and supporting American jobs.

The USPTO also works closely with USTR and the Department of Commerce to provide support for other bilateral and multilateral trade initiatives including the annual Special 301 Report and

various Trade and Investment Framework Agreements (TIFAs) with our global trading partners.

Protection of Industrial Designs Abroad

Industrial design protection has become considerably more important in recent years, fueled by growing needs of innovators not only to create new products, but also to differentiate them from competitors and, in an increasingly interconnected world, to improve user experiences.

The USPTO has led international efforts to ensure designers are able to protect their product designs in a cost-effective manner in key global markets through its work at the ID5 Industrial Design Forum – an incubator for sharing best practices among the five largest design offices from China, European Union, Republic of Korea, Japan and the United States.

Copyright Policy

The USPTO advises the Administration and the President on international and domestic copyright policy issues.

The USPTO provided technical assistance during the past year as the ratification and implementation processes for Marrakesh Treaty on Blind and Visually Impaired Persons and the Beijing Treaty on Audiovisual Performances were completed.

Domestically, we continue to facilitate public copyright policy discussions and provide technical assistance as needed to Congress in connection proposed legislative reforms. Work in this area during the last year included technical assistance on the Music Modernization Act (MMA).

China-Related Activities

The China Team in the USPTO's Office of Policy and International Affairs along with IP attachés on the ground in China brings extensive knowledge of and experience with China's intellectual property (IP) system. Along with IP attachés, the USPTO Mission in China has five local attorneys who specialize in Chinese IP law.

Rights holders have expressed a range of concerns about the IP landscape in China, including bad faith misappropriation of trademarks, infringement of patents, excessive government involvement in licensing transactions, and theft of trade secrets. Consumers are fearful of counterfeit products that pose health and safety risks, many of which originate from China. The USPTO has responded by presenting a series of China IP Roadshows, which inform rights holders about the most effective ways of protecting and enforcing their intellectual property in China. In 2018, staff visited a wide range of venues, including New York City, New Orleans, Austin, and plan more of these well-received roadshows in 2019, including Durham, Pittsburgh and Los Angeles. We were pleased to have featured addresses from Members of Congress and municipal leaders at many of our China IP roadshows and look forward to their continued involvement as we prepare for our roadshows in 2019.

IP Attaché Program

The IP Attaché Program is an important asset that supports the USPTO's efforts to promote strong and balanced protection and effective enforcement of IP rights abroad. The attachés'

fundamental role is to provide technical expertise assisting embassy officials and advocate for U.S. IP policy positions for the benefit of U.S. stakeholders with governments in the host region; educate government officials on IP matters, including judges, prosecutors, patent and trademark examiners, customs officials, police and policy makers; assist U.S. stakeholders with IP concerns in the host country or region; and build grass roots support for U.S. policy objectives by conducting public awareness programs on intellectual property with embassy teams.

The USPTO currently has thirteen IP attachés serving in the U.S. and Foreign Commercial Service in ten countries around the world. These positions are based in Rio de Janeiro, New Delhi, Beijing, Guangzhou, Shanghai, Bangkok, Mexico City, Kuwait City, Brussels, Lima, Geneva and Kyiv. Most of these attachés cover a broader region.

We are pleased that the IP Attachés have proven to be effective advocates for U.S. intellectual property in overseas markets. We pledge to work with interagency partners to ensure their contributions continue to serve and advance American interests.

Progress and Potential: A profile of women inventors on U.S. patents

On February 11, the USPTO published a report titled “Progress and Potential: A profile of women inventors on U.S. patents.” The report, released by the USPTO Office of the Chief Economist, analyzes the American women named as inventors on U.S. patents between 1976 and 2016. It shows that women still comprise a small minority of patented inventors and highlights the untapped potential of women to spur innovation in the United States. Notably, the report finds that recent gains in female participation in science and engineering occupations and entrepreneurship are not leading to extensive increases in female inventors earning a patent. In 2016, women comprised only 12% of inventors named on U.S. patents.

Broadening the innovation ecosystem to include women – and other underrepresented groups – is critical to inspiring novel inventions, driving economic growth, and maintaining America’s global competitiveness. The USPTO has undertaken a proactive approach to encourage women, as well as other minority groups, to innovate and secure patents to protect their innovations including through its inventor assistance resources, hosting an annual Women’s Entrepreneurship Symposium, supporting Pro-Bono networks around the country and building *pro se* resources in patents to make navigating the patent process more accessible, especially to first time applicants. Resources such as the USPTO’s Patent and Trademark Resource Center Program are located in more than eighty public, state and academic libraries – many in minority and underserved communities – providing a direct link to the community through regular programming, virtual offices hours with USPTO subject matter experts, and librarians trained to assist with IP searching and information.

The USPTO supports dozens of other STEM-related programs and events to provide basic education to young women about intellectual property such as the Girl Scout IP patch, which is administered to Girl Scout troops across the nation, and Camp Invention in school districts in every state and many other programs.

The USPTO will continue to advance the national dialogue around this issue and engage with industry, academia, and other government agencies to drive real change. I recently held several roundtables to facilitate discussions across the IP community on this important topic, starting

with a roundtable in the USPTO's Silicon Valley Regional Office with Rep. Zoe Lofgren, who represents the district where our office is located. This was followed by roundtables in Austin and in New York City.

Finally, in March, the USPTO renamed its auditorium after Clara Barton, one of the first female clerks at the USPTO, and who forged a path for women in government, the technology sphere, and the corporate world. The USPTO is proud to formally recognize her and ensure we continue to inspire future generations of women inventors and entrepreneurs. This is the first time in Office history that a major public space is named for a woman.

VI. Telework

To effectively manage its workload, while maintaining high-quality standards, the USPTO has adopted workforce strategies where employees stay productive and connected regardless of where they are located. The USPTO has been a leader within the federal space creating a nationwide workforce and effectively implementing telework strategies.

The USPTO telework program has provided cost savings by reducing the need for additional office space, enhancing recruitment and retention, fostering greater efficiency in production and management, enhancing the resiliency of the USPTO during continuity events, and providing opportunities for expanded work flexibility. Telework has also allowed the USPTO to more than double the number of employees since 2005 without significantly increasing its real estate footprint. In FY 2018, for example, based on nearly 6,424 full-time teleworkers, the USPTO avoided more than \$49.8 million in rent as a result of its full-time telework programs.

The USPTO's telework program has also allowed many of our employees to continue to work during weather-related government shutdowns. The National Academy of Public Administration found that USPTO's telework programs saved the Office an average of \$7 million per year based on work conducted during closures.

The 2010 Telework Enhancement Act allowed the USPTO to initiate a pilot program, the Telework Enhancement Act Pilot Program (TEAPP), which permitted employees to change their duty stations, thus relieving them of a regular reporting requirement to USPTO headquarters, in exchange for an agreement that they would pay their own travel costs for a limited number of mandatory trips back to the USPTO campus for training and engagement. The USPTO currently has approximately 2,800 TEAPP employees living outside the immediate Washington D.C. metro area in 48 states, including Puerto Rico. We are pleased that Congress has extended the program until December 1, 2020. With this extension, the USPTO will further test larger volumes of trips at one time, the tolerance of employees to pay for travel, additional onsite training offerings, as well as the maturity of the program. As the December 31, 2020 deadline approaches, the Agency will explore all options associated with the future of TEAPP including how the agency will manage travel, as well as the development of internal policies for existing TEAPP employees.

VII. USPTO Regional Offices

The USPTO is actively working to better serve the local innovation economies through its four

regional offices in Detroit, Dallas, Denver and San José. Among other things, these offices help the USPTO recruit and retain a highly qualified workforce of patent examiners and administrative patent judges. These offices have made our services more easily accessible to those working outside of our nation's capital. The offices also serve as hubs for our IP outreach and education efforts and provide inventors, small businesses, and entrepreneurs easier access to USPTO personnel and resources.

Regional office benefits to the public include walk-in services to obtain general IP information; work stations for searching patents and trademarks; a hearing room to host PTAB proceedings; and interview rooms to connect applicants to examiners working in the region, at headquarters or across the country.

Regional office outreach efforts have included broad-based and issue-specific IP seminars for startups, small business and independent inventors; tech-specific partnership meetings; participation in science, technology, engineering and math (STEM) education events; and working relationships with regional stakeholders including business interests and federal, state and local government officials.

VIII. Education and Outreach

The USPTO is committed to encouraging and supporting future generations of inventors and entrepreneurs in communities across the nation to play an active role in America's innovation economy by highlighting the greatness of American inventors and the benefits that their inventions bring to society. The USPTO does this in collaboration with and the support of Federal agencies, third party non-profits and educational organizations, school districts and universities across the country in order to reach geographically and socioeconomically diverse groups of K-12 students and educators. Such programs include the National Summer Teacher Institute on Innovation, STEM, and Intellectual Property (NSTI) where educators across the U.S. learn information about intellectual property and the USPTO to share with their students, colleagues and districts; Camp Invention (in partnership with the non-profit National Inventors Hall of Fame) where teachers receive training in STEM and intellectual property, an introduction to the patents and trademark systems that teachers take back and use in their own classrooms; and the Collegiate Inventors Competition (in partnership with the non-profit National Inventors Hall of Fame) that brings teams of graduate and undergraduate inventors to meet and discuss innovation and intellectual property with Hall of Fame inductees and USPTO experts.

Additionally, as administrators of the National Medal of Technology and Innovation, awarded by the President of the United States, the USPTO partners with the National Science & Technology Medals Foundation to recognize inventor excellence and to inspire future generations to become inventors. In 2017, the USPTO supported the foundation's newest program—"An Evening With..."—that brings medal laureates to college campuses around the country. The program makes a personal connection between college students, at the undergraduate and graduate levels, with leading innovators and thinkers who have all been recognized by the White House as our nation's greatest leaders in technology and innovation.

IX. IT Modernization

The USPTO is investing in the modernization of its information technology and retiring its legacy systems. These new information technology tools are built on a modern, flexible, and more stable web-based infrastructure leveraging cloud-based hosting. This allows us to leverage the latest technological advances and supports a distributed national teleworking workforce.

IT operations at the USPTO are at a unique point where we are increasing our focus on stabilization and modernization that will result in improving our systems to realize state-of-the-art technology at our agency.

This concentration on the foundation of stabilization and modernization, combined with our concurrent effort to leap frog into emerging technologies such as big data, machine learning and artificial intelligence, the USPTO hopes to improve examination and data driven decision making leading to quality patents and trademarks.

New USPTO CIO Jamie Holcombe has a unique opportunity to help the USPTO improve these systems and transition our agency to state-of-the-art technology.

X. Conclusion

Chairman Johnson, Ranking Member Roby, Chairman Nadler, Ranking Member Collins, and all members of the Subcommittee, we appreciate your continued support of the goals, priorities, operations and employees of the USPTO. We look forward to working with you to promote the strong and balanced protection of intellectual property rights both at home and abroad.

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Mr. JOHNSON of Georgia. Thank you, Director Iancu.

I will now recognize myself for questions for 5 minutes.

Director, I am concerned about the lack of consistency and predictability in the case law applying 35 USC Section 101. What is your view on how the case law is impacting American innovation?

Mr. IANCU. So as has been mentioned by yourself and other members already and in my opening statement, court decisions have created uncertainty. There is no workable framework or workable test provided by the case law, for example.

So this has created confusion for our 8,500 examiners who have to apply the law in the cases every single day and for our applicants and members of the public. And that situation simply, as I said, is not tenable. So the PTO has synthesized the case law and has created framework that I have mentioned, and I can go into more details if you would like.

Mr. JOHNSON of Georgia. Well, yeah, if you would.

Mr. IANCU. Yeah. So the framework that we have created is a synthesis of existing law, and it is really working great at the Patent Office because it provides guidelines for the examiners to apply in a consistent manner and it provides a system that is understandable by our applicants and other members of the public. And the fact of the matter is that we have received lots of comments on this across the spectrum.

As a general principle, with very few exceptions, people across the technological spectrum agree with the framework. Some folks might disagree whether some particular type of technology should be in or out of the eligibility system or not, but generally speaking, the framework, which is the most important thing, folks seem to agree with.

Now, the bottom line is courts are independent, and they don't have to follow our guidance, obviously, and our framework. I hope they would, frankly, because it is correct, I believe, and there is broad-based support, as I said. It goes a long way towards solving the problem. But they have not yet provided clarity. So the bottom line is, if Congress desires to create more certainty, legislation is needed.

Mr. JOHNSON of Georgia. Thank you.

I am also concerned about the rise of fraudulent trademark applications. While I think the USPTO's recent proposal to require U.S. counsel for foreign registrants should help as we move forward, this will not help the thousands of fraudulent marks already on the register that are blocking legitimate companies. What is your plan for addressing this problem?

Mr. IANCU. So this is—you have identified a significant problem. It is an increasing problem. It is, a lot of it, caused by foreign applicants. Not all of it, though, to be clear. Not all of the entirety of the problem is foreign. Some of it comes from here. But we have done a number of things and can do more.

For example, first and foremost, we are having increased training of our examiners to be able to look for and spot troublesome applications. We have advanced training, for example, set for this June coming up on spotting and handling possible fake specimens. We have increased the proof of use audit program. We have piloted

an expedited cancellation process. We are piloting software that can help detect photoshopped images.

And as I have mentioned in my opening, very importantly, we issued a U.S. counsel proposed rule which would require foreign applicants to use U.S.-licensed counsel for their trademark applications. Hopefully, U.S.-licensed lawyers would be more reluctant to put in fraudulent applications, and if they do, at least we have an address to pursue.

As I said, there is more than that that we could do. We are looking at all of it. We have a task force. There are new rules and processes that we can deploy. We can, for example, address a specimen definition. We are working on that. We can work with Congress on potential legislation, for example, legislation for lowering the threshold for cancellation of false claims of use to negligence.

These are preliminary ideas, by the way. We are still working on them. And we would be happy to consult with Congress when the time comes.

Mr. JOHNSON of Georgia. Thank you.

My time has expired, so I will yield back and recognize the gentleman from Louisiana, Mr. Johnson, for his questions.

Mr. JOHNSON of Louisiana. This is the law firm of Johnson and Johnson today.

Mr. IANCU. It is easier for me to remember.

Mr. JOHNSON of Louisiana. That is right. You can't mess this up.

Director, we really appreciate you being here today, and thank you for that summary of what you have presented and all you have been able to accomplish. You have a gigantic task at hand, we recognize that, and we are thankful for you and your stuff. I know you have a lot of folks with you and watching today.

Just a few questions. Look, I regard your office and your work to be among the most important in the government because I believe that property rights are fundamental. It is a natural right that we have to own property and to protect it. And so what you do is so critically important to our entire system, our free market, and everything that we are about as Americans. So thank you.

A couple of questions. Based on comments you provided in your written testimony, you highlighted the USPTO's involvement with the Patent Prosecution Highway, PPH, which facilitates patent approval amongst trading partners. I represent a district located in Louisiana, the sixth-largest export State by value in the Nation, and I am encouraged by PPH participation with nations like Brazil and others because they are essential to my State's export economy.

So the question is, has the USPTO undertaken any steps to expand cooperation through PPH? And if so, what countries have you targeted to include in that?

Mr. IANCU. The answer is yes. We continuously look to, first, strengthen our relationships with IP offices across the world, including the ones we already have agreements with on IP, and we are looking to expand the list. Unfortunately, I don't have off the top of my head right now who else we are talking with, but happy to provide that in writing.

There is always an effort to expand PPH and our collaboration with various offices. I personally meet with my counterparts from across the world regularly and will continue to do so.

Mr. JOHNSON of Louisiana. We appreciate that. I know they do as well.

In your capacity providing technical support to the Department of Commerce and the U.S. Trade Representative on proposed and ongoing trade agreements, could you speak briefly as to what recommendations you have made in agreements like the USMCA and what you would like to see included in IP chapters going forward?

Mr. IANCU. So we do provide technical advice to various agencies across the government when it comes to intellectual property. We do get involved if we are asked to advise the Secretary of Commerce and others at the Department and also the USTR. We did provide technical assistance to the USTR during the USMCA and other trade negotiations.

As a general principle, we want to see strong intellectual property systems, obviously in the United States first and foremost. We do want to see strong intellectual property systems with our trading partners.

The main reason for that is because it helps American businesses doing business overseas. They can engage overseas and sell their wares more confidently if they have a robust system to do so. So we advocate on behalf of American companies, and we advocate for robust and clear IP rights.

I want to mention that also the PTO has attachés across the world. Just for example, in China we have three. We have a spot in Mexico, since you mentioned it, one in Brazil as well, by the way, Europe, and so on. And those attachés provide a great deal of information to American stakeholders doing business overseas, they are very helpful, among other duties as well.

Mr. JOHNSON of Louisiana. Very good. I am glad you brought up China. It is a big concern, as we all know.

I noticed that you cited benchmarks for reducing patent pendency in your statement. Considering the virtual full court press by China and other competing nations to expedite their patent approvals, what steps is USPTO specifically taking to reduce the pendency period here? And what recommendations do you have for legislation to address this in order to maintain American dominance in the IP space?

Mr. IANCU. It is a very, very good question, Congressman. It is a broad question.

Mr. JOHNSON of Louisiana. Sorry.

Mr. IANCU. It is quite all right, but it is a very important topic.

So a critical goal for us is to reduce pendency, both overall pendency of a patent application which is beginning to end to issuance, and also first office pendency and along the way. And we have specific targets, and we are hoping to get below 24 months for the overall period on average and below 15 months for the first office in the very near term—first office action in the very near term.

We want to make sure we hire the appropriate number of examiners to be able to accomplish that. We want to make sure that the time allocation to each examiner per application is appropriately

allocated so that they can do a good job, a high quality job, but also as expeditiously as possible.

Just recently, we reached agreement with the examiner union with respect to a new appraisal plan, and it includes, among many other things, special routing, more advanced routing of applications to the correct examiner, and more advanced ways to allocate time dynamically to each examiner per case depending on factors such as the examiner's qualifications and experience, the type of case, the difficulty of a case, and many other things as well.

Mr. JOHNSON of Louisiana. The pendency of your answer time is up now, so we have got to move on.

I yield back. Thank you. I apologize.

Mr. JOHNSON of Georgia. At this time, I will recognize the gentleman from New York for his questions.

Mr. JEFFRIES. I thank the chair.

And, Director Iancu, thank you for your presence, and thank you for your testimony and your service to the country.

It is my understanding that trademark filings have increased significantly over the last several years. Is that right?

Mr. IANCU. That is correct.

Mr. JEFFRIES. Am I correct that since 2014 they are up overall from about 300,000 to approaching a half a million per year. Is that right?

Mr. IANCU. It is correct on the second part. We are approaching half a million per year. I don't have the figure from 2014 in front of me, but I will defer to your figure. It has increased dramatically.

Mr. JEFFRIES. And, of course, the USPTO maintains a commitment to issuing quality trademarks. So given this increase in volume, has there been an increase in the number of examiners, or how is that process being managed?

Mr. IANCU. Yes. Most definitely we have increased the number of examiners, and we have done a number of other things as well.

Mr. JEFFRIES. One question about the impact of the shutdown. It is my understanding that USPTO was able to stay open for a period of time, if not throughout the entire duration, because of the reserve that you have as a fully fee-funded agency. Is that right?

Mr. IANCU. Correct. We were able to stay open during the entirety of the lapse in funding.

Mr. JEFFRIES. And at what point would that reserve have run out?

Mr. IANCU. So it differs between the patent operations and the trademark operations. We were approximately a couple of weeks away on the patent side, and I would say approximately, with an emphasis on approximately, a couple of months away on the trademark side.

Mr. JEFFRIES. And at a certain point it would have resulted in trademark examiners and/or patent examiners being furloughed during the duration had the reserve fund run out. Is that right?

Mr. IANCU. Yeah, probably. If we ran out of funds, we probably would have had to furlough examiners, as I said, patent examiners first, trademark examiners later.

Mr. JEFFRIES. And what would have been the impact, in your view, on inventors, on the innovation economy, on the ability for entrepreneurs to bring their creativity to life?

Mr. IANCU. It would have certainly been disruptive to the IP, to the patent system in the patent case and the trademark system in the trademark case.

Mr. JEFFRIES. Now, in the event that there is another government shutdown—hopefully, there will not be—is there an avenue available for you to access the funding stream that is available based on the fact that you are a fee-funded agency, or is that, as I understand it, prohibited under law?

Mr. IANCU. Right. Correct. Right now it is prohibited under the law. We are not able to spend fees collected during a lapse in funding. Even though we collect the fees, we can't spend them. But what we can do is what we have done in the past, which is we can spend fees in our operating reserve.

Mr. JEFFRIES. In your view, is this an avenue for exploration in terms of a congressional fix, since, in fact, you are currently accepting fees even in the midst of a government shutdown but prohibited from being able to spend those fees to maintain your operations?

Mr. IANCU. Well, obviously access to our collected fees would provide more certainty for continued operations. And should Congress direct such changes as you indicate or provide additional authorities, we will of course incorporate those changes and authorities into our contingency planning.

Mr. JEFFRIES. In the brief moment that I have, turning to a different topic, it is my understanding that current law, specifically Section 2 of the Lanham Act, local governments, towns, municipalities, cities are not permitted to obtain a Federal trademark registration on things like their flag seals and insignias. Is that right?

Mr. IANCU. Correct.

Mr. JEFFRIES. Now, if the government seals and insignias are federally registered—and we are working on bipartisan legislation in that regard—what are some of the protections or enforcement mechanisms that would be afforded for cities or towns or municipalities to protect things like the police department badge, the fire department badge, the State flag, or things of that nature?

Mr. IANCU. Presumably, depending on the content of the proposed legislation, presumably the same remedies available to other mark registrants and owners, including the ability to prevent others from duplicating that particular insignia or flag and the like.

Mr. JEFFRIES. Thank you, Mr. Director.

And with that, I yield back.

Mr. JOHNSON of Georgia. Thank you.

I now recognize the gentleman from the State of Arizona, Mr. Biggs, Representative Biggs, for 5 minutes.

Mr. BIGGS. Thank you, Mr. Chairman.

Thanks, Director, for being here today.

Trademark applications from China have grown more than twelvefold since 2013, and for fiscal year 2017 totaled thousands more than the combined filings from Canada, Germany, and the U.K. China's provincial governments are paying citizens hundreds of dollars in Chinese currency for each trademark registered to the United States, likely helping lead to the uptick.

To qualify for a Federal trademark registration, a product or service must be used in commerce, among other requirements, but

little evidence is required to back up the in-use claim. USPTO has issued guidance encouraging lawyers to report suspicious specimens for pending applications.

So my first question for you is, since you began encouraging lawyers to report suspicious applications, how many reports have you received?

Mr. IANCU. We have received reports. Unfortunately, I don't have the number, the specific number. I can follow up with that. But we have received a number of them.

Mr. BIGGS. Are they—okay. So I am not trying to pin you down because I know you don't have them. I suspected you wouldn't have them. But are we talking a few reports or a plethora of reports? Are we talking more than 100, less than 100? That type of thing.

Mr. IANCU. I am going to get back to you soon.

Here we are. Apparently, we have received approximately 60.

Mr. BIGGS. Sixty. Okay. Of those, how many applications have been halted or registrations revoked? Any? About 20?

Mr. IANCU. I am told about 20.

Mr. BIGGS. Okay. I am sorry to put you on the spot like that.

Mr. IANCU. That is quite all right.

Mr. BIGGS. What direction has been given to examiners as the applications from China have continued to increase?

Mr. IANCU. Well, so we are very much aware of this issue, so what we really want to do is to make sure that our examiners are paying increased attention to suspicious specimens.

And it is not just China. It is a significant number from China. But any fraudulent applications, we want our examiners to pay increased attention to that.

As I have mentioned, we have advanced training coming up just next month. We are providing them with advanced tools, including photoshop software that can try to detect some of these.

I want to emphasize, folks are getting good at photoshopping.

Mr. BIGGS. Right.

Mr. IANCU. And it is getting increasingly difficult to detect.

Mr. BIGGS. So, Director, I will say that I met recently with a retailer that has a household name, and one of the things they do is they create in-house brands and trademarks. And they showed me a number of images of successful trademark registrations from people and entities from China. That is where they were focusing. They were clearly sloppily photoshopped.

And, you know, I looked at it, and I said, "Wow." I mean, I am just a low tech Member of Congress and I could tell that those had been photoshopped in. They didn't even make sense.

So I guess my question is, how are they getting through? And you have just said you have got more training coming that is going to help. But how are these things getting through? Are they receiving additional scrutiny? Or what is going on?

Mr. IANCU. I probably have met with the same group of folks you have and I am aware of some of these. The bottom line is that most of them are very difficult to detect.

Now, obviously some of them should be detected on a cursory view and some mistakes are made. What we want to make sure we do is, A, we reduce the number of mistakes, obviously, and that is what the training is for, and that is what the advanced software

is for. And we want to look for ways to be able to detect even those that are currently difficult to detect.

So we are attacking the problem from all angles.

Mr. BIGGS. I appreciate that, and I wish you well and encourage you. And if Congress needs to do something, I hope that your team will let us know what we can do legislatively to support that.

And I am running out of time to ask this question, so before I ask it I am going to ask that—I have an article from May 5, 2018, from The Wall Street Journal. I ask that it be admitted into the record.

Mr. JOHNSON of Georgia. Without objection.

[The information follows:]

5/9/2019

Mr.
Boggs FTR

Flood of Trademark Applications From China Alarms U.S. Officials - WSJ

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BUSINESS

Flood of Trademark Applications From China Alarms U.S. Officials

Most of the Chinese filers are tiny merchants hawking goods like pocketbooks, binoculars and phone chargers



China's southeastern city of Shenzhen, often referred to as the Silicon Valley of China, pays companies and individuals as much as roughly \$800 for each U.S. trademark they register. PHOTO: EPA/SHUTTERSTOCK

By Jacob Gershman

May 5, 2018 8:00 a.m. ET

Huge numbers of Chinese citizens are seeking trademarks in the U.S., flooding the U.S. Patent and Trademark Office with applications that officials say appear to be rife with false information.

The surge of filings from China has surprised the patent office. Officials say it could be fueled by cash subsidies that Chinese municipal governments are offering to citizens who register a trademark in a foreign country.

<https://www.wsj.com/articles/flood-of-trademark-applications-fromchinaalarms-u-s-officials-1525521600>

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Flood of Trademark Applications From China Alarms U.S. Officials - WSJ

Trademark applications from China have grown more than 12-fold since 2013 and for fiscal 2017 totaled thousands more than the combined filings from Canada, Germany and the U.K. About one in every nine trademark applications reviewed by the U.S. agency is China-based, according to government data.

Patent and trademark officials say cash incentives could be a factor. As part of a national effort to ramp up intellectual-property ownership, China's provincial governments are paying citizens hundreds of dollars in Chinese currency for each trademark registered in the U.S.

Many Chinese applicants list addresses in the southeastern city of Shenzhen, often referred to as the Silicon Valley of China. Shenzhen pays companies and individuals as much as roughly \$800 for a U.S. registered trademark, according to the city's intellectual-property bureau.

The U.S. officials say many China filings show a pattern of suspicious claims about the goods in question and the qualifications of the attorneys handling them.

"There's been a dramatic increase on Chinese filings. A lot of [them] seem to be not legitimate," the patent office's trademarks commissioner, Mary Boney Denison, said at a Trademark Public Advisory Committee meeting last fall, according to a transcript.

Josh Gerben, a Washington, D.C., trademark lawyer, said fraudulent trademarks could cause costly delays for other filers if their names are too similar, a grounds for a refusal. "The significant number of fraudulent trademark filings being made from China is disrupting our trademark system," he said.

The vast majority of the Chinese filers are tiny merchants hawking online goods, such as pocketbooks, binoculars, phone chargers and knit hats, under an array of sometimes vowel-less brand names.

To qualify for a federal trademark registration, a product or service must be "used in commerce," among other requirements. But unless another company is challenging the trademark, little evidence is required to back up the "in use" claim. There have been instances when a screenshot of a listing on Amazon or another e-commerce site is all an applicant needed to demonstrate market activity.

The Patent and Trademark Office has found numerous instances of Chinese applicants asserting that a proposed trademark is used in commerce, while submitting multiple nearly-identical images of the same consumer product with a different word on the brand tag. FORLISEA, CINYIFAAN, ENJOYSWEETY and GOOKET are some of the two dozen Chinese brands shown on an identically designed pair of zebra-print pants, for example.

The trademark subsidies are part of China's "planned approach to intellectual property," said Mark Cohen, a China-focused intellectual-property expert at Berkeley Law School and former

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Flood of Trademark Applications From China Alarms U.S. Officials - WSJ

senior counsel at the patent office. As with patents, China has a “highly metric, numbers-oriented approach” to intellectual property, he said.

Having a trademark registered in the U.S. is crucial for sellers on Amazon, whose brand-registry program rewards officially trademarked products with more site visibility and a higher listing in search results.

A number of Chinese merchants appear to be represented by foreign attorneys who aren’t licensed to practice law in the U.S., violating application rules. In one recent application, a Shenzhen address was listed for an attorney representing a Hong Kong client who had digitally altered a photo to insert the word “Instamarket” over a Walmart storefront.

And more than a dozen Chinese applicants entered the name “Wendy” into the entry box for the attorney name on the trademark application.

Hundreds of Chinese applicants are represented by an Atlanta trademark attorney, Amber Saunders. She said she developed her client pool after accidentally emailing a marketing message to a China-based intellectual-property company, which then started steering Chinese merchants her way.

Some of the merchants had already submitted problematic paperwork that needed fixing. Ms. Saunders said she took on only clients whose commercial activity seemed legitimate. The ones submitted by a lawyer named “Wendy” were among the red flags, Ms. Saunders said. “I wanted to know if they were making stuff up.”

—Fanfan Wang contributed to this article.

Write to Jacob Gershman at jacob.gershman@wsj.com

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Mr. BIGGS. Thank you, sir.

How do you plan to address the thousands of trademarks that are already registered that are good for 10 years that may have problems that really are not in use in commerce?

Mr. IANCU. So we want to expand. We have expanded our audit program, so where we go in and we audit existing registrations, as you have just mentioned, and we have just recently expanded that. And we have directed our examiners to increase the number of maintenance filings audited. We have new attorneys specifically attending to this issue. We have recently piloted an expedited cancellation program, for example.

In the interest of time, there are lots of things, more things that we can do. And, as I have mentioned in my opening, this is an area where we probably could use some legislative help for additional tools, and we will come see you all about that.

Mr. BIGGS. Very good. Thank you.

Thanks, Mr. Chairman.

Mr. JOHNSON of Georgia. Thank you.

I now recognize the gentleman from Arizona, Representative Stanton.

Mr. STANTON. Thank you very much, Mr. Chairman, for putting together this important oversight hearing for this committee. And I want to thank the witness for doing an outstanding job. It has been very educational. My friend from Arizona who just spoke, it sounds like we are on the same exact page. And maybe we will work together on the legislation that we will work with this office because you are going to hear from me very similar things that you heard from Representative Biggs, the importance of dealing with this issue of the flood of trademark filings from foreign entities, particularly from China.

The information I have been given is that, in 2014, the number of trademark applications from China was just over 6,000. In 2018, that had gone all the way up to almost 58,000 applications. And I hear you in terms of the difficulty of managing that, but I just want you to hear us that, I think in a bipartisan way, want to be as supportive as possible to make sure that our American companies and inventors and entrepreneurs aren't being put in any kind of a disadvantage.

Have you considered issuing formal—have you considered formally issuing examiner guidance that requires additional supporting documents for pending applications to further elevate the issue that we are talking about?

Mr. IANCU. Yes. So this is a specific issue that we are focused on. So we want to and we have directed our examiners already—there is already regulation on this issue. So we have directed examiners to more actively use the authority they have to require further proof of actual use of the mark where the submitted specimen raises concerns.

And the further training will further emphasize that. It is an important tool that we have and can use more of. There are other things we can do. And what we want to be careful, though, is that we have an appropriate balance here, right? Because very often, when you take steps to prevent bad actors, you can sweep in with

that, make life much more difficult and, therefore, costly to the good actor.

So we want to have the right balance. I mean, I will give you an example. We could right now—so right now we primarily rely on an affidavit of use, people just swearing that it is in use. Now, as it turns out, some folks are not fully honest. Shocking, but that is the case.

We could, theoretically, require upfront everybody to submit additional proof, not just an affidavit. I don't know, to be frank, whether that is the right approach. It would help reduce the bad actors, but it might impose a heightened burden on all the good actors. So we are considering that, talking to stakeholders and a whole host of other options.

Mr. STANTON. All right. I appreciate that. And, obviously, the idea about being in balance, out of balance is important. My impression is, is that maybe on this particular issue when it comes to filings from China, we may be out of balance right now, and I want to give you all the support we can, as Congress, to fix that issue to better protect our American businesses.

Let's switch gears a moment, just talk about patents. Obviously, you mentioned there are concerns about the Supreme Court's jurisprudence and how it may be hurting innovation, particularly in medical diagnostics, an area where I know we can agree that we should see more rather than less innovation and a particularly important topic to my State of Arizona, where there are several large biotech companies.

Is there a way, in your opinion, to legislatively fix this problem alone through a change to section 101, or do you think legislation is needed at this point to ensure that those who discover new innovative diagnostics can get adequate patent protection to support the research and development needed to turn that invention into a test that can help patients?

Mr. IANCU. So I believe this is the most important substantive issue of patent law right now, and I believe all branches of government need to work on this. We have done our guidance at the PTO. We are continuing to work on it. But yes, I think a legislative approach is possible.

Look, it took a long time to get here, frankly. The statute has basically not been amended since Thomas Jefferson and James Madison wrote it in 1793. So it has been around for a long time. The problems from the court decisions in recent years have also taken a decade or so to get us where we are. So it is going to take some time to get it right as we move on.

We have to move on and get it right. We want to make sure that—I mean, it is a complex issue. So we want to make sure that we study it carefully and speak with our stakeholders, consider all points of view. There is certainly a path forward, and our guidance illustrates a particular path. There is a legislative path as well and we just have to make sure we are deliberate and careful about it.

Mr. STANTON. All right. Well, if we can improve upon Jefferson and Madison, I guess we will give it our best shot. Thank you very much, Mr. Iancu, and I will yield back.

Mr. JOHNSON of Georgia. As I recognize Mr. Jordan, I will just comment on the fact that insofar as fraudulent trademark applica-

tions are concerned, we are working on legislation to address that problem, and I will be looking forward to working with all members of the subcommittee to make sure that the legislation that is crafted is suitable.

And, with that, I will yield now to the gentleman from Ohio, Mr. Jordan, for 5 minutes.

Mr. JORDAN. Thank you, Chairman.

Director, I got two questions. One is one that I want to ask. The second one comes from a colleague, Congressman Massie, who is not a member of the Judiciary Committee. It is unfortunate the rules of our committee don't allow nonmembers to ask questions, particularly in this case, where Mr. Massie is the holder of like 30 different patents.

So let me start with mine. I will read it, and then we will jump to—and it deals with the IPR process and PTAB and some of the things that were part of, obviously, the America Invents Act.

One of the major changes brought about by the America Invents Act was the creation of IPR. We created this process in an attempt to help guard the patent ecosystem against patent trolls and to prevent them from disrupting innovation and devaluing inventions.

Based on the data released by the PTO in March, it seems that the IPR system is largely working. Of course, some patents are struck down in the IPR process, but, you know, courts also strike down certain patents. The IPR system appears to provide a more cost-effective way and expedient way to deal with this issue.

Over the last year, you guys have made some changes to this process, which include changing the claim construction standard, changing the process for claim amendments, and issuing multiple precedential decisions on why IPRs shouldn't be instituted. I am curious as to why you felt those changes were necessary, but maybe let me hone it down even a little bit more.

The Trump administration has made it a high priority to tackle the rising price of prescription drugs. Obviously, patents are a cornerstone of the incentive to make life-saving drugs, but everyone can agree that this grant should not be abused, which is why we have checks and balances in the overall patent system.

The bio and pharmaceutical industries have made no secret about the fact that they do not like the IPR process. In fact, they have sought a carve-out, which causes me a little concern, because if you are going to do it for one industry and not others, I think there is some concern there.

Question: Do you have any suggestions for Congress with respect to things we should do to make sure that patents in the pharmaceutical space correctly balance the rights of the inventor, the incentive to invent, and the rights of competitors to enter the market? And, secondly, can you please tell us the status of your changes to this process and any effects they may have?

Mr. IANCU. Excellent. All in 2 minutes and 38 seconds. Very good.

Mr. JORDAN. You got to do it quicker because I got another question from Mr. Massie, and he is sitting in the audience and he wants me to get to it.

Mr. IANCU. Well, where to begin?

Mr. JORDAN. I will take it in writing. Let's do this: Let me ask Mr. Massie's question, and then I also want to submit a couple others to you to look at from Mr. Massie, and then you can say what you can in 5 minutes, and then you can give the rest of it to me in writing. Will that work?

Mr. IANCU. Very good.

Mr. JORDAN. Mr. Massie's question deals specifically with PTAB. He says this: The PTAB was supposed to provide experts to review patents that were mistakenly issued. Why are so many patent claims invalidated by the PTAB if, in fact, the Patent Office is issuing valid claims?

I think he gave me a number of like 84 percent, which seems really high. I don't know if that is accurate, but that is what Mr. Massie conveyed to me on the number that are invalidated.

Mr. IANCU. Okay, very good. So, just quickly, on this point. So there are two major steps in an IPR process. One is the institution decision. So, once a petition is filed, we need to decide whether to institute the proceeding or not. So a good number of petitions do not get instituted. So those drop out. We don't cancel them. We don't change them. They are not in the process at all. So the patent remains valid as far as the PTO is concerned.

Once it is instituted, the number overall is approximately 80 percent—Mr. Massie is right—of, on balance, overall, on average I mean, once the proceeding is instituted. When you combine those two numbers, the percentage of patents invalidated is significantly lower.

Mr. JORDAN. What is that number?

Mr. IANCU. It's around in the 30, 40 percent range, and I will get to it in a second as I keep talking. But the fact of the matter is the patent process is never perfect. Obviously, courts—we are dealing with words here and concepts and so on.

So courts themselves invalidate 35 percent of the patents, give or take. So it should not be surprising that with the lower standard of proof which we have, that the PTO legislatively provided, so lower standard of proof to invalidate the patent compared to courts, it is not surprising that we would invalidate at least at the rate the courts do.

Mr. JORDAN. Which is what you said, 30 to 40. You said you are about 40?

Mr. IANCU. Yes. So we are overall—

Mr. JORDAN. Once that initial—once that threshold—

Mr. IANCU. Correct, when you combine the two.

Mr. JORDAN. Right.

Mr. IANCU. Okay. So just to go back to—okay.

Mr. JOHNSON of Georgia. The gentlemen's time has expired.

Mr. JORDAN. If you get it to me in writing. If I can, we will get you the other questions from my colleague Mr. Massie as well.

Mr. JOHNSON of Georgia. I do anticipate a second round, however.

And, with that, I will now move to the gentlelady from California, Congresswoman Lofgren, for 5 minutes.

Ms. LOFGREN. Thank you very much, Mr. Chairman.

It is good to see you again, Director. The last time we saw each other, I had a terrible cold, and I hope you didn't catch it from me.

Mr. IANCU. Well, we will have a separate discussion about that.

Ms. LOFGREN. Sorry. I wanted to talk about FRAND. The Department of Justice in December indicated that they were withdrawing from the 2013 policy statement on remedies for standard essential patents subject to voluntary FRAND commitments. And it has been reported, but I don't know if it is accurately reported so it is a question to you, that the Department of Justice wrote a letter to the USPTO asking the Patent Office to withdraw from the policy statement. Is that true?

Mr. IANCU. I have not seen such a letter from the—we have received letters from the public and stakeholders, but I haven't seen a letter from the Department of Justice.

Ms. LOFGREN. Okay. Well, that is good news because I think that would be highly inappropriate, honestly, but I don't always necessarily believe, you know, press reports. I wanted to see. I do think—and I assume that you agree or you will tell me if you don't—that fair, reasonable, and nondiscriminatory licensing obligations are really critical to encouraging the adoption of cutting-edge technology, interoperability, and giving consumers choices.

Mr. IANCU. I agree with that.

Ms. LOFGREN. Very, very reassuring.

I wanted to talk about patentability. We have touched on some of the section 112 written description. Your review, as I understand it—and you will correct me if my understanding is wrong—that the section 112 guidance you gave focused on software inventions, but not the life sciences. Is that correct?

Mr. IANCU. In the section 101 or 112?

Ms. LOFGREN. 112.

Mr. IANCU. So, in section 112, in the guidance we issued—so we issued two pieces of guidance in January at the same time. One is on 101. The same day, we also issued on 112. In the 112 guidance that we issued that day, it was focused on computer-implemented inventions.

Ms. LOFGREN. Okay. Because it seems to me that the life sciences needs as much attention. Theranos, the blood testing company whose founder is being investigated for fraud, was granted nearly 100 patents, based on an invention that didn't work. And it concerns me that a patent application for an invention that doesn't work gets approved.

Professor Grimmelmann—I am sure you have heard this—of Cornell Law said this: That the USPTO is an armory handing out legal howitzers on the honor system. What could possibly go wrong? And I think the Theranos situation is a good example of that.

So I guess one of the questions is, how do we enable—well, the underlying question is, what percentage of time do examiners actually spend on 112 analysis? How do we make sure—I mean, one has to be skilled in the art to practice the invention. How would we demonstrate that the applicant actually invented what is claimed in a situation like the Theranos case or others?

Mr. IANCU. Right. So I don't have off the top of my head the percentage of time in each one, but of the statutes, examiners examine for compliance with all the statutes, 101, 102, 103 and 112. And we want to make sure that the examiners hold applicants accountable on all of them. So, for life sciences, 112 is important. Frankly,

103 is at least as important there as well because we want to make sure we don't give patents on innovation—or on applications that are mere obvious variations. And sometimes that is difficult to detect. So we want to make sure the examiners are well-trained on that.

We are providing training all the time on these issues and now increased training, especially in the Tech Center that has to do with life and pharmaceuticals and biotech inventions. In June of this year, for example, examiners will have received updated training in Tech Center 1600, which is exactly on these types of patent applications. So we are very focused on this issue.

Ms. LOFGREN. Okay. I would like to follow up a little bit more later, if we could, on this issue, because, you know, I am just about—I am out of time. But I do thank you for being here and thank you very much for your restatement of commitment to the 2013 policy statement. I think that is very important.

I think it is a mistake for the Department of Justice to have done what it did, leaving us just with the FTC and the International Trade Commission, but there we are. I don't always agree with what the DOJ is doing these days.

Mr. IANCU. If I can respond briefly to that last point. Okay. So, just briefly, DOJ did withdraw from the 2013 policy statement. The PTO has not yet made a statement on that. We are studying the issue now that the DOJ has withdrawn, and we hope to have a view on that soon.

Ms. LOFGREN. Mr. Chairman, could I ask—I will forego my second round if I can—because I thought I heard you say that you felt or believed that the FRAND was important to innovation. Was I incorrect on that?

Mr. IANCU. No, no. I fully believe that FRAND is important. And we, especially in FRAND-encumbered standard-essential patents, we want to make sure that we encourage good faith negotiations between the parties, between the licensees and the licensors and the like, good faith negotiations to reach a FRAND decision is critically important for innovation and implementation and the like.

I agree with you on that. My only point was that, as with respect to the 2013 statement, PTO has not yet taken a position on that particular statement, in light of the DOJ's withdrawal.

Ms. LOFGREN. Thank you, Mr. Chairman.

Mr. JOHNSON of Georgia. Thank you.

I now recognize the gentlewoman and ranking member of this subcommittee, Alabama Representative Martha Roby, for her 5 minutes.

Mrs. ROBY. Thank you, Chairman.

And, Director Iancu, thank you for your grace as I had to exit to go take a vote in appropriations. But I want to talk about counterfeiting. It has been an increasing problem, so much so that the President issued a memorandum last month instructing several departments to provide a report on the issue and recommend actions to combat the problem.

As the head of the agency responsible for registering trademarks and an agency participating in the administration's efforts to combat counterfeiting, what insights can you provide on the state of counterfeiting online specifically, and what can the administration

and Congress do to address the increase of sales of counterfeits online?

Mr. IANCU. I thank you for the question because it is a critically important area. The short of it is that the state of counterfeiting online is not good. There is a huge, shall we say, tax on American businesses as a result. I should say that approximately 85 percent of the counterfeiting comes from China and Hong Kong, but overall all counterfeiting is a huge problem.

The administration is paying very close attention to this. You have mentioned the Presidential memorandum on this exact issue. The Department of Commerce is tasked, in conjunction with the Department of Homeland Security, to work with the Department of Homeland Security on this issue. The PTO is heavily involved in it. So, at the PTO, we have a lot of knowledge on this, a lot of experience and expertise, and we have done and continue to do a lot on it. We take a lot of action on it to the extent we can.

So, for example, coming up just in a few days, on June 6th, we are going to have an all-day public forum at the PTO headquarters entitled Brand Protection and Anti-Counterfeiting Strategies Conference with experts and the like. We just recently conducted a video contest for public service announcements called Consumers Combat Counterfeits, where children at different grade levels and the like created very, very creative public service announcements and submitted them. There was a contest and we announced winners I think last month.

We work with the National Associations of Attorneys General across the United States for training workshops and capacity building and the like. In conjunction with the Department of Commerce, we have a stopfakes.gov effort. We work with many other agencies, the IP Enforcement Coordinator, the National IP Rights Center, the Border Patrol, the USTR and others, to address this issue. We take steps internationally. We advocate. When we travel internationally, we advocate strongly on this issue on behalf of American companies and our interests.

Anyway, I will stop there, but we do a lot.

Mrs. ROBY. Well, I would just say—and I understand what you are doing. In my short time on this Committee, I have become aware of how serious this issue is. And so I would just ask that the chairman and—that we can continue to work with you and figure out if there are ways that Congress can be more proactive, think outside the box, have real conversations with all the stakeholders. And I look forward to continuing to work with you on that.

Mr. IANCU. And just briefly, the Presidential memorandum requires a report that we are working on across government in a few months, part of which would be legislative recommendations as well.

Mrs. ROBY. Perfect. Thank you. And at our last hearing on patenting about women and minorities, the witnesses testified that it was very difficult for inexperienced or pro se inventors to find the availability of several free patent assistance programs administered by the PTO.

So I am going to give you this opportunity to tell us, because I know there have been things that have been done to help inventors

locate the sources of assistance to help them navigate this very complicated patent system.

Mr. IANCU. Thank you. And we have, among other things, just recently revamped our website. It is a much more user-friendly and modern-looking website right now. But a key component is right at the top, very prominently displayed is a section for those new to IP patents/trademarks. And then there is a button you can click on to get help in your area. You click that. It goes to a map of the United States, and you can click on your State and specific resources in your State.

For example, across many, many States, we have resource centers, Patent and Trademark Resource Centers, located in libraries, usually on a university campus. And they are heavily—they are specifically for individuals who want assistance. So they can go there. They can find out where it is.

We have a patent pro bono program, for example, that is heavily used across the country by folks without the appropriate resources. I happen to have some statistics here that says that 60 percent of those who applied for pro bono assistance in 2018—this is a study conducted by Georgia PATENTS, by the way. Sixty percent who applied were women; 58 percent who applied were minorities. There is obviously overlap and the like. So there are quite a few resources available.

Mrs. ROBY. Thank you.

And, Mr. Chairman, I would say that is a pretty positive outcome from the hearing that we had, and we appreciate your attention to it. So thank you.

Mr. JOHNSON of Georgia. Thank you.

Next, we will turn to the gentleman from California, Mr. Correa, for 5 minutes, questions.

Mr. CORREA. Thank you, Mr. Chairman, and thank you for holding this most important hearing.

And I want to thank our Director Andrei Iancu for being here today.

I wanted to follow up on some of Mrs. Roby's questions regarding the fraudulent trademark applications, primarily—your words—85 percent from China and Hong Kong. What are the repercussions? So you file something that is fraudulent. Are the Chinese Government folks from Hong Kong working with us to reduce this, or is this just something that happens in the U.S. and we have to live with it?

Mr. IANCU. The 85 percent number that I mentioned to Mrs. Roby's question was with respect to counterfeiting and pirated goods entering the United States. I think your question goes toward the fraudulent trademark applications.

Mr. CORREA. Yes, that is correct.

Mr. IANCU. And, you know, I don't know if the Chinese Government is cracking down on this. Frankly—

Mr. CORREA. Would this be part of the trade negotiations that are going on right now?

Mr. IANCU. IP in general and the abuse of the IP rights of American companies certainly is a significant component of the trade negotiations.

Mr. CORREA. Would trademark be part of that or just—

Mr. IANCU. Well, I don't know if it rises to the level, but it is a very important—it is an important issue. So, hopefully, that is—

Mr. CORREA. It is for this committee, I think, and for your office as well.

Mr. IANCU. Yes.

Mr. CORREA. So what do we do to elevate this to a level that maybe people pay attention to this?

Mr. IANCU. Well, we speak about it all the time, and I speak about it all the time. I advise—

Mr. CORREA. I understand that. So how do we get it to the level that people listen to us that are involved in these negotiations?

Mr. IANCU. So the people involved in the negotiations do notice.

Mr. CORREA. Write a letter to Mr. Lighthizer and explain to him that this is an issue that is important?

Mr. IANCU. Ambassador Lighthizer—

Mr. CORREA. You have called it an indirect tax—and I think you are absolutely right—on Americans.

Mr. IANCU. Yes, Ambassador Lighthizer knows about this issue.

Mr. CORREA. Okay. Following up, also, we talked about the complicated patent system that you have. Are you implementing the technology in a way to simplify this so folks can better navigate through the system online, or is that even a possibility?

Mr. IANCU. It certainly is a possibility. So, as I have mentioned, we just recently revamped the website to make it a bit easier. Having said that, the—

Mr. CORREA. Easier or a whole lot easier?

Mr. IANCU. You know, it is a complex system.

Mr. CORREA. Is it complex because of the technical or just the legal aspects?

Mr. IANCU. Yeah, the legal aspects are very complex. I say sometimes that there is a statute someplace in the codes, like 101.5, that seems to say that patent law shall be complex somehow. But we try to do the best we can to simplify it for folks.

And I want to emphasize that for individuals, folks who cannot afford lawyers and the like, we have a pro bono program. In addition to that, we have a pro se dedicated workforce at the PTO itself. So, if you appear pro se without a lawyer and you need help to navigate, we have dedicated examiners who will answer the phone and guide you through the system. And I think that sort of personal connection is probably the most helpful.

Mr. CORREA. I know we are planning to have some events in my district to highlight the good work you do and how you can help the local economy by helping local entrepreneurs. I am hoping we can have a segment where you touch upon these kinds of services that you provide to our local constituents when you are there.

Mr. IANCU. Hopefully. And I look forward to that, by the way.

Mr. CORREA. Thank you very much.

Mr. Chair, I yield the remainder of my time.

Mr. JOHNSON of Georgia. Thank you.

And next we will recognize the gentleman from Virginia, Mr. Cline, for 5 minutes.

Mr. CLINE. Thank you, Mr. Chairman.

Director Iancu, thank you for being here today.

I want to return to the issue of drug patents. My constituents are very concerned about high drug prices, and many critics of high drug prices would argue that one of the problems is drug companies filing and being awarded multiple patents at different times, some representing very minor improvements. And they argue that the practice of filing countless patent applications covering a single drug contributes to patent thickets and leads to a process called evergreening.

Do you believe that follow-on patents should be granted for trivial and obvious modifications to the original drug patent, and in what circumstances might that be appropriate?

Mr. IANCU. It is never appropriate to issue patents on obvious variations of prior inventions. So 35 U.S.C. Section 103 says that you cannot get a patent if it is an obvious variation. And the key obviously is the implementation and application of that. Our examiners are trained on that issue. And specifically for pharmaceuticals, we are about, just next month, to provide yet again advanced training in that specific tech center on the obviousness question, because it is a critically important issue.

We want to achieve the right balance when it comes to patents on pharmaceuticals. Innovation in the pharmaceutical space is critically important, obviously. It creates products that saves lives, improves the quality of people's lives and the like. At the same time, we want to make sure that the patents that we issue comply with all the statutory bases and critically important that they are new and innovative and that they are not near-obvious variations.

Mr. CLINE. I am glad to hear that you are introducing additional training for examiners, and that will help keep track of all the related applications that are filed.

I understand that while patents can be granted to the drug product, a better method of making a known drug, a new way of administering a known drug, and using a known drug to treat a new disease, do all of those different forms of inventions justify granting 75, 100, or even more patents?

Mr. IANCU. It certainly depends on the drug. And if there are innovations on all those areas, there can be multiple innovations in each one of the areas that you have mentioned and others. For example, there can be innovations on the use of a particular formulation. So new use of old drugs, that can be very innovative and usually requires significant investment and research and development.

I will give you just one of many examples. The well-known drug AZT, which was more or less a failed cancer drug, after additional innovation, it was discovered that it is a very good drug for the treatment of AIDS or HIV. And that was based on further innovation. So there are examples like that, and it really depends on the particular drug and application.

What is critically important, though, is that for each application that we see, we have a rigorous process that we go through and we make sure that the application in front of the examiner actually presents novel and nonobvious innovation for claiming vis-à-vis what has come beforehand.

Mr. CLINE. I understand you have to achieve a balance, but I will give you an example on the flip side, and you tell me whether this is a problem beyond this example. One report indicates 95 percent

of all the patent applications on the diabetes treatment Lantus, an insulin analog, were filed after the drug was first approved and on the market in 2000. It is argued that together, the patents result in a 37-year period of exclusivity.

Can you explain why the PTO would allow one pharmaceutical company to obtain so many patents and potentially double the exclusivity permitted in the Patent Act, which does limit patent terms to 20 years from filing, but allow for short extensions for FDA delays?

Mr. IANCU. So I am not familiar with the specific product you mentioned and the patents on it. Again, it really depends on what they have filed and the innovations that are appropriate there. The 20-year exclusivity period is from the time of invention to expiration of a particular patent. It is entirely possible for any product, whether it is in the pharmaceutical area or the cell phone area or anything else, that innovation occurs later.

So, obviously, you have a particular drug that has been out for a number of years, a lot of new information comes about. And new innovations—I am hypothesizing now, again, not specifically to the one example you gave, because I don't know. But it is entirely possible that, based on the information that was collected during the time the pharmaceutical was being administered, new developments were made with respect to the dosage or the delivery mechanisms that make the drug more potent or has less toxicity, for example. Those could be critical innovations that improve the quality of life of the patient at issue, and it could be innovative. It could be novel and unobvious compared to the prior innovations, and those could happen later. So it depends on the particular application.

Mr. CLINE. And my time has expired, but I think we also have an interest in ensuring that a greater number of people have access to generics and the availability of drugs, so we have to maintain that balance as well. So thank you.

I yield back.

Mr. JOHNSON of Georgia. Thank you. I will now recognize myself for a second round of questions.

Mr. Iancu, I have heard concerns about repetitive challenges to the same patent at the PTAB. On the other hand, I have heard the concern that if multiple entities are accused of infringing the same patent, each one should be able to petition the PTAB to reconsider whether the patent should have been granted.

Which of these two groups has the better argument, and how is the USPTO currently balancing these concerns?

Mr. IANCU. So the balance is the key. We want to make sure that petitioners have a fair opportunity to challenge a patent pursuant to the AIA, given the statutory mandate. But at the same time, we want to make sure that patent owners are not harassed. So we want to make sure that we have a flexible approach that can be deployed in each case, based on the facts and circumstances of that case, but in a consistent and predictable manner.

So what have we done? We have developed a set of factors that addresses follow-on petitions. It came out in a case called General Plastic, so we call them the General Plastic factors, for lack of a better term. And if we see a follow-on petition, a petition filed after

the first one, we go through the factors and see whether it makes sense for the system overall to have yet another petition on the same patent.

We are also looking right now at not necessarily what is called serial petitions, but the multiple petitions that are being filed at the same time. There are situations—85 percent of patents have only one challenge, only one petition that we see at NIPR. But for the other 15 percent of patents that get challenged, we see multiple petitions, sometimes at the same time. So we are looking under what circumstances that makes sense, and we want to make sure, again, that we achieve the proper balance.

Mr. JOHNSON of Georgia. Thank you.

I will now yield to Mr. Cline if you have any other questions.

Mr. CLINE. Mr. Chairman, thank you. I have exhausted my list of questions.

Mr. JOHNSON of Georgia. Thank you.

Mr. Correa.

Mr. CORREA. Sir, I finished my questions.

Mr. JOHNSON of Georgia. Well, with that, I think we can conclude this hearing. I want to thank the gentleman, Director Iancu, for your appearance today.

Without objection, all members will have 5 legislative days to submit additional written questions for the witness or additional materials for the record.

And, with that, the hearing is adjourned.

[Whereupon, at 3:40 p.m., the subcommittee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

Hearing on "Oversight of the U.S. Patent and Trademark Office"

May 9, 2019, 2:00 p.m.
2141 Rayburn House Office Building

Congressman Johnson Questions for Record

Andrei Iancu, Under Secretary of Commerce for Intellectual Property and
Director of the United States Patent and Trademark Office

Patent Eligible Subject Matter

Is the USPTO aware of evidence that the Supreme Court's recent jurisprudence on Section 101 is having a detrimental impact on innovation? If so, please provide it. Has there been an impact on patent application filings or patent grants in specific technology centers?

Would you agree that the Federal Circuit's decisions on Section 101 can sometimes be hard to reconcile? If so, since the USPTO is bound to follow the Federal Circuit, how do you handle such inconsistencies?

Do you agree with those who argue that Section 101 has proven to be a useful tool for accused infringers to quickly challenge and invalidate low-quality patents that arguably should not have issued? Why or why not?

The January 2019 patent subject matter eligibility guidance explicitly applies to PTAB judges, who, unlike many patent examiners, are attorneys. If a PTAB judge believes that binding Federal Circuit precedent conflicts with the USPTO's guidance, what are they supposed to do?

Patent Trial and Appeal Board

Under your direction, the USPTO has made a number of changes to the PTAB. Do you anticipate additional changes being made over the remainder of your tenure? If yes, what other aspects of PTAB still need reform?

In light of the fact that some of the changes you have made at the USPTO could be overturned by a future USPTO Director, do you support efforts to codify your PTAB changes? Are there any other aspects of the PTAB that you think require Congressional action?

The post-grant review (PGR) program is a very seldom used PTAB proceeding. Do you see this as a problem? Have you considered taking steps to make this program more useful to petitioners?

Has the USPTO explored ways to provide legal representation to inventors with limited financial means whose patent is challenged at the Patent Trial and Appeal Board (PTAB)? Has the USPTO explored any other means of helping under-resourced parties before the PTAB?

Has the USPTO considered any ways to address duplication that currently may occur between PTAB proceedings and parallel district court litigation? If so, please provide an explanation of what the USPTO has considered.

The USPTO recently changed the claim construction standard through rulemaking. If the USPTO believes that this change is the appropriate policy, why did the USPTO decide not to make this change apply to ongoing proceedings?

Patent Examination

You have recently started to adjust the time examiners need to examine patents—for example, raising the minimum allotted time and providing more time for more complex applications.

- What factors are you taking into account when making these adjustments?
- How will you know when you have arrived at the right levels of time needed to ensure quality patents?

At a recent PPAC meeting, you mentioned that the USPTO is working with a top consulting group in its IT modernization efforts.

- Do you expect to solicit public input as part of this process?
- Do you anticipate that any part of this consulting group's findings or recommendations will be made public? If not, why not?
- Does the USPTO have adequate financial resources to implement any needed IT system upgrades, or do you anticipate that the USPTO will have to raise its fees?

Your testimony speaks about a task force on integrating artificial intelligence (AI) in the patent examination process.

- When was the task force created, and what has it done so far?

- Are you planning on involving the public in development of how AI should be used in examination?

Has the USPTO considered removing the first name of the patent applicant to ensure that examiners are not inadvertently introducing bias into the examination process?

How can Congress, the USPTO, other agencies in the Administration, and the private sector work together to increase patenting among women, low-income inventors, inventors of color, and veteran inventors to help them patent and commercialize their innovations?

Trademarks

What steps has the USPTO taken so far to address the rise in fraudulent trademark applications? What additional steps does the USPTO plan on taking?

Hearing on "Oversight of the U.S. Patent and Trademark Office
Representative Zoe Lofgren
Questions for the Record

The Honorable Andrei Iancu, Under Secretary of Commerce for
Intellectual Property and Director of the United States and
Trademark Office

- Theranos was granted nearly 100 patents based on an "invention" that did not work. How could the patent application for an invention that did not work either: (a) enable one skilled in the art to practice the invention; or (b) objectively demonstrate that the applicant actually invented what is claimed? How did this pass the 112 review process?
- What are the USPTO's plans to strengthen the 112 review for other art areas, particularly in life sciences?
- What percentage of time do examiners spend on 112 analysis?
- Software inventions are unique in that the invention itself is a written description that meets all section 112 requirements. Why doesn't the USPTO just require the invention's source code be disclosed to meet the enablement requirement and--more importantly--prove the applicant actually invented what she is claiming?
- As part of your update to section 101 guidance, did you review the existing examiner training examples to see if they were still valid? If not, why not?
- A process that was identical (in all but the name of the protein) to the one found in example 29 of the patent examiners training materials (the Life Sciences Examples) was found unpatentable two years ago in *CLEVELAND CLINIC v. TRUE HEALTH DIAGNOSTICS*. And just last month the court found another patent on this same technique unpatentable in an unpublished decision, meaning that the courts didn't even bother publishing it because the decision

added nothing new. When will the USPTO remove this example from the examiner training materials?

- Is the USPTO going to review past examples to see if they have been found unpatentable as well?
- In the new examiner training examples, added as part of the new 101 guidance, example 39 deals with training a Neural Network for Facial Recognition. In that analysis the USPTO states that the claim

“does not recite any of the judicial exceptions ... For instance, the claim does not recite any mathematical relationships, formulas, or calculations ...the mathematical concepts are not recited in the claims.”

However, “mirroring¹, rotating² and smoothing³” are well defined mathematical operations, as well defined as addition or subtraction. The mathematical transformations are the only thing that makes this claimed invention more than just “train AI with pictures using standard techniques,” which would be an abstract idea.

Does the USPTO agree that mirroring, rotating and smoothing are well known mathematical operations? If not, why not. If so, how does this claim not recite any mathematical relationships, formulas, or calculations?

Does a claim that simply adds the number 5 to the vertical

¹ “An image of an object obtained by reflecting it in a mirror so that the signs of one of its coordinates are reversed.” <http://mathworld.wolfram.com/MirrorImage.html>; “If the plane of reflection is taken as the Y z -plane, the reflection in two- or three-dimensional space consists of making the transformation $x \rightarrow -x$ for each point.” See <http://mathworld.wolfram.com/Reflection.html>

² “The turning of an object or coordinate system by an angle about a fixed point. A rotation is an orientation-preserving orthogonal transformation. ... Rotations can be implemented using rotation matrices” See <http://mathworld.wolfram.com/Rotation.html>, and <http://mathworld.wolfram.com/RotationMatrix.html>; A rotation matrix is a matrix that is used to perform a rotation in Euclidean space. For example, the matrix

$R_\theta = \begin{bmatrix} \cos \theta & -\sin \theta \\ \sin \theta & \cos \theta \end{bmatrix}$, rotates points in the xy -plane counterclockwise through an angle θ about the origin of a two-dimensional Cartesian coordinate system.

³ GaussianFilter is a filter commonly used in image processing for smoothing... It is a convolution-based filter that uses a Gaussian matrix as its underlying kernel. Gaussian filtering is linear, meaning it replaces each pixel by a linear combination of its neighbors. <https://reference.wolfram.com/language/ref/GaussianFilter.html>;

coordinate of every pixel in an image⁴ recite any mathematical relationships, formulas, or calculations?

⁴ <http://mathworld.wolfram.com/Translation.html>

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Congress of the United States
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Washington, DC 20515

COMMITTEE:
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RANCHO MORA

BORDER AND MARITIME SECURITY

TRANSPORTATION SECURITY

SOUTH WING

DEMOCRATIC CAUCUS

CONGRESSWOMAN SHEILA JACKSON LEE OF TEXAS
QUESTIONS FOR THE RECORD FOLLOWING HOUSE
JUDICIARY SUBCOMMITTEE ON IP:
OVERSIGHT OF THE U.S.P.T.O
MEETING HELD: MAY 9, 2016
QUESTIONS SUBMITTED: MAY 16, 2019

As required by the 2018 Study of Underrepresented Classes Chasing Engineering and Science (SUCCESS) Act, the USPTO is to prepare a study on the participation of women, minorities, and veterans in entrepreneurship activities and the patent system. Section 3 of the SUCCESS Act requires the study to provide legislative recommendations for how to increase the number of women, minorities, and veterans who apply for and obtain patents. To assist in gathering information prior to compiling the report, the USPTO has invited the public to provide written comments and also oral testimony at one of three hearings.

1. Have stakeholders who have provided testimony believe that the underrepresented classes only consist of those who are considered women, minorities, or veterans, or have any of the stakeholders identified any other people(s) as being underrepresented? In the case of the latter, who else, or what other group(s) of people, have the stakeholders identified as being underrepresented?

2. Have stakeholders expressed concern regarding the underrepresented classes' financial ability to enforce their rights once they do obtain patents? What legislative recommendations has the USPTO received from

stakeholders that would increase the incentive for underrepresented classes to apply for and obtain more patents, and does equal outcome with respect to a patent holder's financial ability to enforce their rights against well-funded companies play a part?

3. The PTAB/IPRs are purported to being a cheaper and faster alternative than district court litigation in achieving the end result of determining patent validity/eligibility. Given that contingency law firms rely on damages to recoup their investment, and in the case of the PTAB, there is no monetary compensation for prevailing patent holders, have stakeholders expressed concern whether the underrepresented classes have the financial means to receive legal representation? What legislative recommendations has the USPTO received from stakeholders that would help the underrepresented classes avoid such a financial burden while still achieving the end result of determining patent validity/eligibility?

4. What legislative recommendations has the USPTO received from stakeholders that would help underrepresented classes apply for and obtain more patents in lieu of patent eligibility?

U.S. Congressman Mike Johnson
U.S. House Committee on the Judiciary
Questions for the Record
May 9, 2019

Hearing - Subcommittee on Courts, Intellectual Property, and the Internet
“Oversight of the U.S. Patent and Trademark Office”

Director Iancu,

As you know, a Patent Trial and Appeals Board (PTAB) decision invalidating a patent often halts further proceedings in a District Court. However, that is apparently not true for proceedings at the U.S. International Trade Commission (ITC). For example, the ITC has proceeded with Section 337 investigations and imposed remedies in cases even after the PTAB had found a patent to be invalid. Based upon your understanding of patent infringement cases in District Courts, the ITC, and the PTAB, please answer the following questions:

- 1) Do you think the ITC should be required to suspend its 337 investigations upon the PTAB determination that a patent is invalid, and ultimately terminate such a proceeding once the PTAB decision has been made final and all avenues for appeal exhausted?
- 2) Alternatively, should the PTAB suspend its proceedings when a district court or the ITC has decided to conduct a full-blown trial that will include a determination of the validity of the same patents and, if so, at what point in its proceeding would such a suspension by the PTAB be appropriate?

Congressman Andy Biggs (AZ-05)
Question for the Record to USPTO Director Iancu

1. In recent weeks, the Patent Trial and Appeal Board ("PTAB") has designated two decisions as precedential—including one in which you sat on the panel—enforcing the agency's discretion under 35 U.S.C. 325(d) to reject repetitive claims filed by the same or a different challenger against the same patent.¹

Despite these precedential decisions, there have been reports that the Central Reexamination Unit (under the authority of the Commissioner for Patents, not the PTAB) does not feel bound by the PTAB's precedential decisions and is therefore allowing multiple reexaminations to be ordered against the same patent.²

- As a general policy matter, do you think it is appropriate to grant a request for ex parte reexamination, if the request asserts the same or substantially the same prior art or argument that was previously presented by the same person in an inter partes review petition which the PTAB declined to institute against the same patent claims?
 - As the head of the agency, what steps have you taken—or plan to take—to ensure that the PTAB's precedential decisions involving 35 U.S.C. 325(d) are applied consistently by different components of the agency, including by the Central Reexamination Unit and the Office of Patent Legal Administration, in cases deciding whether to grant or reject a request for ex parte reexamination?
 - Given that the statutory authority under 35 U.S.C. 325(d) is vested in you as the "Director," do you have any plans to personally sign a decision rejecting a reexamination request, analogous to the various PTAB panels on which you have personally sat?
2. Several patents have been determined to be valid in a district court and invalid in the PTAB. What is the legal condition of said patent?
 3. How many patents have completed in one or more AIA trials?
 4. How many patents have been partially invalidated by AIA trials?
 5. How many patents have been fully invalidated by AIA trials?

¹ Valve Corp. v. Electronic Scripting Products Inc., IPR2019-00062, -00063, -00084 (precedential May 7, 2019); NHK Spring Co. Ltd. v. Intri-Plex Technologies Inc., IPR2018-00752 (precedential May 7, 2019).

² Patents Post Grant, AIA Statutes Can Impact Patent Reexamination Orders (June 26, 2018) ("[T]here has been little guidance from the agency on the use of 325(d) analysis in patent reexamination..."); Ex Parte Reexam No. 90/013,808 (June 15, 2018) (ordering reexamination and declining to exercise 325(d) authority); Ex Parte Reexam No. 90/014,217 (April 11, 2019) (ordering reexamination and declining to exercise 325(d) authority).

Questions for the Record
Rep. W. Gregory Steube (FL-17)
House Judiciary Committee
Subcommittee on Courts, Intellectual Property, and the Internet
Hearing: Oversight of the U.S. Patent and Trademark Office

Please accept these questions for the record to be asked of Under Secretary Iancu regarding the SAWS program at the USPTO.

1. Please specify with explanations all the authorizing statutes under which the USPTO (a) instructed examiners to spend time on identifying applications with SAWS subject matter; (b) instructed their Supervisory Patent Examiner (SPE) to spend time and review and flag (designate) such applications under the SAWS program, and (c) established automatic mechanisms and procedures to prevent issuance of any such flagged patent applications even when they are found patentable and allowable.
2. Documents produced by the USPTO under a FOIA including the Board's Standard Operating Procedure SOP-8 show that the Board of Patent Appeals and Interferences, the predecessor of the Patent Trial and Appeals Board, (the Board) was notified of the SAWS designation and was given the SAWS reports pertaining to SAWS applications under appeal or interference.
 - a. Please specify with explanations what legal authority or statute authorizes informing the Board of such SAWS facts when such facts could have no bearing on the Board's decision under the patent law?
 - b. Please specify with explanations what legal authority authorizes the examiner to conduct such *ex-parte* communications with the Board while withholding it from the applicant?
3. In her January 9, 2015 responses to Senate inquiries for the record, then Acting Director Lee asserted that the SAWS program was a quality control program. The Inspector General audited the USPTO quality control programs in 1997, 2010, and 2011. Under the Inspector General Act of 1978 (as amended) the USPTO was to provide the IG with "access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available ... which relate to programs and operations" of the USPTO subject to the IG's audit. 5 U.S.C. App. § 6(a)(1).
 - a. If Director Lee's assertion was correct, please explain why the USPTO consistently acted contrary to the IG Act of 1978 by concealing from the IG in all three investigations the existence and operation of the SAWS as a quality control program?
 - b. Please provide the names of the USPTO officials who decided in each of the respective audits that the SAWS program should not be subject to such IG audits.
 - c. Please provide the name(s) of the person(s) who have prepared, drafted, or written Director Lee's explanations in her January 9, 2015 response for the record that the SAWS was a quality control program.

**USPTO Responses to Questions for the Record – Chairman Johnson
U.S. House Committee on the Judiciary
Subcommittee on Courts, Intellectual Property and the Internet**

“Oversight of the U.S. Patent and Trademark Office” – May 9, 2019
*Witness: The Honorable Andrei Iancu, Undersecretary of Commerce for
Intellectual Property and Director of the U.S. Patent and Trademark Office*
Submitted: November 26, 2019

PATENT ELIGIBLE SUBJECT MATTER

Is the USPTO aware of evidence that the Supreme Court’s recent jurisprudence on Section 101 is having a detrimental impact on innovation? If so, please provide it. Has there been an impact on patent application filings or patent grants in specific technology centers?

Response: We have heard reports from some in industry, including the life-sciences and some computer sectors, that recent jurisprudence on Section 101 may be having a detrimental impact on innovation. In addition, USPTO is aware of some emerging research that is starting to suggest a connection between Section 101 jurisprudence and investment decisions, where some venture capital and private equity investors who are knowledgeable about this jurisprudence have indicated that those decisions have had a somewhat negative or very negative effect on their investment firm’s existing investments.¹

After the USPTO issued its January 2019 patent eligibility guidance, subject matter eligibility rejections in artificial intelligence have fallen from about 75% shortly prior to the guidance to about 30% shortly after the guidance. Impacts to total filings or grants (including any computer-related technology or medical diagnostic methods) are difficult to assess as growth rates may have varied under other circumstances. Section 101 jurisprudence has had other impacts, including creating confusion in the analysis of eligible subject matter during patent examination, requiring more rounds of examination, and more appeals. The Office continues to study this issue.

Would you agree that the Federal Circuit’s decisions on Section 101 can sometimes be hard to reconcile? If so, since the USPTO is bound to follow the Federal Circuit, how do you handle such inconsistencies?

Response: Properly applying the *Alice/Mayo* framework in a consistent manner has proven to be difficult and has created uncertainty in drawing clear lines between patent eligible subject matter and subject matter that is ineligible. Thus, the USPTO developed the January 2019 patent eligibility guidance that synthesizes the holdings and principles of precedential court decisions to allow for more reliable and consistent subject matter eligibility determination.

Do you agree with those who argue that Section 101 has proven to be a useful tool for accused infringers to quickly challenge and invalidate low-quality patents that arguably should not have issued? Why or why not?

Response: The ability of accused infringers to challenge the validity of patents is important, but it should be done pursuant to the appropriate statutes relevant to each particular case. Recent jurisprudence on Section 101 has significantly impacted patent eligibility law and has resulted in confusion between patent

¹ <https://patentlyo.com/patent/2019/03/patent-eligibility-investment.html>.

statutes, including 35 U.S.C. §§ 101, 102, 103 and 112. Furthermore, recent jurisprudence continues to generate substantial public discussion as well as uncertainty in certain areas of technology and in the examination of patents. While patent litigants can attempt to use Section 101 to invalidate patents early in litigation, *i.e.*, at the motion to dismiss stage, those decisions are subject to appeal and potential remand that could lead to further litigation. Moreover, in *Berkheimer v. HP Inc.*, the Federal Circuit held that patent eligibility contains underlying questions of fact which, if in dispute, may prevent early resolution. A petition for writ of certiorari is currently pending before the Supreme Court in that case and the views of the Solicitor General have been requested. However, the overarching concern remains that recent jurisprudence surrounding Section 101 has created significant uncertainty which needs to be resolved.

The January 2019 patent subject matter eligibility guidance explicitly applies to PTAB judges, who, unlike many patent examiners, are attorneys. If a PTAB judge believes that binding Federal Circuit precedent conflicts with the USPTO's guidance, what are they supposed to do?

Response: The 2019 Revised Subject Matter Eligibility Guidance ("2019 Guidance") was developed in accordance with judicial precedent, including Federal Circuit precedent. All USPTO personnel, including judges, are expected to follow the guidance. The 2019 Guidance provides for enumerated categories of abstract ideas. The 2019 Guidance also provides for eligibility exceptions that do not fall within one of the enumerated categories of abstract ideas (*i.e.*, tentative abstract ideas). In the rare circumstance in which a panel of administrative patent judges believes that a claim reciting a tentative abstract idea should be treated as reciting an abstract idea, the matter is brought to the attention of PTAB leadership by a written request. For example, the panel can use this procedure if it believes the claim does not fit in one of the enumerated categories, but contains subject matter that invokes eligibility concerns in accordance with a Federal Circuit decision. The matter will be brought to the attention of Agency leadership for consideration in improving the 2019 Guidance.

PATENT TRIAL AND APPEALS BOARD

Under your direction, the USPTO has made a number of changes to the PTAB. Do you anticipate additional changes being made over the remainder of your tenure? If yes, what other aspects of PTAB still need reform?

Response: The USPTO has instituted a number of changes to America Invents Act (AIA) procedures during the past year with the intent of increasing predictability, certainty, balance, and transparency. These changes are now taking effect and are in the early stages of use by the parties. We are monitoring closely to ensure proper implementation and balance. We may consider other changes if necessary to strike the appropriate balance.

In light of the fact that some of the changes you have made at the USPTO could be overturned by a future USPTO Director, do you support efforts to codify your PTAB changes? Are there any other aspects of the PTAB that you think require Congressional action?

Response: We will continue to monitor the effects of the recent changes at PTAB, and determine whether additional changes are needed, in our effort to provide a balanced approach to AIA proceedings. As we study the effects of recent changes and make adjustments, we welcome the opportunity to provide technical assistance if Congress considers legislation in this area.

The post-grant review (PGR) program is a very seldom used PTAB proceeding. Do you see this as a problem? Have you considered taking steps to make this program more useful to petitioners?

Response: Patents filed before the first-inventor-to-file provisions of the AIA became effective (on March 16, 2013) are not eligible for post-grant review. As the number of patents issuing from eligible applications, *i.e.*, those issuing from applications subject to the first-inventor-to-file provisions, has increased, we have seen a year-over-year increase in the number of PGR petitions. Additionally, PGRs are only available for the first nine months after an eligible patent issues, and thus the timing window for parties to file a PGR is much shorter compared to IPRs, which are available after the PGR window closes for the remaining life of the patent. Steps to make the program meaningfully more useful would likely require legislation, and we are happy to provide technical assistance if Congress considers legislation in this area.

Has the USPTO explored ways to provide legal representation to inventors with limited financial means whose patent is challenged at the Patent Trial and Appeal Board (PTAB)? Has the USPTO explored any other means of helping under-resourced parties before the PTAB?

Response: The USPTO is developing educational materials to educate under-resourced inventors with limited financial means about PTAB proceedings, including the process, timing, and best practices for effective advocacy. The USPTO plans to make these materials available on its website and will distribute them to not-for-profit regional patent pro bono programs across the country. The USPTO also conducted two webinars for those new to PTAB proceedings to share the basics and answer questions, and posted recordings of these webinars on the PTAB website. Additionally, we are planning to meet with inventor organizations to share information about PTAB, answer questions, and identify other ways that PTAB can assist inventors with limited financial means. Finally, PTAB is investigating ways to simplify proceedings for under-resourced parties, such as by easing certain procedural requirements to make them less costly and easier for parties to navigate. For instance, we are considering how to streamline the requirements for appealing from an adverse decision made by an examiner by creating a template appeal brief that inventors can complete without expending unnecessary resources. We are also looking at increasing tools for inventors to participate in hearings remotely from the USPTO regional offices, and reducing the formalities of hearings to make the proceedings more accessible and less daunting for inventors with limited financial means.

Has the USPTO considered any ways to address duplication that currently may occur between PTAB proceedings and parallel district court litigation? If so, please provide an explanation of what the USPTO has considered.

Response: Yes, the USPTO has considered the duplication of efforts between parallel tribunals and is taking steps to address this issue. In PTAB's November 2019 Consolidated Trial Practice Guide, we explained that events in other proceedings, including "in district courts, or the ITC," are a factor to be considered in whether to exercise discretion to deny institution of a PTAB proceeding. In addition, in November 2018, we issued a new final rule that requires PTAB to use the same claim construction standard as the district courts, and to consider the effect of prior district court claim construction rulings in later AIA proceedings. We have also issued precedential decisions in *Proppant Express Investments, LLC v. Oren Technologies, LLC*, Case IPR2018-00914 (PTAB Mar. 13, 2019) (Paper 38) (designated as precedential on Mar. 13, 2019) (Precedential Opinion Panel decision); *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, Case IPR2018-00752 (PTAB Sept. 12, 2018) (Paper 8) (designated as precedential on May 7, 2019), and *Valve Corp. v. Elec. Scripting Prods., Inc.*, Case IPR2019-00062, -00063, -00084 (PTAB Apr. 2, 2019) (Paper 11) (designated May 7, 2019), and several others, all of which address how

the PTAB may respond to events in parallel district court proceedings. We continue to study whether stakeholders would benefit from additional guidance in the form of precedential or informative decisions on this issue.

The USPTO recently changed the claim construction standard through rulemaking. If the USPTO believes that this change is the appropriate policy, why did the USPTO decide not to make this change apply to ongoing proceedings?

Response: After careful consideration of all comments received, the USPTO determined the changes to the claim construction standard would apply to all AIA proceedings where a petition is filed on or after the effective date of the final rule, which was November 13, 2018. Specifically, the USPTO received comments that opposed retroactive application of the rule and requested the proposed changes only apply to new proceedings filed some time period after announcement of the final rule. Concerns were raised that the retroactive application of the rule would be disruptive and may unfairly prejudice petitioners who already filed petitions. A few comments also raised concerns as to whether the USPTO has the authority to apply the new standard retroactively under the principles articulated by the Supreme Court in *Bowman v. Georgetown Univ. Hosp.*, 109 S. Ct. 468 (1988), and *Landgraf v. USI Film Prods.*, 114 S. Ct. 1483 (1994).

PATENT EXAMINATION

You have recently started to adjust the time examiners need to examine patents-- for example, raising the minimum allotted time and providing more time for more complex applications.

- **What factors are you taking into account when making these adjustments?**

Response: When determining how to adjust the allotment of time for examination of patent applications, we took an analytical approach and considered various factors, including the goals and mission of the agency, stakeholder feedback, and the significant changes in patent prosecution that have occurred over the past several decades, including new and converging technologies of increasing complexity, growth of available prior art, and changes to the legal landscape.

Under the new method, time will be assigned to an application based on factors including its classification picture, which represents the full scope of technology recited in an application and accounts for multi-disciplinary inventions, as well as the particular attributes of the application, such as the number of claims and the size of the specification. As a result, these changes will help ensure that sufficient time is provided to conduct a thorough examination based on the specific attributes of an application, while enabling optimal pendency, cost, and quality levels.

- **How will you know when you have arrived at the right levels of time needed to ensure quality patents?**

Response: The adjustment to examination time is one part of a collective package of changes. In addition to adjusting examination time, we are changing the process for assigning applications to examiners (application routing) and the evaluation of examiner performance via the performance appraisal plan (PAP). The totality of the changes will bring the examination process in better alignment with overall agency goals and will better enable the USPTO to accomplish the portion of its mission focused on conducting high quality and timely patent examination in order to produce reliable and predictable intellectual property rights. Further, as the new method is more transparent

and flexible, the method of allocating time can be adjusted as the patent examination job or prosecution conditions change to maintain the right levels of time needed for examination (e.g., assigning time to an application based on application-specific attributes, changes in the legal landscape, etc.).

At a recent PPAC meeting, you mentioned that the USPTO is working with a top consulting group in its IT modernization efforts.

- **Do you expect to solicit public input as part of this process?**

Response: The USPTO does not have plans at this time to solicit public input regarding its specific discussions with consulting groups. However, the USPTO provides regular public updates and receives public input on its IT modernization efforts through its Patent Public Advisory Committee (PPAC) and Trademark Public Advisory Committee (TPAC).

- **Do you anticipate that any part of this consulting group's findings or recommendations will be made public? If not, why not?**

Response: The USPTO will continue to provide regular public updates on its IT modernization efforts, at least through PPAC and TPAC, and can provide similar updates to the Committee upon request.

- **Does the USPTO have adequate financial resources to implement any needed IT system upgrades, or do you anticipate that the USPTO will have to raise its fees?**

Response: The USPTO has successfully factored the costs of its IT modernization efforts into its fee structure. In consultation with PPAC and TPAC, the USPTO is recommending fee increases to cover the USPTO's updated revenue and non-IT spending projections. That proposed fee increase will also continue to provide needed continuing investments in IT stabilization and modernization. Without the proposed fee increase, there is risk that resources originally planned for IT stabilization and modernization could be reprioritized to non-IT needs.

Your testimony speaks about a task force on integrating artificial intelligence (AI) in the patent examination process:

- **When was the task force created, and what has it done so far?**
- **Are you planning on involving the public in development of how AI should be used in examination?**

Response: The USPTO Strategic Plan 2018-2022 describes specific objectives and initiatives being undertaken to leverage artificial intelligence (AI) for improving examination processes to ensure that quality patents and trademarks are issued and that the customer experience is being enhanced. The USPTO established a task force in April 2018 to consider and explore solutions from both a policy perspective for the United States and a technology perspective for USPTO operations. We are also seeking public input on these issues.

Has the USPTO considered removing the first name of the patent applicant to ensure that examiners are not inadvertently introducing bias into the examination process?

Response: The USPTO has considered the legal and operational implications of removing or otherwise anonymizing the first names of patent applicants. Under current patent law and prosecution practice, examiners require access to an applicant's name to ensure, for example, that the application does not warrant a double patenting rejection, *i.e.*, a patent to the same inventive entity on the "same invention" or a patent on an obvious variation of a previous patent granted to the same inventive entity. To conduct a double patenting search, examiners search pending applications and granted patents by both inventor and applicant names. Removing or anonymizing inventor or applicant names would severely limit examiners' ability to conduct such searches.

Additionally, it is unclear that removing or otherwise anonymizing the first names of patent applicants would be effective. Our internal analysis shows no systematic evidence of bias by examiners based on the names of inventors.

How can Congress, the USPTO, other agencies in the Administration, and the private sector work together to increase patenting among women, low-income inventors, inventors of color, and veteran inventors to help them patent and commercialize their innovations?

Response: Broadening the innovation ecosphere to include women, low-income inventors, inventors of color and veteran inventors is critical to inspiring more inventions, driving economic growth, and maintaining America's global competitiveness. The USPTO has undertaken a proactive approach to encourage these groups to innovate and secure patents to protect their innovations including through its inventor assistance resources and building pro se resources in patents to make navigating the patent process more accessible, especially to first time applicants. As I noted in my opening statement, the USPTO recently updated its website to better serve new inventors and entrepreneurs. Now, with one click, visitors are directed to a map of the United States, where they can find a multitude of free resources in their state to better help them navigate the patent and trademark system and protect their intellectual property. Additionally, the USPTO hosts an annual Women's Entrepreneurship Symposium, supports patent pro bono networks around the country through public outreach and by helping to establish additional local pro bono programs in states with sufficient inventor and practitioner populations to meet the needs of the inventors and small businesses in those states. The USPTO's Patent and Trademark Resource Centers are located in more than 80 public, state and academic libraries – many in minority and underserved communities – providing a direct link to the community through regular programming, virtual office hours with USPTO subject matter experts, and librarians trained to assist with IP searching and information. On October 31, the USPTO issued the SUCCESS Act Report that outlines these and additional initiatives it is taking to increase patenting among these underrepresented groups.

The USPTO supports many STEM-related programs and events to provide education to young women and other underrepresented groups about intellectual property such as the Girl Scout IP patch, which is administered to Girl Scout troops across the nation, and Camp Invention in school districts in every state and many other programs.

Earlier this year, I held a roundtable with Rep. Zoe Lofgren in the USPTO's Silicon Valley Regional Office to facilitate discussions across the IP community on this important topic, and I have also held roundtables in New York and Austin. Leaders from the USPTO will continue to meet with stakeholders in private industry, academia, and government agencies to identify ways to increase inventor diversity in all facets of the economy. There is untapped potential in the community and the USPTO wants to do everything possible to encourage diversity in innovation, create equal opportunities for every inventor, and ensure that all voices are heard. The USPTO will continue to advance the national dialogue around this issue and engage with industry, academia, and other government agencies to drive real change. The hearings that this subcommittee held on this issue are also helping in continuing this dialogue, and the USPTO stands ready to work with Congress in ensuring that these underrepresented groups have access

to and can utilize our patent and trademark systems to bring their inventions and creativity into the innovation ecosystem.

TRADEMARKS

What steps has the USPTO taken so far to address the rise in fraudulent trademark applications? What additional steps does the USPTO plan on taking?

Response: The USPTO has taken several steps to address fraudulent applications and inaccurate use claims and has plans to do more using our existing authority.

In August, and after considering public comments on the proposed rule, the USPTO implemented its final rule to require foreign trademark applicants and registrants to be represented by a U.S. licensed attorney (84 FR 31498; July 2, 2019). The USPTO believes that this rule will increase the accuracy of the submissions to the USPTO and will decrease the incidence of foreign trademark attorneys and agents engaging in the unauthorized practice of law before the USPTO. Additionally, in October, we started requiring users to have login credentials to file trademark documents using the USPTO's electronic trademark system.

Before this rule, the USPTO had already taken a number of steps to address the growing problem of trademark applicants submitting suspicious or fake specimens of use, including: establishing a streamlined version of our informal letter of protest procedure, whereby third parties may bring to the attention of the USPTO evidence that a particular specimen submitted in an application is mocked up or doctored by submitting it to our Specimen Protest email box; investigating software that would allow fake specimens of use to be more easily detected as well as considering options in the pre-examination phase, so that fake specimens can be flagged for further handling; and training our examining attorneys on identifying digitally created or altered specimens and on how to ask applicants for information and proof of actual use. Recently, the USPTO updated its examination guidance to now require that examining attorneys issue a refusal in such circumstances and request additional information about and evidence of the mark's use in commerce. The guide is publicly available on the USPTO's website at: <https://www.uspto.gov/sites/default/files/documents/Exam%20Guide%2003-19.pdf>.

Regarding registrations, since 2012 the USPTO randomly audits post-registration maintenance filings and requests the registrant to provide proof of use for additional goods or services in the registration. If the registrant cannot provide proof that the mark is in use for the queried goods or services, those goods or services are deleted from the registration. The audit program has been successful at helping improve the accuracy of the federal trademark register and we have increased, and plan to increase even more, the number of maintenance filings that are audited.

The TTAB also has implemented a pilot program to expedite resolution of cancellation proceedings involving a claim of non-use or abandonment of the registered mark. The USPTO is considering creating incentives for registrants to ensure that their registrations are and remain accurate regarding the goods or services for which the mark is in use, without waiting until the maintenance filing to do so. For example, the USPTO is considering charging a "zero fee" to file a request to delete unused goods/services outside of the audit or a TTAB proceeding, but charging a fee to amend a registration when goods or services are deleted from a registration as a result of an audit.

The USPTO's audit program has demonstrated that approximately 79% of those audited were represented by counsel and, of those audited who had a lawyer, approximately 52% have been required to delete goods or services for which they previously swore the mark was in use. These statistics are troubling to say the least and suggest a lack of care, knowledge of what the law requires, or both, by mark owners and

their counsel. In egregious cases, the USPTO may refer attorneys to the USPTO's Office of Enrollment and Discipline (OED) for investigation of misconduct. But, to ensure that mark owners and their counsel understand U.S. use requirements and their mutual obligations under the USPTO's rules to confirm that the submissions they make to the USPTO are accurate and that claims of use have evidentiary support, we are developing educational materials for our website and will be adding information to our notices. We are hopeful that providing materials that explain what use in commerce is, the importance of use in commerce to having trademark rights and a valid registration, the steps lawyers and clients should be taking to confirm the facts of use, combined with the U.S. counsel requirement, will help improve the accuracy of submissions to the USPTO.

USPTO Responses to Questions for the Record – Representative Lofgren
U.S. House Committee on the Judiciary
Subcommittee on Courts, Intellectual Property and the Internet

“Oversight of the U.S. Patent and Trademark Office” – May 9, 2019
Witness: The Honorable Andrei Iancu, Undersecretary of Commerce for
Intellectual Property and Director of the U.S. Patent and Trademark Office
Submitted: November 26, 2019

Theranos was granted nearly 100 patents based on an “invention” that did not work. How could the patent application for an invention that did not work either: (a) enable one skilled in the art to practice the invention; or (b) objectively demonstrate that the applicant actually invented what is claimed? How did this pass the 112 review process?

Response: The USPTO is fully committed to ensuring that patent applications fully comply with the written description and enablement requirements. However, the USPTO’s examiners do not undertake testing to prove an invention’s operability. Rather, examiners are required to analyze patent applications for 112 compliance with respect to the written description, which ensures that the applicant was actually in possession of the claimed invention at the time of filing, and enablement, which ensures that the disclosure provides adequate teaching to a person having ordinary skill in the art to practice the invention without undue experimentation. To satisfy the written description requirement, the specification must describe the claimed invention in sufficient detail that one skilled in the art can reasonably conclude that the inventor had possession of the invention. To satisfy the enablement requirement, a multi-factor analysis is conducted evaluating, among other factors, the nature of the invention, the state of the art, the level of predictability in the art, and the quantity of experimentation needed to make or use the invention. The burden is on the patent examiner to establish, with supporting evidence and/or explanation, why the filed patent application fails either or both of these requirements, which depends largely on what the applicant has disclosed in the application.

What are the USPTO’s plans to strengthen the 112 review for other art areas, particularly in life sciences?

Response: In January 2019, the USPTO published guidance on the examination of computer-implemented functional claim limitations for compliance with 35 U.S.C. §112, specifically the written description and enablement requirements. Following publication of the January 2019 guidance, the USPTO provided training to examiners on applying this guidance, and we are currently developing additional training and examples to supplement the guidance. The USPTO has also prepared new training on written description that contains examples that cover a variety of technologies, including medical devices and chemical/biological inventions, which focus on evaluating the adequacy of written description under section 112. The technology center that handles life sciences has also begun refresher training on issues of double patenting and obviousness under section 103 and new training on issues of written description under section 112.

What percentage of time do examiners spend on 112 analysis?

Response: Examiners are currently allotted examination time for an application based on their technology area and grade level. That time is largely spent evaluating the claims for compliance with sections 101, 102, 103, and 112, in addition to ensuring the application complies with formal matters and other statutes that may be applicable. Disclosure and claim clarity issues under section 112 are addressed

as they arise in the particular application under examination. In instances where section 112 issues do arise, the time spent on these issues varies depending on the particulars of the application.

Software inventions are unique in that the invention itself is a written description that meets all section 112 requirements. Why doesn't the USPTO just require the invention's source code be disclosed to meet the enablement requirement and --more importantly--prove the applicant actually invented what she is claiming?

Response: The USPTO applies the requirements of section 112 as those requirements have been interpreted by the federal courts. The Federal Circuit and its predecessor have held as a general rule that computer source code is unnecessary to meet the disclosure requirement of section 112. *See, e.g., Aristocrat Techs. Australia PTY Ltd. v. Intl. Game Tech.*, 521 F.3d 1328 (Fed. Cir. 2008); *Fonar Corp. v. General Electric Co.*, 107 F.3d 1543 (Fed. Cir. 1997); *Robotic Vision Sys. v. View Eng'g, Inc.*, 112 F.3d 1163 (Fed. Cir. 1997); *N. Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931 (Fed. Cir. 1990); and *In re Sherwood*, 613 F.2d 809 (CCPA 1980).

- **As part of your update to section 101 guidance, did you review the existing examiner training examples to see if they were still valid? If not, why not?**
- **A process that was identical (in all but the name of the protein) to the one found in example 29 of the patent examiners training materials (the Life Sciences Examples) was found unpatentable two years ago in *CLEVELAND CLINIC v. TRUE HEALTH DIAGNOSTICS*. And just last month the court found another patent on this same technique unpatentable in an unpublished decision, meaning that the courts didn't even bother publishing it because the decision added nothing new. When will the USPTO remove this example from the examiner training materials?**
- **Is the USPTO going to review past examples to see if they have been found unpatentable as well?**
- **In the new examiner training examples, added as part of the new 101 guidance, example 39 deals with training a Neural Network for Facial Recognition. In that analysis the USPTO states that the claim**

"does not recite any of the judicial exceptions ... For instance, the claim does not recite any mathematical relationships, formulas, or calculations ...the mathematical concepts are not recited in the claims."

However, "mirroring, rotating and smoothing" are well defined mathematical operations, as well defined as addition or subtraction. The mathematical transformations are the only thing that makes this claimed invention more than just "train AI with pictures using standard techniques," which would be an abstract idea.

Does the USPTO agree that mirroring, rotating and smoothing are well known mathematical operations? If not, why not. If so, how does this claim not recite any mathematical relationships, formulas, or calculations?

Does a claim that simply adds the number 5 to the vertical coordinate of every pixel in an image recite any mathematical relationships, formulas, or calculations?

Response to the previous four bulleted questions: In developing the 2019 Patent Eligibility Guidance, the USPTO reevaluated previously issued examples 1 through 36 to determine whether the claims indicated as patent ineligible were still patent ineligible and whether the claims indicated as patent eligible were still eligible. While the USPTO determined that the eligibility/ineligibility conclusions in previously issued examples 1 through 36 remain the same under the 2019 Guidance, the analysis reaching those conclusions may be different and examiners have been advised to use caution when relying upon the analyses presented in these earlier examples.

The Federal Circuit has held claims to certain diagnostic methods patent ineligible in *Cleveland Clinic Foundation v. True Health Diagnostics, LLC*, 859 F.3d 1352 (Fed. Cir. 2017) ("*Cleveland Clinic I*") and in *Cleveland Clinic Foundation v. True Health Diagnostics LLC*, Docket No. 2018-1218, 2019 U.S. App. LEXIS 9451, *17-18 (April 1, 2019) ("*Cleveland Clinic II*"), and *Cleveland Clinic II* (a non-precedential decision) contains a discussion of claim 1 of the USPTO's example 29 (Julitis). The USPTO's example 29 itself was not being litigated in either *Cleveland Clinic* case, which were patent infringement litigations. Rather, the patentee attempted to analogize its claims to claim 1 of example 29 in arguing for patent eligibility. The Federal Circuit stated, in pertinent part, that to the extent claim 1 of example 29 is analogous to the prior *Ariosa* decision, then *Ariosa* must control. The USPTO is reviewing this earlier example in light of the Federal Circuit's ruling.

New training example 39 (Neural Network) distinguishes between claims directed to mathematical relationships, formulae, or calculations *per se*, and claims directed to inventions that use or are based on mathematical relationships, formulae, or calculations. The computer-implemented functions of "mirroring," "rotating," and "smoothing"—like all functions performed by a computer—arguably involve the use, at some level, of certain mathematical relationships, formulae, or calculations. The claims of example 39, however, do not recite these mathematical relationships, formulae, or calculations, and thus do not seek to patent any particular mathematical relationship, formula, or calculation. A claim that recited adding the number 5 to some predetermined value, however, would likely recite a mathematical calculation.

USPTO Responses to Questions for the Record – Representative Jackson Lee
U.S. House Committee on the Judiciary
Subcommittee on Courts, Intellectual Property and the Internet

“Oversight of the U.S. Patent and Trademark Office” – May 9, 2019
Witness: The Honorable Andrei Iancu, Undersecretary of Commerce for
Intellectual Property and Director of the U.S. Patent and Trademark Office
Submitted: November 26, 2019

As required by the 2018 Study of Underrepresented Classes Chasing Engineering and Science (SUCCESS) Act, the USPTO is to prepare a study on the participation of women, minorities, and veterans in entrepreneurship activities and the patent system. Section 3 of the SUCCESS Act requires the study to provide legislative recommendations for how to increase the number of women, minorities, and veterans who apply for and obtain patents. To assist in gathering information prior to compiling the report, the USPTO has invited the public to provide written comments and also oral testimony at one of three hearings.

1. Have stakeholders who have provided testimony believe that the underrepresented classes only consist of those who are considered women, minorities, or veterans, or have any of the stakeholders identified any other people(s) as being underrepresented? In the case of the latter; who else, or what other group(s) of people, have the stakeholders identified as being underrepresented?

Response: The USPTO strongly agrees that it is critical to encourage greater participation in the patent ecosystem by all underrepresented groups and has taken a proactive approach to doing so. With regard to the SUCCESS Act, the USPTO gathered, through live testimony and written comments, information for the study required by the SUCCESS Act. We provided a summary of public comments and legislative recommendations received in Appendix A of the formal report that was submitted to Congress on October 31, 2019. The USPTO also provided a URL² in the report that links to a webpage on the USPTO's website where individuals can read all comments and recommendations submitted. For your convenience, we sent an electronic copy of the final SUCCESS Act report to your office, and we hand delivered a hard copy of the report to your office as well.

2. Have stakeholders expressed concern regarding the underrepresented classes' financial ability to enforce their rights once they do obtain patents? What legislative recommendations has the USPTO received from stakeholders that would increase the incentive for underrepresented classes to apply for and obtain more patents, and does equal outcome with respect to a patent holder's financial ability to enforce their rights against well-funded companies play a part?

Response: As noted above, the USPTO gathered information for the study required in the SUCCESS Act, including any concerns regarding inventors' financial ability to obtain and enforce their patents. We shared summaries of legislative recommendations we received in Appendix A of the SUCCESS Act report. The report also included a URL link to the website referenced above where individuals can read all comments and recommendations submitted. For your convenience, we sent an electronic copy of the final SUCCESS Act report to your office, and we hand delivered a hard copy of the report to your office as well.

² <https://www.uspto.gov/successact>

3. The PTAB/IPRs are purported to being a cheaper and faster alternative than district court litigation in achieving the end result of determining patent validity/eligibility. Given that contingency law firms rely on damages to recoup their investment, and in the case of the PTAB, there is no monetary compensation for prevailing patent holders, have stakeholders expressed concern whether the underrepresented classes have the financial means to receive legal representation? What legislative recommendations has the USPTO received from stakeholders that would help the underrepresented classes avoid such a financial burden while still achieving the end result of determining patent validity/ eligibility?

Response: As noted above, the USPTO gathered information for the study required in the SUCCESS Act, including concerns regarding inventors' financial ability to obtain and enforce their patents before PTAB. We shared summaries of legislative recommendations we received in Appendix A of the SUCCESS Act report. The report also included a URL link to the website referenced above where individuals can read all comments and recommendations submitted. For your convenience, we sent an electronic copy of the final SUCCESS Act report to your office, and we hand delivered a hard copy of the report to your office as well.

We note, however, that the USPTO has received feedback on PTAB proceedings and making them more accessible outside the context of the SUCCESS Act, as outlined above in response to Chairman Johnson's similar question.

4. What legislative recommendations has the USPTO received from stakeholders that would help underrepresented classes apply for and obtain more patents in lieu of patent eligibility?

Response: As noted above, the USPTO gathered information for the study required in the SUCCESS Act, including recommendations for helping underrepresented classes apply for and obtain patents. We shared summaries of legislative recommendations we received in Appendix A of the SUCCESS Act report. The report also included a URL link to the website referenced above where individuals can read all comments and recommendations submitted. For your convenience, we sent an electronic copy of the final SUCCESS Act report to your office, and we hand delivered a hard copy of the report to your office as well.

USPTO Responses to Questions for the Record – Representative Mike Johnson

U.S. House Committee on the Judiciary
Subcommittee on Courts, Intellectual Property and the Internet**“Oversight of the U.S. Patent and Trademark Office” – May 9, 2019***Witness: The Honorable Andrei Iancu, Undersecretary of Commerce for
Intellectual Property and Director of the U.S. Patent and Trademark Office**Submitted: November 26, 2019*

As you know, a Patent Trial and Appeals Board (PTAB) decision invalidating a patent often halts further proceedings in a District Court. However, that is apparently not true for proceedings at the U.S. International Trade Commission (ITC). For example, the ITC has proceeded with Section 337 investigations and imposed remedies in cases even after the PTAB had found a patent to be invalid. Based upon your understanding of patent infringement cases in District Courts, the ITC, and the PTAB, please answer the following questions:

1. Do you think the ITC should be required to suspend its 337 investigations upon the PTAB determination that a patent is invalid, and ultimately terminate such a proceeding once the PTAB decision has been made final and all avenues for appeal exhausted?

Response: After a PTAB final determination of unpatentability on some or all claims of a patent issues, and once appeals are exhausted, the USPTO will enter a certificate of unpatentability and effectively cancel those claims from the patent. Such cancelled claims would likely not form the basis for initiating or maintaining an action in district court or a 337 investigation in the ITC. Whether the ITC should be required to suspend its investigation upon the PTAB's determination and until appeals are exhausted or terminate the investigation is a determination for the ITC to make in light of relevant statutory provisions.

2. Alternatively, should the PTAB suspend its proceedings when a district court or the ITC has decided to conduct a full-blown trial that will include a determination of the validity of the same patents and, if so, at what point in its proceeding would such a suspension by the PTAB be appropriate?

Response: Under the current statutory provisions, PTAB has little flexibility to suspend ongoing AIA trials. Once instituted, PTAB trials must proceed to a final written decision within 12 months, unless extended for up to 6 months for good cause or unless subject to joinder. Additionally, we do not believe that an automatic suspension of PTAB proceedings based solely on the existence of a parallel district court or ITC trial would serve to bring balance to the system. Instead, as explained in our November 2019 Consolidated Trial Practice Guide, events in other proceedings, including “in district courts, or the ITC,” are factors to be considered when determining whether to exercise the USPTO's statutory discretion on institution of a PTAB proceeding. We believe that the goals of quality, efficiency, reliability, and predictability are best served by continuing to exercise this discretion based on a balanced assessment of the circumstances of each case, including the merits of the arguments.

USPTO Responses to Questions for the Record – Representative Biggs
U.S. House Committee on the Judiciary
Subcommittee on Courts, Intellectual Property, and the Internet

“Oversight of the U.S. Patent and Trademark Office” – May 9, 2019
*Witness: The Honorable Andrei Iancu, Undersecretary of Commerce for
Intellectual Property and Director of the U.S. Patent and Trademark Office*
Submitted: November 26, 2019

1. In recent weeks, the Patent Trial and Appeal Board (“PTAB”) has designated two decisions as precedential-including one in which you sat on the panel-enforcing the agency's discretion under 35 U.S.C. 325(d) to reject repetitive claims filed by the same or a different challenger against the same patent.

Despite these precedential decisions, there have been reports that the Central Reexamination Unit (under the authority of the Commissioner for Patents, not the PTAB) does not feel bound by the PTAB's precedential decisions and is therefore allowing multiple reexaminations to be ordered against the same patent.

- As a general policy matter, do you think it is appropriate to grant a request for *ex parte* reexamination, if the request asserts the same or substantially the same prior art or argument that was previously presented by the same person in an *inter partes* review petition which the PTAB declined to institute against the same patent claims?

Response: As a matter of general policy, a party whose request for an *inter partes* review was denied by an exercise of the Director's authority under 35 U.S.C. § 325(d) should, under most circumstances, not have a reexamination request granted when the prior art or arguments raised in the reexamination request are limited to the same or substantially the same prior art or arguments in the denied petition for *inter partes* review. In the majority of instances where a reexamination request was filed after a petition for *inter partes* review was denied, however, the basis for the denial of the *inter partes* review was a statute, such as 35 USC § 314, that does not implicate *ex parte* reexamination. Additionally, it has been our experience that the requests for reexamination granted by the USPTO have not been based on the same or substantially the same prior art or arguments presented in the denied *inter partes* review petition. Where the request raises a new issue, either through the prior art or by argument, that previously was not fully evaluated by the USPTO, and the examiner determines that the issue would have been important in determining the patentability of the claims, reexamination may be ordered even though other parts of the request may contain arguments similar to those previously presented in the *inter partes* review petition.

- As the head of the agency, what steps have you taken-or plan to take-to ensure that the PTAB's precedential decisions involving 35 U.S.C. 325(d) are applied consistently by different components of the agency, including by the Central Reexamination Unit and the Office of Patent Legal Administration, in cases deciding whether to grant or reject a request for *ex parte* reexamination?

Response: The databases within the USPTO that are available to both the Central Reexamination Unit (CRU) and Office of Patent Legal Administration provide information about whether a trial has been requested on the patent and the determination made by the PTAB, including the grounds

for the determination. These PTAB decisions are reviewed by the CRU when determining whether it is appropriate to grant reexamination in light of a decision issued by the PTAB in accordance with 35 U.S.C. § 325(d).

- **Given that the statutory authority under 35 U.S.C. 325(d) is vested in you as the “Director,” do you have any plans to personally sign a decision rejecting a reexamination request, analogous to the various PTAB panels on which you have personally sat?**

Response: As with cases before PTAB, each reexamination request is unique, and whether I personally would sign a decision will depend on the specific facts of the case.

2. **Several patents have been determined to be valid in a district court and invalid in the PTAB. What is the legal condition of said patent?**

Response: If the PTAB’s judgment is not disturbed on appeal, the patent in this example would be invalid. Nearly half a century ago, the Supreme Court held that a judgment of patent invalidity creates a nonmutual defensive collateral estoppel that may be invoked by other defendants. *See Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971). This means that if a patent is adjudged invalid in one case, an accused infringer in another case, who was not a party to the judgment of invalidity in the first case, can nevertheless invoke that judgment to defend against an infringement suit. *See id.* at 349-50. The Federal Circuit has also recognized that a prior district-court judgment of validity, even if affirmed on appeal, does not preclude a subsequent judgment of invalidity in USPTO post-issuance proceedings. *See In re Swanson*, 540 U.S. 1368, 1377 (Fed. Cir. 2008); *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1339-40 (Fed. Cir. 2013). As the Federal Circuit explained in *Swanson*: “In civil litigation, a challenger who attacks the validity of patent claims must overcome the presumption of validity with clear and convincing evidence that the patent is invalid. If this statutory burden is not met, courts do not find patents ‘valid,’ only that the patent challenger did not carry the burden of establishing invalidity in the particular case before the court. Therefore, a prior holding of validity is not necessarily inconsistent with a subsequent holding of invalidity, and is not binding on subsequent litigation or PTO reexaminations.” *Swanson*, 540 F.3d at 1377 (citations omitted).

3. **How many patents have completed in one or more AIA trials?**

Response: Approximately 5,700 patents have been involved in a completed AIA proceeding. Completed proceedings include terminations (before or after a decision on institution) due to settlements, requests for adverse judgement, dismissals, final written decisions, and decisions denying institution.

4. **How many patents have been partially invalidated by AIA trials?**

Response: Approximately 1,300 patents involved in a completed AIA proceeding have had at least one, but not all, challenged claims found unpatentable in a final written decision. In addition, at least one, but not all, challenged claims have been cancelled in approximately 200 patents after the filing of a request for adverse judgement.

5. **How many patents have been fully invalidated by AIA trials?**

Response: Approximately 500 patents involved in a completed AIA proceeding have had all challenged claims found to be unpatentable in a final written decision. In addition, all challenged claims have been cancelled in approximately 60 patents after the filing of a request for adverse judgement.

USPTO Responses to Questions for the Record - Representative Steube
U.S. House Committee on the Judiciary
Subcommittee on Courts, Intellectual Property and the Internet

“Oversight of the U.S. Patent and Trademark Office” – May 9, 2019
*Witness: The Honorable Andrei Iancu, Undersecretary of Commerce for
Intellectual Property and Director of the U.S. Patent and Trademark Office*
Submitted: November 26, 2019

1. Please specify with explanations all the authorizing statutes under which the USPTO (a) instructed examiners to spend time on identifying applications with SAWS subject matter; (b) instructed their Supervisory Patent Examiner (SPE) to spend time and review and flag (designate) such applications under the SAWS program, and (c) established automatic mechanisms and procedures to prevent issuance of any such flagged patent applications even when they are found patentable and allowable.

Response: The SAWS program was discontinued in March 2015. Under the patent laws, as codified in Title 35 of the United States Code, the USPTO is authorized to issue patents, as well as to manage the examination of patent applications and processing.

2. Documents produced by the USPTO under a FOIA including the Board's Standard Operating Procedure SOP-8 show that the Board of Patent Appeals and Interferences, the predecessor of the Patent Trial and Appeals Board, (the Board) was notified of the SAWS designation and was given the SAWS reports pertaining to SAWS applications under appeal or interference.
 - a. Please specify with explanations what legal authority or statute authorizes informing the Board of such SAWS facts when such facts could have no bearing on the Board's decision under the patent law?
 - b. Please specify with explanations what legal authority authorizes the examiner to conduct such *ex-parte* communications with the Board while withholding it from the applicant?

Response to Question 2: The SAWS program was discontinued in March 2015. Under the patent laws, as codified in Title 35 of the United States Code, the USPTO is authorized to issue patents, as well as to manage the examinations of patent applications and processing, which includes the Board of Patent Appeals and Interferences and the Patent Trial and Appeals Board (collectively “the Board”). Standard Operating Procedure (SOP)-8, which was issued before the SAWS program ended on March 2, 2015, was concerned with the assignment of judges to *ex parte* merits panels. SOP-8 does not contain any reference to SAWS reports that may have been prepared within a Technology Center being provided to the Board or distributed within the Board.

3. In her January 9, 2015 responses to Senate inquiries for the record, then Acting Director Lee asserted that the SAWS program was a quality control program. The Inspector General audited the USPTO quality control programs in 1997, 2010, and 2011. Under the Inspector General Act of 1978 (as amended) the USPTO was to provide the IG with “access to all records, reports, audits, reviews, documents, papers, recommendations, or other

material available ... which relate to programs and operations" of the USPTO subject to the IG's audit. 5 U.S.C. App. § 6(a)(1).

a. If Director Lee's assertion was correct, please explain why the USPTO consistently acted contrary to the IG Act of 1978 by concealing from the IG in all three investigations the existence and operation of the SAWS as a quality control program?

b. Please provide the names of the USPTO officials who decided in each of the respective audits that the SAWS program should not be subject to such IG audits,

c. Please provide the name(s) of the person(s) who have prepared, drafted, or written Director Lee's explanations in her January 9, 2015 response for the record that the SAWS was a quality control program.

Response to Question 3: The SAWS program was discontinued in March 2015. Under the patent laws, as codified in Title 35 of the United States Code, the USPTO is authorized to issue patents, as well as to manage the examination of patent applications and processing. It is unclear to what extent, if any, the scope of the referenced audits would have either encompassed the SAWS program or have warranted a specific discussion of it. However, an IG audit on the USPTO's patent quality assurance was conducted in 2014, and the Final Report OIG-15-026-A resulting from this audit did note the existence of the SAWS program.