

Top Ten Patent Issues for the New Director of the Patent and Trademark Office

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Imminently, the Obama Administration will be naming a new Director of the U.S. Patent and Trademark Office (“PTO”). The PTO, which used to be a quiet backwater of a niche area of law, has recently found itself front and center in some high profile debates. From congressional efforts aimed at fixing a “broken” patent system to Supreme Court cases considering whether Internet Age innovations deserve the same patent protection as Industrial Age innovations, the work of the PTO is increasingly important to our society.

Different interest groups have widely differing agendas. Pharmaceutical companies want to make sure that their drug composition patents are not weakened; high tech companies struggle with the phenomenon of patent trolls; services companies are finding it increasingly difficult to protect their process-related innovations.

What should be the top patent-related priorities for the new Director and the Director’s lieutenants (the Deputy Director of the PTO and the Commissioner for Patents)? We compiled this list of priorities based on collective experiences with the PTO over the past few decades.

1. Re-establish strained relationships

In prior generations, patent lawyers and patent examiners worked side-by-side at the Patent and Trademark Office, poring over the containers known as “shoes” that collected and organized all of the patents before computerized searching became the norm. There was a real sense of society at the PTO, and it included both the practitioners and the Office personnel. When a patent searcher died, for example, others would not use his regular working location for quite some time as a show of respect. This is in stark contrast to the modern relationship between PTO personnel and the patent bar. Some have suggested that because the PTO had no good way to address the criticism that the patent system in this country was “broken,” it resorted to blaming

inventors and patent lawyers for its backlog of cases, inconsistent patent quality, and other problems. Indeed, PTO representatives proudly reported that they were successfully reducing the patent application allowance rate from around $\frac{3}{4}$ of all filed applications to less than $\frac{1}{2}$. Understandably, such an approach did not sit well with inventors or the patent bar. Strengthening relationships between the PTO and those who work with the PTO should be a top priority for the new director.

2. Increase transparency

The weekly publication of the PTO’s Official Gazette (“OG”), a hard copy document that included regular and special notices as well as listings of all newly issued patents, helped to establish a traditional sense of openness and transparency regarding the PTO’s operations. Something counter-intuitive happened with the move toward electronic dissemination of data brought on by the Internet. Even though the OG is still published every week in electronic form, communication between the PTO and practitioners now appears to be more opaque rather than transparent. For example, examiners are telling practitioners that they have to respond in a particular way about a topic because of a memo they recently received, even though the PTO does not release the memo to the public. The PTO’s rulemaking process, discussed below, now regularly catches the patent bar off guard and does not include much solicitation of outside viewpoints. In one notable example, a proposed set of rules covering fundamental issues about how many claims a patent application can have and how many rounds of negotiation will be allowed with the PTO has been litigated for over two years and is currently under court-ordered stay; the PTO has not taken this situation as an opportunity to open any outside dialog regarding whether a different approach might be in order or what its plans are depending on the outcome of the case.

In addition to substantive transparency, the new Director should increase operational transparency. Over the last few years the PTO has introduced systems such as the Electronic Filing System (EFS) and the Patent Application Information Retrieval (PAIR) system. Both have provided a cost effective mechanism for interacting with the PTO by reducing paperwork and organizational efforts for all PTO personnel, practitioners, applicants, and the public at large. However, rather than further opening up such systems and increasing ease of access, the PTO continues to decrease accessibility. For example, information disseminated through road shows or internal presentations are often difficult to find through the uspto.gov web site. Moreover, in some instances information is treated as proprietary information that is to be kept away from the public. For example, the PTO has removed the ability to scrape application data from PAIR. Such data was often scraped by practitioners, applicants and third-party vendors to update their own internal systems and provide checks and balances to ensure that the information within their systems matched similar data at the PTO. Convenient access to such data would increase its integrity and lower costs for practitioner and applicants, even if the PTO were to impose a charge to recoup its own costs.

By increasing transparency within the PTO, the entire patent system will be well-served; transparency will help increase patent quality, alleviate burdens on an overworked examination corps, and generate much-needed goodwill for the PTO.

3. Rationalize the use of statistics

The PTO has really embraced statistics regarding its work, for example those relating to allowance rates, pendencies and appeals. While statistics are certainly interesting, to be truly useful, they need to be in context so as to be indicative of broader, more important perspectives. The new Director should continue to collect statistical data, but use that data to derive more meaningful and relevant qualitative insights. Using the allowance rate as a guidepost, the new Director can further evaluate not only whether the applications allowed were properly allowed, but also evaluate why other applications were not allowed. For example, in proposing its new rules on continuation

applications, the PTO emphasized the percentage of new applications that were continuations and derisively described them as “rework.” However, the PTO did not address the fact that these continuations are applications that provide the PTO with full filing fees even though the examiners have already largely completed their analysis of the inventions and related patent searches. Likewise, the PTO’s touting of allowance rates below 50% does not alone provide sufficient meaningful data of whether only “good” patents are being issued. A consideration of examination quality calls for analysis on qualitative grounds such as subject matter, obviousness, and written description during the full course of examination of all applications. Such analysis may provide insight on whether applicants are prematurely abandoning the patent process due to a lack of examination quality that unduly forces increased costs on applicants. If such in the case, the patent system over time could potentially fail our historically innovative culture.

4. Reevaluate what it means to provide “customer service”

Over the last few years the PTO has made a big public relations splash about increasing customer satisfaction. It has sent out surveys to practitioners seeking feedback on aspects of its operations to measure its customer satisfaction rates and reported back on those. However, most practitioners and applicants probably feel as though that is as far as customer service has advanced. As noted above, the current tone at the PTO has taken on an “us” versus “them” feel. In particular, the attempted rulemaking that became the subject of a lawsuit was perceived as more of an attempt to reduce the PTO’s workload and shift burdens and costs to applicants, rather than a good faith effort to make the system better.

The PTO must remember that its job is to help applicants determine whether a patent is warranted on an invention, and if so issue such a patent. In order to truly address customer satisfaction issues, the new Director needs to instill in all PTO personnel a sense that everything they do should focus on helping applicants (i) determine which aspects, if any, of their innovations deserve patent protection under the law, and (ii) get patents on those aspects. In other

words, focus on the solution that is being sought by the customer. As always, it is far easier to criticize another's creation than to create. PTO personnel need to be motivated to facilitate the innovation process rather than to look for reasons to reject what the applicant has done.

5. Foster inclusion in the rulemaking process

The PTO is bound to follow the patent statute, but has wide-ranging authority to make rules and regulations relating to its operations. In two recent instances, the PTO promulgated rules that many believed were beyond its authority or were not well considered. One set of proposed rules limited the ability of applicants to file "continuation" applications in order to resolve disputes with examiners about whether their rejections are valid and whether amendments can be made to overcome those rejections; that set of proposed rules also limited the number of claims that could be filed with a patent application and imposed various new obligations on applicants. The new rules were challenged by a lawsuit and as a result have been stayed pending resolution of that action, with the court of appeals agreeing with the district court that at least some of the new rules went beyond the PTO's authority. Another set of proposed rules significantly changed the procedures to be used when appealing an examiner's decision on an application, again imposing much more stringent obligations on applicants than previously existed. Many practitioners commented that the new rules almost obviate the appeal process entirely, as they call for a number of assertions by applicants that could be used against the applicant if a patent that eventually issues is ever litigated. These proposed rules were widely derided as thinly veiled attempts to lessen the PTO's workload at the expense of inventors' rights.

Regardless of whether the PTO is within or outside of its authority with such rulemaking, the rulemaking process would almost certainly be better informed if the PTO took greater efforts to solicit the views of all parties concerned with the process—PTO personnel, inventors, patent lawyers, and whatever portion of the public is impacted by patents. Even if proposed rules are not met with alacrity by such interest groups, at least their viewpoints can be considered.

6. Keep attacking the puzzle of retention

It is no secret that the PTO has experienced alarming turnover in recent years. In an effort to address backlogs the PTO has rapidly tried to recruit and fill in for departures. The effort to cycle in new personnel without sufficient experienced personnel around to adequately oversee and train them has resulted in a widely acknowledged decrease in examination quality. This decrease includes many aspects, from inadequate initial prior art searches to more frequent examination errors, all of which result in increased pendency and costs.

The current economic downturn provides a fresh start for a new Director to re-access programs for retention. Current thinking for retention at the PTO focuses on established processes such as telecommuting. However, a new Director has an opportunity to explore more cutting edge thinking such as de-centralizing examination to regional centers, where a greater pool of examination talent may become available. One option for decentralization includes establishment of regional examination centers based on a particular region's expertise. The benefit for the PTO is access to a talent pool well versed in a particular technology area. The benefit for practitioners and applicants is a deeper pool of examiners available throughout the examination process. For example, electronics and software arts may be handled by an examination corps based in Silicon Valley, mechanical arts may be handled by an examination corps based in the Midwest, chemical arts may be handled by an examination corps based in Houston or New Jersey, and so on. Another option for decentralization is simple geographic diversification. For example, regional examination centers may be established in the West, Midwest, and South, along with the established headquarters presence in the Washington, DC area. It takes only common sense to recognize that there is a large portion of the talent pool that would simply not move to the Washington, DC area. Geographic proximity could provide an added benefit to practitioners and applicants by making in-person examiner interviews more cost effective and even easing scheduling of telephonic interviews for those not in the Eastern Time Zone.

Clearly, such forward thinking will run into political challenges. However, the new Director has an opportunity to establish the foundation for making this a viable long term solution.

7. Develop evangelism for better PTO funding mechanisms

A perennial problem that the PTO suffers is that the money allocated to it by Congress gets taken away before it ever reaches the PTO. To be more specific, over the past few decades, Congress has gradually transformed the PTO into a self-funding agency. Significant increases in fees from the 1980s to the present day were intended to allow the PTO to operate based on the revenue it generates from its fees. However, Congress began over the years to divert some of the funds generated by the PTO to other causes, and this fee diversion grew to become a very significant problem for the PTO.

The new Director needs to address the funding issue on several fronts. To be sure, the budgeting process needs to take into account that revenue may well not be reflected by the PTO's fee collections will realistically become available for PTO use, and the new Director must remind Congress every year about the history of fee diversion. As an Executive Branch operation, the new Director must also convince the administration to apply pressure to reduce or ensure such diversion does not occur. More importantly, however, the Director needs to take the case directly to the stakeholders—companies that own patents, inventors, the patent bar and PTO personnel themselves—and get those interests to become more vocal than they have been in opposing fee diversion and ensuring that once under control it does not reappear in hydra-like fashion.

Aside from addressing fee diversion, the groups with the greatest interest in the patent process need to step up and support PTO funding in other ways as well. Just this year, annual dues will for the first time be imposed on patent practitioners, and we should welcome this opportunity to help fund the PTO's operations. Likewise, fees increases tied to the amount of corresponding PTO activity should be welcomed, not rejected. This sort of commitment will lend credibility to the fight against fee diversion, and it is simply the right thing to do.

8. Train examiners on more than just the mechanical aspects of patent prosecution

Almost anyone involved in the prosecution of a patent application will agree that the PTO personnel are quite knowledgeable about procedural and technical requirements for patent applications. There are people in the PTO whose sole job is to review patent drawings to ensure that lines are not fuzzy, words and numbers are large enough, and margin limitations are not violated. Opinion about the PTO's ability to look at the larger substantive issues surrounding a patent application is not so positive.

Training of PTO personnel on "big picture" issues is obviously not as simple as explaining the requirements for type fonts and margins on patent drawings. However, in practice a great deal of what we see coming from patent examiners does not seem to include consideration of the ultimate goal of the process. In many instances, very simple examiner's amendments can be proposed to remedy a purported deficiency, and examiners should be on the lookout for such opportunities and be proactive about using them (see point 10 below).

One of the most frustrating aspects of patent lawyer's practice is dealing with an examiner who simply looks for keywords in a cited reference and does not show any understanding of the context in which those words appear. Examiners are under serious time constraints in reviewing applications, searching the prior art and applying it to proposed claims. However, they need to do more than just provide a mechanistic analysis in the work they do. They need to be able to disambiguate better than Groucho Marx did in equating "time flies like an arrow" with "fruit flies like a banana."

9. Provide examiners with incentives to suggest amendments that would be allowable

Once in a while, a patent lawyer will come across an examiner who is truly interested in advancing prosecution—in finding a way to allow a case that gets the inventor a patent and protects the public from claims that are unjustifiably broad. In such instances, the examiner actually offers up a solution, e.g., "If you would just specify that the circuit is configured in this particular way, that would avoid the prior art that

I've found and I would allow such a claim.” Far more often, however, examiners stop as soon as they have identified a reason to reject a claim, and leave it to the inventor and the inventor’s patent attorney to figure out what the examiner might find to be an allowable alternative.

There is no statutory prohibition against empowering examiners to be more helpful to applicants, and by doing so, the overall process of obtaining patents would become far less time-consuming for both the applicant and for the PTO. The new director should encourage the examining corps to be as helpful as possible to applicants at every stage of the process. We have already seen how some such techniques can help in practice. A new program allowing applicants to submit a five page memo to a panel of three examiners before beginning formal appeal of a rejected application has been well received by the patent bar and often results in final rejections being withdrawn. This sort of approach should be taken a step further, and examiners should be rewarded for accompanying their rejections with suggestions for alternatives that would not be rejected.

10. Focus on the core mission

Finally, the new Director has the opportunity to once again refocus the agency on its core mission. The Founding Fathers had the wisdom to understand the value of innovation in society and the value such innovation should be awarded by permitting protection of the technological arts. They could not, however, have predicted the Industrial Age, the Transportation Age, the Space Age or the Information Age. Few would dispute that if they were around to witness such new types of technologies, they would want the patent system to encourage rather than hinder such innovation. From the perspective of the PTO, the mission is straightforward: using the legal framework set up by Congress, provide to inventors a grant of patent rights where it is justified.

The core mission is one of encouragement, not friction. There are prerequisites to protection, i.e., novelty, non-obviousness, patentable subject matter, and application requirements such as providing an enabling disclosure of the invention. The core mission of the PTO is not, however, to throw these prerequisites up as barriers against applicants; it is

instead to work with applicants to ensure that these requirements are met.

It seems very simple to state, but having a mission statement that is positive and focuses on the grant of appropriate patents as the desired outcome can go a long way to ensuring that PTO personnel view their jobs with the proper perspective. This emphasis is much more important than some specific concern as to whether the percentage of applications granted is too high, too low, or just right.

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