



CCIA long-term recommendations for PTO transition team

Encourage courts to address the diversity of innovation

Thanks in part to the polarized debate over patent reform, it has become clear that the patent works differently in different fields of innovation and product markets. Congress presently lacks the data and analysis needed to address this problem on going basis. Federal Circuit decisions do differentiate, but in ad hoc, unacknowledged. Legislated language should encourage the judiciary to do so explicitly; for example,

“In applying the provisions of this Act, courts shall give due deference and weight to the characteristics, circumstances, and commercialization practices of different areas of innovation to ensure that outcomes promote innovation in all patent-eligible subject matter.”

Raise threshold standard of invention

There is widespread agreement that there are far too many patents in IT, but this too often addressed by proposals to give the PTO more resources. The unacknowledged problem is that the public disclosure function of the patent system fails because of the sheer number, questionable validity, and low technological value of IT patents. The “person having ordinary skill in the art” standard for non-obviousness is too low, indeterminate, costly to define, and rarely directly applied in practice. It should be raised to an expert standards of “recognized skill in the art.” This standard offers a brighter line that is more suited to today’s reality of global competition and aligned with acclaimed experiments in peer review.

Align patent fees with costs

Reforms can be made in the short term to align patent fees with actual costs imposed on the agency. The PTO has sought to do so in the face of applicants who believe that they should be entitled to manipulate the system without paying for the burden they impose. The PTO should be assured of the tools needed to make sure the examination system is efficient and accountable. At the same time, subsidies (such as reduced fees for small entities) would remain permissible as long as they are explicit.



The challenge over the long term is how to identify and assess the costs borne by the private sector by different forms of applicant behavior. It is important to get a fix on this as the patent system opens up new options for applicants, such as accelerated peer review or deferred examination. This includes the costs of uncertainty generated by secrecy. While secrecy can remain an option, the tradeoffs should be clear, and applicants should be willing to pay for the costs that secrecy imposes on other applicants, innovators, and users.

Implement peer review as standard procedure

Once the threshold standard and cost alignment problems are addressed, the PTO will be able to move towards making peer review standard procedure in patent examination. Applicants may still choose to opt of peer review, but must be prepared to pay for the privilege of doing so.

Unless peer review can be made to work, a bounty system may be the only effective alternative for ensuring quality input from the private sector and overall accountability. A bounty system would effectively address the free rider in invalidating bad patents (because invalidation through litigation is costly and benefits all competitors). However, a bounty system will be less timely and efficient than fully functioning peer review.

Patent-related data

The lack of data on the business use, abuse, and effects of patents makes it difficult to make informed business decisions or to develop economically sound patent policy. An interagency task force should be established under the auspices of the Council of Economic Advisors and supported by the new chief economist at the PTO to develop plans for gathering data to increase transparency at transactional, corporate, and statistical levels. In the near-term, a politically insulated Institute for Innovation Economics and Patent Policy should be established at the PTO to develop a research agenda and to provide institutional support for data gathering.

Require registration of notice letters

Testimony indicates that 25 notice letters are received for every actual filing claiming infringement. Registration of notice letters with the PTO should be mandated and enforced. Notice letters in patent files will provide important information on how the patent is being asserted and against whom. In the aggregate, notices provide a critical data point on how the patent is being used – or abused.



Create a culture of innovation at PTO

Although the applications backlog and recent criticism of the practical effects of the patent system are forcing changes, the PTO has operated as an autarky captive the interests of its user community. Despite the goals of the patent system, PTO has not been an innovator in knowledge management, information science, and cyberinfrastructure. It does not collaborate with other agencies because it views its needs as unique, and it has relied heavily on outsourcing grand-design IT projects.

PTO should be required to commit 1% of its budget to building its own capacity for R&D and to collaborate with other agencies involved in the advanced application of information technologies. The agency should work with NIST and other agencies on semantic standards to support better classification, assignment to appropriate examiners, and researching of prior art – as well as to make claims interpretation more consistent and predictable. (The rule that permits patent applicants to be their own lexicographer should be abolished or strictly limited, because of the costs that it imposes on the system.) Similarly, the PTO should make efforts to engage the academic community at all levels.

Stop patent ambush of openly developed standards

The increasing tension between IT patents and IT standards is a consequence of the strategic importance of standards to the IT sector and the growing scope and number of IT patents. It is especially troublesome when patent attacks come from outsiders after standards have been widely adopted and implemented. It also inhibits the opening up of standards to public scrutiny. Open processes permit nonparticipating patent applicants to craft their applications to capture evolving standards.

PTO, NIST, the competition agencies, and other government interests should work together to develop procedures and assumptions that protect standards, especially openly developed standards, against third-party ambush. Patents and standards are both tools for innovation and must work together without undermining each other.