

# PRIORITIZATION: ADDRESSING THE PATENT APPLICATION BACKLOG AT THE UNITED STATES PATENT AND TRADEMARK OFFICE

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The United States Patent and Trademark Office (USPTO) faces a backlog of over 700,000 patent applications that are examined in the order of their effective U.S. filing dates.<sup>1</sup> Currently, a patent examiner begins work on a backlogged application approximately two to three years after the filing date.<sup>2</sup> Total pendency averages around three to four years.<sup>3</sup> Since USPTO Director David Kappos took his position in 2009, he has sought to address the backlog by implementing work sharing and acceleration programs with foreign patent offices<sup>4</sup> and adopting new procedures to encourage applicants to abandon unimportant applications.<sup>5</sup> Kappos also created an Internet website, the Data Visualization Center (“Patent Dashboard”), to increase transparency at the USPTO by making backlog statistics publicly available.<sup>6</sup> In his newly formed public blog, he reported that the USPTO reduced the backlog from greater than 750,000 applications in 2009 to approximately 725,000 in 2010, with the ultimate goal of reducing the backlog to fewer than 700,000 applications by the end of 2010.<sup>7</sup>

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1. U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, USPTO Data Visualization Center, <http://www.uspto.gov/dashboards/patents/main.dashxml> (last visited Nov. 27, 2010).

2. *Id.*

3. *Id.*

4. David Kappos, *Reducing Pendency through Worksharing and Acceleration Programs*, DIRECTOR’S FORUM: DAVID KAPPOS’ PUBLIC BLOG (Oct. 1, 2010, 12:57 PM), <http://www.uspto.gov/blog/>.

5. *See, e.g.*, Expansion and Extension of the Patent Application Backlog Reduction Stimulus Plan, 75 Fed. Reg. 36,063, 36,063 (June 24, 2010) [hereinafter Patent Application Backlog Reduction Stimulus Plan].

6. U.S. Patent & Trademark Office, *supra* note 1.

7. David Kappos, *USPTO Year in Review—And a Look Forward*, DIRECTOR’S FORUM: DAVID KAPPOS’ PUBLIC BLOG (Sept. 20, 2010, 2:45 PM), <http://www.uspto.gov/blog/>. As of December 2010, the backlog was approximately 721,800 applications. U.S. Patent & Trademark Office, *supra* note 1.

The USPTO has adopted several administrative procedures to address the backlog issue,<sup>8</sup> but none have yet succeeded. Consequently, in June 2010, Director Kappos announced a proposal designed to “provide applicants greater control over the speed with which their applications are examined and promote greater efficiency in the patent examination process.”<sup>9</sup> The proposal would allow patent applicants to choose among three tracks—prioritized (Track I), traditional (Track II), and delayed (Track III)—for examination of new patent applications filed first in the United States.<sup>10</sup> The only requirement for Track I prioritized examination is payment of an additional fee for a faster examination.<sup>11</sup> This way, the applicants will help the USPTO sort through the 700,000 backlogged applications to identify and examine the most time-sensitive applications first.<sup>12</sup>

This Note describes the current prioritization procedures at the USPTO and evaluates the Three-Track Proposal. Part I describes how the current backlog frustrates the goal of the patent system. Part II provides an overview of the past and current USPTO procedures for prioritizing applications. Part III describes the Three-Track Proposal in detail and proposes reforms to the proposal to better achieve the goal of the patent system described in Part I.

## I. THE BACKLOG FRUSTRATES THE GOAL OF THE PATENT SYSTEM

The overarching goal of the patent system is to “promote the Progress of Science and useful Arts.”<sup>13</sup> In order to effectuate that goal, the USPTO has established three objectives: (1) examining all of the patent applications prior to issuing patents, (2) issuing only high-quality, valid patents, and (3) treating all inventors and technologies equally.

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8. See *infra* Part II for a discussion of current prioritization procedures available to applicants at the USPTO.

9. Press Release 10-24, U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, USPTO Proposes to Establish Three Patent Processing Tracks (June 3, 2010), [http://www.uspto.gov/news/pr/2010/10\\_24.jsp](http://www.uspto.gov/news/pr/2010/10_24.jsp).

10. Enhanced Examination Timing Control Initiative, Notice of Public Meeting, 75 Fed. Reg. 31,763, 31,764 (June 4, 2010) [hereinafter Enhanced Examination Timing Control].

11. *Id.* at 31,765.

12. David Kappos, *The Three-Track Proposal: Putting Applicants in Control of Examination Timing*, DIRECTOR’S FORUM: DAVID KAPPOS’ PUBLIC BLOG (June 15, 2010, 1:14 PM), <http://www.uspto.gov/blog/>.

13. U.S. CONST. art. I, § 8, cl. 8.

The backlog frustrates the promotion of progress in science and technology because the average patent application spends fifty percent of the time at the USPTO waiting in the backlog without any attention from a patent examiner. Applicants currently facing the two to three year long delay in examination may not be able to secure funding to bring a commercially viable product to market without the guarantee of patent monopoly.<sup>14</sup> Rapid technological developments in a particular industry may render inventions covered in backlogged patent applications irrelevant.<sup>15</sup> Furthermore, long examination times may also drive inventors to keep their inventions as trade secrets,<sup>16</sup> preventing public disclosure of information that the next generation of inventors can build upon.

Although the USPTO examines every application in furtherance of its constitutional mandate, the USPTO could eliminate the backlog by registering each application as a patent without examining it. Professor Mark Lemley noted that the vast majority of patents are not litigated or licensed, and advocated reallocating USPTO resources spent on examination to validity determinations in court.<sup>17</sup> This procedure exists in the US copyright system, where courts determine copyright validity of creative works when those works are litigated, instead of in an upfront examination process.<sup>18</sup> Policing invalid patents through litigation was attempted and abandoned in the United States.<sup>19</sup> Private industry produced an excessive number of invalid patents and the number of patent litigation disputes increased.<sup>20</sup> Complex patent litigation became too costly and error-prone to justify any cost-savings by forgoing examination.<sup>21</sup> Congress responded by instituting patent

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14. See, e.g., Gene Quinn, *Allowance Rate of 45.6% at USPTO for Fiscal 2010*, IPWATCHDOG (Oct. 14, 2010, 6:51 PM), <http://ipwatchdog.com/2010/10/14/allowance-rate-uspto-fiscal-2010/id=12794/>.

15. *Id.*

16. Conference Transcript, FICPI/AIPLA Colloquium, Session D: Interrelationship with Other Issues, at 6–7 (June 17–18, 2010), <http://www.ficpi.org/AIPLA-FICPI-Colloquium/TranscriptSessionD.pdf>.

17. See, e.g., Mark A. Lemley, *Rational Ignorance at the Patent Office*, 95 NW. U. L. REV. 1495, 1497 (2001) (suggesting that the patent office should spend less time examining patent applications because most patents are not litigated or licensed).

18. Robert P. Merges, *As Many as Six Impossible Patents Before Breakfast: Property Rights for Business Concepts and Patent System Reform*, 14 BERKELEY TECH. L.J. 577, 594 (1999) (citing Edward C. Walterscheid, *The Winged Gudgeon—An Early Patent Controversy*, 79 J. PAT. & TRADEMARK OFF. SOC'Y 533, 535–36 (1997)).

19. *Id.* at 594–96.

20. *Id.*

21. *Id.*

examination to reduce the high social cost of policing invalid patents.<sup>22</sup> However, because the backlog prevents inventions from being developed, unknown social costs may offset any cost savings achieved by examining all patent applications.

A second objective in furtherance of the USPTO's constitutional mandate is to issue high-quality, valid patents that will incentivize innovation.<sup>23</sup> A low-quality, invalid patent hampers innovation if inventors avoid developing new inventions for fear of infringement liability or the inability to secure a license.<sup>24</sup> Presumably, the more time a patent examiner spends searching and analyzing the prior art during examination, the more likely he or she will issue a valid patent. However, public scrutiny of the backlog may put pressure on overworked examiners to examine an application quickly, potentially in less time than is ideally needed to produce a high quality patent.<sup>25</sup> To balance these competing forces, the USPTO needs examination procedures that speed up the examination process to address the backlog, while maintaining or improving overall patent quality. The developers of the current and proposed prioritization procedures discussed in this Note designed the procedures to put applications in a specific order and to reduce examination time. In addition to ordering applications and reducing examination time, prioritization procedures could also incorporate protocols designed to improve patent quality.

A third objective in furtherance of the USPTO's constitutional mandate is to treat all applicants and inventions equally, which could lead to resistance to the adoption of new prioritization procedures.<sup>26</sup> In spite of this "egalitarian streak,"<sup>27</sup> the USPTO has already implemented rules for accelerating applications if they happen to fall within a specific technology category. For example, the USPTO has afforded special examination status to applications pertaining to energy development and fighting terrorism,<sup>28</sup> two highly politicized technology areas. Moreover, the public would likely support examining applications for pharmaceuticals ahead of applications for

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22. *Id.*

23. *Id.*

24. *See, e.g.,* Merges, *supra* note 18, at 592–93; Beth Simone Noveck, "Peer to Patent": *Collective Intelligence, Open Review, and Patent Reform*, 20 HARV. J. LAW & TEC 123, 130–32 (2006).

25. *But see* Quinn, *supra* note 14 (discussing the Kappos policy of giving examiners more time to examine patents as an indication that patent quality is the USPTO's first priority).

26. Merges, *supra* note 18, at 597.

27. *Id.*

28. *See infra* Part II.A.

inventions such as the crustless peanut butter and jelly sandwich,<sup>29</sup> the machine and method for drafting a patent,<sup>30</sup> and the method for swinging on a swing<sup>31</sup>—all of which have issued as patents. Furthermore, because different industries have different patent needs that fit their particular business strategies, any patent reform measure will likely result in “unequal” treatment. By way of illustration, the “Patent Term Adjustment” (PTA) procedure was adopted to add to the patent term to compensate for USPTO delays in processing the backlogged application.<sup>32</sup> The PTA procedure is crucial to drug and biotech companies because strong patent protection is necessary to recoup the high cost of new drug research and development.<sup>33</sup> The longer the patent term, the longer the first drug-maker will be able to market the drug free from competing generic drug makers.<sup>34</sup> The PTA procedure is less beneficial for rapidly changing technologies, such as computer hardware and software, where patent term is not relied on for profit generation.<sup>35</sup> Because patent protection needs differ depending on the technology, patent reform measures have been proposed that would give different industries “multiple options” or “tiers” to choose from that would best address specific industry needs.<sup>36</sup> The Three-Track Proposal also provides different options for applicants to choose from depending on their specific needs for examination speed.

## II. CURRENT PRIORITIZATION PROCEDURES AT THE USPTO

The USPTO has attempted to address the backlog by adopting various prioritization procedures to advance time-sensitive applications ahead of others. These procedures include the Petition to Make Special, Accelerated Examination, Green Technology Pilot Program, Patent Prosecution Highway Pilot Programs (PPH), and the Patent Application Backlog Reduction

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29. U.S. Patent No. 6,004,596 (filed Dec. 8, 1997).

30. U.S. Patent No. 6,574,645 (filed Feb. 18, 2002).

31. U.S. Patent No. 6,368,227 (filed Nov. 17, 2000).

32. MPEP § 2710 (8th ed. Rev. 8, July 2010); *see also* 35 U.S.C. § 154 (2006).

33. Michael Meehan, *Increasing Certainty and Harnessing Private Information in the U.S. Patent System: A Proposal for Reform*, 2010 STAN. TECH. L. REV. 1, ¶ 5 (2010).

34. *Id.* ¶ 13.

35. *Id.*

36. Meehan, *supra* note 33, ¶ 26; *but see* Robert A. Armitage, *The Myth of Inherent and Inevitable “Industry Differences”: “Diversity” as Artifact in the Quest for Patent Reforms*, 13 MICH. TELECOMM. TECH. L. REV. 401, 402–05 (2007) (proposing that patent system reforms should be uniformly applied to all technology areas and not based on differing patenting needs or strategies across industries).

Stimulus Plan. Applicants may still use these procedures to prioritize their applications; however, the USPTO continues to investigate other alternatives, as discussed in Part III, *infra*.

A. PETITION TO MAKE SPECIAL

The “Petition to Make Special” procedure advances an application out of turn if the application falls within one of the eligible categories: (1) sufficient capital and facilities will be made available if a patent is granted, (2) the invention is being infringed, (3) the applicant is in poor health, (4) the applicant is sixty-five years of age or more, (5) the invention relates to environmental quality, (6) the invention relates to development of energy resources or more efficient conservation and utilization of energy resources, (7) the invention relates to recombinant DNA, (8) the invention relates to superconductivity, (8) the invention relates to HIV/AIDS or cancer, (9) the invention relates to countering terrorism, or (9) the invention relates to biotechnology and the applicant is a small entity.<sup>37</sup> Applicants must pay a small fee,<sup>38</sup> unless the basis for the petition is the applicant’s age or health or the invention will materially enhance the quality of the environment, contribute to the development or conservation of energy resources, or counter terrorism.<sup>39</sup>

The Petition to Make Special procedure has had a minimal effect on the current backlog because narrow categories and procedural requirements prevent widespread use.<sup>40</sup> The narrow categories also promote inequality in the patent system by favoring certain inventions over others. To encourage more participation, the USPTO expanded the Petition to Make Special procedure to all applicants in a subsequent Accelerated Examination program.<sup>41</sup> All Petitions to Make Special, except those based on the applicant’s health or age or the Patent Prosecution Highway (PPH) pilot program,<sup>42</sup> that are filed on or after August 25, 2006 must also meet the requirements set forth for the Accelerated Examination program, discussed below.

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37. MPEP, *supra* note 32, § 708.02; *see also* 37 C.F.R. § 1.102 (2010).

38. *See* 37 C.F.R. § 1.17(h) (2010); as of Nov. 2010, the fee is \$130.00. *Id.*

39. MPEP, *supra* note 32, § 708.02; *see also* 37 C.F.R. § 1.102 (2010).

40. *Inequitable Conduct Based on Petition to Make Special*, PATENTLYO BLOG (June 19, 2008, 3:00 PM), [http://www.patentlyo.com/patent/accelerated\\_examination/](http://www.patentlyo.com/patent/accelerated_examination/) [hereinafter *Inequitable Conduct*].

41. Press Release 07-13, U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, USPTO Grants First Patent Under New Accelerated Review Option (Mar. 15, 2007), <http://www.uspto.gov/news/pr/2007/07-13.jsp> [hereinafter *Accelerated Review*].

42. *See infra* Part II.D.

## B. ACCELERATED EXAMINATION

Beginning in August 2006, the USPTO began the Accelerated Examination program that, unlike the Petition to Make Special program, did not require applicants to fall within a specific category.<sup>43</sup> The applicant may be granted prioritized examination if he or she assists in the examination of the application and satisfies the following requirements: (1) the application must contain three or fewer independent claims and twenty or fewer total claims; (2) the claims must be directed to a single invention; (3) the applicant must be willing to have an interview with the examiner, including an interview prior to the first Office Action, to discuss prior art and any potential claim rejections or objections; (4) the applicant must provide a statement that a pre-examination search was conducted; and (5) the applicant must provide an Accelerated Examination Support Document (AESD) that details the closest prior art references and the location of each claim limitation within the cited references.<sup>44</sup> Like the Petition to Make Special procedure, payment of a small fee is required at the time of filing.<sup>45</sup>

Although the program should decrease USPTO examination time, practitioners and applicants have been reluctant to conduct a prior art search and prepare an AESD requirement because the tasks are too time consuming and expensive for typical clients.<sup>46</sup> As a result, applicants prefer to wait out the backlog instead of doing the extra work to qualify for the prioritized status.<sup>47</sup> The procedure may also make the applicant vulnerable to narrow claim scope and inequitable conduct liability in subsequent litigation.<sup>48</sup>

The goal of the program is to decrease examination time by achieving one of the following within a twelve-month period: (1) the mailing of a notice of allowance, (2) the mailing of a Final Office Action, (3) the filing of a Request for Continuing Examination (RCE), or (4) the abandonment of the application.<sup>49</sup> The program has successfully decreased the pendency of patent applications that qualify for the program. For example, a patent for a printer ink gauge, the first patent granted through the Accelerated Examination program, issued in six months.<sup>50</sup>

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43. Accelerated Review, *supra* note 41.

44. MPEP, *supra* note 32, § 708.02(a).

45. See 37 C.F.R. § 1.117(h) (2010); as of Nov. 2010, the fee is \$130.00. *Id.*

46. *Inequitable Conduct*, *supra* note 40.

47. *Id.*

48. *Id.*

49. MPEP, *supra* note 32, § 708.02(a).VIII.F.

50. Accelerated Review, *supra* note 41.

Nonetheless, as of August 2010, the number of Accelerated Examination petitions filed was approximately 4,150 and of these, about 2,500 petitions were granted, accounting for less than 0.5 percent of the total backlog.<sup>51</sup>

### C. GREEN TECHNOLOGY PILOT PROGRAM

Similar to the Petition to Make Special, the Green Technology Pilot Program prioritizes applications that fall within specific categories, such as inventions based on environmental quality, energy conservation, development of renewable energy resources, and greenhouse gas emission reduction.<sup>52</sup> In May 2010, the USPTO announced a revision to the pilot program that eliminated the narrow eligibility criteria for expedited processing under the original program.<sup>53</sup> The USPTO originally limited inventions in certain classifications in order to assist the USPTO in balancing the additional workload and allocating resources.<sup>54</sup> Because the USPTO balanced the workload with other mechanisms and denied applications that would have otherwise qualified for the program, the USPTO determined that the classification requirement was unnecessary.<sup>55</sup>

According to a USPTO press release, of the more than 950 Green Technology Pilot Program requests filed, the USPTO approved only 342 (36 percent), primarily because many of the inventions were not in eligible classifications.<sup>56</sup> Six months later, after removing the eligibility requirement, the number of petitions grew to about 1,600 with the PTO approving approximately 51 percent of petitions and granting approximately 6 percent as issued patents.<sup>57</sup> The USPTO extended the program until the end of 2011 after reporting “great results.”<sup>58</sup> An examiner typically conducts the first

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51. U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, Cumulative AE Petitions Status (Oct. 11, 2010), [http://www.uspto.gov/patents/process/file/accelerated/ae\\_stat\\_charts11oct2010.pdf](http://www.uspto.gov/patents/process/file/accelerated/ae_stat_charts11oct2010.pdf).

52. Pilot Program for Green Technologies Including Greenhouse Gas Reduction, 75 Fed. Reg. 64,666, 64,666 (Dec. 8 2009) [hereinafter Pilot Program for Green Technologies].

53. See Press Release 10-21, U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, USPTO Expands Green Technology Pilot Program to More Inventions (May 21, 2010), [http://www.uspto.gov/news/pr/2010/10\\_21.jsp](http://www.uspto.gov/news/pr/2010/10_21.jsp).

54. Pilot Program for Green Technologies, *supra* note 52.

55. Elimination of Classification Requirement in the Green Technology Pilot Program, 75 Fed. Reg. 28,554 (May 21, 2010).

56. U.S. Patent & Trademark Office, *supra* note 53.

57. U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, Green Petition Report Summary (November 15, 2010), [http://www.uspto.gov/patents/init\\_events/green\\_report\\_summary20101115.pdf](http://www.uspto.gov/patents/init_events/green_report_summary20101115.pdf).

58. Expansion and Extension of the Green Technology Pilot Program, 75 Fed. Reg. 69,049, 69,049–50 (November 10, 2010); see also Press Release 10-55, U.S. Patent &

action on an accelerated Green Technology application approximately fifty days after approval of the petition, a dramatic improvement over the current two-year backlog.<sup>59</sup>

Although the program more efficiently examines Green Technology applications that qualify for the program, the total number of applications processed since the program began in 2010 account for less than 0.5 percent of the backlog.

#### D. PATENT PROSECUTION HIGHWAY PILOT PROGRAMS (PPH)

The USPTO and the Japanese Patent Office (JPO) adopted the first Patent Prosecution Highway Pilot Program in 2006, as a procedure to share duplicative work and reduce pendency and application backlog across patent offices.<sup>60</sup> Currently, the USPTO has PPH relationships with ten foreign patent offices: Japan, United Kingdom, Republic of Korea, Canada, Australia, the European Patent Office (EPO), Denmark, Germany, Singapore, and Finland.<sup>61</sup> The PPH program allows an application filed in an Office of First Filing (OFF) to be advanced in the application queue in a corresponding Office of Second Filing (OSF), if the OFF examines the application and finds at least one patentable claim.<sup>62</sup>

Since adoption of the PPH program, statistics indicate that PPH applications are examined more quickly and efficiently than non-PPH applications. For example, the USPTO commences examination of PPH applications within two to three months after the USPTO grants the PPH request.<sup>63</sup> In addition, the overall allowance rate of PPH applications (more than 90 percent) is about double the allowance rate for non-PPH applications (less than 50 percent).<sup>64</sup> Furthermore, PPH applicants spend less

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Trademark Office, U.S. Dep't of Commerce, USPTO Extends Deadline to Participate in Green Technology Pilot Program by One Year (Nov. 10, 2010), [http://www.uspto.gov/news/pr/2010/10\\_55.jsp](http://www.uspto.gov/news/pr/2010/10_55.jsp).

59. U.S. Patent & Trademark Office, *supra* note 58.

60. *See, e.g.*, U.S. Patent & Trademark Office, U.S. Dep't of Commerce, Patent Prosecution Highway (PPH)—Fast Track Examination of Applications, [http://www.uspto.gov/patents/init\\_events/pph/index.jsp](http://www.uspto.gov/patents/init_events/pph/index.jsp) (last visited Nov. 26, 2010); *see also* Notice Regarding the Elimination of the Fee for Petitions To Make Special Filed Under the Patent Prosecution Highway (PPH) Programs, 75 Fed. Reg. 29,312, 29,312 (May 25, 2010) [hereinafter Elimination of Fee for PPH Programs].

61. *See, e.g.*, Elimination of Fee for PPH Programs, *supra* note 60, at 29, 312–13.

62. *Id.*

63. U.S. Patent & Trademark Office, U.S. Dep't of Commerce, Patent Prosecution Highway Brochure (2010), [http://www.uspto.gov/patents/init\\_events/pph/pph\\_brochure.pdf](http://www.uspto.gov/patents/init_events/pph/pph_brochure.pdf).

64. *Id.*

on prosecution because the average number of Office Actions per disposal of PPH applications is approximately 1.7, significantly less than 2.4 for non-PPH applications.<sup>65</sup> Although these statistics indicate that the PPH program can reduce prosecution time, the USPTO has issued only 2,300 patents on PPH applications since adoption of the program in 2006.<sup>66</sup> In order for the PPH program to reduce the backlog, the USPTO will need to increase participation in the program.

In addition to reducing the backlog, increasing PPH participation could improve patent quality. The USPTO has reported that increased participation in the PPH program “will support the USPTO’s goal to optimize both the quality and timeliness of patents.”<sup>67</sup> To encourage more PPH participation in 2010, the USPTO waived the fee for PPH participation<sup>68</sup> and expanded into other countries, including Austria,<sup>69</sup> Spain,<sup>70</sup> Russia,<sup>71</sup> and Hungary.<sup>72</sup> The USPTO also plans to better leverage the prior art searches and preliminary examinations conducted for international applications filed under the Patent Cooperation Treaty (PCT), which traditionally have not been reused by examiners at the U.S. national stage.<sup>73</sup> Although the USPTO reported shorter examination times for a PPH application over a non-PPH application, it has not yet provided patent quality statistics for PPH applications. A comparative study suggests that patent examination and patent quality in Europe and Japan may be higher than in the United States.<sup>74</sup> Therefore, if a large number

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65. *See, e.g.*, Elimination of Fee for PPH Programs, *supra* note 60, at 29,313; U.S. Patent & Trademark Office, *supra* note 1.

66. Elimination of Fee for PPH Programs, *supra* note 60, at 29,313.

67. *Id.* at 29,312.

68. *See, e.g.*, Elimination of Fee for PPH Programs, *supra* note 60.

69. Press Release 10-45, U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, USPTO Expands the Patent Prosecution Highway to Include Pilots with Austria, Spain, and Russia (Sept. 27, 2010), [http://www.uspto.gov/news/pr/2010/10\\_45.jsp](http://www.uspto.gov/news/pr/2010/10_45.jsp).

70. *Id.*

71. *Id.*; Press Release 10-37, U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, USPTO and the Federal Service for Intellectual Property, Patents and Trademarks of the Russian Federation (ROSPATENT) to Begin Patent Prosecution Highway Pilot Program (Aug. 23, 2010), [http://www.uspto.gov/news/pr/2010/10\\_37.jsp](http://www.uspto.gov/news/pr/2010/10_37.jsp).

72. Press Release 10-28, U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, USPTO and the Hungarian Patent Office to Pilot Patent Prosecution Highway (June 25, 2010), [http://www.uspto.gov/news/pr/2010/10\\_28.jsp](http://www.uspto.gov/news/pr/2010/10_28.jsp).

73. U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, 2010–2015 Strategic Plan 15–16 (2010), [http://www.uspto.gov/patents/init\\_events/brs\\_report\\_summary\\_20101115.pdf](http://www.uspto.gov/patents/init_events/brs_report_summary_20101115.pdf).

74. *See, e.g.*, Catherine Saez, *Comparative Analysis Shows US Patent Office Scores Poorly On Patent Quality*, INTELLECTUAL PROPERTY WATCH, (June 18, 2010 2:52 PM), <http://www.ip->

of PPH applications originate in Japan or Europe, then this could have a positive overall effect on the patent quality in the United States.

Nonetheless, PPH has not gained enough widespread use to decrease the backlog, as the number of applications that have qualified for the program account for less than 0.5 percent of backlogged applications.

#### E. PATENT APPLICATION BACKLOG REDUCTION STIMULUS PLAN

The Patent Application Backlog Reduction Stimulus Plan, introduced in 2009, allows a small entity applicant to advance one application ahead in the queue if the applicant expressly abandons another unexamined application.<sup>75</sup> To increase participation after the original announcement, the USPTO removed the small entity requirement and extended the program until December 31, 2010, or until 10,000 applications have been afforded special status under the program, whichever occurs first.<sup>76</sup> The expanded program requires that the applicant must file a statement that the applicant “has not and will not file a new application that claims the same invention in the expressly abandoned application.”<sup>77</sup> In November 2010, the USPTO extended the program for another year, until December 31, 2011, or until 10,000 petitions are granted.<sup>78</sup> The USPTO also made available the statistics for the program since its adoption in 2009.<sup>79</sup> A total of ninety-eight petitions have been granted after one year of the program.<sup>80</sup>

Although some applicants have utilized the Patent Application Backlog Reduction Stimulus Plan, the applications processed through the program account for less than 0.02 percent of the total backlog.<sup>81</sup>

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[watch.org/weblog/2010/06/18/comparative-analysis-shows-us-patent-office-scores-poorly-on-patent-quality/](http://watch.org/weblog/2010/06/18/comparative-analysis-shows-us-patent-office-scores-poorly-on-patent-quality/).

75. *See, e.g.*, Patent Application Backlog Reduction Stimulus Plan, *supra* note 5.

76. *Id.*

77. *Id.*

78. Extension of the Patent Application Backlog Reduction Stimulus Plan, 75 Fed. Reg. 71,072 (Nov. 22, 2010).

79. U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, Project Exchange Report Summary (Nov. 15, 2010), [http://www.uspto.gov/patents/init\\_events/brs\\_report\\_summary20101115.pdf](http://www.uspto.gov/patents/init_events/brs_report_summary20101115.pdf).

80. *Id.*

81. *Id.*

F. SUMMARY OF DATA FROM CURRENT PRIORITIZATION PROCEDURES AT THE USPTO

The following Table 1 summarizes the number of applications processed through each of the current prioritization procedures discussed in Part II, *supra*, as a percentage of the approximately 700,000 backlogged applications.

**Table 1: Number of Patent Applications Processed Through USPTO Prioritization Procedures**

Prioritization Procedure	Year Adopted	Number of Applications Processed <sup>82</sup>	% of Backlogged Applications <sup>83</sup>
Petition to Make Special	1959	Data Unavailable	Data Unavailable
Accelerated Examination	2006	~2,500	< 0.5%
Green Technology Pilot Program	2009	~342	< 0.5%
Patent Prosecution Highway Pilot Program	2006	~2,500	<0.5%
Patent Application Backlog Reduction Stimulus Plan	2009	98	< 0.02%

### III. USPTO THREE-TRACK PROPOSAL

The USPTO has generally reported shorter examination times for the five different prioritization procedures discussed in Part II, *supra*. However, as shown in Part II.F, *supra*, most of the current prioritization procedures have processed enough applications to decrease the backlog by only 1 percent. Therefore, the USPTO has continued to consider other alternatives, including the “Three-Track Proposal,” that will create three different examination speeds or “tracks” that an applicant can choose from: a “prioritized track” with fast examination (Track I), a “traditional track” with standard examination (Track II), and a “delayed track” with slow examination (Track III).<sup>84</sup> If an application is not prioritized in Track I or

82. Data for Accelerated Examination taken from U.S. Patent & Trademark Office, *supra* note 51. Data for Green Technology Pilot Program taken from U.S. Patent & Trademark Office, *supra* note 53. Data for Patent Prosecution Highway Pilot Program taken from Elimination of Fee for PPH Programs, *supra* note 60. Data for Patent Application Backlog Reduction Stimulus Plan taken from U.S. Patent & Trademark Office, *supra* note 79.

83. % of Backlogged Applications = (Number of Applications Processed)/(700,000 Backlogged Applications) x 100.

84. Enhanced Examination Timing Control, *supra* note 10, at 31,765–67.

delayed in Track III, it will be examined in the traditional Track II, unless the application is first filed in a foreign country.<sup>85</sup>

Parts III.A–C of this Note discuss the mechanics of the Three-Track Proposal and highlight some differences between it and the current prioritization procedures. Part III.D describes criticisms patent practitioners, industry representatives, and inventor organizations have provided to Director Kappos, which will likely lead to some reforms in the procedure prior to adoption. Part III.E discusses the potential implementation of patent quality improvement protocols within the Three-Track Proposal. Finally, Part III.F describes metrics adopted by the USPTO to monitor the progress of the program.

A. THE THREE-TRACK PROPOSAL WILL REDUCE THE BACKLOG BY CHARGING A FEE FOR ADDITIONAL EXAMINATION RESOURCES AND ALLOWING APPLICANTS TO DELAY EXAMINATION FOR UP TO 30 MONTHS

In contrast to the other prioritization procedures discussed in Part II, *supra*, the Three-Track Proposal will set a “cost recovery fee” to ensure that Track I applications are examined faster without compromising pendency of Track II applications.<sup>86</sup> The USPTO plans to charge enough to provide additional USPTO resources “so that the aggregate pendency of non-prioritized applications would not increase due to work being done on the prioritized application.”<sup>87</sup> The fee would be used to hire and train more examiners as necessary to offset the time needed to examine Track I applications.<sup>88</sup> After the public comment period, the USPTO set the fee for Track I at \$4,000.<sup>89</sup>

Instead of charging a “cost recovery fee,” the Green Technology Pilot Program, Accelerated Examination, and Patent Prosecution Highway Programs reduce examination time through other mechanisms, such as requiring telephonic interviews to resolve issues when more than one invention is claimed in an application (“Restriction” practice),<sup>90</sup> setting

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85. *Id.*

86. *Id.* at 31,765.

87. *Id.*

88. *Id.*

89. Changes to Implement the Prioritized Examination Track (Track I) of the Enhanced Examination Timing Control Procedures, 76 Fed. Reg. 18,399, 18,400 (Apr. 4, 2011) [hereinafter Changes to Implement Track I].

90. See Pilot Program for Green Technologies, *supra* note 52.

shortened statutory periods for reply,<sup>91</sup> conducting pre-examination interviews to discuss patentability issues,<sup>92</sup> requiring that the applicant conduct a prior art search and prepare an AESD,<sup>93</sup> and sharing examination resources with other countries.<sup>94</sup> Some of these procedures are also incorporated into the Three-Track Proposal, but the more time-consuming prior art searches and AESD requirements were not included as a response to criticisms of the previous Accelerated Examination program.<sup>95</sup> The USPTO recommends the applicant should consider one or more of the following to maximize the benefit of Track I: (1) acquiring good knowledge of the prior art to be able to file a specification having claims from the broadest to the narrowest that the applicant believes he or she is entitled based on the prior art, (2) filing completely responsive replies to Office Actions within the shortened reply period, and (3) being prepared to conduct examiner interviews.<sup>96</sup> The proposal also seeks early publication of Track I applications and limits claims to four independent claims and thirty total claims.<sup>97</sup> The USPTO's goals for Track I applications are to issue a first Office Action within four months and a final disposition within twelve months.<sup>98</sup> Statistics measuring the progress to attaining those goals will be provided on the Data Visualization Center website.<sup>99</sup>

B. DELAYING EXAMINATION FOR UP TO THIRTY MONTHS IN TRACK III  
MAY TRIGGER A REDUCTION IN PATENT TERM ADJUSTMENT

Some applicants decide to file an application just before the statutory bar date, but before development or financing of a commercially viable invention.<sup>100</sup> The delayed Track III will provide these applicants with up to thirty months to decide when to enter the queue, which is similar to the timing of examination of PCT applications that enter the U.S. National Stage.<sup>101</sup> These delayed applications will be published in the usual manner—

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91. MPEP, *supra* note 32, § 708.02(a).III.

92. MPEP, *supra* note 32, § 708.02(a).I.G.

93. MPEP, *supra* note 32, § 708.02(a).I.H–I.

94. *See, e.g.*, Elimination of Fee for PPH Programs, *supra* note 60.

95. Enhanced Examination Timing Control, *supra* note 10, at 31,766; *see also supra* Part II.B.

96. Enhanced Examination Timing Control, *supra* note 10, at 31,766.

97. *Id.* at 31,765.

98. *Id.* at 31,766.

99. *Id.*

100. *Id.*

101. *Id.*

eighteen months after filing.<sup>102</sup> For the Three-Track Proposal, the USPTO is considering whether to offset any positive PTA that accrues in excess of the “aggregate average period” of time examiners take to issue a first Office Action.<sup>103</sup> To illustrate, if the aggregate average period for examiners to issue an Office Action is twenty-five months, and the applicant requests examination after thirty months, then the applicant has “positively accrued” five months of PTA by delaying examination.<sup>104</sup> PTA was adopted to compensate applicants for loss in patent term attributable to USPTO delays that the applicant had no control over.<sup>105</sup> Under the Three-Track Proposal, the USPTO would deduct the five months of positive PTA that had accrued because the applicant, not the USPTO, caused the delay in examination of the application.<sup>106</sup>

C. THE THREE-TRACK PROPOSAL WILL DELAY EXAMINATION OF APPLICATIONS FIRST FILED IN A FOREIGN COUNTRY UNTIL THE FIRST FOREIGN OFFICE ACTION AND REPLY BY THE APPLICANT IS RECEIVED BY THE USPTO

Roughly one-half of all the applications filed at the USPTO have foreign inventors and assignees.<sup>107</sup> The Three-Track Proposal would delay examination of these applications until the USPTO receives a copy of the foreign search report, the first foreign Office Action, and a reply to the first Office Action by the applicant, as if the foreign Office Action was made in the application filed with the USPTO.<sup>108</sup> The USPTO proposes that this procedure would avoid or reduce duplication of efforts by the foreign office of first filing and the USPTO, making the overall prosecution of these applications more efficient.<sup>109</sup> When the applicant submits the required documentation to the USPTO, the foreign application will enter the traditional track (Track II), or the applicant may request prioritized (Track I) or delayed examination (Track III).<sup>110</sup> Finally, the USPTO is considering allowing applicants to request that the examiner obtain and consider a supplemental search report from a foreign patent office when preparing the

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102. *Id.*

103. *Id.*

104. *Id.*

105. *See, e.g.,* MPEP, *supra* note 32; *see also* 35 U.S.C. § 154 (2006).

106. Enhanced Examination Timing Control, *supra* note 10, at 31,766.

107. *See, e.g.,* U.S. Patent & Trademark Office, *supra* note 73, at 14.

108. Enhanced Examination Timing Control, *supra* note 10, at 31,766.

109. U.S. Patent & Trademark Office, *supra* note 9.

110. Enhanced Examination Timing Control, *supra* note 10, at 31,766.

first Office Action.<sup>111</sup> However, the U.S. examiner will conduct a second search even if a supplemental search has been completed, so the USPTO would not benefit from any efficiency gains made by a supplemental search conducted at another office.<sup>112</sup> On the other hand, a supplemental search may help improve patent quality if more prior art is identified.

As for the Track III applications, the USPTO is considering whether to offset any PTA that may accrue until the applicant files the foreign search report, first foreign Office Action, and response to the foreign Office Action.<sup>113</sup> Therefore, any delay by a foreign patent office in excess of the aggregate average time to issue a first Office Action in the United States would reduce any PTA accrued by the excess amount of time. The USPTO also noted that PTA issues could arise if the application first filed in a foreign country is abandoned or if the foreign patent office does not produce Office Actions on the merits.<sup>114</sup> In these cases, it is the applicant's responsibility to notify the USPTO so the application can be treated as if the claim of priority to the foreign application had not been made and the application had been first filed in the United States.<sup>115</sup> Failure to do so could trigger an offset in any PTA that had accrued.<sup>116</sup>

According to the USPTO, the proposal would decrease overall pendency in four ways: (1) additional resources in Track I will increase output, (2) use of search and examination completed in other foreign offices will improve examination efficiency, (3) Track III applicants may abandon their applications during the delay period, (4) foreign applications that receive an unfavorable first Office Action might ultimately abandon their U.S. applications.<sup>117</sup>

#### D. CRITICISMS OF THE THREE-TRACK PROPOSAL

Industry representatives, inventor organizations, and patent practitioners have responded to Director Kappos's call for feedback on the Three-Track Proposal. Comments on the Three-Track Proposal were submitted in writing and at a public meeting held in July 2010 at the USPTO headquarters.<sup>118</sup> At the public meeting, participants generally supported the proposal but also

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111. *Id.* at 31,767.

112. *Id.*

113. *Id.* at 31,766.

114. *Id.* at 31,766–67.

115. *Id.*

116. *Id.* at 31,766.

117. *See* U.S. Patent & Trademark Office, *supra* note 9.

118. *Id.*

voiced concerns.<sup>119</sup> For example, Microsoft strongly supported the Three-Track Proposal because it allowed for prioritization and delayed costs through deferred examination.<sup>120</sup> On the other hand, Microsoft also expressed concerns that USPTO resources will be diverted to Track I, resulting in a slowdown in examination of Track II applications.<sup>121</sup> Other organizations echoed Microsoft's concerns, and also expressed opinions regarding the aspects of the proposal that favor rich over poor applicants, the appropriate fees to charge for Track I examination, the consequences of delaying foreign applications, PTA issues, and maintaining patent quality within the three tracks.<sup>122</sup>

One criticism of the proposal is that it will favor rich applicants, like large corporations, over poor applicants, like independent inventors. At the public hearing, the President of the United Inventors Association, Warren Tuttle, expressed his concern that independent inventors would perceive the proposal as favoring rich applicants because of the additional filing fee for expedited examination.<sup>123</sup> Alec Schibanoff, Executive Director of the non-profit trade organization, American Innovators for Patent Reform (AIPR), echoed this concern, stating, "Track I favors large companies to the detriment of small businesses."<sup>124</sup> Schibanoff's AIPR organization represents small businesses and universities, and his presentation analogized Track I with First and Business Class offered by airlines.<sup>125</sup> AIPR members are not offended that the USPTO is offering Track I to inventors that are willing to pay for it, provided that small and micro entities will get a discount and regular examination will not be slowed down in Track II.<sup>126</sup> Currently, the USPTO does not have statutory authority to reduce the fees, but stated that it would provide the discount if Congress enhances the office's authority to set fees in the future.<sup>127</sup> Even if most rich applicants put all of their

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119. See Gene Quinn, *Lots of Support at Patent Office Three Track Public Meeting*, IPWATCHDOG (July 10, 2010 7:56 PM), <http://ipwatchdog.com/2010/07/21/patent-office-three-track/id=11716/>.

120. *Id.*

121. *Id.*

122. *Id.*

123. *Id.*

124. *Id.*

125. Alex Schibanoff, American Innovators for Patent Reform, *Leading the Fight for Meaningful Patent Reform 5* (July 20, 2010), [http://www.jenner.com/files/tbl\\_s69NewsDocumentOrder/FileUpload500/8273/AIPR%20Comments%20on%203-Track%20Prosecution.pdf](http://www.jenner.com/files/tbl_s69NewsDocumentOrder/FileUpload500/8273/AIPR%20Comments%20on%203-Track%20Prosecution.pdf).

126. *Id.*

127. Enhanced Examination Timing Control, *supra* note 10, at 31,765.

applications in Track I and most poor applicants remain in Track II, the additional fees collected should, in theory, pay for any additional examiner resources needed to maintain the pendency of the Track II applications. Realistically, however, there will be a delay before the new examiners can be hired and trained with the additional Track I resources, which could result in a slowdown of Track II examination. But, if enough applicants chose the delayed Track III, this may offset any slowdown of Track II examination as the USPTO hires and brings new Track I examiners up to speed.

In contrast to AIPR's concern that Track I favors large over small businesses, Gene Quinn, a patent attorney and founder of the IPWatchdog blog, believes that Track I will benefit small businesses because early stage investors prefer to invest in companies with guaranteed patent protection.<sup>128</sup> Without a patent in hand, a small business may abandon an otherwise commercially viable invention if the application spends too much time in the backlog, harming both the small business and the public.<sup>129</sup> Quinn also noted that small businesses would have to have some "low levels of funding from investors" and not be on a "shoestring budget" in order to take advantage of Track I.<sup>130</sup>

A second criticism of the proposal relates to the general fee structure as applied to all applicants, whether rich or poor. At the public hearing, a Microsoft representative voiced the concern that the fees for Track I will not be high enough to discourage overuse by any applicant, rich or poor, which could divert the majority of PTO resources to Track I and slow down ordinary examination in Track II.<sup>131</sup> On the other hand, the Director of the American Intellectual Property Law Association (AIPLA), Todd Dickinson, expressed the opposite concern that the fees for Track I may be so high that it would seldom be used.<sup>132</sup> The appropriateness of the \$4,000 fee for Track I applications will remain unknown until the USPTO analyzes statistics on program participation.<sup>133</sup> The current proposal does not prevent the USPTO from adjusting the fees to increase or decrease the number of applications in Track I as needed. In addition, as discussed above, applicants choosing Track III examination may offset any potential delays in Track II examination, provided that large numbers of applicants choose delayed examination.

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128. Quinn, *supra* note 119.

129. *Id.*

130. *Id.*

131. *Id.*

132. *Id.*

133. Changes to Implement Track I, *supra* note 89.

A third criticism, expressed by the AIPLA and 3M at the public hearing, opposes the delayed examination of foreign-based applications. The rationale is that these applications would be disadvantaged and slowed, potentially resulting in retaliation against U.S. applications filed abroad.<sup>134</sup> However, retaliation may be unlikely in major jurisdictions because the USPTO reported that the Japanese and European Patent Offices have already adopted prosecution systems in which they give priority to applications that are first filed in their respective countries.<sup>135</sup> Another perhaps more pressing concern is that U.S. prosecution delays would be compounded by any prosecution delays in the foreign jurisdiction where the application is first filed.<sup>136</sup> This procedure also runs counter to the goals and incentives of the Patent Prosecution Highway Programs,<sup>137</sup> in which foreign applications having had some level of prosecution in their jurisdiction are advanced ahead in the USPTO queue, not delayed. In response to the overwhelmingly negative reaction to this part of the proposal, Director Kappos has indicated that there will be “a major change” in the proposal regarding these foreign-based applications.<sup>138</sup>

A fourth criticism is that PTA offsets will discourage applicants from opting to delay Track III applications. At the public meeting, the Associate General Counsel for the Biotechnology Industry Organization (BIO), Hans Sauer, explained that BIO members develop, commercialize, and market their products over long periods of time.<sup>139</sup> Therefore, BIO companies own a small number of innovation patents and mainly use their patent portfolio to attract and obtain investment capital to sustain potentially ten years of business without profit.<sup>140</sup> Based on this business strategy, Track III should be attractive to BIO members, but BIO members, as well as biotechnology and pharmaceutical companies, rely on PTA<sup>141</sup> to extend their patent term as long as possible. Because Track III potentially reduces the amount of PTA that accrues, BIO members could “always be” deterred from Track III.<sup>142</sup>

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134. Quinn, *supra* note 119.

135. Enhanced Examination Timing Control, *supra* note 10, at 31,764.

136. *Id.*

137. *See supra* Part II.D.

138. Tony Dutra, Speeches by PTO Director Kappos, Fed. Cir. Judge Gajarsa Highlight AIPLA Annual Meeting (Oct. 28, 2010), <http://news.bna.com/ptdm/> (follow “News Archive” hyperlink; then expand “10/28/2010” hyperlink; then expand “Lead Report” hyperlink; then follow “Conferences: . . .” hyperlink).

139. Quinn, *supra* note 119.

140. *Id.*

141. *See supra* Part I, for a discussion of Patent Term Adjustment.

142. *See* Quinn, *supra* note 119.

Furthermore, an applicant can choose to file their application using a different procedure that would delay the application, but would not subtract any PTA in the patent term calculation. For example, an applicant could choose to file the application using the PCT procedure for filing patent applications internationally.<sup>143</sup> The PCT procedure allows an applicant to first file the application in an international receiving office, and then subsequently file the same application in other PCT signatory nations within thirty months of the original filing.<sup>144</sup> Thus, instead of opting for Track III, a company could file a PCT application and subsequently file in the United States without the risk of incurring any PTA offsets and maintaining a similar timeline to prosecution as a Track III application.<sup>145</sup>

One final concern is that examiners will be rushed when examining applications in Track I, resulting in more rejections, a less comprehensive search and examination, and lower patent quality.<sup>146</sup> Some Patent Bar members believe that overworked examiners reject accelerated applications rather than allow them to quickly remove work from their docket.<sup>147</sup> However, Director Kappos has reported his commitment to keeping patent quality high while reducing pendency.<sup>148</sup> During 2009–2010, the USPTO reduced the backlog by 10,000 applications despite the fact that the USPTO “affirmatively gave our examiners more time to examine each application as a clear signal that quality is our first priority.”<sup>149</sup> Fast examination does not necessarily imply that the resultant patent be of low quality. However, the current Three-Track Proposal does not provide much detail on how the USPTO plans to maintain high patent quality high while reducing the backlog.

#### E. INCORPORATING PATENT QUALITY IMPROVEMENTS WITHIN THE THREE-TRACK PROPOSAL

The Three-Track Proposal could be modified to incorporate procedures to ensure that patent quality at least stays the same, if not improves, as the

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143. MPEP, *supra* note 32, ch. 1800.

144. *Id.*

145. *See* Quinn, *supra* note 119; *see also supra* Part III.B.

146. *Cf.* Quinn, *supra* note 119 (discussing the view that expedited examination causes examiners to rush and results in less thorough examination).

147. *Id.*

148. *See, e.g.*, U.S. Patent & Trademark Office, *supra* note 73, at 4; *see also* David Kappos, *Taking Steps to Improve Patent Quality*, DIRECTOR’S FORUM: DAVID KAPPOS’ PUBLIC BLOG (Oct. 19, 2010, 3:50 PM), <http://www.uspto.gov/blog/>.

149. David Kappos, *Reflections on the USPTO Dashboard*, DIRECTOR’S FORUM: DAVID KAPPOS’ PUBLIC BLOG (Oct. 13, 2010, 10:31 AM), <http://www.uspto.gov/blog/>.

program progresses. Improvements in patent quality would be especially important for Track I applications because applicants have indicated that these applications are particularly time sensitive.<sup>150</sup> The USPTO 2010–2015 Strategic Plan already includes institutionalizing “compact prosecution initiatives” to streamline the patent process as well as improve patent quality.<sup>151</sup> These initiatives promote the practice of resolving patentability issues early in the examination process by encouraging examiners to conduct interviews and providing examiners with interview training.<sup>152</sup>

Interview programs and other patent quality improvement procedures that the USPTO has piloted appear to decrease overall pendency.<sup>153</sup> For example, the USPTO introduced the Enhanced First Action Interview Pilot Program in 2008, where applicants reviewed a “Pre-Interview Communication” document that detailed the results of the examiner’s prior art search and subsequently conducted an interview with the examiner.<sup>154</sup> The USPTO extended the program twice after applicants experienced the following: (1) faster prosecution of the application, (2) better interaction between the applicant and the examiner, (3) ability to resolve patentability issues “one-on-one” with the examiner early in prosecution, and (4) earlier allowances.<sup>155</sup> The Petition to Make Special and Accelerated Examination procedures also encourage telephonic interviews with the examiner prior to the first Office Action.<sup>156</sup> Currently, the Three-Track Proposal also encourages but does not require applicants within Track I to conduct interviews with the examiner.<sup>157</sup> Given that the USPTO has had success incorporating oral communication with the examiner in traditional prosecution, the Three-Track Proposal should be modified to require all Track I applicants to conduct examiner interviews. The USPTO could also require interviews for Green Technology applications, for select technology centers where the First Action Interview Pilot program was found to be

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150. Kappos, *supra* note 12.

151. U.S. Patent & Trademark Office, *supra* note 73, at 9–10.

152. *Id.*

153. *See, e.g.*, U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, Enhanced First Action Interview Pilot Program, 1347 Off. Gaz. Pat. Off. 173 (Oct. 20, 2009).

154. *See, e.g.*, U.S. Patent & Trademark Office, *supra* note 73, at 11; U.S. Patent & Trademark Office, *supra* note 153.

155. U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, Extension of the Enhanced First Action Interview Pilot Program, 1354 Off. Gaz. Pat. Off. 51 (May 4, 2010); U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, Second Extension of the Enhanced First Action Interview Pilot Program, 1360 Off. Gaz. Pat. Off. 56 (Nov. 2, 2010).

156. MPEP, *supra* note 32, § 708.02, 708.02(a).

157. Enhanced Examination Timing Control, *supra* note 10, at 31,766.

successful, and for technologies where an improvement in patent quality is needed.

Historically, patent quality has been viewed as poor when the USPTO issues overly broad patents in technologies in the early stages of development.<sup>158</sup> The USPTO typically allows broad, low quality patents because patent examiners do not have access to the prior art in these technology areas, especially for software and business method inventions.<sup>159</sup> Assuming that many Track I applications will include early-stage inventions, the USPTO should incorporate patent quality improvement procedures within Track I for those technologies where examiners cannot easily access the prior art. Some technologies, such as the chemical arts, are relatively mature,<sup>160</sup> so patent quality improvement procedures may be less important for chemical Track I applications.

The current prior art search and examination process has not produced high quality software patents.<sup>161</sup> After recognizing that the USPTO was not identifying pertinent prior art for software and business method patent applications, the USPTO adopted a Peer to Patent pilot program, beginning in 2007.<sup>162</sup> The program allowed third parties to submit prior art during prosecution of the application via the Internet.<sup>163</sup> Companies such as General Electric, IBM, Microsoft, and Hewlett-Packard agreed to submit their applications for public examination.<sup>164</sup> The program registered over 2,700 peer reviews from over 140 jurisdictions, generating 600 sources of prior art relevant to 189 applications.<sup>165</sup> Of the USPTO examiners who participated in the program, 73 percent thought that the program would be “helpful” for

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158. Merges, *supra* note 18, at 590.

159. *Id.*

160. See James Bessen and Michael J. Meurer, *What's Wrong with Software Patents?*, PATENTLYO BLOG (June 29, 2008 2:53 PM), <http://www.patentlyo.com/patent/2008/06/whats-wrong-wit.html>.

161. Merges, *supra* note 18, at 590 (citing Brenda Sandburg, *Patent Applications Flow Freely*, LEGAL TIMES, Feb. 22, 1999, at 12); see also Kenneth W. Dam, *Some Economic Considerations in the Intellectual Property Protection of Software*, 24 J. LEGAL STUD. 321, 369–71 (1995).

162. See, e.g., Noveck, *supra* note 24, at 131; see also U.S. Patent & Trademark Office, U.S. Dep't of Commerce, Peer Review Pilot Program—Original (CLOSED), [http://www.uspto.gov/patents/init\\_events/fy07\\_peer\\_pilot.jsp](http://www.uspto.gov/patents/init_events/fy07_peer_pilot.jsp) (last visited Nov. 27, 2010) (noting that the original Peer Review Pilot Program closed and a new Peer Review Pilot Program will continue through fiscal year 2011).

163. Press Release 10-50, U.S. Patent & Trademark Office, U.S. Dep't of Commerce, USPTO Launches Second Peer To Patent Pilot in Collaboration with New York Law School (Oct. 19, 2010), [http://www.uspto.gov/news/pr/2010/10\\_50.jsp](http://www.uspto.gov/news/pr/2010/10_50.jsp).

164. Noveck, *supra* note 24, at 128.

165. U.S. Patent & Trademark Office, *supra* note 163.

examination if adopted in regular practice.<sup>166</sup> Although examiners actually used only 20 percent of the prior art references, the USPTO concluded after the two-year pilot that the public could provide valuable prior art to the examiner in an “organized online fashion.”<sup>167</sup> In October 2010, the USPTO began a second Peer to Patent pilot program that expanded the eligible technologies to include biotechnology, bioinformatics, telecommunications, and speech recognition inventions.<sup>168</sup> The new pilot program will allow submission of prior art for up to three months, increase the number of eligible applications from 400 to 1,000, and decrease the number of prior art sources forwarded to the examiner from ten to six sources.<sup>169</sup>

Depending on the success of the expanded Peer to Patent program, the USPTO may consider adopting public examination for Track I applications. The USPTO could also use public examination for applications advanced out of turn that are also in the early stages of development, such as Green Technology applications. Unlike examiner telephonic interview programs, a public examination program has not gained widespread adoption in current examination practice, and may be more difficult to implement within the Three-Track Proposal. The number of applicants willing to enter such a program may also be too small to meaningfully reduce the backlog, and the USPTO has not disclosed whether or not the public examination program would decrease overall pendency of an application. Nevertheless, an improvement in patent quality, especially for Track I applications, is desirable even if a public examination program fails to reduce the backlog.

#### F. EVALUATIVE METRICS OF THE THREE-TRACK PROPOSAL

If the USPTO adopts the Three-Track Proposal, it will be monitored and evaluated for its effectiveness in reducing the backlog. A successful prioritization program will decrease the number of backlogged applications relative to the current programs while maintaining high patent quality. The USPTO already collects and publishes backlog statistical data on the Data Visualization Center on the USPTO website.<sup>170</sup> The website has received excellent reviews for USPTO efforts to provide transparency in the patenting

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166. *Id.*

167. *Id.*; U.S. Patent & Trademark Office, U.S. Dep’t of Commerce, Peer Review Pilot FY2011, [http://www.uspto.gov/patents/init\\_events/peerpriorartpilotindex.jsp](http://www.uspto.gov/patents/init_events/peerpriorartpilotindex.jsp) (last visited Nov. 27, 2010).

168. U.S. Patent & Trademark Office, *supra* note 163.

169. *Id.*

170. U.S. Patent & Trademark Office, *supra* note 1.

process.<sup>171</sup> On the site, pictorial representations of speedometers display backlog statistics, but users may also download and manipulate the raw data that was previously unavailable to the public.<sup>172</sup> Two different pendency values, “traditional total pendency” and “traditional total pendency including RCEs,” are included on the Data Visualization Center.<sup>173</sup> The USPTO had previously only reported the “traditional total pendency” number, which did not accurately reflect the true average pendency because RCEs were counted as separate applications.<sup>174</sup> An RCE is a procedural tool applicants may use after the examiner has issued a final rejection to continue prosecution of the same application.<sup>175</sup> When corrected for RCEs, the average pendency of a backlogged application is reported on the Data Visualization Center as “traditional total pendency including RCEs,” which increases average pendency by approximately six months over the previous USPTO calculation.<sup>176</sup>

Backlogged applications and pendency are numbers relatively easy to understand and digest. However, metrics that relate to patent quality are more difficult to evaluate and assess. The USPTO Data Visualization Center reports only one patent quality metric, a graph entitled “Patent Examination Quality.”<sup>177</sup> The graph displays two compliance rates that are determined by evaluation of randomly selected applications: (1) a final rejection and allowance compliance rate, and (2) an in-process compliance rate.<sup>178</sup> The final rejection and allowance compliance rate evaluates “the correctness of the examiner’s overall determination of the patentability of the claims, in the decision to finally reject claims or allow an application.”<sup>179</sup> The in-process compliance rate evaluates “the quality of examination early in prosecution.”<sup>180</sup> The numbers displayed in the graphs represented the percentage of reviewed applications in which no deficiency is found in the

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171. See, e.g., *USPTO’s Data Visualization Center and Patent Dashboard*, PATENTLYO BLOG (Sept. 7, 2010 5:37 PM), <http://www.patentlyo.com/patent/2010/09/usptos-data-visualization-center-and-patent-dashboard.html>; see also Quinn, *supra* note 119.

172. *USPTO’s Data Visualization Center and Patent Dashboard*, *supra* note 171.

173. U.S. Patent & Trademark Office, *supra* note 1.

174. Gene Quinn, *Patent Office Unveils Patents Dashboard, A Visualization Tool*, IPWATCHDOG (Sept. 9, 2010, 13:25 EST), <http://ipwatchdog.com/2010/09/09/patents-dashboard-visualization-center/id=12421/>.

175. MPEP, *supra* note 32, § 706.07(h); see also 37 C.F.R. § 1.114 (2010).

176. Quinn, *supra* note 174.

177. U.S. Patent & Trademark Office, *supra* note 1.

178. *Id.*

179. *Id.*

180. *Id.*

examiner's analyses for the past twelve months, which averaged around 94–96 percent in 2009–2010.<sup>181</sup> In October 2010, the USPTO announced new patent quality measurement procedures to give “a more comprehensive view of patent quality” because the previous two measures were found to be “insufficient.”<sup>182</sup> New measures of quality include (1) use of best search practices in the first prior art search, (2) use of best examination practices when issuing the first Office Action, (3) trends in compact and efficient examination, (4) survey information from applicants and practitioners, and (5) survey information from examiners.<sup>183</sup> The USPTO plans to publish the patent quality data on the Data Visualization Center on the USPTO website.<sup>184</sup> If the Three-Track Proposal is adopted, the USPTO can monitor patent quality within each of the three tracks using these patent quality metrics. If one track produces higher quality patents than the others, resources may be shifted among the tracks to maintain and improve patent quality where necessary.

#### IV. CONCLUSION

The USPTO faces an enormous challenge when facing a backlog approaching one million applications. The USPTO has successfully reduced pendency in other prioritization programs, such as the Green Technology Pilot Program. However, few of these programs have reduced the backlog more than 1 percent, although some of the programs have only come into being within the last year. The current Three-Track Proposal provides a simple mechanism for applicants to get a fast examination provided they are willing and able to pay for it. But fast examination should not compromise patent quality, so the USPTO should consider requiring that Track I applications, and possibly all applications, undergo a more rigorous examination through patent quality improvement procedures. The Three-Track proposal could potentially reduce the backlog relative to the other programs currently in place at the USPTO, but it will need to entice enough applicants to enter Track I and Track III. Some modifications of the original proposal may need to be made to encourage applicant participation, but

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181. *Id.*

182. Press Release 10-48, U.S. Patent & Trademark Office, U.S. Dep't of Commerce, USPTO Adopts New Patent Examination Quality Measurement Procedures (Oct. 7, 2010), [http://www.uspto.gov/news/pr/2010/10\\_48.jsp](http://www.uspto.gov/news/pr/2010/10_48.jsp).

183. U.S. Patent & Trademark Office, U.S. Dep't of Commerce, Adoption of Metrics for the Enhancement of Patent Quality Fiscal Year 2011, 1 (2010), [http://www.uspto.gov/patents/init\\_events/qual\\_comp\\_metric.pdf](http://www.uspto.gov/patents/init_events/qual_comp_metric.pdf).

184. *Id.*

Director Kappos has taken positive steps to keep the most relevant actors and the public involved in shaping the program to best benefit all applicants.<sup>185</sup>

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185. On Apr. 4, 2011, the USPTO announced that prioritized Track I applications would be accepted on or after May 4, 2011 while the office continues to review other portions of the Three-Track Proposal. *See* Changes to Implement Track I, *supra* note 89. On Apr. 22, 2011, Director Kappos announced that acceptance of Track I applications would be postponed due to budget cuts. David Kappos, *An Update on the USPTO's FY 2011 Budget*, DIRECTOR'S FORUM: DAVID KAPPOS' PUBLIC BLOG (Apr. 22, 2011, 09:08 AM), <http://www.uspto.gov/blog/>.