From: Asher, Kathleen
Sent: Wednesday, February 25, 2009 5:41 PM
To: AC6/Comments
Subject: Comments on Deferral of Examination

Dear Commissioner for Patents,

Please find attached comments from Philips regarding the deferral of examination of patent applications.

Kind regards,
Kate Asher

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February 25, 2009

Commissioner for Patents
United States Patent and Trademark Office
Alexandria, Virginia

Re: Comments on Deferral of Examination

Dear Commissioner:

I am a U.S. patent attorney employed by Philips Electronics North America Corporation, which is wholly owned by Koninklijke Philips Electronics N.V. ("Philips"). I am writing to you on behalf of Philips to present Philips' position on the deferral of examination of patent applications.

INTRODUCTION

Philips has three business sectors: the Lighting Sector, the Healthcare Sector, and the Consumer Lifestyle sector. To protect the inventions created by its various businesses, Philips files, via its Intellectual Property and Standards organization (IP&S), an average of 1600 patent applications annually, owns 55,000 patents, and employs 500 IP professionals and support staff worldwide, including within the United States.

Philips' significant patent portfolio forms a key asset, which it leverages in multiple ways to support the growth and competitiveness of its businesses. As a major user of it, Philips has a vested interest in a well functioning and efficient United States patent system that provides high quality patents without undue delays.

However, the substantial increase in the number of patent filings during the last 5-10 years have caused increasing challenges for the USPTO to maintain its performance at levels that are acceptable for both the users and the general public. Already today the USPTO is faced with a considerable backlog of cases that need to be examined.

The USPTO has already taken measures to reduce this backlog. However, without additional measures it will be a tremendous task for it to prevent this backlog from increasing even further.

Philips considers it a task of both the USPTO and the users of the US patent system to cooperate in finding ways to reduce the pressure on the USPTO ensuring that it can continue to grant well examined, high quality patents also in the future. A well functioning patent system is vital for the stimulation of innovation, entrepreneurship, prosperity and the creation of jobs.

GENERAL APPROACH

The solution to the backlog and quality issues is multifaceted, requiring multiple approaches. Philips position is that one of these approaches is the deferred examination of patent applications.[1] The specific recommendations set forth herein can be implemented relatively easily without big efforts and without major legislative measures. Philips hopes that you will find these suggestions useful, and it is, of course, willing to further discuss these with you in greater detail.

In general, Philips promotes approaches that will cause applicants to be more critical and selective in (1) what they will file with the USPTO and (2) whether and when their applications will be substantively examined. The former, which reduces the backlog by reducing intake of applications, can be encouraged by, for example, raising the overall cost of obtaining and maintaining a patent. The latter, which reduces the backlog by reducing the number of applications that are ultimately examined, can be realized by the deferral of examination system.

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[1] Another unrelated approach is to promote better use of the PCT system in line with proposals made by WIPO.

Improved Allocation of Resources

Many of Philips' patents are abandoned well before 20 years from filing. In fact, after only 7-10 years, about 50% of Philips' applications have been abandoned. This percentage is expected to increase in the near future due to the continuously shortening technology and product lifecycles in many business areas. In many instances, the reason the applications are abandoned is that the business has made the decision to not pursue the invention in the marketplace. Thus, the resources that went into issuing these patents are essentially wasted and could have been more efficiently used toward patenting inventions, which are being exploited in the marketplace by applicants that have a greater interest in having their applications proceed to issuance quickly.

Uncertainty

Some commentators have expressed concern with deferred examination due to the uncertainty that pending applications create. However, they fail to recognize a counterbalancing force of a deferral system. Namely, by reducing the number of patents that are not actually being exploited by their owners, a deferral system ensures that the public is not unnecessarily inhibited by patent monopolies that are not actually being exploited by or of interest to their owners. In this manner, a deferral system actually reduces the barriers to and transaction costs associated with innovation. Furthermore, patent applications that undergo deferred examination (1) remain subject to publication[2], thereby providing the public with notice of the subject matter of the invention and, (2) according to the procedure proposed herein, are subject to examination upon request of any interested member of the public. Finally, the public's uncertainty could be reduced if the deferred examination system is limited to examination proper, so that in return for the search fee, a search is still carried out so that the public can form its opinion on the relevance of the patent application (and any need to request examination) on the basis of the search report.

[2] Philips is strongly in favor of the introduction of a mandatory 18-months' publication for all US utility patent applications that are not subject to a secrecy order, thereby abolishing the present opportunity under 37 CFR 1.213 for requesting that an application not be published if no corresponding application has been or will be filed in a country that carries out a mandatory 18-months' publication.

SPECIFIC APPROACH

Balanced Interest Phased Examination

To promote the efficient use of resources, both of the USPTO and applicants, Philips proposes a Balanced Interest Phased Examination (BIPE), a type of deferred examination system, which balances the interests of both applicants in getting certainty about the patentability of those inventions that have the highest value to them, and the interest of the general public in reducing uncertainty caused by pending patent applications of third parties. Philips has included measures to ensure that deferred examination can be curtailed when such uncertainty exists.

Elements

Philips' BIPE approach would include the following elements:

1. The applicant would still need to pay the filing, search, examination, and application size fees required under 37 CRF 1.51(b)(4) at the time of filing.
2. Also at the time of filing, applicant would file a request to defer examination. Deferral would be purely optional.
3. Applicant would then have a period of five (5) years from the earliest filing date for which a benefit is claimed within which to request examination. A fee (for example, $125) would be required to be paid with the request to ensure that applicant is genuinely interested in examination.
4. Alternatively, any member of the public could request examination during the five year period. This request could be made anonymously, but, to prevent abuse, the third party would be required to pay a fee (for example $125) with the request. Upon such a third party request, the applicant would be required to enter prosecution of the application or face abandonment of the application.
5. If a request for examination is not made within the 5 year period, the application is deemed to be abandoned.
6. Applicants would be encouraged to withdraw by a provision that some percentage (for example, 75%) of the examination fee be refunded if the

application is withdrawn. Such a provision would further mitigate the uncertainty concern.

CONCLUSION

Philips believes that requests for deferral of examination would occur more often under the procedure described above than has occurred under the existing deferral provisions of 37 CFR 1.103(d) due to, for example, the addition of safeguards for third parties under item (4) above and the longer time period within which the request for examination can be made. That is, a 5-year time period is more in line with the time frame within which a business makes the decision of whether or not to exploit an invention in the market place. If the time period is made shorter, applicants are forced to have examined applications they may otherwise not pursue. Given the current maintenance statistics, Philips believes that a substantial number of applicants would drop their applications if given five years to make the decision because the applications will no longer have sufficient value to them.

Introducing the BIPE system of deferred examination described above should reduce the PTO's workload and, thus, also the backlog over time. It should also aid the PTO in realizing an 18-month pendency for those cases in which applicants or third parties have a serious interest in having expeditious examination.

Regards,

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