



UNITED STATES  
PATENT AND  
TRADEMARK OFFICE

**Economics and the American Invents Act**

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**Dr. Stuart Graham**  
**Chief Economist**  
**USPTO**

*RIETI Seminar Tokyo*  
*17 October 2012*



# USPTO Chief Economist, in context

Chief Economists as innovation, diffusion, adoption

- » EPO, 2003
- » WIPO, UK, Brazil, Australia, -2012

USPTO Office of Chief Economist

- » Created in the last administration (2008), but post was not filled until March 1, 2010
- » Historically, explicit economics function absent
  - ◆ Statistics & finance, yes, including forecasting
  - ◆ Offers an array of opportunities
    - Data => Study => Understanding => Policy input



# Economics at the USPTO

## A new era at the USPTO

- David J. Kappos, Director & Undersecretary

## Economics and statistical research

- We see the purpose of research as
  - » An input into evidence-based policymaking
  - » Gaining, and contributing to, knowledge about the workings of the IP system, and the role that the USPTO plays and may play in that system
- Actively building an infrastructure to do and support economics and statistical research
  - » Deploying resources and capabilities to accomplish some of these tasks internally
  - » But also deeply interested in tapping external expertise and resources



# The OCE Agenda: Responsibilities and Duties

## 1) Support evidence-based policymaking

- bringing capabilities into the USPTO to analyze ongoing & planned efforts

## 2) Support research on important IP questions

- internally
- externally, partner with foundations, organizations, and academics

## 3) Communicating economic thinking about IP

- internally, at the USPTO
- externally, to important stakeholders

## 4) Data

- rationalizing USPTO data for OCE uses
- facilitating data migration to external researchers, and the public
- supporting data matching efforts, to other microdata sources

## 5) White papers

- examining the role of innovation and creativity in promoting competitiveness and economic growth



# The USPTO Economics Research Agenda

- (1) Understanding the Nexus between IP and Growth, Economic Performance, and Job Creation, including:
  - IP and entrepreneurship
  - IP and wider economy-wide growth.
- (2) Researching the role of IP in De facto Standards, Standard setting and Standards policy.
- (3) Examining the economics of USPTO initiatives, including initiatives to reduce application backlogs, by better understanding their costs, benefits, and effects.
- (4) Researching the economics of trademarks and trademark examination.
- (5) Analyzing the role that IP plays in facilitating the burgeoning markets for technology and knowledge, including:
  - Understanding the status and role of patent assignments
  - How examination quality and timeliness affect these markets.



# Economics and the Operation of Patent Systems

## Role of the Patent System?

- incentives for innovation
- technology entrepreneurship
- role in competition
- markets for technology

## Quality and Timeliness

- costs associated with uncertainty
- giving actors engaged in innovation
  - > better information
  - > earlier in time



# USPTO Operational Moves to Serve the Innovation System

1. Examiner point-system / bonus reform (employee incentives)
2. Create 21<sup>st</sup> Century IT infrastructure
  - E.g., End-to-end examiner interfaces in both patents & TMs
3. Quality Metrics Reform
  - 5-measure performance criteria
4. Reform of MPEP – “disclosure and specification” (notice)
5. Three-track applicant timing initiative
  - Menu of timing choices offered to applicants
6. Increased hiring of examiners, and increased training
7. Geographic diversity (labor markets – proximity)
  - Satellite offices – Detroit, Michigan
8. The America Invents Act (September 16, 2011)
  - Array of reforms



# The America Invents Act

## 16 September 2011

uspto.GOV

The United States Patent and Trademark Office  
an agency of the Department of Commerce

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[Home Page](#) » [America Invents Act](#) » Implementation Information

### Implementation Information

- Patent Examination
- Inter Partes Disputes
- Fees and Budgetary Issues
- AIA Studies and Reports
- Programs
- Implementation Status

[AIA Resources](#)

[AIA Informational Videos](#)

[AIA Press Releases and Speeches](#)

[AIA Frequently Asked Questions](#)

[AIA Comments](#)

[AIA Blog](#)

### Leahy-Smith America Invents Act Implementation







# AMERICA INVENTS ACT

## IMPLEMENTATION

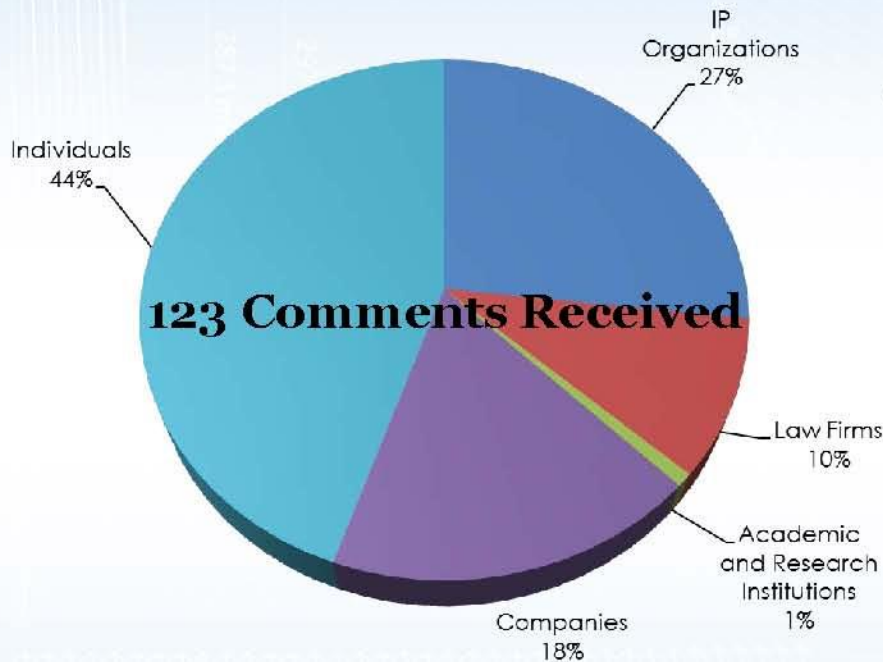
### AIA Roadshows

Alexandria, Atlanta, Detroit, Denver, Houston,  
Los Angeles, Minneapolis, New York City

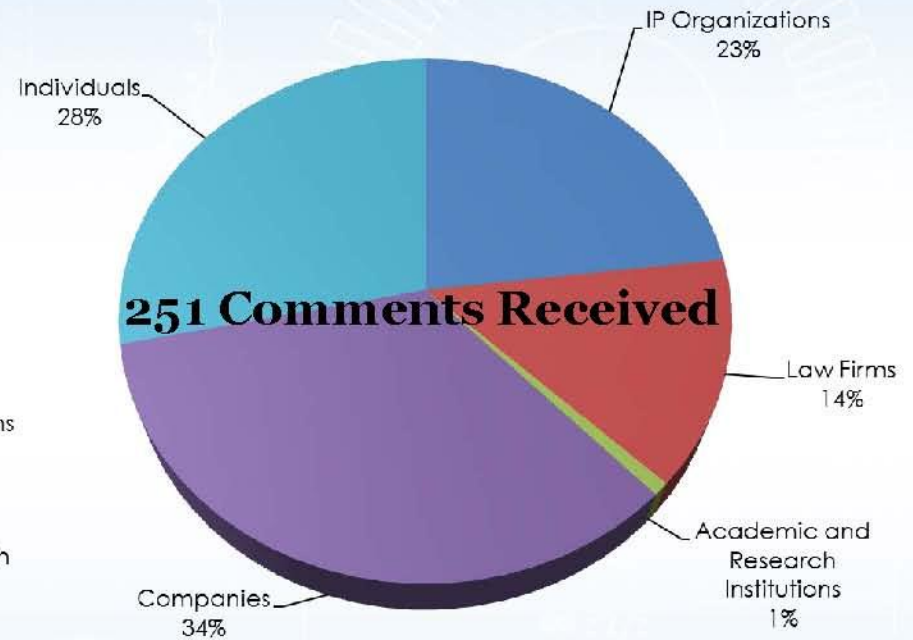


# Final Rule Promulgation: Public Comments

## Patent Rulemakings



## Board Rulemakings



# Roadshow Agenda

Time	Topic
10:30 AM to 11:00 AM	Introductory Remarks
11:00 AM to 12:30 PM	Patents Related Final Rules <ul style="list-style-type: none"><li>• Inventor's Oath or Declaration</li><li>• Supplemental Examination</li><li>• Preissuance Submission</li><li>• Citation of Patent Owner Claim Scope Statement</li></ul>
12:30 PM to 1:30 PM	<b>LUNCH (on your own)</b>
1:30 PM to 3:15 PM	Administrative Patent Trial Final Rules <ul style="list-style-type: none"><li>• Post Grant Review</li><li>• Inter Partes Review</li><li>• Transitional Program for Covered Business Methods</li></ul>
3:15 PM to 3:30 PM	<b>BREAK</b>
3:30 PM to 4:10 PM	Proposed Patent Fee Rules
4:10 PM to 4:50 PM	First-Inventor-to-File Proposed Rules and Examination Guidelines
4:50 PM to 5:00 PM	Closing Remarks



# AIA Help

- 1-855-HELP-AIA
- HELPAIA@uspto.gov
- Operational on Monday, September 17, 2012
- [http://www.uspto.gov/aia\\_implementation/faq.jsp](http://www.uspto.gov/aia_implementation/faq.jsp)





# AMERICA INVENTS ACT

## IMPLEMENTATION

# Patent Related Final Rules



# AMERICA INVENTS ACT

## IMPLEMENTATION

# Preissuance Submissions: Final Rules

# Preissuance Submissions: Goals

- Statutory provision aims to improve the quality of examination and issued patents
- Final rule is designed to promote:
  - efficient processing of submissions; and
  - focused submissions of the most relevant documents



# Preissuance Submission: Dates

- Effective Date: September 16, 2012
- Applicability: Pending or abandoned application filed before, on, or after September 16, 2012





# Fee

<b>Service</b>	<b>Fee</b>
Every 10 documents listed or fraction thereof	\$180 fee
First submission of 3 or fewer total documents submitted <ul style="list-style-type: none"><li data-bbox="214 858 1136 958">• Must be accompanied by “first and only” statement</li></ul>	No fee



# Examiner Consideration

- Submissions (documents and concise descriptions) will be considered in the same manner as documents cited on an IDS
  - Copy of the document list, indicating which documents the examiner considered, will be provided to the applicant
  - Considered documents will be printed on the patent
  - Examiner's consideration does not equate to agreement with third party
- Third party is not permitted to respond to an examiner's treatment of a submission
- Applicant need not reply to a submission in the absence of a request by the Office to do so





# AMERICA INVENTS ACT

## IMPLEMENTATION

# Administrative Patent Trials: Final Rules

**NOTE:** Clarifications and changes from the proposed to the final rules are shown in italicized text in this section of the presentation

# Major Differences between IPR, PGR, and CBM

## IPR

**All patents are eligible**

**Petitioner has not filed an invalidity action and petition is filed no more than one year after service of infringement complaint for the patent**

**Only §§ 102 and 103 grounds based on patents or printed publication**

## PGR

**Only FITF patents are eligible**

**Petitioner has not filed an invalidity action**

**Only §§ 101, 102, 103, and 112, except best mode**

## CBM

**Both FTI & FITF patents are eligible, but must be a covered business method patent**

**Petitioner must be sued or charged w/ infringement**

**Only §§ 101, 102, 103, and 112, except best mode**





# AMERICA INVENTS ACT

## IMPLEMENTATION

# Fee Setting: Proposed Rules

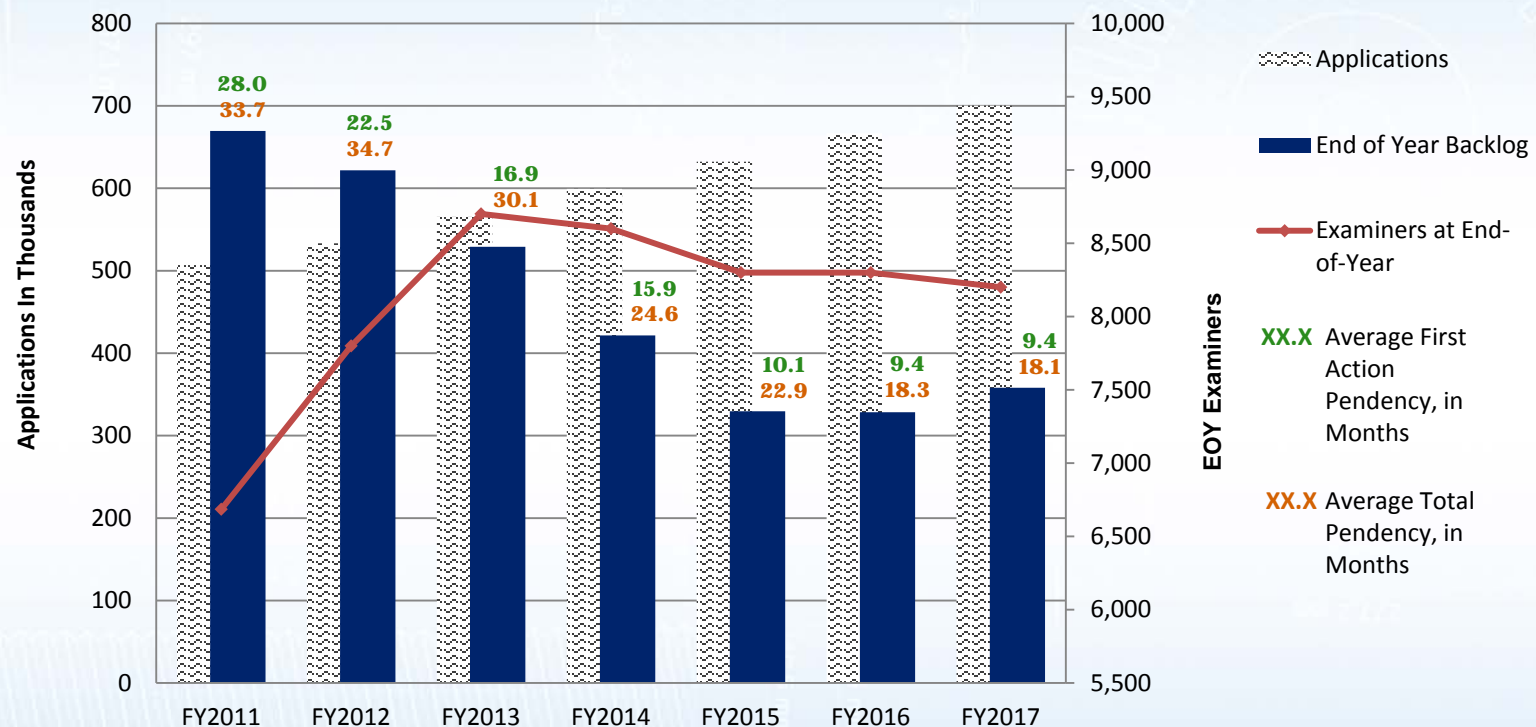
# Fee Setting Goals and Strategies

- Ensure the patent fee schedule generates sufficient aggregate revenue to recover the aggregate cost to achieve two significant USPTO Goals:
  - Optimize patent timeliness and quality; and
  - Implement a sustainable funding model for operations
- Set individual fees to further key policy considerations:
  - Fostering innovation;
  - Facilitating the effective administration of the patent system; and
  - Offering patent prosecution options to applicants



# Optimize Patent Timeliness and Quality

- Reduce total patent application pendency by more than 12 months
- Provide for an incremental increase in the average value of a patent of \$6.9 billion over a 5-year period (FY 2013 to FY 2017)



# Optimize Patent Timeliness and Quality

- Improve patent quality through:
  - Comprehensive training for examiners;
  - Expanded and enhanced Ombudsman program;
  - Reengineering the examination process;
  - Guidelines for examiners to address clarity in patent applications; and
  - Encouraging and facilitating interviews





# Implement a Sustainable Funding Model

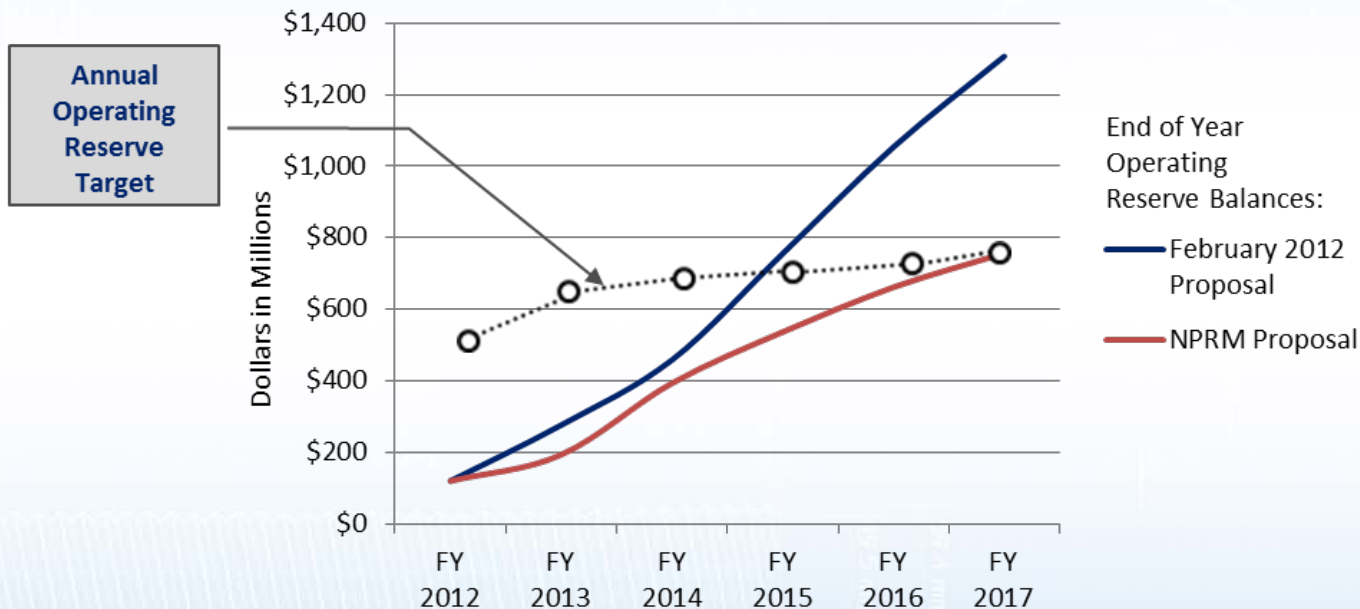
- Continue building an operating reserve of 3 months of operating expenses by 2017
- Facilitates the Office's long-term operational and financial planning
- Increases the USPTO's ability to absorb and respond to unanticipated shocks and temporary changes in its operating environment or circumstances



# Operating Reserve Estimates

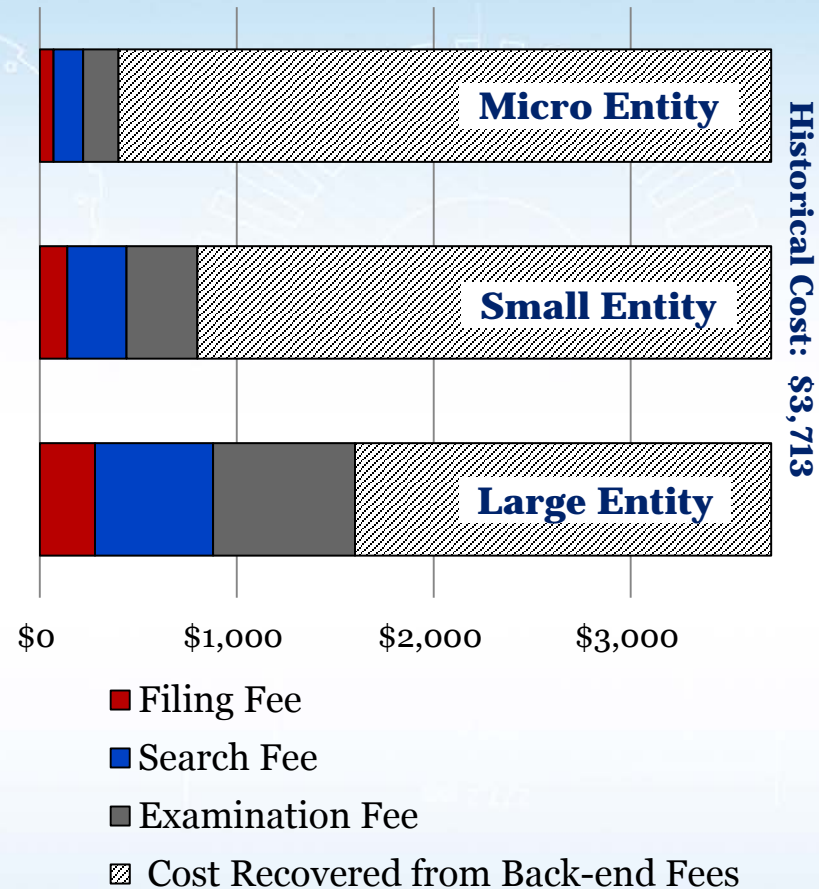
Description	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
3 Months Operating Expense	\$637 M	\$676 M	\$702 M	\$712 M	\$736 M
Estimated End of Year Balance	\$194 M	\$394 M	\$537 M	\$662 M	\$757 M
Annual Cost (Increase to Reserve)	\$73 M	\$200 M	\$143 M	\$125 M	\$95 M

Target Achieved



# Policy Consideration: *Fostering Innovation*

- Basic “front-end” fees (e.g., filing, search, and examination) set below the actual cost of carrying out these activities
- Fee reductions for small (50%) and micro (75%) entity innovators
- Basic “back-end” fees (e.g., issue and maintenance) set above cost to recoup the revenue not collected by “front-end” and small and micro entity fees



# Policy Consideration:

## *Facilitating the Effective Administration of the Patent System*

- Encourage submission of applications or other actions that enable examiners to provide prompt and quality interim and final decisions;
- Encourage prompt conclusion of prosecution, which results in pendency reduction, faster dissemination of information, and certainty in patented inventions; and
- Help recover the additional costs imposed by the more intensive use of certain services by some applicants



# **Policy Consideration:** ***Offering Patent Prosecution Options to Applicants***

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- Prioritized examination offers applicants a choice for greater control over the timing of examination by choosing a “fast track” examination for an additional fee
- Multi-part and staged fees for requests for continued examination (RCE)
- Staged fees for appeals
- Multi-part fees for administrative trial proceedings



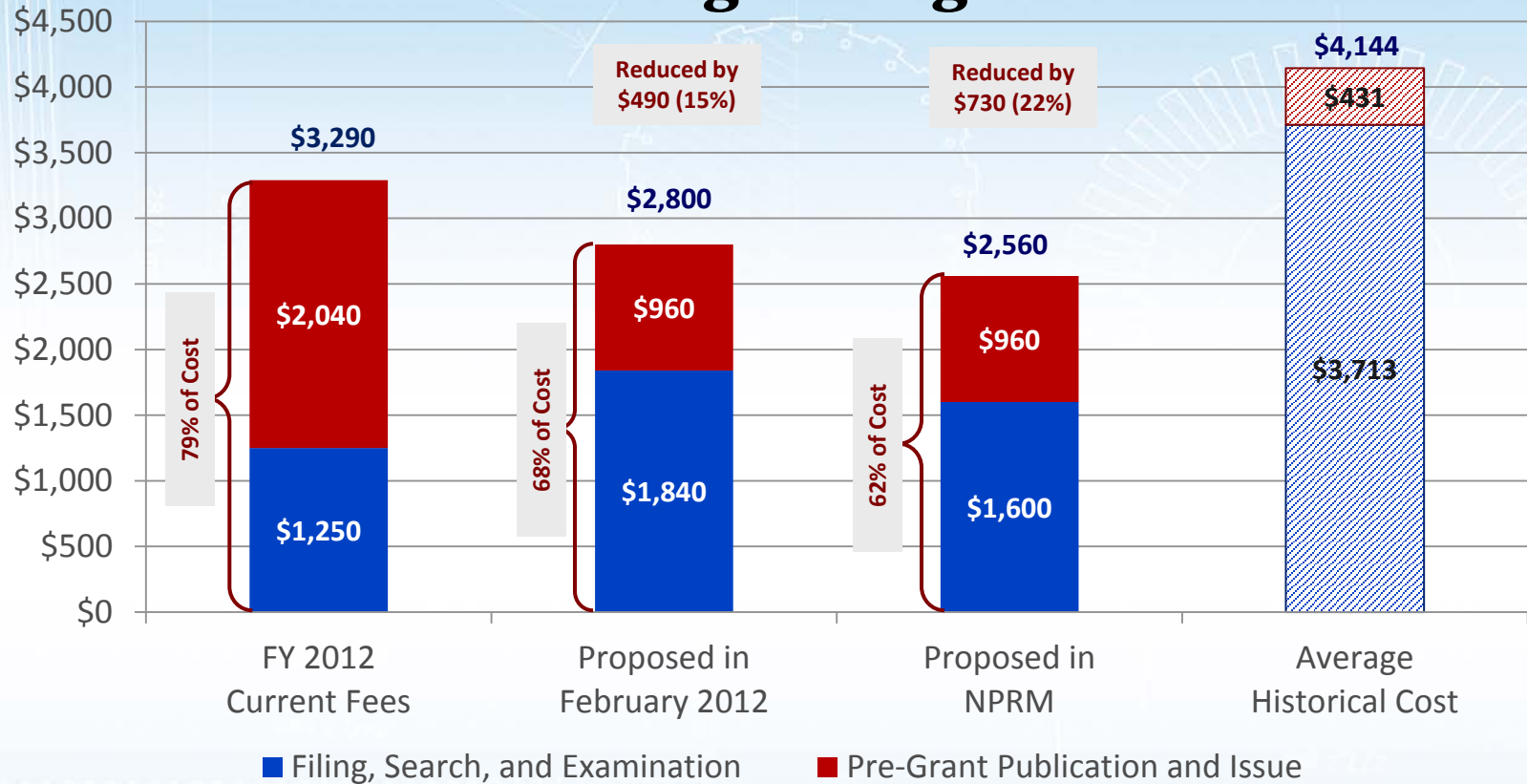
# Benefits and Costs

- Office prepared a Regulatory Impact Analysis (RIA) to analyze benefits and costs of proposed fees as compared to current fees and 3 other alternatives over a 5-year period
- Proposed fee schedule has the largest **incremental net benefit of \$6.9 billion over the 5-year period**
  - **Incremental benefit** of an increase in private patent value of nearly **\$7.7 billion**
  - **Qualitative benefits** from fee schedule design and greater certainty of patent rights from patents acted upon sooner
  - **Incremental cost** of patent operations of about **\$0.7 billion**
  - **Incremental cost** of lost patent value of over **\$0.1 billion**



# Proposed Fees v. Current Fees

## From Filing through Issue

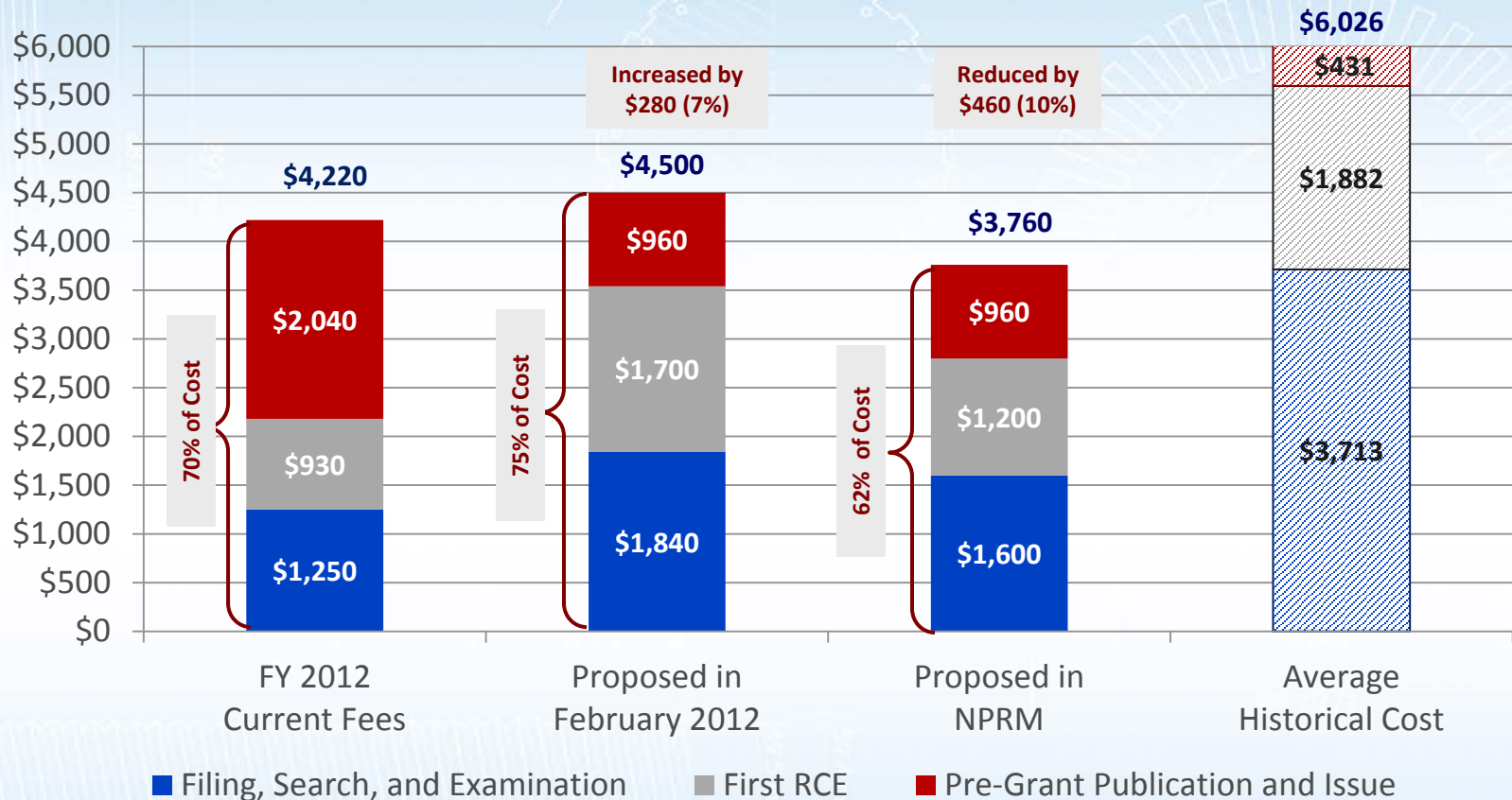


**Note:** In each scenario, from the Current to the NPRM fee structures, the fees paid could also increase by (a) \$170 for each independent claim in excess of 3; (b) \$20 for total claims in excess of 20; and (c) \$330 for each multiple dependent claim.



# Proposed Fees v. Current Fees

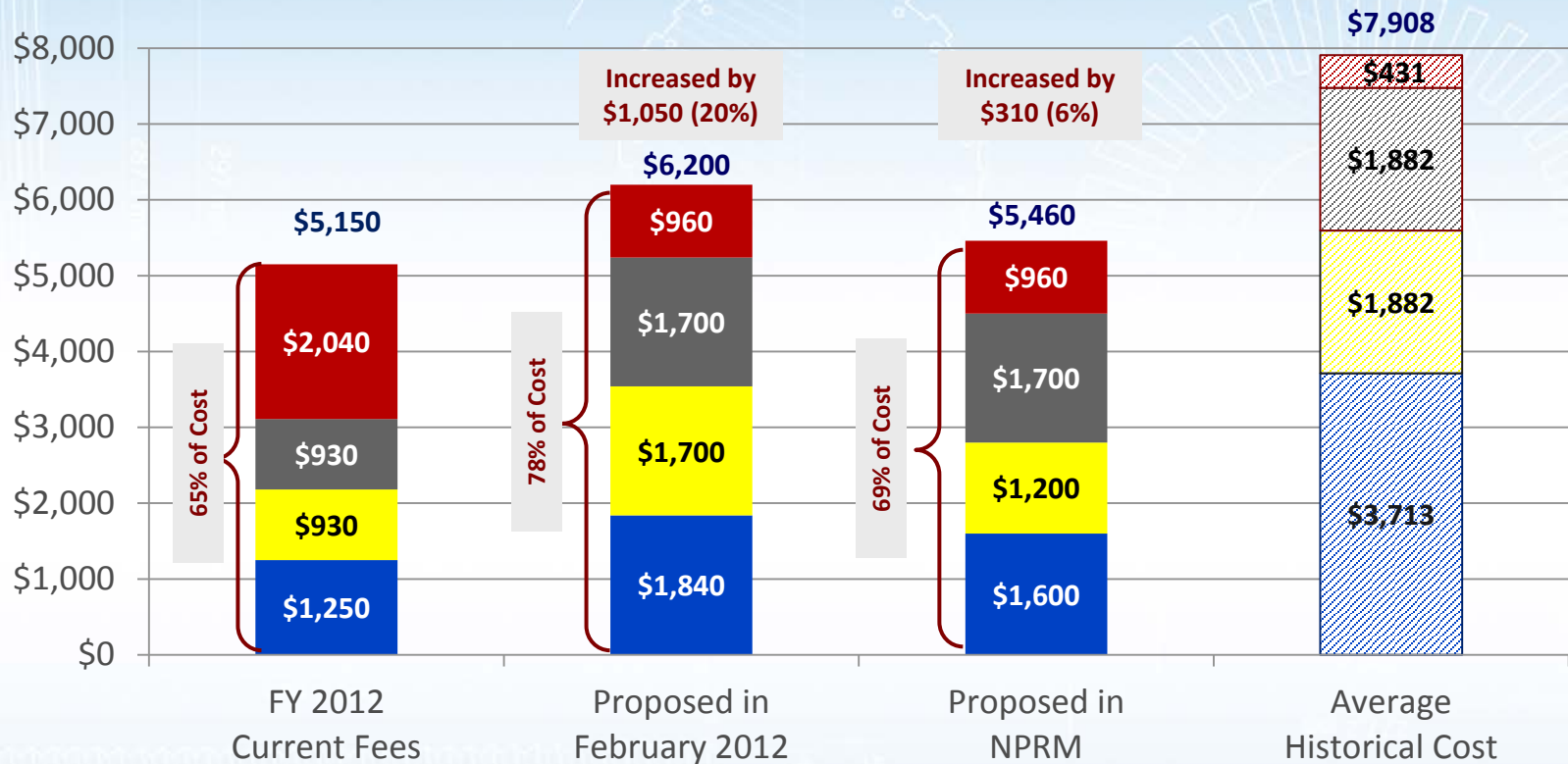
## From Filing through Issue with One RCE





# Proposed Fees v. Current Fees

## From Filing through Issue with Two RCEs

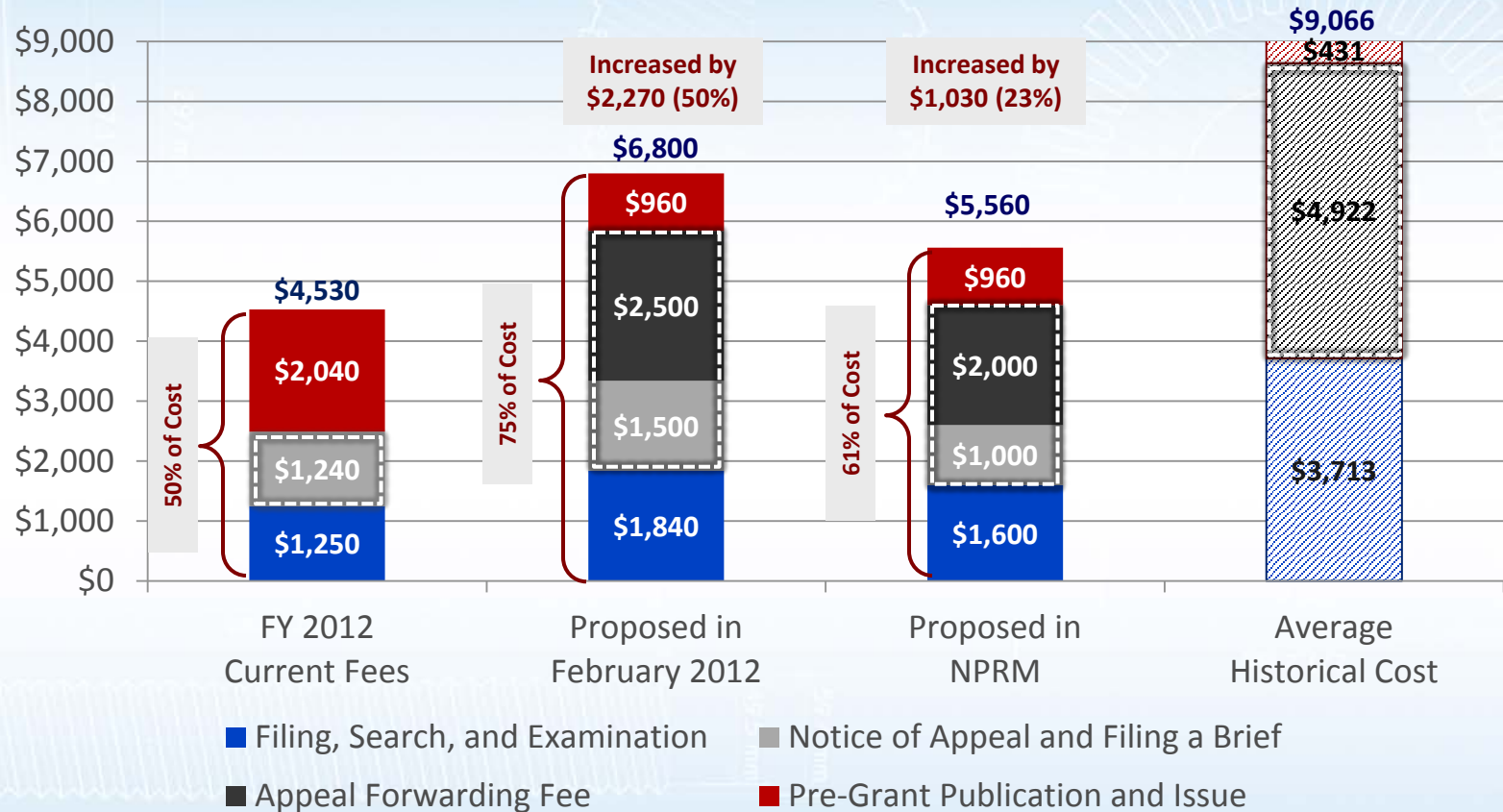


■ Filing, Search, and Examination 
 ■ First RCE 
 ■ Second RCE 
 ■ Pre-Grant Publication and Issue



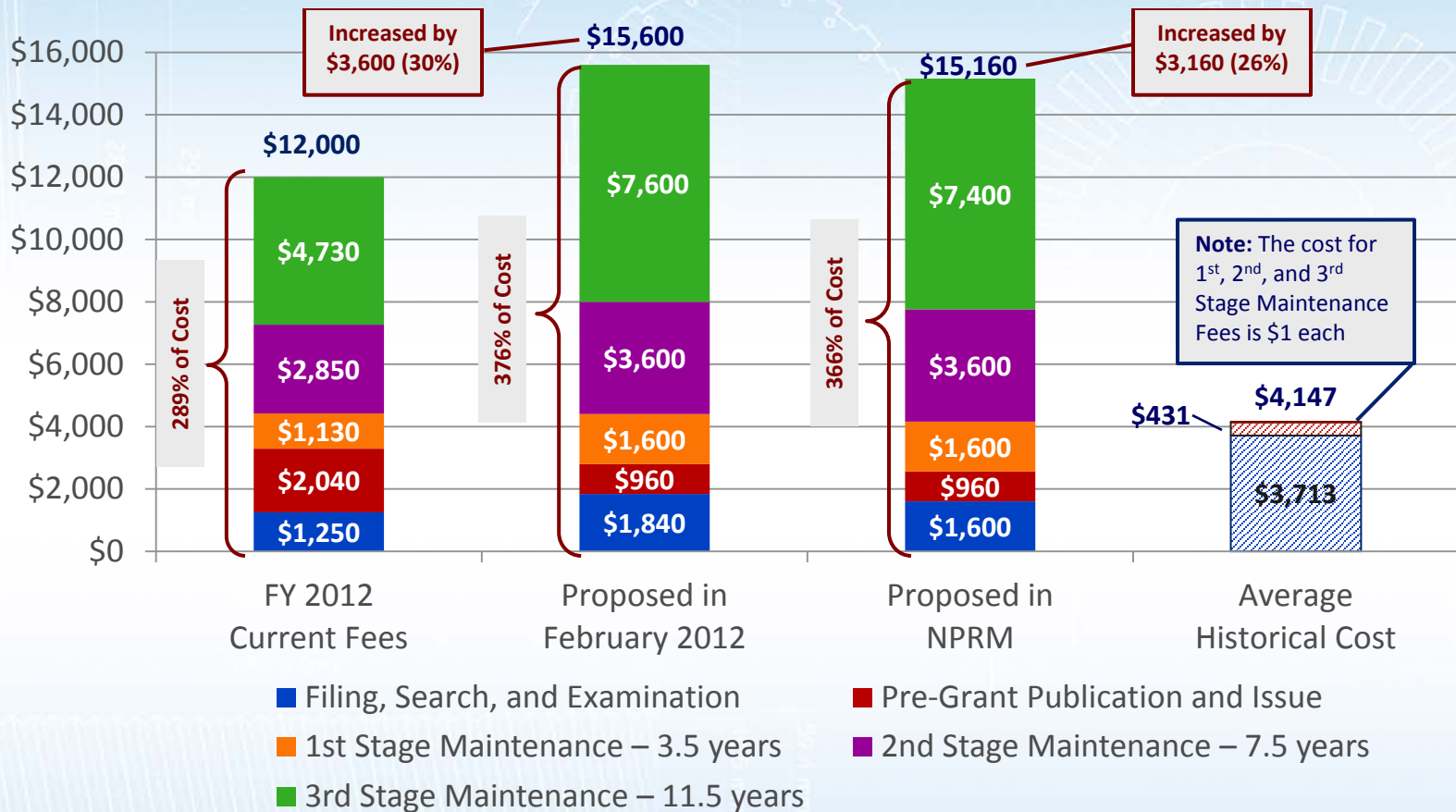
# Proposed Fees v. Current Fees

## From Filing through Issue with a Notice of Appeal and Appeal Forwarding Fee



# Proposed Fees v. Current Fees

## From Filing through 3<sup>rd</sup> Stage Maintenance



# Appendix

- Patent Fees Proposed Rule (77 Fed. Reg. 55028, September 6, 2012)
- Comments due: November 5, 2012





# AMERICA INVENTS ACT

## IMPLEMENTATION

# First Inventor to File: Proposed Rules and Proposed Examination Guidelines

# First Inventor to File: Goals

- Provide guidance to examiners and the public on changes to examination practice in light of the AIA
- Address examination issues raised by the AIA
- Provide the Office with information to readily determine whether the application is subject to the AIA's changes to 35 U.S.C. 102 and 103



# Date

- Effective Date: March 16, 2013
- Comments Due: October 5, 2012



# Framework

<b>Prior Art</b>	<b>Exceptions</b>	<b>Label</b>
102(a)(1)	102(b)(1)(A)	Grace Period Inventor Disclosures & Grace Period Non-inventor Disclosures
	102(b)(1)(B)	Grace Period Intervening Disclosures
102(a)(2)	102(b)(2)(A)	Non-inventor Disclosures
	102(b)(2)(B)	Intervening Disclosures
	102(b)(2)(C)	Commonly Owned Disclosures







# AMERICA INVENTS ACT

## IMPLEMENTATION

**Questions?**



# In Sum: Patents Serve the Innovation System

Patents play important role in the innovation system

- Best played when they allow investments and commercialization to be made earlier, and in an environment that is characterized by less uncertainty

Evidence is coming to light, but we need more

- Understanding is desirable
  - » More than 50% of US business outputs = intangibles
- Increasingly, competitiveness tied to national innovative performance
  - » An efficient and effective patent system is one important determinant of economic growth

USPTO actively engaged in implementing the AIA in our mandated role to serve a more effective and efficient patent system