

Michelle K. Lee: Innovation and Global IP Leadership: A Vision for the USPTO

By Kenie Ho

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Michelle K. Lee is the Under Secretary of Commerce for Intellectual Property (IP) and Director of the United States Patent and Trademark Office (USPTO). In those roles, Ms. Lee serves as a principal advisor to the President of the United States, through the Secretary of Commerce, on both domestic and international IP policy matters, and provides leadership and oversight of the day-to-day management of the policy, budget, and operations for over 12,000 USPTO employees.

Ms. Lee is the first woman to serve as Director of the USPTO. Director Lee has been recognized by numerous organizations for her work including Politico Magazine as one of the “Top 50 Most Influential Visionaries in American Public Policy” in 2015, by the *Washingtonian Magazine* as a “Tech Titan” in 2015 and by the *San Francisco Business Times* and *San Jose Business Journal* as the Best Bay Area IP Lawyer in 2012 and one of the top 100 most influential women in the Silicon Valley in 2013.

Transition to the USPTO

What do you think about the transition going from private practice and then corporate practice and now into the public sector at the USPTO?

I come from the Silicon Valley. There are a lot of innovative companies there. I know what it's like to be a young company and to have to grapple with the IP issues, to have to figure out which IP rights to use to protect your inventions, to get venture capital funding, and eventually, to enter into the marketplace with your innovation. And I've written patents. I've litigated patents both on the plaintiff and the defense sides. And I've bought, licensed, and sold patent assets sometimes for very, very large sums of money. I've been a user of the services of the USPTO, and I know how patents are used in the business world after they have issued from the USPTO. I get the business value of IP rights. I helped build a company's patent portfolio from a few handfuls of patents to over 10,500, in the process using many of the services offered by the USPTO.

I think I have a really good sense of the needs of the users of the services of the USPTO and the business value and uses of IP rights. And of course, when I was the first director of the regional office in Silicon Valley, my job was to engage with the innovation community in all technology areas across the western region of the United States and think about how I could bring the broader range of USPTO services to

this local innovation community. I've seen a lot of different perspectives. All of these experiences inform me as I lead the USPTO. I often ask myself, as a user of our IP system, what would I want out of the USPTO? What would I want to see in the patents that it issues, or the trademarks that it registers? What kinds of databases or online computer systems can the USPTO provide to its users to make their lives easier and to give them the more relevant information that they need to make informed decisions about protecting their innovations and understanding their competitive landscape.

Now that you've been in the job for a while, were there things that you wish you had known or just some surprises that may have come up over time?

I've been very pleasantly surprised with the experiences I've had working with international patent offices to help develop their programs, policies, and procedures in support of harmonization and work-sharing efforts. In the private sector, I filed patents on behalf of my clients, but that's very different from working with governmental agencies, foreign countries, and foreign IP offices to harmonize patent laws, and on the substantive and the procedural fronts, deciding what common laws or common set of rules would be good for all of us to embrace—what kinds of processes and procedures we can collaborate on to streamline the application process for our companies that are now increasingly filing in multiple countries. There is a lot of work to be done in that area. But it is impactful work, and I know it leads to bottom line savings because I used to run a patent department, and if you can save X thousands of dollars on each invention, that's just more money I had to file for more patents or to invest back into research and development. That's an area that I had not had previous exposure to, and I have to say, it's been interesting and rewarding.

Global IP Leader

Do you think the USPTO takes a front and center role in helping other patent offices around the world, and also in coordinating the overall process?

I think the USPTO is certainly one of the major leaders in the global IP space, and America's IP system serves as a model for other countries. We have one of the largest IP offices in the world, and a lot of the world-wide inventions are filed in the United States. Based upon my experience and having had the privilege of meeting with many heads of other IP offices throughout the world, there are many countries in the world who want an IP system like ours. We do a lot of training about our system through our Global IP Academy (GIPA) because there are lots of countries across the globe who want to adopt an IP system similar to ours. They believe that the IP system that we have plays a large role in incentivizing the high level of innovation you see in the United States—not the only contributor, of course, but certainly a key contributor—and they're looking to replicate similar systems in their countries.

We have many countries that come into our Global IP Academy, and when I meet with leaders and representatives of those countries, they ask: How does your system work? Can you provide training to our judges, to our IP officers, to our examiners? I won't say we're the only leader. There are obviously other strong IP offices across the globe.

USPTO Priorities

You've certainly accomplished a lot so far at the USPTO, especially coming in at a time when there wasn't an actual named director for a year or so. What do you see as the next big things that you want to accomplish for the USPTO at this point going forward?

We recently published some proposed rules to our Patent Trial and Appeal Board (PTAB) proceedings, looking to refine and strengthen the effectiveness and the fairness of those proceedings. A major priority of mine is certainly to work with the public and our stakeholders to further strengthen and improve those proceedings. They've proved fairly popular so far if you base popularity on the number of filings. We've had more than three times the number of filings, over 4,000 filings, for post-grant review trials under the America Invents Act (AIA). The opinions that have gone on appeal for the most part have been affirmed by the Federal Circuit. We've hired and built a great team of administrative patent judges (APJs) with incredible backgrounds in patent law and very strong technical backgrounds. The AIA proceedings were created to provide a faster, lower-cost alternative to district court litigation in determining the validity of the patents, and I believe Agency met its Congressional mandate in this regard. Also, worth noting, the PTAB has not missed a single statutory deadline, which is a one-year requirement. If you're involved in patent litigation, which I know you are, you're likely not going to get much out of a district court within one year.

The team at the USPTO is working hard to make sure that it continues to issue quality opinions and refine and improve those proceedings, as needed, so that they're even more effective and fair, while taking into account stakeholder input and our experience with these proceedings. That's one priority.

What's another priority?

Another priority is the Enhanced Patent Quality Initiative (EPQI), which is designed to build enhanced quality into all aspects of patent examination, including work products, customer service, and metrics. I know I'm not the only director, nor will I be the last director, of the USPTO to say quality is important. But why now? And why did I launch the EPQI? First of all, we have been decreasing our backlog of newly filed applications from an all-time high in January 2009 to the present by about 25 percent, despite an approximate average 4 percent year-over-year increase in filings. So, our backlog is going down. Also, our funding situation is better because through the (AIA) we're able to set our own fees, and working with Congress we have in the recent years been able to keep all of the fees that we collect. That too makes a huge difference. Lastly, in all of the discussion about abusive litigation, it is really incumbent upon the USPTO to issue the very best quality patents possible.

I launched the Enhanced Patent Quality Initiative last fall, and it is meant to look at everything from soup to nuts that we should be doing to further increase the quality of the patents that we issue because we recognize it's really that important. There's a cost to society if we issue a patent that should not have issued—just as there's a cost to society if we don't issue a patent that should have issued. Since announcing the Enhanced Patent Quality Initiative earlier this year, we received over 1,200 comments and extensive feedback during our first-ever Patent Quality Summit and roadshows, as well as invaluable

direct feedback from our examining corps. This feedback has been tremendously helpful in shaping the direction of our efforts. I direct you and your readers to our Enhanced Patent Quality website where we recently spelled out some specifics on a number of our key initiatives.¹

I also created an entire department focused only on patent quality. So it's not just one person or a group of people doing it part time. There is literally a department now focused on this issue. Any company that produces a quality product has focused on it for decades, and the USPTO is committed to no less. In this department focused on patent quality, there's a group of people—an interdisciplinary team from the policy side, on the operations side, on the training side, etc.—all working together and focused on anything and everything we can do within the organization to make sure we are issuing the very best quality patents possible, now and in the future. We're very excited about this effort.

Any other high priorities?

Another priority is to achieve balanced and meaningful legislative patent reform. There are bills pending before the House and the Senate, and the hope is that we can continue to work together with Congress and stakeholders to achieve some legislative reforms. Certainly, there are a lot of changes occurring elsewhere, including in the area of PTAB proceedings and the EPQI. We recognize that there are changes going on in the courts too, but the legislative changes should take into account the changes that are occurring in the ecosystem, and also the need for legislation that is balanced and targeted. When I say balanced, I mean legislation that curtails abusive patent litigation while not undermining the ability of patent owners to enforce their legitimate patent rights appropriately when they need to.

I would add one more which is on the international front. Companies are increasingly becoming global. You don't even have to be a major corporation to have a first sale overseas. In the internet age, a startup company's first sale can just as easily be over the internet in Beijing. Or in Boston. So, international issues and international protection of intellectual property are increasingly important because our companies need to feel comfortable in sending and shipping their products to a foreign market, knowing that their IP rights will be respected.

We are continuously working with our counterparts across the globe, particularly our major trading partners, to make sure that we all share the same IP values so that American companies feel comfortable shipping their products and services overseas because that's generally good for the American economy. It leads to higher wages and greater economic prosperity. American companies will only do so if the environment is respectful of IP rights. We want to ensure a level playing field for all, one that neither favors nor disfavors domestic versus foreign companies. That way, companies across the globe can compete on the merits of their product, service and invention, and not on any other factors. That's the way it should be.

Enhanced Patent Quality Initiative

You mentioned the Enhanced Patent Quality Initiative. There are many different initiatives underneath it all, and all of it together is designed to create a cohesive way of improving the overall system. What do you think of the various programs so far, and where do you see it going?

In our Patent Quality Summit that we held on March 25 and 26, we didn't just ask the public what we should do to improve quality. That's not a very helpful question. For the Patent Quality Summit, we put forth six strawmen proposals in three areas. One is in the accuracy of prosecution services provided, another is in the measurements of patent quality, and a third is in providing more customer service. Those were the three major areas, and we had two proposals under each. We put those forth and encouraged public comments on those proposals and asked stakeholders if there were other topics we should be focused on in addition. It was really a wide-open conversation, and we had that conversation with the public. We had members of the USPTO attend and listen to and receive feedback on that. And we also, within the agency, asked our own patent examination operations team: What ideas do you think we should be doing to improve quality? The combination of the internal and the external feedback provides as many ideas as possible, so that we can evaluate and prioritize and determine the best ways of improving quality. We received 1,200 suggestions out of the patent summit, and that's a lot. That was fantastic, and I'm very grateful it has resonated so well with the public. We also have ongoing webinars where we're updating and providing further information and welcoming greater input on more discrete topics along the way. We have had webinars on measuring patent quality, clarity of the record, face-to-face examiner interviews, and our international efforts and collaborations with foreign patent offices to improve patent quality. We have recorded every one of our stakeholder outreach engagement meetings and you can view them on the USPTO website under Enhanced Patent Quality Initiative. Even if you missed the first one or there is a certain part of it that you want to hear about, like our efforts on clarity in the patent record, you can look at discrete parts and view the part that's most relevant to you. It's really meant to be a very friendly, flexible way of interacting with the office.

We also have been meeting with our peers in foreign offices to compare best practices on how to improve patent quality. If we share the search results with certain offices and they find things that we do not, then what does that say about our system, and can we improve it? Or, if we're finding things that they are not, how can we help that office improve the quality of the patents it issues? This helps American companies because it leads to greater certainty in the patent rights they seek, whether US or otherwise.

Overall, I would say the Enhanced Patent Quality Initiative has gone very well, but I recognize this is not a short-term proposition. Like I said, a company that produces a quality product has been doing so for decades, and everybody at every level in every part of the organization is focused on it. It's a big task, but it doesn't mean we shouldn't put a concerted effort on it right now. And that's what we're doing. We will have short-term deliverables, medium-term deliverables, and long-term deliverables, but we're very excited about it, and the public appears to be as well.

Stakeholder Input

You've mentioned several places that practitioners can provide suggestions and contributions. How do you see things like bar associations, or other potential avenues, for people to provide input in the overall process?

We collaborate with the public in many different ways to receive their valuable input. The USPTO, in recent years, has been incredibly transparent in its operations, and that includes everything from our rulemaking, which we're required by law to be transparent in, to the issuance of our guidance on what is patent-eligible subject matter. We are always working together with the public.

In terms of contributions, we work with bar associations, incubators, accelerators and industry associations. They're all great partners because they provide invaluable input and also have access to and can help us get additional input from the relevant stakeholder community, so we welcome those partnerships and collaborations.

Would you say that type of avenue is the primary way that feedback comes back to the USPTO?

No. There are many other ways. We are nondiscriminatory and we do a lot of outreach and engagement. Where it is helpful to reach a broader audience, we're happy to partner when it is appropriate. The bottom line is, to the extent that we can get closer to our stakeholder community, provide them the service that they need, and get the input that we need to better meet their needs, I think that benefits the overall IP system.

Patent-Eligible Subject Matter

You mentioned the recent new guidelines or revised guidelines on patent-eligible subject matter. What's the training process to really take those guidelines coming from the USPTO, get them out to the examiners, and get them to be consistently applied?

We have an Office of Patent Examination Policy. When there are significant changes to the case law, they'll review it, interpret it, and then issue updates to our examination policy to the approximately 8,000 USPTO examiners. They will work to create training materials, and then they will train the examination core. We post all training materials on our website so that the public sees what we are training our examiners on. Again, it's the issue of transparency. You know exactly what we're telling our examiners, the rules by which they are taught to examine, and if you have issues with it or questions about it, you can come back to us.

We do our training in a number of ways. Obviously, there are formal-style lectures. Also, with our most recent guidance training on patent-eligible subject matter, we're engaging in workshops that are smaller, more hands-on and more interactive. That has proven very effective. We will continue to use that kind of more interactive, more example-based training because these issues are hard, and I know our examiners welcome this format. We also measure the results of that training. We do surveys after the training to see, from the examiner's perspective, how effective the training was and what we can improve upon—always feeding that back into the process.

I would say that for the interim guidance that issued in December 2014, we've completed training of all examiners on that set of guidance, and for the examination guidance that just issued a little while ago, obviously we're still in process, but the goal is consistent application of the statute and case law across our entire examination corps.

PTAB Proceedings: IPRs, PGRs, and CBMs

The USPTO thus far has met its one-year timeframe for PTAB proceedings. How do you see the APJs dealing with what looks like an exponential rise in filings over time?

We continue to hire really talented APJs, and it helps to be able to hire outside the DC metropolitan area through our regional offices. We've gotten some excellent hires in our regional offices in Silicon Valley, in Denver, in Dallas, in Detroit—really top-notch individuals who we otherwise wouldn't be able to tap into.

That's actually tremendously valuable to the USPTO to be able to hire outside the DC area as our need for more qualified PTAB judges is increasing due to the increased filing of petitions. We're planning ahead—we want to ensure that same high-level quality that we've been providing in our PTAB proceedings and at the speed that is statutorily required by the AIA. As I wrote in a blog,² we recently put forth a request for comments on a pilot program that looks at how we should staff the PTAB panels, including petitions to institute, and also adjudication on the merits.³ We want to be proactive in managing our workload and APJ resources. We also want to continue providing the same high quality of service and opinions that the public has seen. The pilot request for comments on the pilot program seeks the public's input on a proposal on staffing in light of increased filings.

Do you anticipate any other challenges to the PTAB's development besides just the volume of filings, because obviously increased workflow and volume requires additional manpower, but outside of that, any other types of issues you see that might be a challenge that you are working on?

Any time an organization grows, you have to both bring in the human capital necessary to do the work and also your infrastructure needs to grow with it. On the horizon, we have improvements to our IT system and access to opinions and so forth online that we hope to make available over time. The whole organization has to grow to support the growth in the number of APJs. We also want to be very aware and work very hard to ensure consistency and quality of rulings. As you grow bigger, you need to make special effort to make sure that you continue to focus on those things. You cannot take it for granted. Also, we want to make sure that—and you see this in the proposed rules, and the request for comments on the proposed rules—that we are making these proceedings as effective and as fair as possible within the congressional mandate outlined by the AIA. We'll work with a wide range of the public to get input, and where there's consensus, and where we're permitted to do so via rulemaking, we will make whatever changes are needed to strengthen the AIA PTAB proceedings.

Patent Reform Legislation

Going back to the list of priorities, where do you see patent reform going, and what role does the USPTO play in developing that proposed legislation?

I advise the President through the Secretary of Commerce on IP policy, domestic and certain international issues, and the issues that are being addressed in the legislation involve domestic IP policy. There's a bill pending before the House, and there's a bill pending before the Senate. The issues are still as important and as relevant as ever, and the administration has made it a priority to ensure that there

is an environment in the United States in which innovative companies flourish. There really should be no room in our patent system for abusive patent litigation. It's particularly difficult for smaller companies who oftentimes lack the expertise and also the financial resources to deal with patent litigation, which is often expensive and complex. That's why it's a priority for the administration to have balanced and meaningful legislative reform that takes into account all that's occurring in the system—legislation that curtails abusive patent litigation, yet also provide the ability to enforce legitimate patent rights as appropriate when needed. That's a critically important piece of it.

Right now, Congress is undergoing a deliberative process. They are consulting stakeholders. They are trying to strike the right balance. So, work continues.

When you say financial incentives, are you referring to fee shifting?

Yes. That's one of them. I like to refer to it as an abuser-pays provision rather than a loser-pays system, because under the current proposals, it's not automatic that the loser has to pay. Rather, if you are found to have abused, if you brought a position that was determined to be objectively unreasonable, then you're required to pay. So again, that applies to both plaintiffs and defendants, and it should because abuses can occur on both sides of the "v." The financial incentive should be there to disincentivize abuse on either side of the "v."

Do you see the reforms maybe reaching a point where it ends up not only just curtailing abusive litigation, but also making it difficult for patent holders to legitimately enforce their rights?

Well, as I said, that is not the goal, and that is what we're striving hard to prevent against. But all the stakeholders need to provide their input on the proposals.

Role Models and Advice for New IP Practitioners

Do you have any advice for practitioners or folks who are looking to find a role model and how they should go about preparing themselves and working on their career?

Do what you enjoy doing. Do what you're passionate about. Think about public service because when you're in public service, it's an opportunity to do what is right for the country and our entire system, rather than what is right for a client or a particular party you are representing. One of the most rewarding things that I've done is public service. There are very few jobs that give you the luxury of being able to do what you think is right for the overall system. Public service is one of them.

Eventually you'll transition out of the USPTO. Any idea what you might want to do after?

You know, I have been so busy in my current job. It's a real honor and privilege to serve in this position, so I haven't given much thought to it. I don't know what will be next, but as I said, I'm very grateful for the opportunities, the experiences, that I've had in my current role. I look forward to making a few more contributions before I leave.

Endnotes

1. The USPTO has announced nearly a dozen initiatives since the time of this interview. Further details at: www.uspto.gov/blog/director/#enhanced_patent_quality_initiative_moving.
2. See Michelle K. Lee, *PTAB Update: Proposed Changes to Rules Governing PTAB Trial Proceedings*, DIRECTOR'S F.: A BLOG FROM USPTO'S LEADERSHIP (Aug. 19, 2015), <http://www.uspto.gov/blog/>.
3. The deadline for comments was October 26, 2015. See Request for Comments on a Proposed Pilot Program Exploring an Alternative Approach to Institution Decisions in Post Grant Administrative Reviews, 80 Fed. Reg. 51,540 (Aug. 25, 2015).