Winners and Losers of the Proposed Rules

The Patent and Trademark Office (PTO) is proposing changes to implement a prioritized examination track (Track I). While the proposal may ultimately benefit the public, much more analysis is needed into who will be advantaged and disadvantaged under the proposed rules. This will entail providing the public with detailed and accurate information about the motivating forces behind the rule change and reliable metrics as Track I is implemented.

Track I has many advocates, indicating that many parties believe there is something to be gained by its implementation. Among the benefits, faster examination of patents increases business certainty, which would seem to benefit everyone. Yet Track I is not a proposal of faster examination for everyone, which the PTO is concurrently working on, but a proposal of faster examination for those who are willing to pay the fee and follow minimal additional procedures. Deeper consideration is needed into how the ability to purchase a strategic advantage affects Track II, small-entities, and the various technological arts.

Track I v. Track II

The PTO has stated repeatedly that the addition of Track I will not affect Track II. Yet it is difficult to see how this could be possible under the proposed rules. To handle the increased workload, the office must hire and train new workers. This takes time, at least one to two years. Yet the PTO plans to implement Track I immediately. Also, the immediate surge in Track I workload would be difficult to spread out over experienced examiners, who already have full dockets. Therefore, unless the implementation of Track I is spread over time, much of the increased workload will fall on new and inexperienced examiners. These factors would lead to decreased quality of examination in Track I and increased pendency in Track II. There is also the difficulty of being able to separate new hires made to accommodate Track I from new hires needed to maintain/improve Track II.

In order for the PTO to credibly assert that the implementation of Track I will not be to the detriment of Track II (and overall examination quality), detailed metrics must be provided to the public. These would include metrics on pendency, quality, and hiring measured against the office’s current stated goals. To further protect against Track bias, the PTO could include the composition of examiners (by GS-level) examining each track.

Small-Entities

The most clearly disadvantaged group under the proposed rules will be small-entities, as they are most likely to lack the funds to purchase the strategic advantage offered by Track I. It is of the utmost necessity that the PTO receives the necessary authority to alter the fee structure for small entities. Small entities are already disadvantaged in their ability to hire high quality patent agents, pursue lengthy prosecution, and defend through litigation. The current proposed rules serve to further amplify their disadvantage.
One proposal that was advanced was a quota system, to ensure that small-entities receive their share of access to Track I. Close monitoring as the proposed rules are implemented can help determine if such restrictions are necessary to protect small-entities or other minority inventor groups, or whether the increased administration costs and distortions would be too high. The percentage of Track I participants that are small entities, or even a survey of what percentage of entities support Track I and believe they will use it frequently segmented by size.

**Technological Areas**

Finally, the proposed rules will affect some technological areas more than others, which will correspondingly benefit various industries to the detriment of others. In many of the workgroups, the backlogs are minimal, such that most applicants essentially receive Track I examination free of charge. In some technological areas, compact prosecution is not a high priority. For inventors in both of these areas, the proposed rules will have little to no effect. Thus, technological areas where speedy patent prosecution is a high priority and the PTO backlog is significant will be most affected by the proposed rules. There could be a keeping up with the Joneses effect in these areas, where once one company begins prosecuting under Track I, all its competitors will follow. This would effectively lead to a tax on the affected technological areas.

The PTO backlog is related to changes in filings within the technological art as well as hiring decisions. Presumably, as there are more filings within an area, more examiners are hired within that area. There will necessarily be a lag, creating a backlog. However, once hired, it can be difficult to assign an examiner to a different technological art. Thus, technological arts in which patent filings are decreasing will have a decrease in the backlog. Technological areas that have increased patent filings, and therefore increased perceived value, will be most likely to be taxed by Track I. Increased patent filings would likely also correspond to fast-moving technology areas. Taxing such technology areas would not seem to fit with the PTO’s Constitutional mandate to “promote the progress of science.” However, the tax may well turn out to be insignificant, or outweighed by the benefit to other technological areas (although supposedly Track II will not be affected, either positively or negatively). And the overwhelming support indicates that these technological areas are more than willing to pay the tax. Still, the PTO should closely monitor which technological areas are using Track I. As a matter of fairness, imbalances in the backlog of different technology areas should be minimized. A metric on the percentage of filings within each technological area that are applying for Track I would be informative. It is in these industries where small-entities are most likely to be negatively affected. A breakdown within these targeted areas by size of the entity could be helpful for identifying such an effect.

**Close Monitoring and Willingness to Change**
As Track I is implemented, the volume of applications, and the breakdown of the applicants by technology area and size, will make clear exactly what parties believe they stand to benefit from prioritized examination. This information must be summarized and made available to the public. Periodic public feedback will be crucial to determining next steps to take.