



UTILITY MODELS: THE PANACEA FOR OUR BROKEN PATENT SYSTEM

BY KARL F. JORDA

HERE IS A VOCIFEROUS, EVEN STRIDENT, HUE AND CRY across the land that our patent system is broken, out of control, in disarray, in a state of crisis, has run aground. These and even worse epithets are used because of the issuance of patents by the U.S. Patent & Trademark office (PTO) that are allegedly bad, bogus, dubious, faulty, frivolous, junk, marginal, overbroad, questionable, shaky, silly, trivial, etc. This is said to be especially true in high technology sectors due to insufficient experience among the examiner corps. In addition to a serious patent quality problem, the growing patent backlog is also considered deplorable, as it amounts to over 700,000 pending applications and is likely to reach 1,200,000 by 2010, according to Patent Commissioner John Doll, which will result in excessively long pendency rates, potentially consuming half of the patent term. In some art areas, Doll allows as how “half an applicant’s term would be gone by the time a first action is received.”

In light of this outcry about deteriorating quality and pendency, the PTO has implemented or proposed to implement a whole slew of remedial initiatives and measures to improve efficiency and quality, to wit:

- hiring 1,000 new examiners per year;
- limiting the number of claims (10) and continuations (1);
- stiffening the information disclosure requirements;
- curbing the filing of multiple applications with patentably indistinct claims;
- permitting interviews with examiners before a first official action;
- issuing allowances only after a “second pair of eyes” review;
- undertaking accelerated examinations upon request by applicants;
- engaging “supplemental” patent examiners via a “Peer to Patent Project” or a “Community Patent Review” (“open peer review”);
- outsourcing search and examination of PCT applications to Australian and Korean patent offices;
- initiating a “Patent Prosecution Highway” program with the Japanese Patent Office (if a claim is found allowable by either patent office, the other will expedite examination upon request);
- and several others.

Feeling stung by a blizzard of criticism, the PTO went even so far as to announce that they will no longer publish the annual list of the top ten corporations receiving the most U.S. patents, in order to emphasize “quality over quantity by discouraging any perception that (they) believe more is better.”

None of the above initiatives, even if fully implemented, nor any combination of them, is likely to be successful enough to cure the PTO’s ills and problems. While some, e.g., the IPO (Intellectual Property Owners) in particular, endorse hiring enough examiners as

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the answer, PTO Director Jonathan Dudas himself admits that “the massive examiner hiring program alone is not enough to bring the patent application backlog under control,” presumably because new examiners need extensive training and the examiner attrition rate is about 40%. The restrictions on the number of claims and continuations likewise will not make much of a dent because only a small number of applications (3%) have more than ten claims or exceed one continuation (7%). And is it realistic to expect that the public will make an effort to supply prior art and commentary to examiners in a meaningful manner as “supplemental” examiners?

To arrive at a more efficient and higher quality examination and otherwise improve and modernize our patent system, more vigorous and radical measures and reforms are in order. “It is time to recognize that other kinds of changes are needed besides looking to the USPTO as the cure-all. So long as patent examiners are required to process patent applications within set time limits, the simple fact of the matter is that the USPTO is probably not institutionally capable of performing qualitative patent examinations that are much better than what it is now doing.” (Bruce Kaser, JPTOS, May 2006).

Clearly, just streamlining or tinkering around the edges would not suffice. Former Defense Secretary McNamara never tired of saying: “You don’t improve things, unless you change things.” He got that right! The ultra-conservative catch phrase that I heard so often in patent reform debates: “If it ain’t broke, don’t fix it,” will no longer cut it. “The patent system is at the heart of what moves innovation forward. As the world has changed, the patent system needs to change with it,” per Bradford Smith, Microsoft’s GC. [Alas our patent system has remained antiquated and the disconnect between it and present-day technology has become ever larger.]

According to the PTO’s recently-promulgated strategic plan, other measures than the ones mentioned above, namely, offering patents with different levels of protection for a range of prices and allowing applicants to speed up or slow down patent prosecution, such as “deferred examination,” “platinum plated examination” and “petty patents,” are supposedly included in patent reform discussions. Such fundamental proposals should be on the table for serious consideration in light of the well-known fact that “95% of all issued patents never bring in any money and are never litigated and, therefore, do not need to undergo a thorough examination,” per Patent Commissioner Doll.

[The question of course here is who knows at the time of filing an application what will be commercially important years later, inasmuch as the filing for competitive reasons takes place very early, often after a first reduction to practice with only embryonic or rudimentary experimental results. Therefore, it may be said that a patent practitioner is in the insurance business and must treat all applications as equally important to assure that solid patent protection ultimately exists in the 5% area.]

As between a deferred examination system and a petty-patent like system, the latter gets my vote. Such a system is in effect in over 60 countries and in some for over 100 years under different names like petty patent, utility model, short-term patent, innovation patent, industrial model, utility certificate, but most commonly utility model. For absolutely persuasive and compelling reasons such a lower-level system is truly a panacea for the root cause problems afflicting our PTO operation and our patent system.

It is however very unlikely that these more radical PTO proposals will receive due consideration. A few years ago when I posed the question in a PIPA meeting, “Why not utility models?” to former PTO

Director James Rogan, he dismissed my question by curtly replying “Everything’s on the table.” There is no evidence whatsoever that deferred examination and/or utility models are under discussion in the PTO, the Congress or the patent bar.

A utility model is by far the most prevalent lower-level intellectual property right (IPR). Typically, its major features are: duration in the range of five ten years, renewability when the term is five years, a formalities examination only, a pendency of less than six months and the possibility of conversion from a regular patent application.

As there would be the possibility of confusion in the U.S. between our “utility patent” (elsewhere around the globe called an “invention patent”) and a “utility model,” a U.S. second-tier patent could be christened an “innovation patent.” This was done in Australia in 2001, when their 6-year petty patent, which required a substantive examination, became an 8-year “innovation patent” without substantive examination, unless one was requested. This new Australian “innovation patent” could well serve as a model for the U.S., as it has been deemed successful in accomplishing its objectives. We could also take a look at the very similar new Irish and Hong Kong “Short-term Patents” and the second-tier system that is under consideration in Europe to introduce a Community second-tier patent and harmonize Member States’ existing second-tier patent systems. It is based on a proposal by the Max-Planck Institute and approved by the European Parliament but is now on the back burner in tandem with the EU-wide patent regime. In the UK also proposals by the Chartered Institute of Patent Agents (CIPA) for a short-term patent for protection of “subpatentable” inventions are being considered.

The norm for such short-term patents is a 10-year term with a 6-month pendency and a superficial examination.

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Unobviousness would not be a requirement; a lower level of invention (“not clearly obvious”) would suffice.

The term “innovation patent” would indeed be appropriate or preferable, because a clear distinction can be drawn between “invention,” a specific patent law concept and “innovation,” a broader business term, encompassing incremental improvements.

In the U.S. there was once a bill in the hopper in the House for similar intermediate protection that could be resurrected with appropriate modifications. It was the “Article Protection Act of 1995,” which however envisaged only a 3-year term of protection.

In a JPTOS (*Journal of the Patent & Trademark Society*) article of September 2005, entitled “A New Look at Patent Reform,” Lee Hollaar makes a forceful argument for “necessary bolder changes” for the patent system to work in the face of today’s fast moving technologies. With such perceptive chapter titles as “A Patent or Nothing,” “Patent Protection: Too Much, Too Long, Too Late,” he makes out a strong case for an “intermediate form of protection that can be used in lieu of a patent, or until a patent is granted.”

Such second-tier protection may indeed be needed, given the strict patentability requirements, the long pendency and the high cost of conventional patents. In other words, short-term patent protection would provide coverage for a large area of innovations which fall between design and utility patents, which cannot be maintained as trade secrets, and for which present utility patents are out of reach because of high patentability standards and/or excessive costs. There should, therefore, be no doubt that individual inventors, entrepreneurs, startups and small entities would welcome a lower-cost alternative to a utility patent.

There is indeed a dire need for protection of the immense volume of original innovation beyond patentable inventions. This is especially true in light of the “precipitous

decline,” according to PTO Director Dudas, in the patent allowance rate. “Precipitous” is the right terminology if the allowance rate really went from 97% in 2001 (per JPTOS article of December 2006 on “Patent Quality and Patent Reform” by Lawrence Ebert) to 54%, as stated in the PTO Press Release of December 22, 2006, which also cites an application approval rate of over 70% in 2000. Unfortunately, the record low approval rate of 54% means, on the other hand, that the large area of innovations that fall between the no-protection cracks, has become even larger and the need for intermediate protection even greater. The recent Supreme Court decision in *KSR International v. Teleflex* would, if anything, underscore this.

It is also apropos to point out to counter the fuss being made that the patent system should remain “unitary;” that patents with different levels of protection and for a range of prices are said to be considered by the PTO. And indeed, according to former PTO Director Bruce Lehman, we can’t maintain a “one size fits all” patent system. What’s more, we have several *sui generis* IP categories in our system, as it is. *Sui generis* protection was fashioned for semiconductor chips or mask works in a very short period time in 1984 (which some now believe was done improvidently), as well as for vessel hulls recently. [And *sui generis* protection should have been legislated for software, when the question of how to protect software first arose in the mid-sixties. Interesting, the first impulse was to do exactly that.] Hence, why not establish *sui generis* protection in the “twilight zone of subpatentable inventions” for the benefit of all innovators? Even large corporations could find it advantageous to resort to utility models as weapons against counterfeiting, as does Philips Electronics and Marioff HiFog of Finland, for example, in countries where counterfeiting is rampant.

And the counterpoints to the argument, made recently to me by an IP association

president that “people want enforceable rights,” are: firstly, that utility model laws do provide for injunctions and penalties in cases of infringement; and, secondly, that utility models in fact provide stronger protection than standard patents, owing to the lower level of inventive character and hence are less vulnerable to invalidation.

Lastly, “too bad” should not be the answer in a world of increasing harmonization to foreigners who have utility models on file in their countries and would like to obtain corresponding protection in the U.S.

An executive officer of an IP organization, whom I also asked “Why not utility models?,” retorted that “over 90% of all issued U.S. patents are already utility models.” Whether or not this answer was playful, cynical or astute, if there is a kernel of truth in it, it is a shame and a travesty that patent applicants should have to shell out exorbitant government and legal fees to obtain in the end only rights that are far below what they had a right to expect.

An “innovation patent” system would serve the public interest better by far than presently pending minor PTO initiatives for a more efficient and higher quality examination and a modernized patent system. And it is the public interest that should be put first in patent reform, according to IBM’s IP Chief, David Kappos. ■

Karl F. Jorda, David Rines Professor of Intellectual Property Law & Industrial



Innovation, Director, Kenneth J. Germeshausen Center for the Law of Innovation & Entrepreneurship, Franklin Pierce Law Center, Concord, NH.