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David Kappos Nominated as Under Secretary of Commerce for Intellectual Property and Director of the USPTO

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The Obama Administration's nominee to head the patent office, David J. Kappos, will face an array of challenges if confirmed by the Senate. As PTO Director, Kappos will have a significant role in a variety of critical patent issues, including the PTO's substantive rulemaking authority, patent reform legislation, and management of internal operations. As he heads into Senate confirmation, his statements made on behalf of IBM, and as a leader of a number of professional intellectual property organizations, will be scrutinized by the patent community. As described below, these statements shed light on how he may deal with important issues as PTO Director.

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The Nominee

Kappos is well known in the patent and trademark communities. As the vice president and assistant general counsel of IBM, he is in charge of managing IBM's extensive intellectual property portfolios. In that role, Kappos has championed IBM's positions in favor of:

1) the Patent Reform Act of 2009 (U.S. Senate Bill 515); 2) striking down new PTO rules that would increase the administrative costs incurred by patent applicants; and 3) tightening the inventive step standard to make it more difficult to obtain business method and software patents. Although these may give some insight into the positions Kappos may take as the PTO Director, it is difficult to gauge whether these positions were his own or simply reflecting IBM's interests.

In addition to his work at IBM, Kappos has been active as a senior leader in a number of professional IP organizations, including the American Intellectual Property Law Association ("AIPLA"), the Intellectual Property Owners Association, and the International Intellectual Property Society. His experience managing IBM's worldwide patent portfolio coupled with his leadership roles in outside IP organizations provides him with a unique level of insight into international issues involving IP. He is a recognized authority on international IP issues and has spoken on various IP topics throughout Asia, Europe and the U.S.

Kappos has also developed close ties to the PTO's management and staff through his work promoting the Peer-to-Patent program at the PTO. This program seeks to enlist the public to help find and interpret prior art references for pending patent applications. The program's goals are to lessen the burden on the PTO to find relevant prior art, and to increase the quality of patents being issued by the PTO.

The PTO is presently facing several well-publicized challenges, including outdated infrastructure, a widely dispersed staff, and a massive backlog of patents pending. As stated by Senator Leahy (D-Vt.): "The USPTO faces serious challenges in this difficult economic environment, and the office requires strong leadership. David Kappos is such a leader. I look forward to working with him on issues confronting the USPTO, including reducing the backlog and pendency of patent applications and modernizing the patent system as Congress considers the Patent Reform Act."

Patent Office Operations

Under Director Jon W. Dudas, the PTO attempted to implement policies that were widely criticized by patent applicants. These policies included four new rules that limited the number of continuation applications that could be filed, the number of claims in a patent application, and the number of requests for continued examination.

In *Tafas v. Doll*, a district court declared these rules invalid because they exceeded the PTO's rule-making authority. However, a recent decision by the Federal Circuit held that three of the four new rules were within the scope of the PTO's authority. Although the PTO has yet to implement these rules, this decision provides Kappos with the authority to implement rules that may have a tremendous impact on the cost and effort required to prepare and prosecute patent applications.

Kappos' public comments suggest he is well aware of the possible adverse consequences of the proposed new PTO rules, and will consider their impact before implementing any new rules. During the district court case in *Tafas v. Doll*, the AIPLA submitted an *amicus curiae* brief opposing implementation of the new rules. The brief included a declaration submitted by Kappos on behalf of IBM stating that it would be unduly costly and burdensome to comply with the retroactive requirements of the new rules and, if adopted, they would result in "irreparable loss" of IBM's intellectual property rights. From this, one might anticipate that Kappos may be more tempered in his approach to PTO rule making.

Patent Reform Act of 2009

One of Kappos' first orders of business will be helping to sculpt and implement the Patent Reform Act of 2009 (U.S. Senate Bill 515). The Patent Reform Act is presently before Congress and, if enacted, is expected to significantly reform the United States patent system. One of the important proposed changes recited in the bill is changing the United States patent system from a first-to-invent system to a first-to-file system (discussed in more detail below). Other significant changes to the Patent Reform Act affect how damages in a patent case are determined. In March, Kappos testified before the U.S. Senate Judiciary Committee in favor of the Patent Reform Act on behalf of IBM.

Harmonization

Due to the globalization of the world economy, there is support to harmonize the U.S. patent system with patent systems around the world. Certain provisions of the U.S. patent system are unique only to the U.S., such as our "first-to-invent" system rather than the "first-to-file" system mentioned above. A shift to a first-to-file system will allow the PTO to eventually eliminate interference proceedings. Supporters of the first-to-file system often argue that it will simplify priority contests, since one will need only to compare the respective filing dates of competing applications rather than conduct interference proceedings to determine priority. Interference proceedings have been criticized as complex and costly.

There is also substantial support for expanding a third party's ability to file a "protest" against a pending application. Third party protests are fairly common in many other countries, but are rare in the U.S. because they are severely limited. The current version of the Patent Reform Act of 2009 includes provisions that remove some of these limitations, which may expand the use of third party protests in the U.S. Kappos has supported harmonization and, in particular, has spoken in favor of implementing post-grant opposition procedures.

The Patentability of Business Method and Software Patents

In June, the Supreme Court agreed to review the decision of *Bilski v. Doll*, [in which the U.S. Court of Appeals for the Federal Circuit](#) narrowed the patentability of “business method” patents. Although IBM is one of the leading filers of business method patents, Kappos wrote an *IP Review* article in 2007 in favor of tightening the inventive step standard to make it more difficult to obtain business method and software patents.

Summary

As the new Under Secretary and Director of the PTO, Kappos will face a number of challenges that will undoubtedly have an impact on the U.S. patent system. Given his background, we can expect to see an emphasis on improving efficiencies at the PTO. This may include expansion of the peer-to-patent program by inviting submissions from the open source software community to help identify prior art. Kappos' industry background may mean a greater understanding of the system from the patentee's perspective and his involvement in patent litigation may also signal a reluctance to issue overly broad patents. Certainly, he will use his industry experience running one of the largest corporate patent departments in the world to focus on procedural improvements in PTO operations.

According to Jim Pooley, a Morrison & Foerster patent partner, former president of the AIPLA and deputy director general-elect for the World Intellectual Property Association, “David is well known to the IP community as one of its most thoughtful and creative leaders. His deep participation in the public debate over patent reform and improved operations at the PTO puts him in an ideal position to lead the agency through its most challenging time in decades.”