February 2004 Issue 136 www.managingip.com

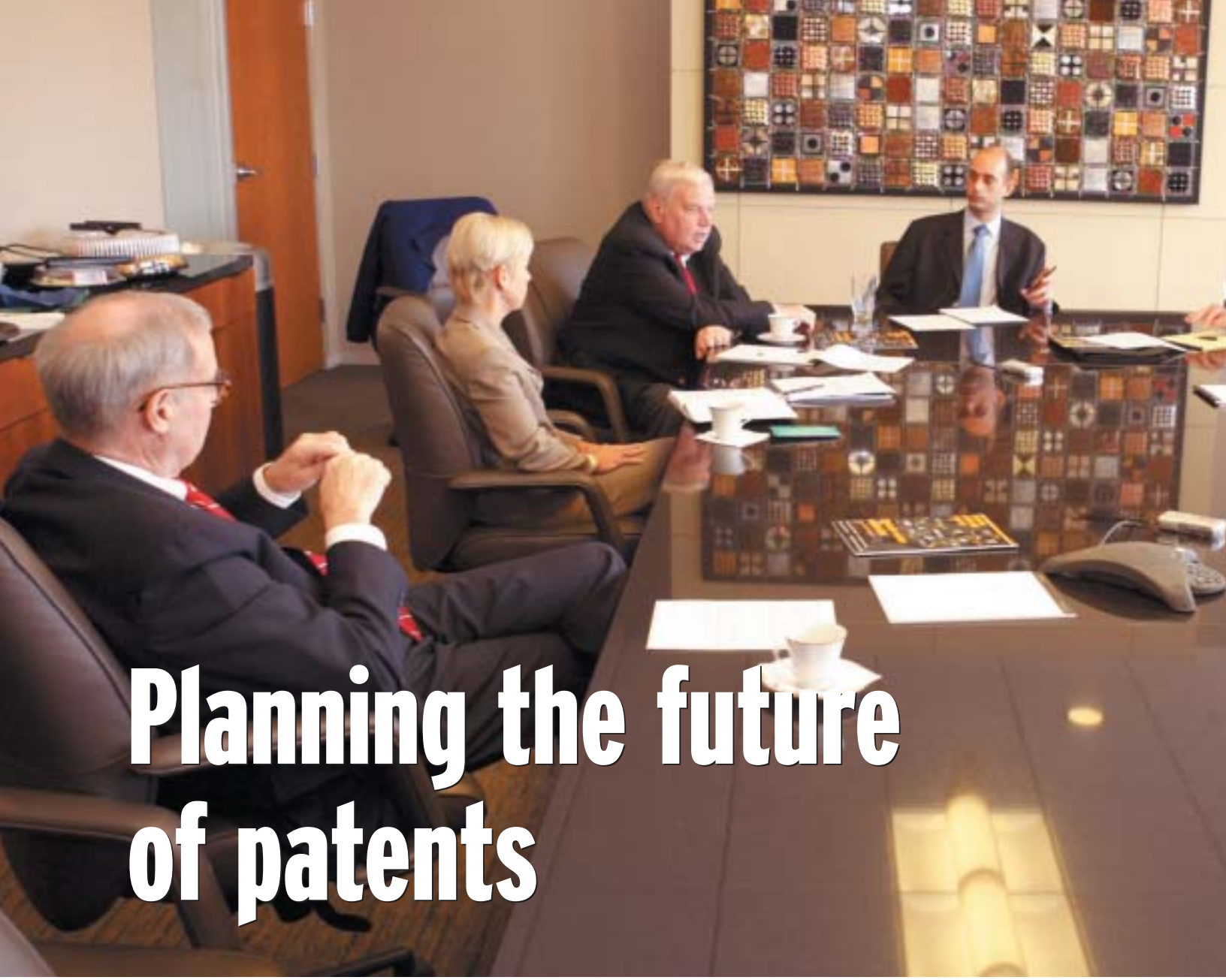
Managing Intellectual Property™

Incorporating IP Asia

Patent crisis

The future of the USPTO debated

A special reprint from February 2004 issue of MIP, for Oblon Spivak McClelland Maier & Neustadt



Planning the future of patents

Sam Mamudi: I'd like to start the discussion by looking at the central piece of James Rogan's tenure at the USPTO, the 21st Century Strategic Plan. The Office hopes that, when fully implemented, the Plan will fix many existing problems, and stand it in good stead for the future. Do you agree?

Gerry Mossinghoff: I think a lot of elements of the Plan are good, and are being implemented. The emphasis on quality, both on the examiner side and on the practitioner side, is a good emphasis, and that's occurring. Part of the Plan is the post-grant review at the USPTO, and I am supportive of that, I think it's a good idea to have such a system. The separating of search and examination, which is one of the key elements of the Plan, I think could cause problems, and as a member of the Patent Public Advisory Committee I fully supported our recommendation to the Undersecretary [of Commerce, and USPTO director, James Rogan] and Secretary [of Commerce, Don Evans] that we not move totally in that direction without doing a pilot programme of careful monitoring to see if it can be done.

SM: Focusing for the moment on the separation of search and examination, Hal, do you have a view on its merits, in particular when compared with the Japanese system?

Hal Wegner: Neither Japan nor Europe has it right. Europe never wanted to have a totally split system – it was an historic accident. When they created the EPO they had two pre-eminent examination offices, the German office in Munich and the Dutch office in The Hague. So you had two big bodies of patent examiners concentrated in Munich and The Hague, and it was an historical accident that the search office was in The Hague and that they had the examination office in Munich.

The Japanese system is completely wrong. What they've done is that they have pressure from their government not to expand their bureaucracy. They had about 1,100 patent examiners, and they could not double that, which they really needed to do to deal with the examinations. So they created a quasi-public company which comprises some for-

Following James Rogan's exit earlier this year, a new director will soon be appointed to run the world's biggest patent office – the USPTO. With rising costs, debates over patent policy and complaints about patent quality and pendency, there are many issues that urgently need tackling.

MIP invited six professionals with experience of working with – and inside – the USPTO to discuss the direction of the Office. In a debate moderated by Sam Mamudi, they considered whether Rogan's far-reaching reform proposals address the needs of users

About the participants

Mike Kirk is executive director of the AIPLA. Prior to that, he spent 31 years at the USPTO

Nancy Linck is IP counsel at Guilford Pharmaceuticals, and a former USPTO solicitor general

Sam Mamudi is Americas editor of Managing Intellectual Property

Gerry Mossinghoff is senior counsel to Oblon, Spivak, McClelland, Maier & Neustadt, and was USPTO commissioner from 1981 to 1988

Ron Stern is an examiner at the USPTO, and president of the Patent Office Professional Association

Tom Sydnor is a staffer on the Senate Judiciary Committee

Hal Wegner is a partner of Foley & Lardner, and an adjunct professor at George Washington University. Wegner began his career as a patent examiner

mer examiners, retired staff people – all with the common characteristic of being over 55 years of age. In today's modern world, the idiocy of searching is to let people my age, and I'm 60, to do the searching. The way you want to do searching is online, on a computer. If I'm creating the ideal system for searching, I want to find the geek who's 25 or 30 years old, who's been very active in an area and then decides for whatever reason they don't want to continue doing research or being in a library or whatever else, and they love searching. Someone who can't write, who can't be an examiner. They should do the first cuts in all the searches. But you don't give it to 57, 58 year-old people as Japan has done.

The missing piece of the puzzle is resources. The biggest omission we make is our failure to cooperate on what I call patent work-sharing with Japan. The flow of cases from Japan to the US is so enormous that we need to have the Japanese search their own cases first and then piggy-back their searches. I think the Plan is a good starting point, by not focusing on trying to get things through the USPTO immediately, and focusing more on quality.

Some people have the false idea that we need to have patent harmonization, or the US needs to have first-to-file first. That's not true. We have what I call now fuzzy harmonization. Ninety percent of the prior art that an examiner can find is published literature, and that's the same anywhere in the world. And actually, the Japanese can probably find things better than Americans, because at least the Japanese can read English and Japanese, and the largest number of publications from patents owners anywhere in the world is in Japan. But if we do that and have a core of preliminary searchers in the USPTO – kids who can't write applications, who aren't going to go to law school – then we can have the examiner do what he wants to do.

SM: That's the system you'd have in the USPTO?

HW: Absolutely.

Ron Stern: There are many elements of what Hal has said that I agree with – there's no question that the Japanese-language capability of the USPTO staff is very limited, unfortunately. On the issue of whether or not youngsters are the only ones who can use automated systems, well I think that's absolute foolishness. Folks in our age bracket – and I'm in Hal's age bracket! – are very comfortable with a computer. It's really a matter of inclination, and I don't think any examiners have a problem using the automated system, but the question is are the automated systems adequate?

But I think that the main point has been missed here with respect to the 21st Century Plan, and I think Gerry touched upon it: the separation of search and examination. It means that both the searcher and the examiner are going to have to read and understand the case, read and understand the references, and that costs money. The problems with that system have been dramatic at the JPO. The one

Mike Kirk

thing that the JPO has gone towards now is conferences between the searcher and the examiner. Once you have people conferring about a case, your costs will skyrocket, and that's the problem with the system that's being proposed for the US. We can do this so much more cheaply.

HW: Before you rely too heavily on the Japanese study, remember that the typical examiner who's examining a case in Japan is 30 or 40 years old, with 10 or 20 years experience, and are very top-of-the-line, the best and the brightest of Japanese graduates who take the state entrance exam when they're 21 years old – these are brilliant people. The people that are doing the searching are 55-60 on average, who came out of Hitachi or Matsushita or some other patent department, and they were laid off or retired early, and at the JPO they're acting like law clerks. That's upside down to me.

I don't envisage that we should have a total separation. It's like in a law firm: if a partner puts together a patent application, they need to have a search done. They're not going to do the search themselves, they're going to fine-tune and use the best resources. They may use an even younger lawyer for a very important case, or they may use a technical staff member, or they farm it out altogether. I don't think it should be a black and white solution, and you may find somebody every 1,000 years who's our age who can do as good a job searching as a 25 year-old geek or technician – but I doubt it!

The question of resources

SM: Does the AIPLA have a view on separating searches and examinations?

Mike Kirk: We have a certain nervousness about the separation for the reasons that have been mentioned. The EPO has had it since its inception, and they're now going to the BEST system to combine it. I think the USPTO is moving in this direction not because it did a comprehensive survey and study and decided that this was the best way to go, but because Congress gave it no option. The USPTO was told 'you're not going to get the authority to hire the number of examiners that you need to address the quality and the backlog problems'.

In the early 1980s, when Gerry was commissioner, he started a similar plan. Back then, the pendency was around 26 or 27 months and rising. Gerry took a proposal to the secretary of commerce and said, look, if you won't cut our budget for a few years, I will go out and leave my skin on the sidewalk and sell a massive fee increase – it was around 400% increase if you factor in all the maintenance fees. But what the USPTO was able to do, with the commerce department and Congress, was to come to an agreement that all of this additional revenue would go to the Office. The Office, over the period of about seven years, spent about $1 billion above what it would have spent to maintain the status quo to hire examiners and bring the backlog back down to manageable levels, at the same time paying attention to quality. That hasn't happened today.

Today, the appropriators are treating the USPTO much like they would the US Postal Service: if you get too many letters coming in and you don't have enough hands to process them all, then you go to an automatic mail sorting machine and you acquire zip codes. You cannot do that with the examination of a very complex invention that requires intellectual manpower. There's no substitute for that. So I think one of the fundamental issues here is: is Congress going to give the USPTO the resources it needs? This is not to say that separating search and examination could not lead to some benefits, but I think the concern that AIPLA has is that the USPTO didn't derive this as its first option.

SM: How about some Congressional perspective on the issues of funding and fee diversion?

Tom Sydnor: Certainly. But before I say anything, let me just clarify that I'm not speaking today on behalf of chairman Hatch and the Judiciary Committee officially. These are personal perspectives, and some guidance on how these issues have been presented up on the Hill. First of all, on the issue of resources, it might be worth saying something positive, and that is that the USPTO and the user community have really done a remarkable job in sending a unified message up to the Hill about the importance of these issues, and the need to resolve them.

I think that helps enormously. It's rather amazing to be

Testing patent attorneys

The USPTO reform plans include provisions that require patent attorneys and agents who work with the USPTO to earn Continuing Legal Education (CLE) credits, a move that has generated controversy among the bar.

SM: I want to briefly look at the issue of testing patent attorneys and agents.

NL: It's likely that what it will do is put money into the coffers of organizations that put on CLE programmes that are authorized by the USPTO. I do not understand what is behind this move, but it seems to me that at a time when the Office is supposedly trying to cut expenses, there must have been a very good reason for taking on this additional, completely new task. It just makes no sense whatsoever to me.

SM: Does anyone here see the rationale for introducing such a measure?

GM: Whether I agree with it or not, I think the stated rationale is that it's a mirror image to what's happening with the examining corps. The idea is that there's going to be skill improvement and skill testing in the examining corps, and on the other side there ought to be that same emphasis for people who practise before the USPTO.

SM: Do you agree with it?

GM: Well, there was an initial proposal that said there would be testing for practitioners, and I personally oppose that. I don't think that's a good idea, and as far as I know none of the state bars require testing. Many of the state bars, however, do require continuing legal education, and I don't have any problem with that. And what the USPTO now says is that there will be CLE credits given, but only if it has to do with work relevant to the prosecution of applications, and I don't disagree with that either. The AIPLA and the Intellectual Property Owners' Association (IPO) and others are going to have good programmes directly related to prosecution that will be accredited by the USPTO, and I don't have any problem with that at all.

HW: How can you say that? You're going to be having CLEs on how to calculate filing fees, things that no senior partner ever does. CLEs should be to expand minds and let people get into new areas, and get outside patents and get into advanced levels of things. In a big law firm, you don't have a senior partner calculating the filing fees or any of that stuff. They've got clerical staff to do that. This is an absolutely idiotic proposal.

RS: By the way, the same is really true of examiner testing. The ultimate proof of the pudding is the work an examiner does, and of course the cases, everything that we do, is on the record, so anything that the agency wants to see, it can see just from reviewing the work. Testing is not going to have a huge impact; it's going to have a small impact at best. As Hal says, it's going to be a gross waste of money.

MK: First of all, we as an association are looking at the rule proposal right now, and I don't know where that's going to come out, so any comments I make on this are strictly personal. Having said that, I would have to say that I am perplexed as to why anyone would have a problem with quality education for examiners and/or practitioners. There are practitioners in the business that I know that make a very nice living thank you, following around, picking up after people who've done a bad job on cases. There are examiners on the inside who do equally poor examinations. Which of us in this room could not stand to be better educated in doing what we do?

NL: But we all do that, Mike.

MK: Do all 29,000 registered patent practitioners do that, Nancy?

NL: No. But requiring CLE, or requiring a test, is not going to make them do that in any way that is meaningful. You can lead a horse to water, and those who want to learn will learn. I've never had a CLE requirement in my life, and I've probably accumulated the equivalent of five times the amount of CLE that would be required. But there are those who have it forced down their necks, who go to a programme, sign up, go on, do work while they're sitting there, their boss pays for the course – or they don't even listen to the course – and yet they get their credit.

MK: But that's poorly designed CLE, and I'm not a defender of that.

NL: You can't force them to go in there and learn.

GM: What the Office wanted to do is draw a distinction – and I'd be very surprised to find a course that teaches how to calculate filing fees – between those professional skills that have to do with prosecuting and preparing patent applications, as compared with those that have to do with filing declaratory judgment actions or taking depositions. What they're focusing on is, that for those registered to practise before the Office, they want continuing legal education tailored to the things that have to do with practising before the USPTO. That's what they have in mind, and I personally don't have any problem with that.

talking to members of a user community who are actually supporting fee increases. That is nearly unprecedented! The problem of resources is a very real one on the Judiciary Committee. We have been supportive of efforts to bring diversion to a close, but those efforts impact the appropriations committees far more directly than they impact the Judiciary Committee. Our jurisdiction is not constrained if diversion is brought to a close, whereas theirs might be. There's a real need on these issues to make sure everyone on the Hill, both on the appropriations side and the authorizing committees, are aware of how important these issues are, and to make sure that people are hearing not only from the USPTO and the trade associations – Mike is talking to us about this quite frequently – but also from their constituents who are directly affected. I think actually that that trend is very good as far as bringing these issues to the attention of the legislature. The other thing that's interesting is that the USPTO and director Rogan were rather bold in coming out and saying that they wanted to focus on the issue of patent quality rather than pendency,

Nancy Linck

because that's a far more difficult oversight matter. And that message has gotten out rather well, and it's rather remarkable to see how many people on the Hill are actually aware of and interested in that issue.

Post-grant examination

Nancy Linck: As a user and as a past USPTO solicitor and an active participant for many years, I've been concerned about quality from day one. I would like to think that the Strategic Plan and more resources would make a difference, but frankly I'm sceptical. I think Mike hit the nail on the head – the problem is scarce resources in terms of manpower, examiners that are trained and that can do a quality job.

It's very difficult for the USPTO to keep trained examiners. I think it's a very complicated problem. I don't like fee diversion, but frankly I have never been particularly excited about that – it's a tax, and we pay a lot of very unfair taxes. In the Plan, I would agree with Gerry that the post-grant examination may be the key to quality, after all very few patents issued are of commercial value. The ones that are of commercial value, you can take them back and get them reexamined, or put them in an opposition.

I'm a little concerned that the USPTO is ready to abandon *inter partes* examination that we fought for so many years for, and put in its place an opposition procedure, because I don't think that that's a good answer. Post-grant reexamination can be accomplished at any time in a patent's life. If we have an opposition procedure, there'd be a very short period in which a third party can request opposition. Oftentimes, if you're not working in a particular area, you're not going to be aware of a bad patent that's a problem for your company until after the first year. At a small company like Guilford Pharmaceuticals, we bounce from one technology to another; we focus in certain areas, but five years down the road we may very well be focusing on a different area. So I would really hate to see *inter partes* examination fall by the wayside.

HW: The key reform needed, and even the FTC and we all agree, is something in the post-grant area. I totally agree that the opposition system isn't going to work. We thought all along that Japan had a model system for oppositions, but as of January 1 they've abolished their opposition system, and what Nancy says is absolutely right – there has to be some time for companies interested in a case to file a proceeding; there has to be a new system. We certainly don't want the European system, where they have every right built in for checks and balances, but they never get a decision, it takes forever.

What we need is a situation where you can come in at any time with pertinent prior art, but there should be some incentive to filing it early, so perhaps there could be a statutory presumption of validity in a reexamination that's commenced more than two or three years after filing. We absolutely need a specially crafted administrative patent revocation system that takes the best of what Japan has done, avoids what Europe has done, and if we do that, here's what will happen: those companies that file thousands of cases a year will be forced to recognize that if they continue to do that and put no quality at the front end, they will have their cases administratively revoked.

If you have an administrative patent revocation system that's immediately available, or forever available, the chief patent counsel's going to spend more time per application, draft better cases and fewer cases. That's an inevitable result if we have this system.

SM: Gerry, if you were still commissioner, or now director, of the USPTO, would you be in favour of an administrative revocation system?

GM: I would, but I was going to make one caveat, and it's the same caveat that overlays everything the USPTO does – it's a Congressional issue. I believe that a post-grant system is a good idea and should be implemented and answers an awful lot of criticisms that say examiners can't know about the prior art that's non-patent literature. Having said all that, I assume that the new system would have to be self-supporting. Once you say that, you then get into the diversion issue.

I also want to pick up on what Mike said: we both totally agree that we've got to move towards some sort of harmonization. Former Commissioner Arai of the JPO

produced a study a couple of years ago called "World Patent Crisis, 2003". And what he did was, dealing in round numbers, say that there was roughly 10,000 patent examiners in the world, and in 1995, those 10,000 accounted for 100 cases each. In 2003, they got more than 600 cases each on their dockets. It's gone up six-fold, and it can't continue to go up. We've got to find some form of effective work-sharing, or the systems just going to buckle, it can't keep up.

What is quality?

RS: Looking at things from a broader perspective, one of the questions I have is, what is quality? If quality means a correct determination based upon the laws of the country, that is one aspect. Another is the issue of have you found the right prior art? On this issue, the question is what good will a search from another entity do if you are still responsible for the ultimate quality of what happens? If you are given additional references to look at, that is certainly helpful, but does it save the examiner time? The answer in general is no, because you're expected to do the search on your own. You can't just say, 'this looks pretty good, I don't need to do any work because someone else has done it already'.

On the other hand, if you can say that, if you can trust another examiner, then you do save time, and one place where that would be most useful is the area where we don't have the language capability, and that is with respect to Japanese-language documents. It would be particularly useful to have the Japanese examiners examine cases, cite the relevant prior art that exists in Japanese, and have US examiners be permitted to rely on that as the search. That will be very helpful.

The issue of reexamination and post-grant review is very different. I think that those people who are advocates of post-grant review are advocating a very expensive process, especially when they involve third parties, and it will be to the detriment of most of small business. Large companies can afford to do that, they can afford to track what is being issued by the USPTO; I don't think small companies can do that, and certainly when there are third companies involved it gets to be enormously expensive and enormously complicated.

NL: I would disagree with that, as the only representative here of small companies. In fact, as long as the period is open to challenge a patent, you could challenge a patent when you discover you have an invention, and there is a patent that is standing in the way of your development. I don't mind spending the money then, my CEO doesn't mind spending the money then. We mind spending tremendous funds for all of the patents that may never be of any real commercial value.

MK: I'd like to comment on that. Ron, you talked about those designing post-grant opposition procedures doing so

Tom Sydnor

in a way that's very expensive and all-encompassing, and I think quite to the contrary. AIPLA has established a blue-ribbon committee with two of our former presidents, and one of the things they are looking to do is look at Europe, look at Japan, and design a system that avoids those very problems. I agree with Nancy's comments that you need a system that lasts for the entire life of a patent.

Most people think of an opposition system that's very intense, very aggressive, but limited in time. Challenge opportunities should be there at the beginning of a patent's term, but you need something for the remainder of that term for the very reason Nancy points out. But I'd like to come back to one comment, and that is that while we share fully the idea of a good, effective post-grant opposition procedure, coupled with a reexamination procedure, our view remains that it's still best to do it right the first time. There's a tremendous expense for everybody to bring even a simple reexamination proceeding. The attorney costs involved in this are significant, and if we can do it right the first time, then you avoid those costs. So this goes back to getting the right numbers of examiners properly trained – properly paid – to retain them in the Office, and to develop the kind of quality examination that we need.

NL: Well, clearly that's ideal, and I've been fighting for that system for 15 years, but you reach a point where you say, it may be ideal but it may not be practical, unfortunately.


Gerry Mossinghoff

TS: These two issues, the question of funding and the question of post-grant review, are both linked. Now, I don't serve on the Appropriations Committee, but if I were to speak for them, I bet they would say something along these lines: the most common argument that they hear is 'we need more money to do our job right, and our job is very important'.

So they hear that argument all the time, and when somebody like Mike, or the USPTO, goes to the Hill to make that argument, they are probably making the most difficult argument that there is to make in a legislative forum. And there's going to be a lot of competing claims. One of the points that was raised a few moments ago that I thought was important is arming them with an argument that we need more money and more resources, and here's how if you give it to us we will go forward without coming back to you in a few years with another request for even more money. That is a much more palatable argument. Those are different arguments, and much more difficult to make, but much more likely to succeed.

MK: I would say we couple this request for more resources with a statement that as the user community we are prepared to pay these resources. All we're asking is to allow us to pay this money and let it go where we intend it to go. We're not asking for more taxpayers' dollars. We're simply saying don't take our money away from us.

HW: See, what Mike has said before, there are several ways to do it, but we're all agreed that we want to craft an administrative patent revocation procedure that is not expensive and will go through the USPTO quickly. What really befuddles everyone now is that it takes an average of 9.5 years for the very important cases to get to the Court of Appeals of the Federal Circuit. But when we get the system in place, the thing to remember is that it's not going to be pro-patentee, it's going to be pro-patent system. People are going to lose rights, so they are going to recognize that I had better spend more money per application doing a quality job the first time to best insulate my case from a reexamination that will knock the whole thing out. Lots of good things will happen: each examiner will have an easier time examining each application if its well written, the decision will be made more quickly and overall the gross number of cases will go down, relative to how they would otherwise go.

A proper balance

SM: This is one of the points I wanted to look at as well: there are criticisms that the USPTO has shifted emphasis to giving large numbers of patents and it sees itself as a patent-awarding body, rather than an organization that maintains a balance in the patent system.

GM: One of the statements in the FTC study was that the USPTO and the Federal Circuit should take into account the economic issues involved in a case. Does that mean an applicant files and you satisfy the fundamental requirements and you're entitled to a patent, but then somebody says 'I don't think it's going to have good economic effects to give this patent, so I won't give it'? That strikes me as an invitation to chaos.

HW: Taking a broader perspective, Gerry, we have a kind of one-size-fits-all patent system that doesn't look at economics [at all]. An examiner that looks at an application for a new and improved toothbrush, which has the bristle at an eight-degree angle instead of a seven-degree angle, gets credit for allowance of his patent application, and essentially gets the same credit as somebody who does a complex biotechnology case. Now, there is some credit differentials, but not all that much. What we should be doing is what the Swiss did 150 years ago – seeing what industries are important to the US economy, and put more resources in the examination of those areas.

RS: John King just published, in one of the National Academy of Sciences studies, an article that went to just this issue. He looked at the amount of litigation by art, and discovered that the amount of litigation in the mechanical area, where examiners do have substantially less time, was much higher. And his conclusion was that if you give the examiner another hour to do a better job in the mechanical area, so much litigation will be saved that there will be a net economic benefit to the country. His

estimates, not that I agree with specific amounts, were that an hour extra for an examiner to deal with a case would cost about $11 million a year, while the amount of litigation that was spawned as a result of not doing that was about $17 million.

MK: I'm shocked, Ron, that you would come in here, and advocate more time for an examiner! Let me go back a bit to Sam's initial question. Gerry, you are on the Patent Public Advisory Committee, and there was, at least at one point, I think it's no longer there, a mission statement of the USPTO that I think drew some criticism from some members of the PPAC. Help me with it, I don't recall it exactly, but it was something like 'Our mission is to help people get patents' or something to that effect.

GM: Right, and the general consensus of the PPAC was that we would put the word 'valid' in there – that's a very important criteria!

MK: And I think that this goes to Sam's question about the balance. Realistically, it's been about 30 plus years since I was an examiner, so it's hard for me to speculate how this mission statement gets translated down to the examining corps, but to the extent that somebody sets an overall mission for the USPTO, I wonder whether a mission statement that emphasizes not the silly stuff like an economic analysis in terms of granting a patent, but rather, more one of balancing the public's interest – because the public wants valid patents, they do not want patents that claim public-domain technology – and I wonder that if more emphasis is put on this balancing role, this judgmental role of the patent corps, whether this would have any impact at the examiner level. I don't know.

RS: Oh, there would be a major impact. Right now, there is no question in my mind, every examiner feels the pressure of having to produce a large number of cases. Everyone is given a quota which they absolutely have to meet. The amount of time is nowhere near adequate to do the kind of job that is necessary to give everyone confidence.

MK: But you can meet your quota by not granting patents as well.

RS: Not as easily. Not nearly as easily. That is the irony of the system that we are under. Every professional act that we take is a negative, not a positive, in terms of the agency's view of our efficiency. If we decide instantly by blindfolding ourselves that someone is deserving of a patent, we get two credits for that.

An examiner who has to issue a rejection, issue a final rejection, deal with an action after final, deal with an appeal, gets exactly the same amount of credit as an examiner who discovers that an application was put together well, the claims are deserving of patent protection, and issues the patent, as is, on the first action.

SM: So the question of resources is not just necessarily one of examiners being hurried or pendency increasing,

Hal Wegner

you're also saying it contributes to, in some cases, examiners taking a more favourable view of patent applications?

RS: No. Examiners need to get credit for that actual work they do. The way the system works right now, they get credit for completing a case – that's where the emphasis is. It is not for the amount of work that is done on a case. Examiners definitely need to get credit for all the work they do.

NL: I would like to go back to what Mike was saying. I would take it one step further. You said that the Office needs to take a more balanced view of the public's interest versus the patent applicant's interest. The public is not there. This is an *ex parte* proceeding. So I think the USPTO needs to represent the public. The applicant is there fighting for its patent, there's nobody there to represent the public.

SM: And how would you do that?

NL: You know, this whole thing of 'we want to help applicants get their patents' I think arose from the criticism by the public of the examiners, and maybe others at the Office, who were not treating applicants in a civil manner. Clearly, everybody needs to be treated civilly. You need to work with people in a collegial environment. On the other hand, you need somebody in the Office that is going to stop bad patents from issuing. So the Office really needs to take the other side of the issue, because the public is not there.

HW: Which is exactly why you need administrative

Ron Stern

patent revocation, because then for the first time the examiners will see a large number of countering views. Right now, an examiner gets bashed by the applicant community – push this through, get it allowed – but once you have an administrative patent revocation system, you'll have the same examiners getting hit from the other side, and they'll see their true role is to be judges to pass out these valid patents.

SM: What strikes me during this discussion is that all sides, the government, the agency and user groups, agree on the big problems facing the Office, such as improving quality, cutting pendency and improving resources. Yet even at this table, there are a wide range of views on how best to achieve these goals.

NL: Pharmaceutical companies don't care about pendency.

The USPTO and Director Rogan were rather bold in coming out and saying that they wanted to focus on the issue of patent quality rather than pendency

Tom Sydnor

HW: We want quality and not pendency.

SM: So quality is the biggest issue?

GM: At some point though, pendency becomes a major issue. I was always surprised when I was commissioner, especially when I was a new commissioner and I'd go out talking to people, pendency was always the issue. I don't know why, but when you're going out to Iowa and talking to the press in Iowa, they say: "What about pendency? Things are taking too long."

HW: They can measure it.

GM: Maybe that's it. But there is a public concern about the time it takes, and then if the pendency starts getting absurd – five years, six years – then I think you begin to call the examination system into question.

MK: Well, Nancy's working in the pharmaceutical field. If it takes longer than three years to get a patent through the Office today, you get term extension.

NL: And that's the part of the term I really want!

MK: So it's kind of like: make my day, give me a long pendency. But, look at the high-tech electronic component art where you've got a life-cycle of 18 months and they don't pick the case up for examination for three years.

NL: That's a problem.

RS: What I think is very important to understand is the relationship between quality and pendency. When you're talking about how much time an examiner gets per case, you're talking quality. If you're talking pendency, you're really dealing with the staffing of the agency. Decreases in pendency are not going to result in cutting examiner time, because you're going to significantly cut quality if you do that.

Pendency is an issue of how many examiners you have. It is not an issue that an individual examiner is concerned with. An individual examiner is concerned with the issue of how much time he spends per case, and if that amount of time is decreased you have a quality problem.

SM: What concerns me here is that for all the discussion, the talk always comes back to the issue of funding.

RS: One of the things that is a little bit deceptive here is that the funding for examiners is really a small part of the agency. If you take a look at the salaries put together it is small – we're talking less than a quarter of the Office funding goes on the salaries of examiners. What we really have is a situation in which the vast amount of the money goes on overheads. At least as much money that goes on examiners costs goes on automation. The automation costs that have been endured by the agency for the past 15 years are humungous.

SM: But it's the 21st century, and if you're a company applying for a patent, wouldn't you be disconcerted to know that the patent search is being done by hand? At some point you have to make the shift, right?

RS: It is highly desirable. But it would cost about $7 mil-

lion to $10 million to maintain the paper files for about a year – and that includes the real estate costs, and it would cost $50 million to $60 million to maintain the automated databases. Now, if you want inexpensive, you go the paper route. You may sneer at it as old-fashioned, but it was effective.

MK: I think this is arguing about wanting to stay with the horses. The paper files ultimately would have been so large as to be basically inoperable and ineffective. They're falling apart; there were studies done way back when I was an examiner that showed somewhere between 5% and 7% of the patents you wanted to look for on paper were missing at the time the examiner wanted them because they were on somebody's desk, and the person looking for them didn't know that they weren't there. Therefore, you could possibly have a patent issued that shouldn't have issued because the claims were too broad. The potential to enhance quality is much better now than it was 30 years ago.

RS: There's no question that today is the right time to automate the databases; 15 years ago was not the right time to automate the databases.

MK: And yet this is what's being imposed on the Office by their overseers, and the administration and up on the Hill. I mean, these are some of the fundamental problems that we've got to come to grips with. This goes back to the resources. And it's not resources that Tom's committee is responsible for. And I don't want to put Tom on the spot, because he's got colleagues that he needs to be friends with on the appropriations side of Congress, but this is where the focus is.

TS: The point that Mike makes has broader ramifications, and I think actually ties in with the point that Gerry made earlier. And that's the agencies in the federal government that deal with IP are unusual to the extent that the delegations of authority under which they operate tend to be relatively narrow – while they perform an array of functions, they do so under statutes that are quite specific. Contrast that with the FTC, which has an extraordinarily broad mandate, which is to go forth and do good.

That has implications for any talk of both reform and where you put your resources. Because if you want to talk about some sort of fundamental change, or even something where there is broad agreement, for example, the post-grant review system, that means you probably need to get legislation. And that means you're going to have to get fairly broad support for that type of change. All this means that one of the keys to moving forward is to make sure that when people like Mike go up to the Hill, that they've got a lot of support from the user community, and that they've got a pretty focused message, in terms of what needs to be done, what is doable and what will really make a difference.

The next director

Following James Rogan's resignation, Jon Dudas became acting director of the USPTO on January 9. Though Dudas has support among the IP community, the politics of a presidential election year has complicated the issue of confirming Rogan's successor.

SM: Do you believe that Jon Dudas will be the next permanent USPTO director?

HW: Yes. And I fully support him. I think he'll be great. He's University of Chicago Law, graduated with honours, one of the brightest people we've had in that position.

MK: I think it's impossible to predict. I think Jon's got an excellent chance, but I'm also aware of history where commissioners – as they were called at the time – have left, and the deputy did not get placed in the job, particularly in the last year of a presidential administration. Who's to say that there may not be somebody that emerges who ran for the Senate or ran for whatever, or for some other reason it will be an administration chit that has to be passed up. So it's impossible to say at this time, other than to say that Jon is well situated and has a good chance.

RS: Mr Dudas is clearly bright and personable and a very capable individual. He is my current boss.

GM: I agree with Mike – as I always do. It's impossible to say. I think acting director undersecretary Dudas is a fine, fine man and a very able civil servant and administrator, so he would make a very good director of the Office. But for us to sit around a table and predict whether it will or not happen – those decisions will be made elsewhere.

MIP thanks Jeff Kaufman and the staff at Oblon Spivak McClelland Maier & Neustadt for hosting this discussion.

Read the full, unedited, transcript of the roundtable debate – with more than double the amount of material included here – exclusively on our website, www.managingip.com

I would like to think that the Strategic Plan and more resources would make a difference, but frankly I'm sceptical

Nancy Linck