

2010 PATENTLY-O PATENT LAW JOURNAL

The Patent Office's Fast Track Will Not Take Us in the Right Direction¹

By Kristen Osenga²
June 3, 2010

On June 3, 2010, the Patent Office issued a press release touting an initiative to reduce patent pendency by allowing patent applicants to pick the speed at which their applications are examined.³ Patent pendency has been an increasing problem in the Patent Office, jumping to 34.6 months last year from 26.7 months in 2003. The proposal has two main prongs: first, provide three paths to patent examination, and second, rely more heavily on foreign patent office efforts. While the press release provides some preliminary details about the proposal, further information is expected to be published in the Federal Register on June 4, 2010. This essay focuses on the first prong, a multi-tiered patent examination system.

The three tiers proposed by the Patent Office include a "prioritized examination," where an applicant could receive expedited examination of a patent application for an increased fee. The Patent Office would send the first Office Action to the applicant approximately 4 months after filing, with a patent expected to grant in about a year. In the press release, the Patent Office did not disclose the additional fee, noting instead that public input about the technologies that would benefit from an expedited system will be helpful in setting the fees. At the opposite end of the spectrum, the Patent Office proposes allowing applicants to delay examination of a patent application by up to 30 months. (Let's call this track "deferred examination.") The middle tier keeps patent examination at the status quo ("regular examination").

Patent Office Director David Kappos contends that pendency of all patent applications will be improved by this multi-tier system because additional resources will be poured into the prioritized examination tier, thereby increasing potential output, and because some applicants that choose deferred examination may

¹ Cite as Kristen Osenga, *The Patent Office's Fast Track Will Not Take Us in the Right Direction*, 2010 Patently-O Patent L.J. 89.

²Associate Professor, University of Richmond School of Law.

³ Press Release available at http://www.uspto.gov/news/pr/2010/10_24.jsp.

ultimately decide to forgo examination completely (and abandon their applications), thereby removing those applications from the Patent Office's workload. (Director Kappos also contends that the reliance on foreign patent office efforts will allow for greater efficiency at the Patent Office and may discourage some applicants who first file in other countries from requesting examination in the United States.) In addition to the prioritized examination track moving faster, Kappos believes that patents in the regular examination track will benefit from applicants opting into the deferred examination track – "There's a component of this proposal that a rising tide lifts all boats....It's like having someone in the butcher shop get out of line in front of you," he noted in a Wall Street Journal article.⁴

Although I am encouraged that the Patent Office is thinking outside of their usual box, I don't think this proposal is the right way to go. I've thought about patent pendency quite a bit, and I wrote a law review article in 2005 proposing a similar, but in my opinion better, multi-tiered patent system.⁵ Here's why I think that the Patent Office's proposal takes us down the wrong track and offer some suggestions that might better solve the problem of patent pendency.

The three tiers proposed by the Patent Office are a step in the right direction. Some applications need to be granted quickly, others do not require such haste. But that isn't the whole story – applicant motivation has much more to do with their behavior and choices. Let's start at the slow end. Everyone knows that some patent applications are filed where the applicant has no intention of litigating or licensing the patent (i.e., exercising the patent's exclusionary right). The applicant may not be able to commercialize the invention, may not be certain of its value, and may be in no position to enforce it – the stereotypical garage inventor. However, the greater percentage of applicants in this category are big corporations who apply for patents, not because they plan to litigate and license the patents, but rather because there is a certain caché and power to having a large patent portfolio. Professor Ann Bartow has called this type of patents "portfolio fiber."⁶ The Patent Office hopes that the applicants of these inventions will opt for the deferred examination track, waiting up to 30 months for examination of the application and (hopefully?) abandoning the application altogether. But if we look at the motivation behind these applicants, it is highly unlikely that deferred examination will be their chosen route. Both the garage inventor and the corporation seeking portfolio fiber are looking for a patent. Period. The strength of the patent doesn't really matter – the existence of a patent

⁴Amy Schatz, *Patent Fast Track Proposed*, Wall Street Journal (June 3, 2010), at <http://online.wsj.com/article/SB10001424052748704515704575282951991894276.html>.

⁵ Kristen Osenga, *Entrance Ramps, Tolls, and Express Lanes—Proposals for Decreasing Traffic Congestion in the Patent Office*, 33 FLA. ST. U. L. REV. 119, 147-48 (2005) at <http://www.law.fsu.edu/journals/lawreview/downloads/331/osenga.pdf>.

⁶ Ann Bartow, *Separating Marketing Innovation from Actual Invention: A Proposal for a New, Improved, Lighter, and Better-Tasting Form of Patent Protection*, 4 J. SMALL & EMERGING BUS. L. 1, 16 (2000).

does. For this reason, these applicants are highly unlikely to choose a route that will further delay their objective. So who exactly is going to choose the slow route? Maybe pharmaceutical companies, who are mired in the FDA regulatory process and are in no hurry? But probably not the applicants that are likely to later abandon the applications. Thus, the Patent Office's workload remains the same, but time-shifted.

Further, the deferred examination route has some issues – a number of which have been discussed before when analyzing true deferred examination as is available in other countries. Even with this new proposal, some (like AIPLA director Q. Todd Dickinson in the same WSJ article) have pointed out that deferred examination allows the potential for companies to hide applications from competitors. While mandatory publication of deferred examination applications at 18 months might provide some relief from this concern, there is still the well-known issue that what is published is rarely, if ever, what is issued. Deferred examination delays exposition of the true scope of the patent for a very, very long time.

Let's move on to the fast track or prioritized examination. The Patent Office believes that certain applicants will be willing to pay an additional fee for a speedy examination of their patent applications. Well, who wouldn't? Because a patent's term lasts 20 years from the date of filing but can't be enforced until issued, who wouldn't want the ability to enforce their patent sooner than later? There may be a difference of having 19 years of effective patent life under the prioritized examination system to having some 15 years (or less) with regular examination, and even less with deferred examination. The Patent Office believes certain technologies will avail themselves of this option, and I agree that there is a benefit to expedited examination in certain circumstances. Quickly obsolescing technologies, like computer software and hardware, may receive no real benefit at all from a patent that issues 3-6 years after filing, well after the technology has peaked. However, making this track an option simply upon payment of an additional fee will not discourage many big companies from taking the quicker route, regardless of the technology involved. As more applicants opt for the prioritized examination track, it becomes less likely that the expedited track will not be just as backlogged as regular examination and less likely that pendency will decrease in any meaningful way. And with this hastened examination, isn't it possible that the patents issued will have received less scrutiny in the Patent Office's bid to make the year deadline (and therefore be "bad" patents)? Even the applicants that the Patent Office hopes will choose deferred examination may choose prioritized examination if they have the financial wherewithal. Remember, those applicants are generally just seeking to have a patent. A final disposition (including a patent grant) "guaranteed" within a year brings them that much closer to their primary objective. If no one opts for the deferred examination and most everyone chooses the prioritized examination, we find ourselves back at the same place we are today.

As I noted, at least the Patent Office is thinking in the right direction; they just haven't thought hard enough. I have some suggestions about how the Patent Office can tweak its proposal to take into account the motivations of patent applications, and thus truly take advantage of a multi-tier patent application system. More details

can be found in my article referenced above, but the basics are as follows: Think about the patent system as a highway; applicants enter the highway from one of a few entrance points and either exit by obtaining a patent or abandoning their application. Sure, this is an oversimplification, but it helps to make the point.

Some people just want to have a patent – they don't intend to litigate or license. Maybe they are a garage inventor, maybe they are seeking portfolio fiber, or maybe they are simply vain and want their name on something. The point is the existence, not the strength, of a patent. Let's call them, with no disrespect, Sunday drivers. Rather than expecting these applicants to delay the grant of their patent, let's give them a patent right away after a mere cursory examination, let's call it a "primary patent." These applicants would pay the existing patent application fee – after all, they are seeking a patent and have opted into this system. This type of patent might be just what these applicants are looking for. The benefits of this type of patent are that few Patent Office resources are spent examining these applications, the applicants gets almost-immediate gratification for their needs, and the issuance of a patent would provide instant publication, obviating the concern about companies using deferred examination to hide inventions from competitors. Maybe the patent hasn't been fully examined, but since the applicant doesn't intend to litigate or license anyway, so what? In exchange for receiving a nearly-immediate patent, the applicant gives up the ability to sue based on this patent. However, holders of primary patents are not forbidden from exercising their exclusionary rights, they simply have to convert the patent to a regular patent, subject to a full examination (see the enforcement patent, discussed below). For many of the Sunday drivers, this type of patent will satisfy their purposes.

On the other hand, there are other people who need a patent and fast. Their technology may have a life of some 5 years or less. They don't need a 20-year patent, but they do need one now – think semiconductors, computers, and software, where the technology evolves rapidly. Let's call these applicants ambulance drivers, again with no disrespect. The value of these inventions is clear, but the value of a patent relies in part on its expedient grant. The prioritized examination system is exactly what these applicants need, but they will be stuck in a traffic jam with all sorts of other applicants who would rather pay than wait. Basically, in serving as little deterrent in the Patent Office's proposed system, the requirement of more fees is not likely to guarantee that applications can be examined any more quickly, since the Patent Office's ability to retain its own income is always subject to Congress's whimsy.⁷

To truly provide a fast-track patent, the system must not be so attractive as to attract everyone and the Patent Office is going to need some help to meet that one year goal. For these applications, I propose a quicker, shorter patent, let's call it a "techno-patent" although the choice to proceed in this way is not determined by the

⁷ Even if the Patent Office is able to keep more of its money, I am still unconvinced that the Patent Office will be any faster or more efficient.

technology, but rather by the applicant regardless of field. The application would require the proposed higher fee of an enforcer patent, but would cost less than the primary patent. The patent would be guaranteed to grant in one year, but there are substantial non-monetary costs to this route. Particularly, the negatives of choosing a techno-patent include having a patent that is not enforceable for 20 years after filing, but rather something shorter, such as 6 years (a 5-year effective patent term). Further, the applicant would be required to submit a patent search, as well as a statement of why its application is patentable over the prior art uncovered in the search. While this alone may deter some applicants from choosing this route, if this track is still jammed with applicants, there could be modifications to the estoppel rules, the inequitable conduct standards, and even the presumption of validity for these patents to make the route even less attractive. Further, by providing to the Patent Office the search results and a patentability statement, the first step of examination is practically done, leaving less for the Patent Office to do. This would increase the likelihood that the Patent Office can actually live up to the guaranteed patent grant within a year. (Sure, examination support documents and the like have been widely criticized; but in order to meet that one-year deadline, we need to give the Patent Office some assistance.) In addition, these quickly developing technologies are the ones most likely to suffer from a dearth of prior art, in part due to the rapidity of development and in part due to the fact that these applications are sometimes in areas where patent protection has been iffy at best. The applicant, in these cases, is likely to have a better grip on the prior art than the Patent Office. The resulting patent is therefore probably going to receive a more complete examination, even at greater speed, and even if a "bad" patent slips through, there is the safety net that the patent's term is shortened.

Finally, some people just need a patent in normal course. For this type of applicant, the Patent Office should issue what I call an "enforcer patent." These patents, unlike primary patents, would be subject to examination in its current fashion. Unlike techno-patents, these applications would be examined in the order they are received for each subject area. Enforcer patent applications would be subject to higher fees than today's patent applicants (and the same as the fees for a techno-patent), but it would be less than proposed for a primary patent. This would encourage applicants to think just a bit harder about the worth of a patent for the invention. But nothing additional would be required. Holders of enforcer patents would be able to sue alleged infringers, just as they can now. Applicants would be able to choose this type of patent application at the time of filing. Additionally, holders of primary patents would be able to convert their applications to enforcer patents by paying the additional fees and subjecting the applications to the same examination that is performed on enforcer patents. Primary patents could be converted to enforcer patents at any time during the primary patent's life, but the expiration date of the patent would remain the same, 20 years from the date of first filing. This track should proceed more smoothly than today's patent system, because the appropriate applicants would be opting for (and not overwhelming) the techno-patent track and because the primary patent path would be attractive enough to encourage a sizable number of applicants to forgo examination, at least initially.

My suggestions are better than the system proposed by the Patent Office. The proposed system does too little to deter applicants from choosing the prioritized examination track, which in the end will just end up with the prioritized track suffering from the same backlog as the current system (or even worse, with the Patent Office issuing patents without sufficient scrutiny, resulting in even more bad patents). There is also no real incentive to opt for deferred examination, because remaining in the regular examination track still provides ample time to analyze whether the costs of going forward are worthwhile. In fact, many commentators believe that the current backlog works as a de facto deferred examination system. The Patent Office's proposal looks only at the numbers – the months of pendency, the backlog of applications – but they are ignoring the real motivations that drive patent applicants. A multi-tiered system may be the answer, but the Patent Office proposal takes us down the wrong road.