

From: Duane Roth
Sent: Thursday, February 26, 2009 1:25 AM
To: AC6/Comments
Cc: Duane Roth
Subject: Comments - Feb 12, 2009

See attached response from Deferred Examination Roundtable held on Feb 12, 2009.

Duane Roth
CEO, CONNECT
858-964-131-



February 26, 2009

The Hon. John J. Doll
Acting Under Secretary of Commerce;
Acting Director of the USPTO

Mail Stop Comments-Patents
Commissioner for Patents
P.O.Box 1450,
Alexandria, VA 22313-1450

Via e-mail to AC6comments@uspto.gov

Re: Request for Comments and Notice of Roundtable on Deferred Examination

Dear Acting Under Secretary Doll:

My name is Duane Roth and I am CEO of CONNECT, a globally recognized, non-profit organization fostering entrepreneurship in the San Diego, California area by catalyzing, accelerating, and supporting the growth of technology and life science based companies. For the past 25 years, we have assisted in starting over 1,500 companies in the San Diego region, primarily from intellectual property from our local research institutions.

Thank you for the opportunity to attend the Deferred Examination Roundtable. While I was not a member of the Roundtable panel, I did make a statement during the public comment period. This letter summarizes CONNECT'S views on deferred review and supplements my comments made during the Roundtable. This letter represents, I believe, an entrepreneurial and business perspective to this important issue. In short, deferred examination offers a practical, simple solution to the problems facing entrepreneurs, small businesses, innovators and the USPTO. Accordingly, the USPTO should adopt deferred examination in the United States.

An Entrepreneurial and Small Business Perspective

Innovation and development supports the health of our economy and entrepreneurs and small business ventures contribute significantly to the innovation pipeline of this country. However, any hope for success depends on start-ups raising cash, and using that money effectively and efficiently to fuel their R&D engine and protecting their commercially relevant

innovation. Moreover, product development success rate—the ability to deliver products through R&D investment—vary by industry and always involve risk. Likewise, innovation cycle times are typically long, particularly in life sciences, and it is not unusual for companies to spend decades and huge sums of money before they reap any benefits from their investments.

Faced with these challenges, start-ups must use their resources wisely. Today, the current system in the USPTO does not provide the needed resource allocation flexibility critical to the survival of small businesses and start-ups. Currently, small business ventures spend significant resources protecting innovation that, quite frankly, may never see the light of day due to a variety of factors including changes in business focus. Accordingly, entities are often forced to commit resources to patent prosecution for all their cases, siphoning funds away from critical R&D and other projects.

The Importance of Intellectual Property

Intellectual property does provide the lifeline for many entrepreneurs, innovators, and small companies. A strong intellectual property system is needed in order to promote and drive innovation and the promise of intellectual property rights encourages investment in research and development across this country. Indeed, investors in small business ventures view patents as an important property right protecting their investment. However, issuance of a patent is not required as a prerequisite for funding. Knowing that the funded entity can focus invested dollars on R&D while preserving the ability to seek future patent protection are critical factors to investment. Obtaining high quality patents is indeed important. However, commercially irrelevant patents offer little or no value to a business and investors need their investment dollars targeted to the success of the business and allocated to protecting innovation relevant to that business.

The Heart of the Issue

Today the USPTO workload has overtaxed its resources and there appears to be no relief in sight. Despite a dramatic, four-fold expansion of its examiner corps and a more than ten-fold increase in its annual budget over the past decade, the USPTO has been unable to keep up with the ever-growing influx of new applications and application backlog. As was stated at the Roundtable, patent application filing rates are projected to increase by 6% annually, continuing their significant upward trend.

The workload challenges facing the USPTO have significant impact on both the USPTO and patent applicants alike. For this cause there is a very real and problematic effect. Patent quality is jeopardized and patent pendency is at an all time high. But, the answer is not necessarily hiring more examiners. The USPTO must be more efficient with its current resources and the drop-out of unwanted cases offered by a deferred examination system will provide the USPTO with the needed efficiency gain.

As was discussed at the Roundtable, we do have very real examples and experiences showing how deferred examination will enable the USPTO to meet its current resource challenges. Indeed, many countries have adopted deferred examination. Information available from deferred examination systems in other industrialized countries indicates that deferred examination results in a substantial drop-out of patent applications. Statistics for foreign patent offices demonstrate significant numbers of withdrawals by the time examination must be requested, with drop-out rates often reaching 20-30% or higher. For Japan, drop out rates are as high as 45-50% for applications filed up to 2001 (those cases having a 7 year deferral period), and about 33% for applications filed after 2001 (cases having a 3 year deferral period). In Korea, drop-out rates are 25-30% and about 7-10% in the European Patent Office. Drop-out rates are about 40% in Germany. The available statistics also demonstrate that longer deferral periods result in higher drop-out rates. I would estimate that drop out rates for small business ventures to range between 30 and 50%.

Deferred examination addresses the heart of the issue—allowing applicants to drop their cases before the USPTO is required to allocate its precious resources. Essentially, deferred examination enables the USPTO to focus its time on the applications that matter and not, as a matter of course, examining cases that have little value to patent applicants. Unfortunately, the current system requires examiners to review every case and applicants are not given the opportunity to cull their applications before the USPTO takes action.

Benefits of Deferred Examination

Deferred examination, if crafted and implemented correctly, will positively affect not only patent applicants, but also the USPTO. As noted above, deferred examination offers patent applicants significant flexibility in resource allocation without jeopardizing patent protection. Deferred examination offers the USPTO a work management tool, allowing the USPTO to reduce backlogs, improve patent quality and reduce application pendency.

Importantly, deferred examination gives the USPTO the flexibility to allocate its resources to respond to demand, benefiting all industries in all technology areas. This flexibility enables different industries to utilize the system according to their business needs and allows the USPTO to respond accordingly. As an example, software companies, because of their relatively short innovation cycle and time to market, will generally require very short application pendency and will request examination quickly. Life science companies, on the other hand, will typically defer examination for the full deferral period because of their long innovation and product development cycles. Both industries will demand quality examination of their commercially relevant cases by the USPTO. In this example, the USPTO could allocate resources to different art units to respond to the need, while at the same time increasing patent quality and shortening patent pendency.

Every organization, to be efficient and ultimately successful, must have the flexibility to allocate its resources as the demand requires. The USPTO is no different.

Deferred Examination Fundamentals

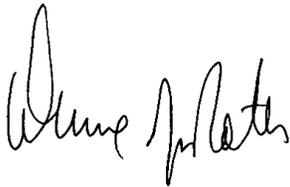
There are certain fundamentals that should be considered and included in the deferred examination program in the USPTO:

- Eligibility: all patent applications should be eligible.
- Opt-in: the USPTO will not take up a case for examination until examination is requested.
- Deferral period: the deferral period should be at least 7 years and it begins on the filing date and ends at least 7 years after the filing date. Examination can be started any time during the deferral period by the request of the patent applicant.
- Activation rights: substantive examination can be requested by a third party at any time during the deferral period but there should be a cost so third party activation is the rare exception. Third parties should be discouraged from liberal activation of cases owned by their competitors. Clearly, activation rights will have to be crafted carefully to realize the benefits of a deferred examination system and avoiding undue burden on the applicant.
- Term of the patent: deferred examination should be term neutral...that is, the term of the patent that issues after deferral should not be shortened by the deferral period.

- Publication: deferred cases should be published 18 months after the earliest priority date.

Conclusion

I strongly encourage that immediate action be taken to implement deferred examination in the USPTO. The U.S. patent system is driving our economy, and is creating benefits for society, but we all, businesses, universities and the government alike, need to be efficient and appropriately allocate our resources. Deferred examination offers the USPTO and patent applicants flexibility to do just that, without discriminating against any industry or technology. Deferred examination offers a win/win solution that we cannot afford to delay implementing.



Duane J. Roth