



**Intellectual
Property
Owners
Association**

Trilateral Offices and Users Conference
November 16, 2006 (Tokyo, Japan)

Legal Certainty For Patent System Users

Presented by Herbert C. Wamsley
Executive Director
Intellectual Property Owners Association



IPO Supports Objectives of Trilateral Offices

- **Mutual utilization of patent examination results**
- **Harmonization through trilateral cooperation**
- **Improved examination quality**
- **Encouragement for users to disclose inventions properly and include prior art**



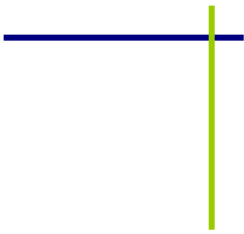
Topic: “Legal Certainty for Patent System Users”

- Views based primarily on perceptions of U.S. system
- European and Japanese systems different from U.S. but all systems need legal certainty
- “Legal certainty” means certainty about validity and scope of patent claims granted by patent offices
- “Patent system users” is defined broadly to include (1) patent applicants and owners, (2) manufacturers that want to introduce new products or services without the fear of lawsuits (3) organizations that want to conduct research in areas unencumbered by patent rights of others, and (4) consumers



Legal Certainty For Patent System Users Requires:

- I. High quality patent examination**
- II. Early determination of rights**
- III. Cost-effective determination of rights**

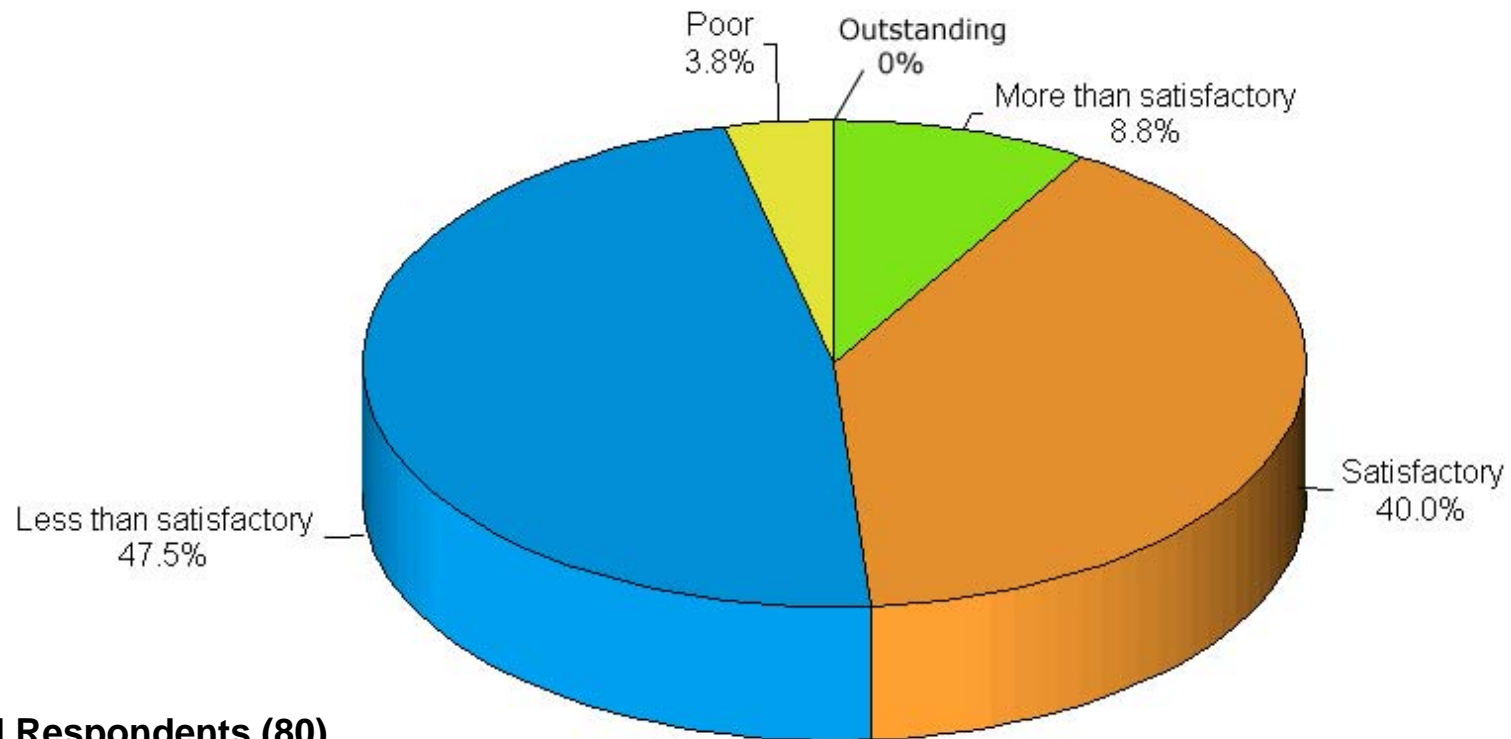


I. High Quality Patent Examination



Patent Quality Perceptions

QUESTION: How do you rate the quality of patents being issued in the U.S. today in your industry or field of technology?



All Respondents (80)

Source: IPO Survey: Corporate Patent Quality Perceptions in the U.S., Sept. 20, 2005



Achieving High Quality Patent Examination

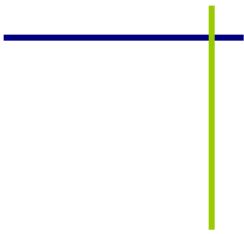
Actions by Patent System Users:

- Draft applications carefully and conduct pre-filing searches of prior art
- Submit known prior art to patent offices

Actions by Patent Offices:

- Insure an independent patent office search and examination
- Provide incentives for quality
 - Maintenance fees reward patent offices for granting patents
 - Quantity-based performance measures reward examiner for granting patents
 - Offices therefore must work hard for quality
- Develop improved quality metrics

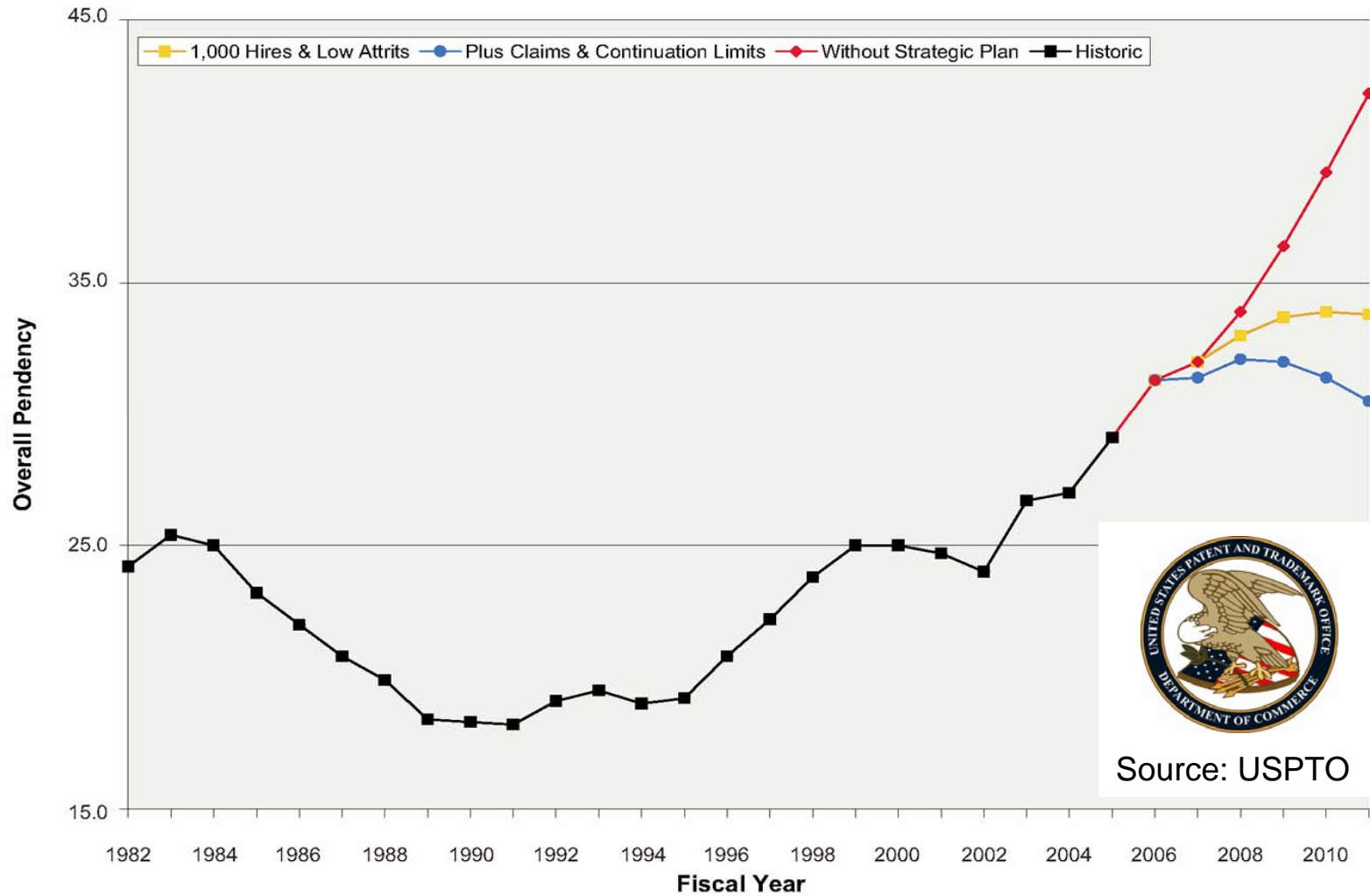




II. Early Determination of Rights

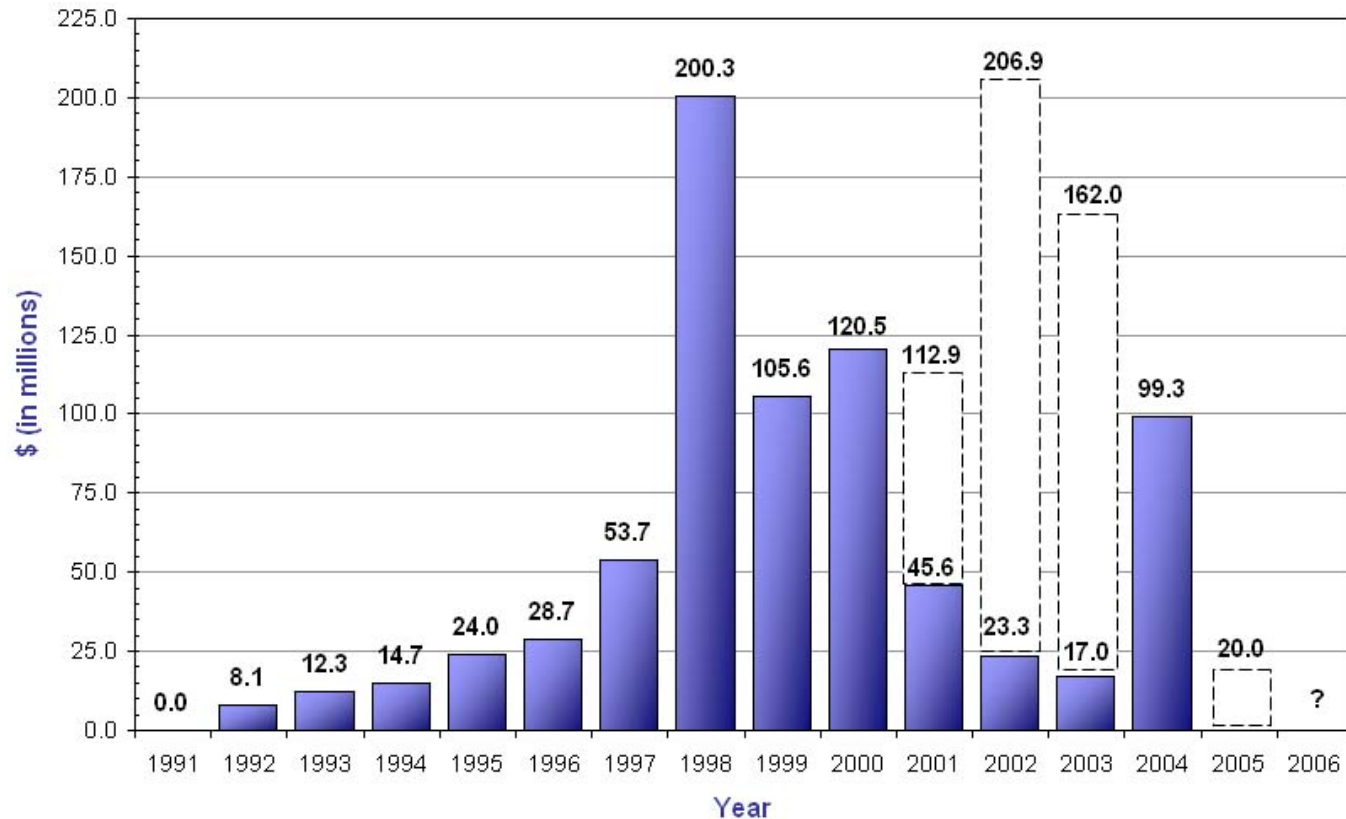


Pendency -- Updated FY 05 Actuals



Source: USPTO

User Fees Diverted From the U.S. Patent and Trademark Office (USPTO) 1991-2005

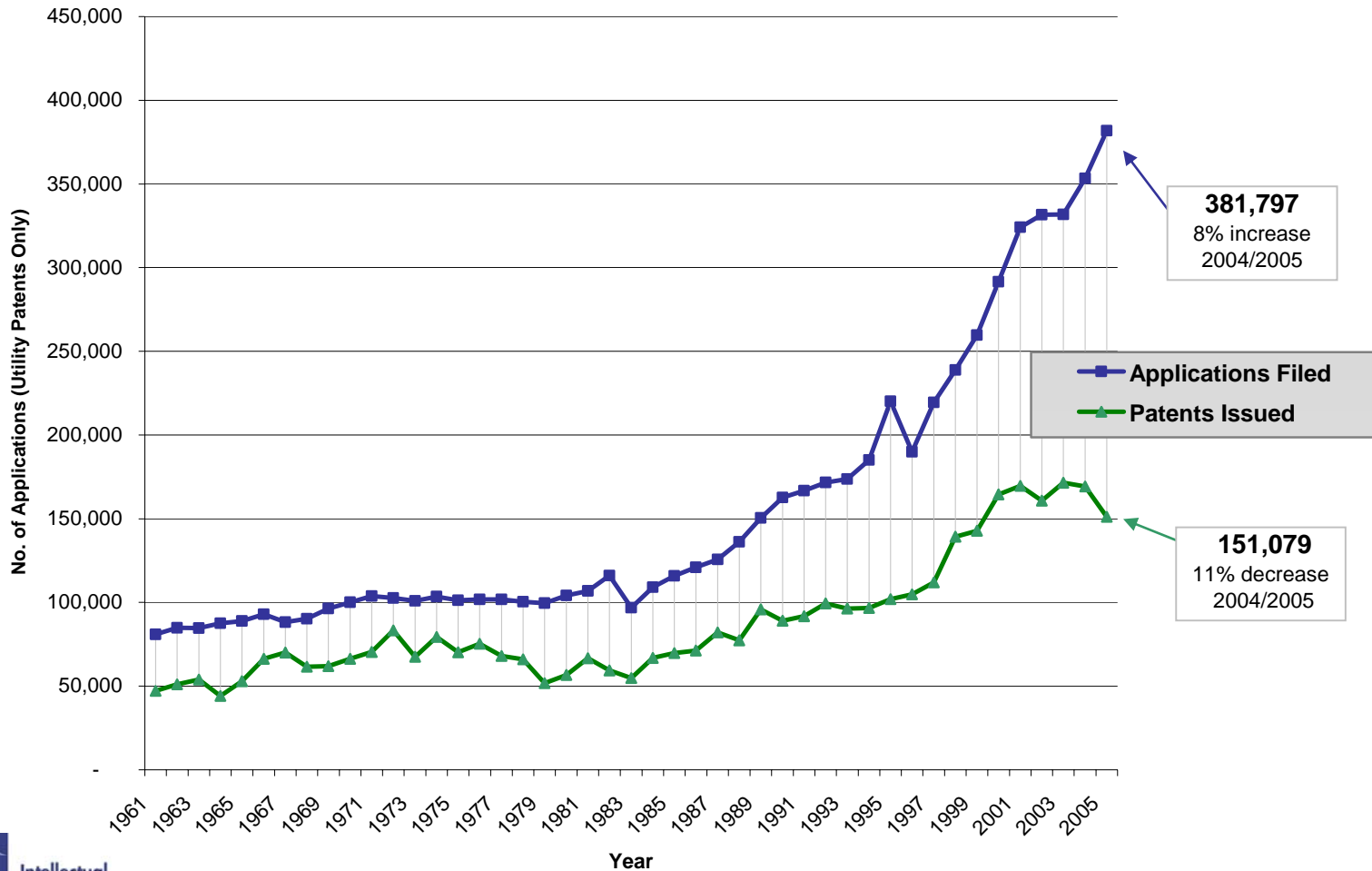


Sources: USPTO & OMB

Planned amounts of diversion from 2001 to 2003, as projected in the PTO's annual budget requests to Congress, are shown by the dotted lines. Due, in part, to lower than anticipated collections from 2001 to 2003, actual diversion was less than the planned amounts. In 2004, the Administration's budget request included a legislative fee proposal which would raise \$1.5 billion in user fees with \$100 million of planned diversion. In its FY2005, the Administration's request again proposed fee legislation but with \$0 fee diversion. Congress enacted the fee legislation as part of its Consolidated Appropriations Act, P.L. 108-447, but failed to address fee diversion. The Act appropriates \$20 million (shown by dotted lines) less than expected fee collections, thus continuing the practice for another year. (Rev. 9/2005)



U.S. Patent Trends, 1961-2005



II. Why Early Determination of Rights is Important.

- **Manufacturers introducing a new product need certainty about whether the product is or will be covered by another party's patent claims**
 - IPO recommends product clearance searches to avoid litigation
- **Researchers and investors need certainty about whether products are or will be covered by another party's patent claims to make decisions about the direction of research**
- **Patent applicants in some industries need patents at an early date to support investment or stop infringement**



Achieving Early Determination of Rights

- **Provide adequate funding for patent offices**
- **Reduce patent office workloads through mutual utilization of patent examination search results**
- **Discourage patent applicants from filing unnecessary applications**
 - Patent filings increasing 8.7% annually in U.S. compared with average worldwide increase 4.75% over past 10 years (WIPO, Oct. 16, 2006) -- more patent filings are not necessarily an indicator of more new technology
- **IPO still supports the traditional U.S. goal of granting or denying patents within 18 months after filing**



IPO Does Not Favor Deferred Examination

Deferred examination:

- Institutionalizes uncertainty over patent claims
- Favors the interests of applicants who wish to delay over the interests of manufacturers and the public
- Makes litigation more likely
- Discourages pre-filing patent searches by applicants
- Results in a loss of fee income for patent offices

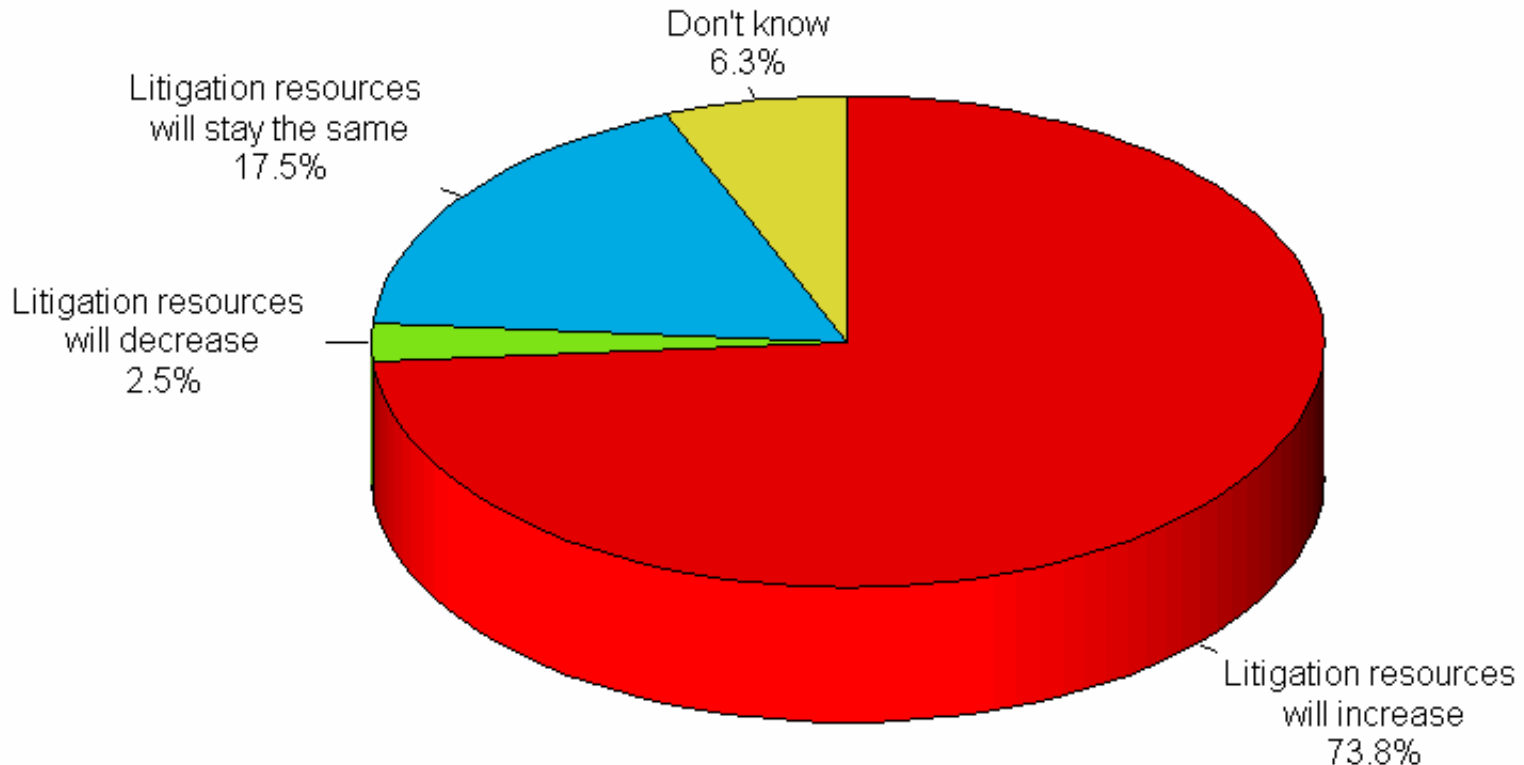




III. Cost-Effective Determination of Rights



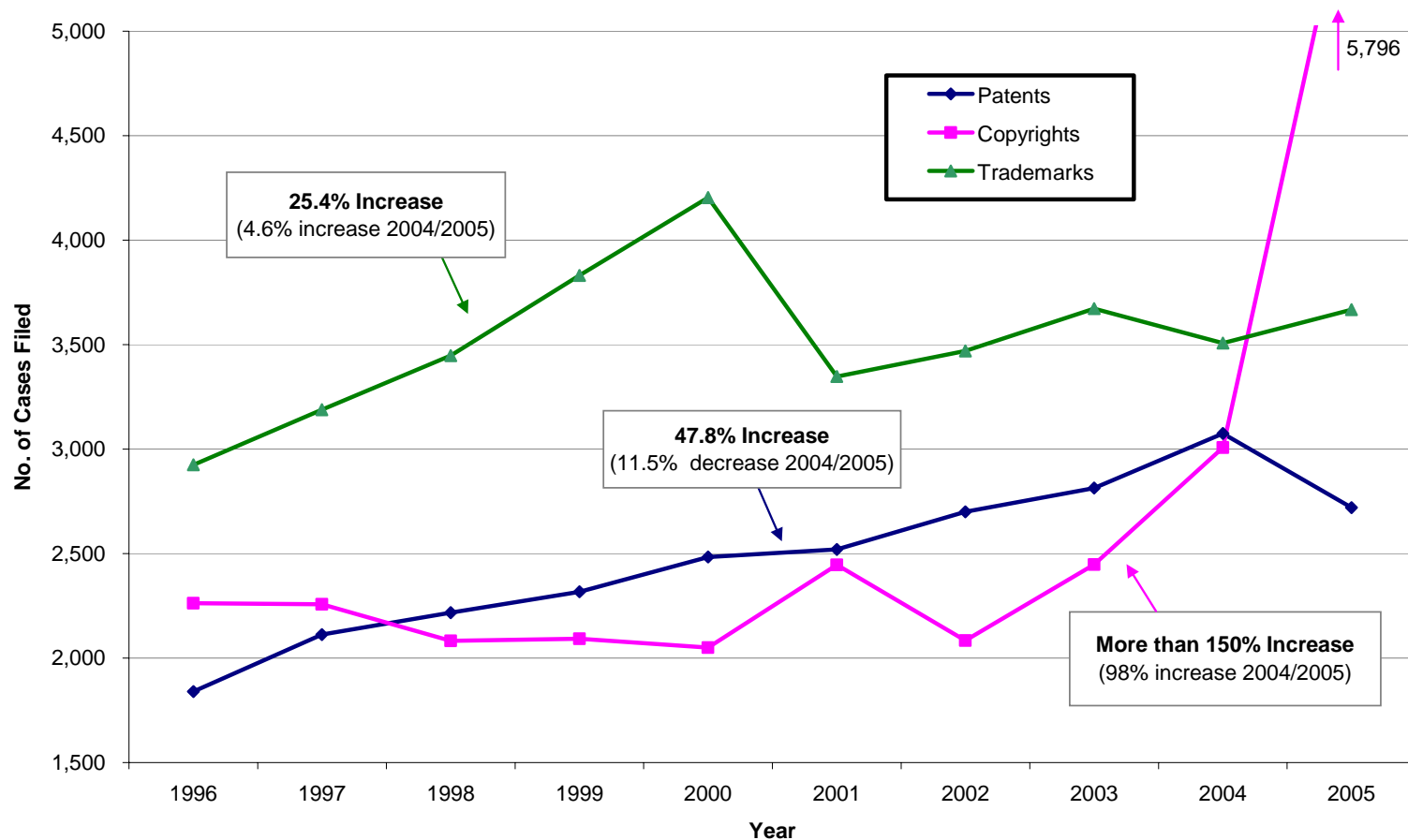
QUESTION : Over the next three years, do you expect the resources your company spends on patent litigation to increase, decrease, or remain the same?



Source: IPO Survey: Corporate Patent Quality Perceptions in the U.S., Sept. 20, 2005

IP Suits Filed in U.S. District Courts, 1996-2005

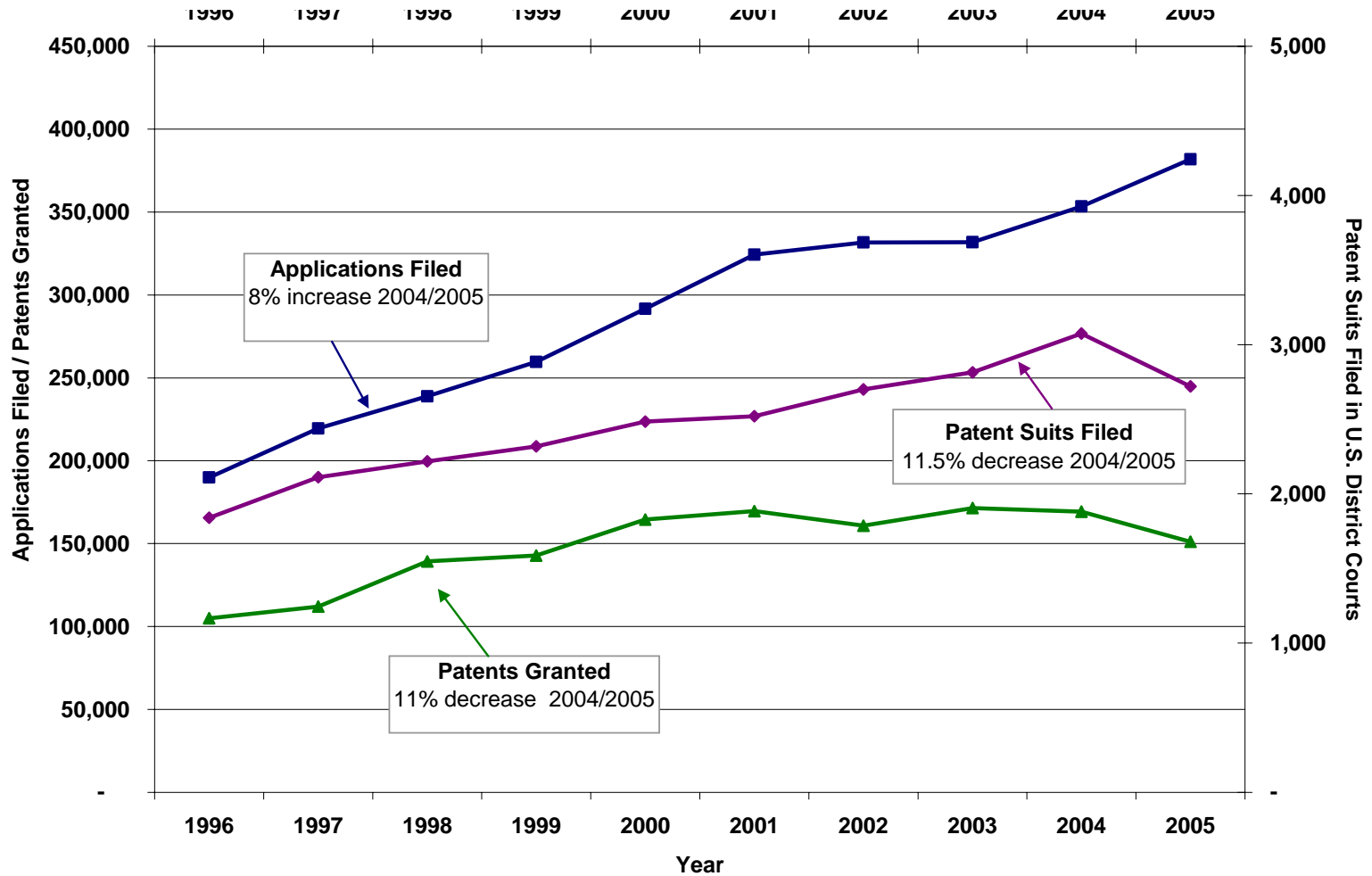
(Ten-year study)



www.ipo.org
Revised April 2006



Patent Suits Filed, Patent Applications Filed and Patents Granted, 1996 - 2005



Source: (a) Annual Reports of the Director, Administrative Office of the U.S. Courts, 2004 – 1997, <http://www.uscourts.gov/judbususc/judbus.html>; (b) USPTO, Performance and Accountability Report for Fiscal Year 2005, <http://www.uspto.gov/web/offices/com/annual/2005>

■ Applications Filed at USPTO
▲ Patents Granted at USPTO
◆ Patent Suits Filed in US District Courts

Question to IPO Members:

Which . . . of the following topics is the most important...?

- Switch the U.S. to a first-inventor-to-file system and redefine prior art: **39.3%**
- Establish a post-grant opposition system: **24.8%**
- Modify the law on willful infringement: **20.5%**

*Total Survey Respondents: 117
IPO Annual Meeting, September 13, 2005*



IPO favors reforms in the U.S. that will provide a cost-effective system of patent examination, oppositions, and court proceedings

- **First-inventor-to-file**
- **New post-grant review proceedings**
- **Certain litigation reforms**
- **Adequate funding for the USPTO**





Intellectual
Property
Owners
Association

Contact Information

Intellectual Property Owners Association

1255 23rd Street, NW, Suite 200

Washington, DC 20037

p: 202/466-2396 f: 202/466-2893

info@ipo.org

*Additional documents relevant to this presentation are
collected on the IPO website (www.ipo.org).*