



# Recent Developments at the USPTO

Sean Daley  
Principal, Fish & Richardson P.C.

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# Appointment of David Kappos

- ❖ Confirmed as Commissioner of USPTO on August 7, 2009
- ❖ Former VP and Assistant General Counsel for IP at IBM
- ❖ Served on Board of Directors for
  - American Intellectual Property Law Association
  - Intellectual Property Owners Association
  - International Intellectual Property Society
- ❖ B.S. Electrical Engineering from UC-Davis (1983)
- ❖ Joined IBM as development engineer (1983)
- ❖ J.D. from Boalt (UC-Berkeley) (1990)



## Commissioner Kappos (Cont.)

- ❖ In appointing David Kappos, President Obama changed the Office's attitude toward its customers
  - From Confrontational
  - To Cooperative
    - “Patent quality does not equal rejection.”  
(Commissioner Kappos' e-mail to Examiners)
- ❖ Commissioner Kappos' approach
  - Is informed by his experience in the business world
  - Is pragmatic



# Challenges Facing Commissioner Kappos

- ❖ Decision enjoining new rules limiting claims and continuations on appeal to Federal Circuit
- ❖ Massive backlog of pending applications and delays in examination
- ❖ Aligning the USPTO with broader policy objectives
- ❖ Projected \$200 Million budget shortfall for FY 2010



# New Rules Limiting Claims and Continuations

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# A Little Background...

- ❖ In August 2007, the USPTO published new rules, including significant changes to:
  - Continuation Practice
    - Limit of two continuations and one RCE for claims in a particular restriction group
    - Serial divisionals allowed only for claims that were finally restricted
  - Claim Examination
    - Limited to examination of only 5 independent and 25 total claims unless applicants provide a support document on patentability
    - "Consolidation" of applications with patentably indistinct claims under certain circumstances



## Background...(Cont.)

- ❖ Preliminary Injunction
  - EDVA District Court issued a preliminary injunction before rules went into effect in November 2007 after suit filed by Dr. Tafas and Glaxo-SmithKline
- ❖ Permanent Injunction
  - EDVA District Court in April 2008
- ❖ Federal Circuit Panel concluded certain rules were within USPTO rulemaking authority in March 2009
- ❖ Federal Circuit grants *en banc* rehearing

# Commissioner Kappos Tips His Hand...



**USPTO Commissioner  
David Kappos**  
September 14, 2009

"Everybody knows my views, going way back, on the idea of the USPTO having continuations and claims rules that are enormously unpopular with the bar and that don't serve the interests of the innovation community.

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**and you certainly can be sure that you won't see those rules come out...."**





## ...and Commissioner Kappos Follows Through

- ❖ USPTO Withdraws Proposed Rules
  - Press Release on October 8, 2009
- ❖ The USPTO and Glaxo-SmithKline agreed that the litigation would be dismissed by stipulation
  - Commissioner Kappos acknowledged widespread unpopularity of rules among applicants
- ❖ Separately, the USPTO also asked Congress for substantive rulemaking authority to avoid similar litigation in the future



# Massive Backlog of Pending Applications and Delays in Examination

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# Growing Backlog and Growing Pendency

- ❖ Approximately 750,000 un-examined applications pending
- ❖ Since 1990, pendency has increased from 18 months to 32 months



# Addressing Backlog and Pendency

- FR Enhancing collaboration between Applicants and USPTO
- FR Increasing quality of examination
- FR Expanding the Patent Prosecution Highway (PPH)
- FR Proposing a New Examination Count System
- FR Changing RCE Docketing
- FR Expanding the First Action Interview Pilot Program
- FR Initiating the Small Entity Special Status Examination



# Enhancing Collaboration

- ❖ Kappos is touring the U.S. to meet with practitioners
- ❖ Kappos wants to re-engineer M.P.E.P. based on collaborative input
- ❖ Kappos is encouraging Examiners to proactively reach out to Applicants to negotiate patentable subject matter
- ❖ Kappos will make responsiveness to Applicants an important factor in SPE evaluation





# Increasing Quality of Examination

- ❖ Kappos will make quality of examination an important factor in SPE evaluation
- ❖ Kappos wants to have a targeted hiring surge of about 1,000 Examiners during fiscal years 2011 and 2012
  - Former Examiners and IP professionals to minimize training required



# Patent Prosecution Highway

- ❖ First implemented between JPO and USPTO in 2006
- ❖ Facilitates work sharing between Patent Offices in different countries
- ❖ How it works:
  - Applicant receives indication of patentability of at least one claim in Office of First Filing (OFF)
  - Applicant petitions Office of Second Filing (OSF) to fast-track application
  - Claims in OSF must sufficiently correspond to allowable claims



## Patent Prosecution Highway (Cont.)

- ❖ Programs now in place between USPTO and:
  - Australia, Canada, Denmark, EPO, Finland, Germany, Japan, Korea, Singapore, UK
- ❖ Early statistics with JPO:
  - First action allowance rates in USPTO are approximately 22% (double the rate for non-PPH international cases)
  - Overall allowance rates in USPTO are approximately 90%
  - The average time to first action for a PPH case in USPTO is about 2 to 3 months from the date of grant of the PPH request



# PPH – A Practitioner's View

- ❖ USPTO Fees are nominal
  - \$130 Petition Fee
- ❖ But, there are additional costs associated with preparing the petition
  - Claim correspondence table requires attorney time
  - Additional documents are required with petition, e.g., IDS, Office actions from OFF (translations, if not in English)
- ❖ Early impression is that substantive examination is not simply a rubber stamp of claims allowed in OFF
  - Protracted examination still a possibility



# The Former Count System

- ❖ USPTO Examiners have goals based on a count system
- ❖ In the former system, an Examiner was credited with:
  - 1 count for each First Action on the Merits (FAOM), and
  - 1 count for each Disposition (allowance, abandonment or RCE)
- ❖ Hours of work time allowed per count based on complexity of the technology and Examiner's experience
  - Hours per count are reduced with increased experience
  - The nominal number of hours for 2 counts for an Assistant Examiner with 4 years experience is 23 hours
- ❖ The same number of counts were credited in both original applications and RCEs





# Problems in the Former Count System

- ❖ No credit was given between the FAOM and Disposition
- ❖ No credit was given for interviews, which tends to discourage interviews
- ❖ Compelling the filing of an RCE often provided a relatively easy 3 counts:
  - 1 count for a Disposition requiring the filing of an RCE
  - 1 count for FAOM after the RCE
  - 1 count for eventual Disposition of the RCE



# New Count System

- ❖ For original applications in the new system, an Examiner is credited with:
  - **1.25 count** for each First Action on the Merits (FAOM),
  - 0.25 count for a “Final” Office Action, and
  - 0.5 count for each Disposition (allowance, abandonment or RCE)
- ❖ In the 1<sup>st</sup> RCE, the credit for a FAOM is 1 count
- ❖ But, in the 2<sup>nd</sup> and subsequent RCEs, the credit for a FAOM is reduced to **0.75 count**
- ❖ In addition to adjusting the count system, the new system:
  - Increases the working time for each application by approximately 2 hours, with a minimum increase of 1 hour
  - Examiners receive 1 hour credit for Examiner-initiated interviews, other than restriction requirements

# New Count System (Cont.)

Current Count System									Current	
Original Case (Non-RCE)			1st RCE			2nd & Subsequent RCEs			Counts	
FAOM	Final	All/Abn	FAOM	Final	All/Abn	FAOM	Final	All/Abn		
1.00		1.00							2	Original
1.00		1.00	1.00		1.00				2	1st RCE
1.00		1.00	1.00		1.00	1.00		1.00	2	2nd & Subsequent RCEs

Proposed Count System									Proposed	
Original Case (Non-RCE)			1st RCE			2nd & Subsequent RCEs			Counts	
FAOM	Final	All/Abn	FAOM	Final	All/Abn	FAOM	Final	All/Abn		
1.25	0.25	0.5							2.00	Original
1.25	0.25	0.5	1.00	0.25	0.5				1.75	1st RCE
1.25	0.25	0.5	1.00	0.25	0.5	0.75	0.25	0.5	1.50	2nd & Subsequent RCEs

From "Joint Labor and Management Count System Task Force Proposal,"  
Update to the Examining Corps, Sept. 30, 2009



# New Count System (Cont.)

## FR Old System:

- Distribution of points favored extended prosecution involving multiple RCEs

## FR New System:

- Distribution of points favors compact prosecution
- Slightly more points for examining an application for the first time
- Slightly fewer points for an RCE



# Changes to RCE Docketing

- ❖ Previously, upon filing RCE, application was placed on the Examiner's Regular Amended docket
  - Examiner had two months from the date the RCE was forwarded to them in order to act on the application
- ❖ New RCE docketing system, RCEs will be placed on the Examiner's "Special New" application docket
  - Must act on the application having the oldest effective filing date on their Special New application docket at least every other pay period (i.e., every four weeks)
  - Should take-up applications on their Special New docket they believe are in condition for allowance without making them await their turn





## Changes to RCE Docketing (Cont.)

- ❖ Thus, where application is clearly in condition for allowance filing an RCE should not delay issuance of a Notice of Allowance responsive to the RCE
- ❖ Conversely, when an application not clearly in condition for allowance, RCE may result in delay depending on the number of cases on an Examiner's Special New docket
- ❖ Rationale
  - Encourage resolution of issues prior to filing RCE



# First Action Interview Pilot Program

## Basics

- Participant submits documents requesting to participate
- Participant receives a Pre-Interview Communication providing the results of the Examiner's prior art search, followed by an (optional) interview with the Examiner

## Rationale

- Identify and resolve key issues early in prosecution



# First Action Interview Pilot Program (Cont.)

- ❖ The original pilot program was implemented in April 2008 and considered by the USPTO to be a major success
  - According to USPTO, the probability of a first action allowance for an application in the pilot program was six times higher than for an application in the same technology area not involved in the pilot program
- ❖ An enhanced pilot program was launched in October 2009
  - Expanded across more art units
  - Fewer potential penalties to participants



# Small Entity Special Status Examination

- ❖ For small entities only
- ❖ Can have an application accorded special status examination
  - Placed on Examiner's special docket prior to FAOM, amended docket following FAOM
- ❖ Requires express abandonment of another co-pending un-examined application
  - Abandoned application must be co-owned or have at least one common inventor
- ❖ Both applications must have filing date prior to October 1, 2009



# Special Status Examination (Cont.)

- ❖ Underlying rationale:
  - Allows applicants greater control over priority in which their applications are examined
  - Reduces pendency backlog
- ❖ Consider where Applicant desires quick allowance of later filed application and have a co-pending application of limited value
  - Additional cost to Applicant is minimal
    - USPTO has waived \$130 Petition Fee
    - Attorney time for express abandonment/petition
- ❖ Because abandoned application must be un-examined, decision likely driven by applicant technology/budget considerations, not patentability





# Aligning the USPTO with Broader Policy Objectives

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# Accelerated Examination of “Green Technology” Applications

- ❖ Pilot program announced December 7, 2009
  - Timed to coincide with United Nations Climate Change Conference in Copenhagen, Denmark
  
- ❖ Policy Objectives
  - Accelerate the development and deployment of green technology
  - Create green jobs
  - Promote U.S. competitiveness



# “Green Technology” Applications (Cont.)

- ❖ Accord “special status” to applications claiming “green technologies” such as:
  - Alternative energy production
  - Energy conservation
  - Environmentally friendly farming
  - Environmental purification, protection, or remediation
- ❖ Examination accelerated
  - Placed on Examiner’s special docket prior to FAOM, amended docket following FAOM



# “Green Technology” Applications (Cont.)

- ❖ Application must have been filed before December 8, 2009
- ❖ Petitions for participation must be filed by December 8, 2010
  - Program will terminate after 3,000 petitions
- ❖ Consider where Applicant desires quick allowance and subject matter requirements are met
  - Additional cost to Applicant is minimal
    - USPTO has waived \$130 Petition Fee
    - Attorney time for petition



# Budget Shortfall for FY 2010

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# Projected \$200 Million Budget Shortfall

- ▼ FR USPTO funded exclusively through fees collected for patent and trademark products and services
  - For patent-related services, approximately half the fees associated with filing/prosecution, half for issue/maintenance
  - Fewer filings now impacts current and future revenues



## Budget Shortfall (Cont.)

- FR Revenue decline associated with economic downturn
  - Total fee collections in FY 2010 are forecast 12.4 percent lower than those forecast in FY 2009 President's Budget (May 2008)
  - As of May 2009, fee projections for FY 2009 were 8.4 percent below the projections in FY 2009 President's Budget



## Budget Shortfall (Cont.)

- FR Commissioner Kappos asked for fee increases to address the budget shortfall
  - Proposed fee increase of about 15%
  - Obama administration agreed to fee increase
  - Now up to Congress to go through the resolution process



The End

Thank you!



# Acknowledgements

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