

## “As Time Goes By - Look for the Silver Lining”

*by Dale Carlson*

As we watch the current economic down cycle unfold, we can only wonder how long it will last, and how much of an impact it will have on our nation’s patent system.

Pundits appear ambivalent as to how to characterize the severity of the current down cycle, and even differ on what to call it. As we know, “depression” was the descriptor of choice in 1929. Perhaps less well-known is that a former term of choice was “panic”. By 1929, the “powers that be” feared that calling the down cycle a “panic” might cause the general public to do exactly that, and turned to the slightly more euphemistic word “depression” instead.

In the early stages of the down cycle, we might expect that the Patent Office will experience a relatively small percentage decline in the number of patent filings, resulting in some decrease in revenues attributable to filing fees. To offer some perspective, in 1929 the number of patent application filings in the U.S. hit an all-time high for that era of almost 95,000. Although the decline in the following year was small, by 1933 the number of filings had dropped a whopping 36 percent off the all-time high down to about 60,000.

So, you may ask “where’s the silver lining” that we should be looking for? It is this: just as boom cycles tend to tax the staffing resources of an administrative agency like the Patent Office to its limits, so too bust cycles tend to provide a “breather” from system overload. In other words, a diminution in patent filings during a bust cycle provides the Patent Office with an opportunity



to play “catch-up” with respect to the backlog of unexamined applications that built up during the boom times.

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Recently, the Patent Office held a round-table discussion to consider whether it should expand the somewhat limited protocol for deferred examination that is provided for in 37 C.F.R. 1.103(d). Peter Thurlow actively participated on our Association’s behalf.

Proposals for a broad protocol of deferred examination are not new. They often surface in a late stage of good times, and go dormant in bad ones. In 1964, one such proposal was debunked by Paul Rose, a co-author of the 1952 Patent Act, in no uncertain terms: “We should be thinking in terms of operating our [patent] system to increase its incentive force, rather than in terms of how we can amend it so as to operate it more cheaply and easily.”

If history is any guide, we shouldn’t rush to adopt an expanded form of deferred examination now. Indeed, adopting it would do nothing to increase our patent system’s “incentive force”, and therefore would violate Mr. Rose’s key precept.

Instead, we should look to the silver lining. When we do, we’ll find that, for the foreseeable future, there’s no need to expand deferred examination or the ranks of patent examiners, since the volume of patent examination work will likely contract.

During this “breather” period, we have an opportunity to consider how to improve our patent system to enhance its incentive force. This translates to enhancing the incentive of inventors to disclose their inventions. Unfortunately, proposed legislation embodied in S. 515 is counterproductive, inasmuch as it contains provisions that would actually reduce the incentive force, rather than enhance it. Illustratively, although the best mode requirement would not be expressly deleted from Section 112, the incentive to disclose best mode would be effectively eliminated if the best mode defense cannot be used to invalidate, or render unenforceable, the claims of a patent, as proposed in the Senate bill.

So, let’s consider how our Association can help re-form patent reform. Thanks largely to the silver lining, we’ll have ample time to make a plan. ■