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U.S. Patent Commissioner Speaks: Current Developments in Patents

On April 28, 2010, we had the opportunity to host a webinar and luncheon entitled “U.S. Patent Commissioner Speaks: Current Developments in Patents.” Remarks were presented by the U.S. Commissioner for Patents, Robert L. Stoll, and we then had the opportunity to interview him with questions from the audience.

The Commissioner’s Remarks

Commissioner Stoll’s remarks covered a variety of topics and current developments at the United States Patent and Trademark Office (USPTO). He mentioned that the goals of the USPTO include the reduction of patent pendency and increasing patent quality, improvement of the appeals process, establishing leadership in the intellectual property field, and improvement in technology at the Agency. Commissioner Stoll pointed out that with the new Administration at the USPTO, there is a change in culture that encourages transparency of the system and cooperation by examiners with the applicants, the patent bar, and the Administration at the USPTO. There is also an ongoing program of outreach and roundtables with the bar and the applicant community. Quality roundtables are scheduled in the near future in California and Washington, D.C.

Speed and Quality

Public input is solicited by the USPTO. Changes that have already occurred at the USPTO include a revision in the count system for productivity measurement of individual examiners, which includes more time for examination of each patent period.

There is also a drive to implement various measures to reach an earlier, high-quality conclusion to the application process. The Commissioner emphasized that these changes are directed to increase quality while reducing patent pendency.

An additional change that is being implemented is a quality review process that includes a review of selected individual office actions and final rejections, and is not focused mainly on the review of allowances. The so-called “second-pair-of-eyes” review process that was limited to the review of allowances has been eliminated.

The USPTO is undertaking a variety of initiatives to reduce pendency. The general trend is to move to a system at the USPTO where the speed of an examination is determined by the applicant according to the applicant’s need, which need may vary from case to case.

The USPTO also plans to improve the current system of expediting green tech applications by expanding the number of accepted applications through modifications to the class and sub-class designations currently required for participation.

The USPTO has also undertaken special training of examiners to promote compact prosecution. This included training of examiners in search, first action, final actions and interview training so that examiners may examine in a more compact and efficient manner. The interview training includes training for examiners to initiate telephone conversations with the applicant to improve the quality and expedite the pendency of applications. Initial results indicate that this training results in increased allowance rates.

The USPTO is also planning to reengineer the classification system to make it more useful and modern.

The Ombudsman Program

The USPTO has also implemented an ombudsman program in each Technology Center. This provides an ombudsman as a point of contact for any applications which, for various reasons, have become stalled in the examination process. The ombudsman responds only to procedural issues of nonresponsiveness by the USPTO and does not directly involve itself in the merits of the application.

The patent prosecution highway program is concerned with multi-national application families at the USPTO. This is a pilot program and initial results indicate that it results in increased allowance rates and decreased pendencies.

The USPTO is committed to an end-to-end reengineering of the entire Patent and Trademark Office process in order to streamline its functions. There are funding issues at the Patent Office.

Particularly, the USPTO needs access to all the fees that it generates, in order to provide for technology upgrades and for additional examiners to deal with the backlog. This, of course, requires action on the part of Congress, which is being pursued.

Questions and Answers

After the Commissioner made those remarks, we had the opportunity to interview Commissioner Stoll with questions from the audience.

1. New Application Volume

Regarding the growth rate in new applications at the office, the Commissioner indicated that for the first quarter of 2010, new applications at the office were down to 116,000 from 119,000 in the first quarter of 2009. This is a reduction of 2½% year over year. This compares to a historical trend in the last decade before the recession of yearly growth of about 6% to 8%. Due to the recession, the USPTO predicts no material change in filings of new applications in 2010 as compared to 2009. Application volume is expected to grow as the economy improves.

Commissioner Stoll noted that earlier predictions that the severe recession would result in a dramatic fall in new patent applications have proven to be incorrect. Instead, the severe recession merely flattened the rate of growth of new applications, apparently temporarily.

However, regarding business method patent applications specifically, there were about 3,600 new business method applications filed in the first quarter of 2010, and almost exactly the same number in 2009. That is, business method patents avoided the 2½% drop that was found across the USPTO. This is despite the economic recession during that interval and the uncertainty caused by the pending *Bilski* decision at the Supreme Court. Hence, business method applications continue the general trend found since the *State Street Bank* case, that is, they are growing more rapidly than patent applications overall at the USPTO. New business method application volume is expected to return to rapid growth as the economy recovers.

2. Head Count

Regarding examiner head count, the Commissioner mentioned that the USPTO targets hiring 250 new examiners in 2010, including for the first time a program of hiring experienced patent practitioners as examiners, to reduce the required training time. The head count for the first quarter of 2010 for examiners was a little over 6,000, which is approximately the same as the first quarter of 2009. Commissioner Stoll went on to state that the USPTO plans to hire 1,000 new examiners in 2011 and another 1,000 new examiners in 2012, if the budget allows. At that point, they may hold the

examiner head count for a period to consolidate training of the new examiners.

3. Pendency and Backlog

Regarding total pending patents, the Commissioner indicated that there are about 726,000 applications in the backlog, and that this is thought to be too much. The USPTO targets reduction of the backlog to 700,000 at the end of 2010, and 625,000 at the end of 2011. This will constitute a backlog reduction of 15% by the end of 2011. The USPTO also targets time to a first office action of 10 months in the future, with time to final disposition of 20 months, as their goals for the future.

4. Interviews

Regarding interviews in the examination process, there are few statistics at this time for this approach. However, the USPTO does know that 6,900 hours have been expended by examiners for engaging in interviews. This is thought to be a substantial increase over 2009, but historically, systems were not in place to track this statistic at the Patent Office. The management at the USPTO encourages applicants to respond to requests from examiners for interviews, and is encouraging examiners to call applicants for discussion prior to writing an office action. The Commissioner also encourages applicants to initiate interviews. This is thought to be a very effective step for increasing quality and decreasing pendency.

The Commissioner acknowledges that at this time there is no good way for an applicant to initiate an interview before the first office action in most applications. However, the Commissioner encourages examiners to initiate a call to the applicant before the first action.

5. RCEs

The Commissioner indicated that currently RCEs (requests for continuing examination) constitute approximately 30% of new applications filed at the USPTO. Historically RCEs have constituted only 12% to 15% of new applications at the USPTO. This increased RCE rate from the historical norm may be one of the best available metrics of a need for examiner training to improve examination quality, and a need for development of an improved

consensus regarding certain issues in the application process.

6. Bilski

Regarding the Bilski case pending before the Supreme Court, the Commissioner sagely declined the opportunity to predict the outcome of the case. The Commissioner, however, did mention that the Interim Instructions regarding Section 101 that were issued by the USPTO in 2009, the instructional PowerPoint for examiners regarding the Interim Instructions, and the subsequent memo regarding “non-transitory computer readable media” from the USPTO had been very effective in dealing with Section 101 questions in the examination process. The USPTO will amend and update these documents if necessary after the Bilski decision. Anecdotal evidence indicates that the approaches in these documents have facilitated quick resolution of Section 101 questions in the examination process and a quicker focus on Section 103 issues, which is where the bulk of the effort in a successful examination process should usually be focused. The Commissioner commented that the USPTO may in the near future issue guidelines on restriction practice.

7. Budget

Regarding the USPTO budget, the Commissioner indicated that it is important for the USPTO to have access to all of the fee income that it generates, in order to pursue its program of improvement. Efforts are under way with Congress to enable this budget step.

8. Patent Reform Bill

Regarding the patent reform bills in Congress at this time, the Commissioner did not predict the possible outcome of this process. However, he did comment that it is of course important and any eventual legislation that is passed will be critical to accommodate.

9. Technology Upgrade

Regarding possible technology upgrades at the Patent Office, the Commissioner commented that there is a great deal that the USPTO can do to improve itself with a technology upgrade, if it can obtain the budget. The Under Secretary of

Commerce and Director of the USPTO, Mr. Kappos, has extended prior professional experience at IBM and is ambitious to upgrade the technology at the USPTO to improve its mission. The Office would like to have an end-to-end digital process that is XML-based to facilitate tagging and searching. It would like automatic docketing and classification coming out of electronic filing. It would like automatic amendment entry. It is considering cloud computing applications. The current USPTO annual IT budget is about \$300,000,000.

10. Technology and Branch Offices

The USPTO also is interested in further supporting and expanding its remote workforce with an IT infrastructure. Currently, as many as 1,000 examiners out of a total of approximately 6,000 work remotely from home. This infrastructure may allow the recruitment of excellent examiners across the country, outside of the Washington, D.C. area. It may also permit the opening of branch offices, at least for limited purposes of providing face-to-face

interviews across the country. In addition to the current infrastructure for telephone interviews, including conference call interviews with multiple parties, the USPTO is looking at the possibility of using Skype or other similar technologies that will allow remote video telephone interviews.

Listen to the Recorded Webinar Online

Above are some highlights of the webinar, of the prepared comments by the Commissioner, and of the subsequent interview and Q&A session. The entire webinar is recorded and the audio is posted on our web page for the public to download and review gratis at:

<http://www.klgates.com/newsstand/Detail.aspx?publication=6381>.

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