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Matching Strategy With Reality at the U.S. Patent and Trademark Office

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Special to the Legal

In 2002, the U.S. Patent and Trademark Office (PTO) issued its 21st Century Strategic Plan. Then in August, the PTO released its strategic plan for the years 2007 through 2012, which expands on the ideals and goals expressed in the 21st Century Strategic Plan and proposes courses of action to meet these goals. Notable among the goals pertaining to patenting in the United States are optimizing patent quality and timeliness, and achieving organizational excellence at the PTO.

These goals are framed in the plan by certain guiding principles — quality, certainty, cost-effectiveness and accessibility. The reference to "quality" attempts to balance accuracy and good processes with timeliness. Also encompassed within the quality goals are the needs to continue to hire, better train and retain patent examiners.

The reference to "cost-effectiveness" includes taking account of the fact that not everyone who participates in the patent process has significant means, i.e., to be cost-effective, the patent process has to be accessible to individual inventors and start-up businesses.

Chief among the challenges the PTO must overcome, as set forth in the plan, are "complex patent laws and rules, fluctuations in filings, increasing complexity and volume of patent applications, continuing questions about the quality of examination," and the importance of increasing technological improvements in the examination process, preventing counterfeiting and securing adequate resources for the examination process and the PTO.

The average pendency time (from filing to issuance of a patent) has gone from about two years in the early 1990s to more than 30 months. If you are filing in the electrical, chemical/biochemical or software/business method areas, you can expect pendency times to be longer than this average. Much of this time is associated with the backlog of applications awaiting examination due to a shortage of examiners.

The plan points out that goals to reduce this pendency time include a significant hiring increase at the PTO and better training of examiners. It also suggests that an alternate patent examination process could contribute to reduction in pendency as well.

The plan elusively sets forth the premises that not everyone wants a final determination of their IP rights and that providing different "patent products" with varying examination may be a better answer.

In brief, an applicant can tailor the patent process based on how much examination she wants to pay for. It is also possible to infer from the plan the possibility of creating two levels or types of patents.

Whether these premises are good ones remains to be seen. However, tying patent quality to the level of fees paid can be a dangerous road if not undertaken with sufficient safeguards for fairness for individual inventors and small companies that rely on their own or limited resources.

The principle of "quality" is addressed with respect to concerns raised by the public that, despite efforts to date, PTO quality review systems are not inspiring confidence in patent quality. The plan suggests that the patent community should assist in establishing objective criteria and developing better quality control that balances the need for quality with the availability of resources.

An active system of public comment (and/or use of quality surveys) based on participation in a concluded examination process may help to identify problem areas. Such a system, perhaps combined with involvement by experienced practitioners to help to develop quality criteria and/or to perform some quality checking in relevant technological art areas, may also contribute greatly to improving examination by addressing problem areas, and thus increase public confidence in quality control at the PTO.

In the "strategic response" section of the plan, most of the targets listed are consistent with the above-described concerns, and virtually all involved in the process would be interested in seeing many of the targets hit

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in the near future, including the following: pendency reduction, positive hiring projections, flexibility in work location for examiners, better retention/training, awards for performance, quality awards and standards, better search systems, and the like. However, other target points include the need for implementation of patent reform and of proposed PTO patent rule changes.

Patent reform bills are pending in Congress, notably Senate Bill S.3818 and House Bill H.R. 2795, which focus on adjustments to the patent statutes and creation of varying limitations on defenses raised in patent lawsuits based on inequitable conduct by patent applicants and their counsel. However, nothing has been enacted to date. Legislated reforms targeted to helping remove problems in patent litigation and to curb those few applicants who engage in abusive practices are needed. These law changes need to be monitored, and hopes are high that public comment and testimony before Congress will result in legislation that balances fairness in the patent system, fairness in enforcement in courts and equity to all applicants against the need for catering to special interest.

Aside from the pending legislation, the proposed patent rule changes are a serious concern. They have largely received negative public commentary to date from patent law firms, patent professional groups (like the AIPLA and ABA) and numerous individuals. While the majority recognizes the importance of the goals and principles involved as outlined in the PTO's plan, most comments are consistent with the view that the currently proposed rules are not narrowly tailored to accomplish the goals or to guarantee success. They are viewed as onerous to many applicants and create potential and unnecessary file-wrapper estoppel issues.

A review of the proposed rules reveals that if overcoming problems with complex patent laws and rules is a goal of the PTO, these proposed rules clearly fail to meet that goal. They are incredibly complex. Public comments support that they raise wide-ranging questions as to how they will operate in practice as well as concerns that applicants will not be able to seek adequate coverage for their inventions.

In terms of cost-effectiveness, while fees are addressed, what the plan and the proposed rules do not address is that PTO fees pale by comparison with the ultimate cost incurred by inventors and applicants in participating in the patent process. That is, large costs generally incurred are expended on assistance of counsel — a cost that will likely significantly increase if the proposed rules take effect in their present form. The proposed rules put a much greater burden on applicants in the examination process, while minimizing the amount of actual work done by examiners. That time burden is a real-time, real-world cost to applicants that will discourage participation in the process.

While largely designed to achieve the goal of cutting PTO backlog time, this goal will be significantly undercut by the cost burden placed on applicants, as well as by the public perception of even lower quality patents due to a lower level of examination. For example, some of the proposed rules provide that instead of examining every claim in an application, only up to 10 representative claims will be examined initially on a substantive basis, along with other claim-limiting examination rules. Thus, claims may issue in a single patent that received different levels of examination such that they may be entitled to different levels of presumptive validity.

Issuance of claims of speculative value in a patent will reduce quality and only further decrease public confidence in the patent examination process. It will also cause problems in patent valuation and due diligence assessments, and introduce more unpredictability in post-issuance patent dealing. While examination of more than 10 representative claims can be sought under the new rules, the requirements for doing so are ridiculously complex and onerous such that few practitioners would recommend doing so to their clients under the current proposed rules, perhaps even when additional protection is desired.

Similar arbitrary limitations are suggested in other proposed rules, including limiting the number of continuation applications or requests to continue examination to only one, giving applicants a finite number of attempts to secure patent protection. However, the PTO does not, aside from statistics, examine why such continuations and requests to continue examination are actually filed by applicants.

Many times, continuations result from legitimate examination practice and from forcing patent applicants into continued examination due to sloppy or piecemeal examination. While there are a small number of true continuation abusers, a large number of applicants will be affected.

Other arbitrary limitations are allowing only 20 prior art references to be submitted to the PTO for review in examination without requiring a detailed explanation of the reference and correlation of the reference to the claims, which is also onerous and costly for applicants. The detailed explanation rule also would apply if a single reference were over 25 pages. In selecting the 20-reference limit, based on the average number submitted, however, the "average" includes a very large number of foreign-originating applications in which few references are historically cited due to different examination rules that apply overseas.

The PTO also fails to take into account that in technologically crowded arts (medical devices and chemical) and areas in which scholastic publication is more common (such as biotechnology), there will necessarily be more information important to cite that should be considered by the examiner to issue a quality patent.

Further, many arts by their very nature will have prior art references typically over 25 pages (such as complex chemical, software and biotechnology patents). Thus, a burden is placed on certain applicants that creates the potential for unnecessary file wrapper estoppel situations and unwarranted accusations of inequitable conduct in litigation.

Unfortunately, technology has become more complex, and the population and number of applicants increases. While curbing some abusive practice is necessary, these proposed rules do not adequately take account of how to deal with the dynamic and complex changes in technology that need to be considered during examination or justify the excessive burdens placed on applicants.

As the PTO considers whether to finalize the rules in view of the negative comments submitted, and Congress stands poised to legislate patent reform, we can only hope that fairness, real-life practice and the public's need for less complex rules and better quality examination are not crushed beneath the wheels of expediency. We can also hope that those responsible do not act without careful thought under pressure to appear proactive under public pressure for reform. •