

Secret Patent-Examination Program: Rare But Consequential

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Last fall, we investigated a secret program called the Sensitive Application Warning System (SAWS). Under the program, patent examiners were instructed to notify their supervisors upon identifying an application corresponding to an identified SAWS subject matter. A corps-wide list of potential SAWS subject matter included 14 subjects, such as “Applications with claims of pioneering scope;” “Applications dealing with inventions, which, if issued, would potentially generate unwanted media coverage (i.e., news, blogs, forums)” and “Applications disclosing seemingly frivolous or silly subject matter.” Each technology center included further lists, which, in total, amounted to approximately 100 additional potential SAWS subject matters.

If the supervisor agrees with the assessment, a SAWS report is to be filed that is then evaluated to determine whether the application is to be flagged as a SAWS application. Should an application be so flagged, when an examiner determines that the claims are allowable, the matter is reviewed by one, more or all of a SAWS point-of-contact, SAWS quality assurance specialist, SAWS panel, assistant commissioner for patents and/or assistant commissioner for patent examination policy.



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We speculated that the breadth and number of the SAWS-eligibility criteria may be subjecting many applications to SAWS review. We further speculated that the involvement of multiple additional parties in the examination may result in decreased patenting potential and/or lengthened prosecution. Though we attempted to investigate these hypotheses, we were limited in that our request for identifications of applications flagged for SAWS had been denied, and no notification is sent to an applicant upon a SAWS designation. However, we recently received a response to a new Freedom of Information Act request that included statistics pertinent to these issues.

Very Few Applications Are Entered into the SAWS Program

We requested data identifying how many applications were flagged for SAWS evaluation from amongst those applications filed during each of fiscal years 2006, 2008 and 2010. We further requested that these counts be segregated based on technology center assignment (and separating the 3600 technology into the business-method art units and other art units).

The data provided responsive to our request indicated that SAWS designations are rare (consistent with recent reports from the U.S. Patent and Trademark Office). Among the hundreds of thousands of applications filed in each of fiscal years 2006, 2008 and 2010, the number of applications with SAWS classifications remained under 200 for each year (132 for 2006, 183 for 2008 and 156 for 2010). For each filing year, this amounted to just 0.04-0.05 percent of the filed applications.

FIG. 1 shows the counts segregated by technology centers and filing year. As shown, SAWS designations were distributed across technology centers. Further, trends across filing years differed across technology centers,

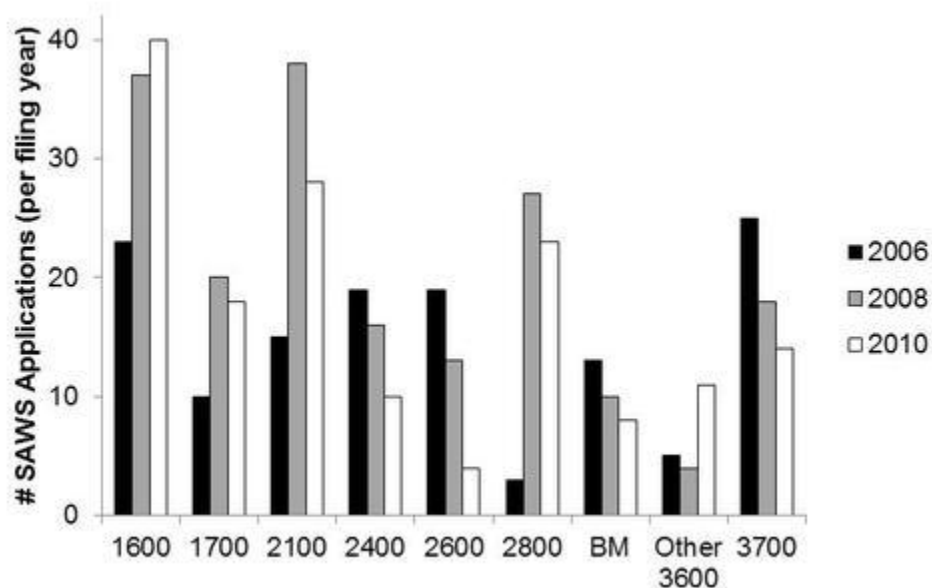


Figure 1. Black, gray and white bars show the number of published utility patent applications filed during fiscal years 2006, 2008 and 2010, respectively, that were entered into the SAWS program and assigned to the identified technology center. The 3600 technology center was divided between the business-method art units (3621-29, 3681-89 and 3691-96) and other art units.

SAWS Applications: Fewer Patents, Longer Pendency, More Rejections

Characterizing an impact of the SAWS program requires, not only evaluating a prevalence of SAWS designations, but also how the program alters examination. Potentially, the enhanced review of proposed allowances could result in a reduced effective allowance rate, extended pendency and increased count of office actions.

FIG. 2 separately shows a distribution of statuses across all published, utility applications and across all such applications in the SAWS program. As shown, patents are more rare amongst the SAWS applications, regardless of whether a ratio is calculated relative to all applications or to the finally disposed applications. For example, for fiscal year 2006, 33 percent of all SAWS applications and 45 percent of finally disposed SAWS applications were patented, as compared to 61 percent and 63 percent, respectively, of the larger 2006 application set.

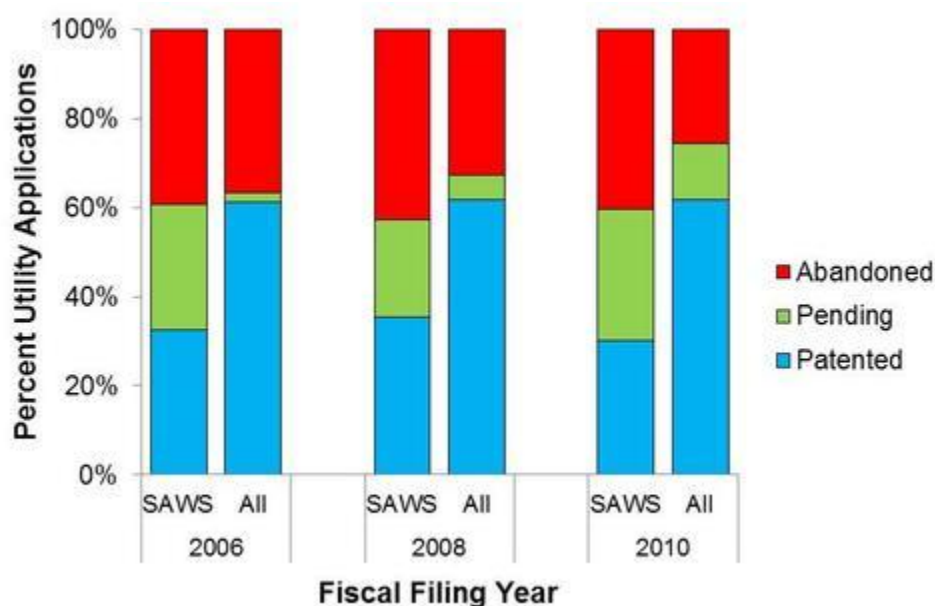


Figure 2. For each of the 2006, 2008 and 2010 fiscal years, a stacked bar is shown identifying a percentage of published, utility applications filed during that year having a color-associated status (blue: patented; green: pending; red: abandoned). Distributions are separately shown for all published utility applications and a subset thereof which were designated as SAWS applications.

Further, the percentage of applications that are pending is substantially higher for the SAWS program as compared to all applications. For example, 28 percent of SAWS applications filed in fiscal year 2006 remain pending, as compared to 2 percent of all utility applications filed that year.

This data suggests that SAWS applications experience prolonged examination pendency. This pendency discrepancy is further evident when evaluating the pendency period of patented applications: For patented applications filed in fiscal year 2006, the average time between filing and issuance for SAWS patents was 72 months (six years), as compared to 42 months (3.6 years) for all applications. Should some of the 28 percent of the SAWS applications that are currently pending subsequently issue as patents, we would expect this patent-pendency discrepancy to grow in magnitude.

The increased pendency may be attributable to increased time between patent office actions, increased number of office actions and/or increased delay on the part of the applicants. Our data suggests that it is at least partly due to increased action counts. For fiscal year 2006 filings, an average of 4.3 office actions were issued per SAWS patent, as compared to 2.3 for all published, utility applications. Further, the average number of requests for continued examination filed per patent was 1.2, more than double that of the larger application set (0.48).

Increased office action counts correspond to increased costs to applicants, as a result of paying for additional attorney fees to respond to the actions and (in some instances) for request for continued examination fees. We estimated an average prosecution cost per patent as being a sum of \$3,000 (estimated attorney fees) times the average number of office actions per patent plus \$1,200 (estimated RCE fees) times the average number of RCEs per patent. Across all applications filed in fiscal year 2006, the estimated prosecution cost per SAWS patent was \$14,300, nearly double that of the larger set (\$7,600). FIG. 3 shows the estimated prosecution cost for patents with 2006 filing dates as a function of technology-center assignments.

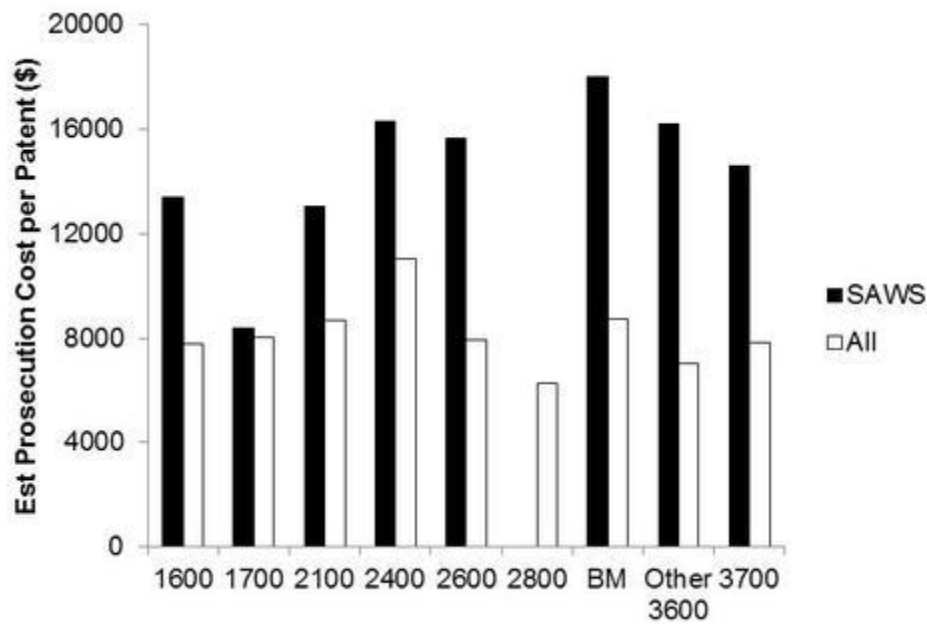


Figure 3. Published applications filed in fiscal year 2006 were divided according to technology-center assignment, as described in the legend of Figure 1. White bars represent all such applications, and black bars represent a subset thereof which were entered into the SAWS program. For each technology center, a prosecution cost per patent was estimated as a sum of \$3,000 times an average number office actions per patent and \$1,200 times an average number of RCEs per patent. Y-values reflect such estimated prosecution costs per patent. No estimated prosecution cost per patent is shown for 2006-filed SAWS applications in technology center 2800, as there are no patents for this group.

Discussion

Thus, SAWS applications seem to be associated with an allowance probability of nearly half that of other applications, a pendency years longer than other applications, and rejection counts and estimated prosecution costs nearly double that of other applications. These effects beg for the program to be evaluated by the PTO and the public in terms of policy considerations and the program's compliance with due process and rulemaking statutes.

Policy

Potentially, one could argue that the SAWS program is designed to selectively consider applications that should not be allowed. For example, one of the identified SAWS subject matters is "Applications disclosing frivolous or silly subject matter." However, it is important to note two points: First, there is no way to know how many, if any, of the SAWS applications include ones that would generally be considered suspect in terms of their worthiness for a patent. Though the SAWS subject matter list does include the above-quoted "silly" listing, it also includes approximately 100 others, including "Applications with claims of pioneering scope;" and "Applications dealing with inventions, which, if issued, would potentially generate unwanted media coverage (i.e., news, blogs, forums)". The vague and broad criteria and the PTO's refusal to identify which applications are in the SAWS program do not allow for detailed analysis as to whether particular characteristics of SAWS applications may predispose them to unfavorable prosecution statistics.

Second, a sizable portion of SAWS applications do end up being allowed, indicating that these applications included subject matter that complies with the patent statutes. Yet prosecution of these patents was not compact, having office-action counts and pendencies nearly double that of other applications.

Legality of the SAWS Program

The fact that the number of applications subjected to the SAWS program is relatively low does not alter the fact that the program is highly questionable under constitutional and administrative law norms.

First, as we explained previously, the apparent criteria qualifying an application for the program are extremely broad. Plainly, only a small fraction of applications that technically satisfy the SAWS criteria are selected for the program. The result is that the PTO has completely arbitrary and unfettered discretion to select applications for the program — discretion that can be exercised (without any review at all) on improper grounds. PTO officials are thus provided with an opportunity to subject an application to SAWS if, for example, they disfavor an assignee, representative or subject matter of an application. To avoid such potential injustices, due process requires that criteria for SAWS evaluation be precisely defined and consistently applied if the PTO believes that certain applications merit the additional review associated with this program.

Second, the contours of SAWS program remains far too hidden. It is a basic principle of administrative law that agencies should disclose the criteria that they apply, typically through formal notice-and-comment rulemaking. Such publication has several salutary benefits. The public scrutiny helps to ensure that the agency's rules are well thought out, as "sunlight is the best disinfectant." A public debate about the SAWS program can only improve the PTO's performance. And a party considering filing an applications could determine in advance if it is likely to fall within the scope of the SAWS program.

Third, applicants should be informed when an application is designated for the program. As explained above, an application subjected to SAWS procedures is likely to be pending for significantly more time, to be more costly to prosecute, and to face a substantially higher rejection rate. Thus, SAWS review is seemingly negatively affecting property interests of applicants. At the least, an applicant is entitled to know that it will face these burdens during the prosecution process. Millions of dollars — and the very fate of a business — may turn on the success or failure of a patent application, and keeping the applicant in the dark about the procedures that the PTO will be following is wholly unjust.

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