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Hon. Chuck Grassley
Ranking Member
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Hon. John Conyers, Jr.
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Hon. Howard Coble
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Hon. Mel Watt
Ranking Member
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Gentlemen:

There are numerous proposals for patent reform to address certain perceived problems with the current U.S. patent system. None of these proposals deal with the two fundamental problems of the U.S. patent system. I am writing to urge that your Committees address and remedy these two foundational problems. If that is done it may well turn out that other changes become unnecessary.

These two fundamental problems are the absence from the United States judicial system as it applies to patents of the “self-correcting” judicial structure that governs most other areas of federal law, and the inability of the U.S. Patent & Trademark Office to obtain final decisions as to the patentability of applications it has examined.

In that self-correcting structure, appeals from a district court are heard by the regular circuit court of appeals for the region in which the district court is located. All courts can make mistakes, but with such a structure, when the issue arises in another circuit, the courts in that other circuit are free to reconsider the issue on its merits and are not constrained by the first court’s decision by stare decisis. The result is that most errors are quickly purged, and those that persist are frequently the sign of serious policy issues that deserve Supreme Court attention. By the time the issues are ripe for Supreme Court review, they have been

thoroughly explored in the various courts of appeals so that the very best arguments on all sides of the issues can be presented to the Supreme Court.

Our judicial system does not work that way for patents. The Federal Circuit has a virtual monopoly on all patent appeals, and when it makes a mistake, the U.S. Patent & Trademark Office, the district courts, and the International Trade Commission are locked in by *stare decisis* and have no choice but to follow the mistaken policy promulgated by the Federal Circuit. This problem has even been recognized by the current chief judge of the Federal Circuit who, in his concurring opinion in *Moba v. Diamond Automation, Inc.*, said:

"Whenever a Federal Circuit panel makes an error interpreting the patent code, every district court in the nation, and even every later Federal Circuit panel, is obliged to follow and perpetuate the error. Even the Supreme Court has difficulty identifying errors for correction because this court's national jurisdiction requires universal application of a mistake. "

This fundamental problem can be remedied by adopting the recent proposal by Chief Judge Diane P. Wood of the U.S. Court of Appeals for the 7th Circuit, reported in the Fall 2013 issue of the Chicago-Kent Journal of Intellectual Property, or the proposal by Professors Nard and Duffy reported at 101 NW. U. L. REV. 1619 (2007), both of which provide an alternate appellate route to a regular court of appeals, or my proposal to restore appellate jurisdiction in patent infringement cases to the regular courts of appeals reported at 1 VA L. & BUS.REV. 207 (2006) and 16 J. INTELL PROP. LAW 57 (2008). Adoption of any of these proposals would have the additional virtue of exposing questions of patent law and policy to appellate judges who by virtue of their broader and deeper background of legal and judicial experience than the typical Federal Circuit judge are familiar with the full pantheon of legal policies affecting innovation, and who therefore may have an appreciation for policy nuances affecting innovation that might not occur to the Federal Circuit.

The second of the fundamental problems, the inability of the U.S. Patent & Trademark Office (USPTO) to obtain final decisions as to the patentability of applications it has examined arises from the ability of patent applicants to avoid such final decisions by "refiling" their applications pursuant to 35 U.S.C. 120 or 35 U.S.C. 132(b) and restart the examination process all over again. Such refiled applications are a source of much abuse and an invitation to sloppy practice. Because applicants can refile their applications time after time, the only way the USPTO can rid itself of such persistent applicants is to allow their applications. Moreover, such refiled applications amount to rework for the USPTO. In fiscal year 2012 refiled continuing applications accounted for 43% of the applications filed at the USPTO. Elimination of such applications would increase USPTO examination resources available for the examination of original applications by about 75%, without any increase in staff or budget.

The ability of patent applicants to avoid final decisions as to the patentability of their examined applications (and the consequent necessity for the USPTO to allow applications to rid itself of persistent applicants), and the diversion of examination resources to the examination of refiled applications rather than original applications undoubtedly accounts, at least to some extent, for the reputation of the USPTO for granting low quality patents. The

Patent Allowance Rate at the USPTO in its fiscal year 2012, taking refiled continuing applications into account, was 89%. The corresponding Allowance Rate (Grant Rate) in 2011 for the European Patent Office was 47.4% and 60.5% for the Japanese Patent Office.

The abuses made possible by refiled applications are catalogued by Professor Lemley and Judge Moore in their paper *Ending Abuse of Patent Continuations*, published at 84 BOSTON UNIV. L. R. 63 (2004). The impact of refiled applications on performance of the USPTO is documented in a series of studies of which I am a coauthor published in the Federal Circuit Bar Journal. The most recent of these studies, published at 23 FED. CIR. B. J. 179 (2013), reports the impact of refiled applications on USPTO performance for its fiscal years 1996-2012. Earlier years are dealt with by the earlier studies.

In conclusion I urge that your Committees prepare and report legislation that addresses the two fundamental problems of the U.S. patent system, i.e., the absence of a "self-correcting" judicial structure, and the inability of the USPTO to obtain final decisions as to the patentability of applications it has examined. The former problem can be remedied by adoption of Judge Wood's recent proposal, by adoption of the Nard/Duffy proposal, or by restoring appellate jurisdiction in patent infringement cases to the regular Courts of Appeals as I have suggested. The latter problem can be remedied by repeal of 35 U.S.C. 120 and 35 U.S.C. 132(b).

I would appreciate your providing copies of this letter to the other members of your Committees and to the relevant staff members. Please let me know if I can be of assistance to you or your Committees (including your Committee staffs). I can be reached at the above address or by email at cecilquillen@gmail.com. I can provide copies of any of the publications referred to in this letter.

Very truly yours,

Original Signed by Cecil D. Quillen, Jr.