LITIGATORS CORNER:
The Still-Starved Patent Office

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Life is change, it seems, except when it comes to the Patent Office. There, time stands still. On December 17, 1921, *The New York Times* commented that:

> Inventions are the main builders of American manufactures. Nine-tenths of our industries have sprung from patents. They are the great makers of employment, the creators of new channels for labor.

The Times' observation was certainly true. The inventions of the late nineteenth and early twentieth centuries include Otis's elevator, the typewriter, the linotype, the washing machine, the zipper, the radio, the automobile and the airplane. Skyscrapers, modern printing and publishing, aviation, communications, and travel were made possible or greatly enhanced by these inventions. The Dow Jones Industrial Average at the turn of the twentieth century consisted of twelve companies; only one, General Electric, is still part of the DJIA. (Even GE got bounced in 1898, but was included again in 1899, was off again as of 1901, and returned in 1907.) As of 1920, the DJIA included twenty companies, including U.S. Steel, U.S. Rubber, Westinghouse, Baldwin Locomotive, Studebaker, Utah Copper, and Western Union.

But the economy is no longer driven by steam locomotives and telegraph wires, the products of Baldwin and Western Union. The economy has a new engine, because of new inventions: the transistor, the integrated circuit, the computer, followed by the PC, the computer network, modern rockets and space satellites, composite materials for aircraft, artificial knees, and antibiotics. And despite the whining we hear these days, would any of us want to return to the early twentieth century, the age of World War I and the influenza epidemic that killed twenty to forty million people after World War I? Of course not.

The Dow Jones Industrial Average reflects the new economy. In 1999, Chevron, Goodyear, Sears and Union Carbide were replaced by Intel, Microsoft, Home Depot and SBC Communications. In 2004, International Paper, AT&T, and Kodak were replaced by Pfizer, Verizon, and AIG. (AT&T made a comeback in 2005.) Today's Dow Jones includes those companies, and Boeing, Hewlett-Packard, IBM, McDonald's, and Honeywell. (You can read more about the Dow Jones Industrial Average at http://www.djindexes.com/mdsidx/index.cfm?event=showAverages and at http://www.djindexes.com/mdsidx/downloads/DJIA_Hist_Comp.pdf.)

The point is that the economy adapts. New needs generate new inventions. New inventions generate new businesses and jobs. The 1921 *New York Times* article argued that the inventions creating the benefits needed protection. It said that

> One would expect that the Patent Office, judge and recorder of all these business breeders and wealth makers, would be encouraged, supported liberally by Congress.

But that wasn't the case. In 1921, *The Times* blamed Congress for letting "the Patent Office break down." It pointed to the poor salaries for examiners:

> In 1848 the salary of an examiner was fixed at $2,400. It has been raised only ten per cent, in nearly eighty years. Today, an assistant examiner's pay upon his entrance into the service is $1,500, a hundred dollars more than that of a city postal clerk.

The Times also criticized the high attrition rate among the examiners:

> Between July, 1919, and June 30, 1921, 163 of 437 examiners resigned. These resigners were lawyers, men of scientific training. They knew their business, a complicated one. The only successors that could be had were young fellows with Alma Mater's milk fresh on their lips, ignorant of patent or any other law, novices set to do the work of experts . . . . In thirty-two months, 231 of 437 examiners resigned, more than half the force.

The effect of the resignations was exacerbated by the increase in the PTO's business: pending applications increased from 18,000 in July, 1919 to 49,000 in July, 1921, an increase of seventy-two percent.

The economy has adapted, but the problems with the PTO continue to exist. Correspondent Steve Lash recently reported in *The Chicago Daily Law Bulletin* on the GAO's study of the efficiency of the Patent Office:

> The U.S. Patent and Trademark Office must stem the flow of examiners leaving the agency, as part of a larger effort to halt the growing backlog of about 730,000 patent applications awaiting review, the Government Accounting Office reported this month.

According to this article, the PTO lost 1,643 examiners, and transferred or promoted 385 to other duties, out of a total of about 5,000 examiners. 1921 revisited. During the same period, 2002-06, the Patent Office hired 3,672 examiners.

The GAO report to Representative Tom Davis, to which the *Law Bulletin* article was referring, may be found at http://www.gao.gov/new.items/d071102.pdf. The report starts out by recognizing the important role of protecting intellectual property, and the growth in the workload. Its comments echo the 1921 *New York Times* article:

> Protecting intellectual property rights and encouraging technological progress are important for ensuring the current and future competitiveness of the United States. The U.S. Patent and Trademark Office (USPTO) helps protect the nation's competitiveness by granting patents for innovations ranging from new treatments for diseases, to new wireless technology applications, to new varieties of plants. USPTO's ability to keep up with the demand for patents is essential for achieving its mission. However, increases in both the volume and complexity of patent applications have lengthened the

amount of time it takes the agency to process them. As a result, the inventory of patent applications that have not yet been reviewed, called the backlog, has been growing for over 15 years — since fiscal year 2002 alone, the backlog has increased by nearly 73 percent to about 730,000 applications.

Just as in 1921, the number of pending applications had jumped. The percentage increase is almost identical to the increase in 1921. Also, just as in 1921, all was not well with the examiners. The GAO reported:

> Furthermore, according to our survey, patent examiners are discontented with the actions they have to take in order to meet their production goals. According to our survey, during the last year, 70 percent of patent examiners worked unpaid overtime to meet their production goals, some more than 30 extra hours in a 2-week period. The percentage of patent examiners who worked unpaid overtime increased with the length of tenure they had with the agency. We estimated that while 46 percent of patent examiners who had been at USPTO from 2 to 12 months had to work unpaid overtime to meet their production goals; 79 percent of patent examiners with over 5 years' experience at the agency had to put in unpaid overtime. In addition, we estimated that 42 percent of patent examiners had to work to meet production goals while on paid annual leave during the past year.

The June 10, 2002 edition of *The U.S. News and World Report* included an article, "Patents Pending," which described the problem that exists to this day:

> Since George Washington signed the Patent Act of 1790, the office has struggled to keep up with the ever increasing pace of invention. Now part of the Department of Commerce, the USPTO is a $1.4 billion agency employing a staff of more than 6,000. In 1991, the office was overhauled, and a fee system was established to allow the agency to be self-supporting. But the very next year, Congress took one look at the juicy fees and withheld $8 million, putting it to other purposes. The diversion continued unabated, totaling $700 million in a decade. . . . The diversion of patent fees has made it harder for the office to recruit and retain qualified examiners, whose salary scale starts at $32,000. . . . In the year 2000 alone, 437 examiners left their jobs, while just 375 were hired. Yet between 1996 and 2000, patent applications grew over 50 percent.

The GAO reported that the PTO planned to hire 750 examiners in 2004, but only hired 443 "because of subsequent funding limitations." It said that the PTO's approach did not take into account how many new examiners were needed to reduce the backlog of examinations, or to cope with the expected number of new applications. The PTO based its hiring assumptions on budget, not workload. The PTO's solution, according to the GAO, was to reduce the workload. Given the historical evidence of the dramatic increase of patent applications during post-war years (1919-21), and the technological boom of the 1990s, it strikes me that the PTO is way behind the curve in failing to anticipate and plan for such growth.

Reducing the backlog was the bureaucratic inspiration behind the rules originally scheduled to go into effect on November 1, 2007. As of the date this article is being written, they have been temporarily blocked. Since the Patent Office can't do its examination job, these rules would make us do it for the office. Now, not only do patent applicants pay user fees for the PTO's work; if those rules go into effect, applicants will be expected to take over and do some of the work the PTO was doing, and still is getting paid to do. One way the PTO seeks to shift the workload to its customers is through the proposed "examination support document," which would be required depending upon the number of claims in the application. This document would have to describe the prior art and its applicability to the claims. Examiners have always had an independent, statutory duty to determine patentability, without regard to what an applicant says. An examination support document would tend to excuse the examiner from doing his duty, by allowing him to rely on the applicant's analysis of a reference, rather than his own analysis of it.

Furthermore, an examination support document would provide more grist for those who maliciously plead inequitable conduct, and would also give the infringers and the CAFC even more ways to argue that the prosecution history limits the issued claims. Applicants will still get to pay the user fees, naturally. That's chutzpah. Only a government agency could get away with this scheme. Any business trying this stunt would sink faster than the Titanic, and would deserve to disappear beneath the waves. Those rules have now been temporarily enjoined by a district court. We can only hope that the preliminary injunction in *Tafas v. Dudas*, 1:07 CV 846, will become a permanent one.

The bell has been rung again and again and again. The historical evidence of what happens when the PTO is overburdened is there for anyone to see. This is not a new phenomenon, as the 1921 *New York Times* article teaches. But those in the media and in Congress, with some exceptions, do not appear to be listening. They spend time on fads, like the Patent Reform Act and listening to CEOs — like Jim Balsillie of RIM — whine, and continue to ignore underlying problems that have existed for years, problems that will bedevil and undermine any "reforms" Congress may enact. *The Times* asked in 1921, "How long will it take to hammer into the head of Congress" that examiner attrition and salaries need to be corrected?

Today we can ask the same question: When will we have an adequately funded and staffed Patent Office? IPT