Lies, Damned Lies and Statistics: Prudent Usage of Juristat Data to Measure IP Counsel Competency

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Seasoned patent attorneys know that patent prosecution is an art. Experience teaches when to use a light stroke, when to apply pressure, and where to do each. It is the art of strategy, persuasion and language. Newcomers, such as Juristat, have changed the game, forcing us to consider the science, specifically the science of statistics, behind patent prosecution. While advanced analytics can and should be incorporated into our practices, their limitations should be understood.

For the uninitiated, Juristat compiles and analyzes patent prosecution data. Users can study this data to learn, for example, the allowance rate of a certain law firm, months to disposition (i.e., allowance or abandonment), or the average number of office actions per disposal. A lower average number of office actions typically indicates cost-effective prosecution. Note that this is not necessarily related to the quality of the resulting patent claim scope. For example, claims that are allowed without receiving any office actions may be indicative of poor searching by the Examiner, or extremely narrow claim language that is of little commercial value. This caveat notwithstanding, a lower average number of office actions is preferable, not only because of the decrease in attorney and government costs, but also because it will likely indicate a smaller chance of file history estoppel.

Before the advent of advanced analytics, it was almost impossible to compare law firms without sampling file histories. Juristat readily compiles this data and makes it available for a fee so that firms can finally be compared on a macro basis. Still, prudent usage of these statistics is advised, and practitioners should be careful not to succumb to the temptation of overselling the data or drawing unwarranted conclusions when it suits them.

I recently took some time to analyze this data for a prospective client. This prospective client had hired Firm A to file 69 applications, of which 67 were disposed for an allowance rate of 35% with a 66.1 months to disposition, and an average of 5.1 office actions to disposal. With such a low allowance rate, and a high average of office actions, the prospective client asked if it was my

opinion that Firm A was substandard. I explained that the data often speaks for itself, but that to be fair, statistics can be skewed for a number of reasons.

Filed	Disposed	Allowance Rate	Months to Disposition	Office Actions	Ind. Claims Change	Dep. Claims Change
15,997	13,418	76%	38.5	2.5	-0.8	-5.5
903	502	69%	41.4	2.2	0.7	-3
641	543	68%	42.2	2.7	-0.3	-4.5
616	491	80%	34	2.5	-0.7	-2.5
326	184	73%	44.2	2.9	-0.3	-2.8
279	234	99%	36.8	2.6	0.1	-2
69	66	35%	66.1	5.1	-0.9	-8.7

First, 69 applications is a relatively small sample size. Other firms being compared had samples of 903, 641 and 616 respectively. Without diving into z-scores and confidence intervals, it should suffice to note that in many cases a small sample size could account for some discrepancy. Approximately 70 applications is large enough that sample size alone does not account for such a low allowance rate. Still, sample size is a consideration, and anomalies should disappear with a large enough data set.

Second, the technology and art unit should be considered when studying the data. Certain crowded art units are notorious for low allowance rates, while other emerging fields have plenty of unclaimed landscape. Some art units may also have a more agreeable group of examiners compared to others. The issues faced are also not the same in every art unit--for some, 35 U.S.C. 101 rejections are a daily experience. For others, it is a nonissue. These differences in art units lead to disparities in allowance rates and length of prosecution. For example, Art Unit 3649 has an 86.8% allowance rate, while Art Unit 3689 had a 1.3% allowance rate according to Gene Quinn's article "E-Commerce Art Units: Where Patent Applications Go to Die". A 30% allowance rate in Art Unit 3689 is stellar. A 60% allowance rate in Art Unit 3649 is subpar.

Third, applicants should be honest when evaluating their patent portfolios. Poor initial disclosures lead to lower quality specifications, which make prosecution difficult. Thus, it would be wise, when evaluating outside counsel, to ask "have I placed them in a position to succeed?" To compound this, business decisions are often made to abandon wholesale a group of patent applications. For example, Firm A may have been expressly instructed to abandon 40 applications because poor results in an FDA trial made the applications or therapy of no value. This simple

request would devastate the firm's metrics. In sum, the data may be better explained by the applicant's decisions, and not the prosecuting counsel.

Tangentially, IP valuation could be a confounding factor. IP assets are commonly valued using three fundamental approaches: the market approach, the cost approach and the income approach. In the cost approach, investors ask "what would it cost to procure or recreate an asset equal to the patent?" Such an accounting is often, but not always, reflective of the actual costs of prosecution. Thus, one colleague recently told me that his firm had been asked to maintain pendency of an application at any cost until at least one claim is allowed. The underlying reasoning is that even five or six Request for Continued Examination (RCEs), will simply inflate the "valuation" of the patent in question. This certainly cuts against common sense as defendants love nothing more than a lengthy file history with pages and pages of statements and characterizations by the applicant. Compare this to an applicant who, in the spirit of cost containment, instructs their outside counsel to file no more than two RCEs and to strongly consider abandonment if no claim is allowable within this predetermined window. These different approaches will certainly affect the average number of office actions per disposal and the allowance rate.

This does not absolve a firm for poor performance. If, over a long period of time, and with a large enough sample, a firm continually underperforms compared to their peers, the data should raise eyebrows. This is especially true if all of the possible factors discussed above are dismissed. In such a case, poor performance may simply be due to incompetence. Perhaps worse than incompetence is the malpractice of intentionally "churning" patent applications for a profit. In the end, applicants are sharp enough to sense chicanery. An attorney that never cautions that a certain strategy is unsupported, or that a certain claim is unlikely to issue in view of a dead-on piece of prior art does not provide honest counsel. While analytical tools like Juristat are often inconclusive, they may be helpful in confirming what an applicant already knows to be true of his counsel.

Finally, attorneys should avoid making false conclusions from Juristat analytics and others. Additionally, attorneys should be aware that a thin line exists between providing accurate data to a client (or prospective client) and disparaging another attorney, and that salesmanship and puffery should not carry them over that line to professional misconduct.

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