

Michelle Lee Steers USPTO Through Choppy Waters

By Erin Coe

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In two years at the helm of the U.S. Patent and Trademark Office, Michelle Lee has successfully charted a course for the busy agency as she tries to manage the deluge of America Invents Act reviews, an upheaval in the law surrounding patentable subject matter, and broad efforts to improve patent quality, attorneys say.

Sworn in as director in March after serving as interim director for more than a year, Lee has been heading an agency that is still undergoing major transitions following the enactment of patent reform legislation and decisions by the U.S. Supreme Court.



Michelle Lee

The AIA overhauled the patent re-examination process to create an accelerated pathway for challenging the validity of patents, and as of Sept. 30, the agency's Patent Trial and Appeal Board has received **more than 3,500 petitions** for inter partes review and 395 for business method and post-grant review since the programs took effect in 2012. The agency noted in its annual performance and accountability report that the 1,900 AIA petitions it received this fiscal year were nearly three times the number it expected.

The U.S. Supreme Court also has issued a number of decisions over patent eligibility, most recently in June 2014 in *Alice v. CLS Bank*, which held that abstract ideas implemented with a computer cannot be patented under Section 101 of the Patent Act. In response, the USPTO issued new Section 101 guidance in July 2015 that was designed to flesh out instructions that the office issued to examiners last year about what constitutes an abstract idea.

Lee has been running a relatively smooth operation even as she is contending with forces outside her control, according to Case Collard, a partner at Dorsey & Whitney LLP.

“The role of the USPTO has really been so driven as a function of the AIA and also changes in case law,” he said. “Whether it’s Michelle Lee or [her predecessor] David Kappos, their tasks as leaders of the USPTO have been overwhelmingly driven by demands that are not optional.”

Managing the AIA trials is one of the biggest challenges for the USPTO, and while Kappos helped implement rules and procedures for the trials from scratch, Lee has picked up the baton as the volume of the proceedings has increased. The agency’s report noted that even with this fiscal year’s increase in AIA petitions, the PTAB has met every legally mandated deadline. Also, nearly all of the PTAB’s decisions have been backed by the Federal Circuit, which has affirmed the board in more than 35 appeals and reversed in part only one, the report said.

“I think the USPTO has done a good job getting together and making clear procedures for those trials,” Collard said. “Implementation is going fine ... and the USPTO is trying to provide clarity.”

The Section 101 guidance the USPTO put out in December 2014 and in July also has been helpful for patent applicants, Collard said.

“The USPTO is trying to do the best it can in what is a pretty subjective area,” he said. “The guidance is not binding, but it’s influential, and I have used it to help clients understand what the parameters of 101 might be. I do appreciate the office trying to provide guidance in an area that was put into disarray because of Alice.”

As the leader of the USPTO, Lee also faces the challenge of trying to balance the various interests of stakeholders in the intellectual property community, and one way she is trying to develop a consensus among groups is by pushing forward an initiative

to improve patent quality, according to David Cavanaugh, chair of WilmerHale's post-grant patent proceedings group and a former patent examiner.

“Having quality examinations that are more robust is something that is very important for all stakeholders of the patent system,” he said. “Any initiative that focuses on quality and how quality can be more readily and reliably achieved is an important initiative.”

In November, Lee **unveiled the agency's specific plans** for its Enhanced Patent Quality Initiative, which focuses on efforts to increase the quality of issued patents with a special emphasis on improving excellence in work products, the measuring of patent quality and customer service.

Some of the initiative's proposals, such as making sure examiners have all of the relevant prior art to conduct a robust examination and providing better training for examiners, are steps that could have a positive long-standing effect on the patent community, according to Cavanaugh.

“If examiners are fully engaged and abreast of what the law is, then the patent examination process becomes more streamlined and predictable,” he said. “The USPTO is working hard to make sure examiners are getting the requisite training, and Michelle Lee has been working toward that as part of the quality initiative.”

But Lee's efforts have their detractors. Many large companies and intellectual property law groups in October **urged the USPTO** to shed more light on its guidelines on applying the Alice decision and require examiners to provide more detail when they say an application is not patent-eligible. Parties like Microsoft Corp. and the American Intellectual Property Law Association submitted comments on the July patent-eligibility guidance, asking the office to do more to explain what is and is not eligible for a patent.

Bruce Sunstein, founder of IP boutique Sunstein Kann Murphy & Timbers LLP, said

the USPTO's guidance about what is eligible to be patented is draconian and its case examples of what is and isn't patentable go beyond the case law to wipe out protection for legitimate innovations in several key areas, including software and medical diagnostics.

For instance, he said, the office said in its guidance that when examiners are identifying abstract ideas, "examiners should keep in mind that judicial exceptions need not be old or long-prevalent, and that even newly discovered judicial exceptions are still exceptions despite their novelty."

"Michelle Lee's perspective is looking out much more for the people who are on the receiving ends of patent assertions than for the people who are interested in advancing innovations," he said. "If someone figures out something new, you shouldn't be rushing to say it's abstract. ... USPTO examiners are going out of their way to say no [to patent applications]. If meritorious inventions can't be protected, the system is not doing its job."

Sunstein also took issue with the patent quality initiative, saying its proposals to require examiners to provide detailed reasons for the allowance of patent claims and provide definitions of key claim terms would add more friction to the prosecution process.

"These procedures and directions strike me as rather misguided," he said. "I don't see the same level of leadership at the USPTO as it had under David Kappos, who was an inspiring leader and brilliant man with a vision for the USPTO. ... There has been a step down for sure."

However, many attorneys told Law360 that although it probably wasn't easy to follow in the footsteps of Kappos, who was widely respected in the IP community, Lee is mapping out a path for the agency in a carefully deliberate manner that signals her emergence as an influential leader in her own right.

Lee has assembled a strong executive team that is experienced and diverse, according to Bernard Knight Jr., a McDermott Will & Emery LLP partner and former general counsel at the USPTO. As part of her team, Lee tapped Sarah Harris, formerly of AOL Inc., as general counsel and Drew Hirshfeld, who began his career at the USPTO as a patent examiner, as the commissioner for patents.

“The USPTO can’t run properly if it doesn’t have the right executives in place to set the mission, set the strategic plan and manage the employees to get the job done,” Knight said.

Lee, a former Google Inc. deputy general counsel whose first job at the USPTO was heading its Silicon Valley regional office, also has made a commitment to ensuring that the Virginia-based agency’s four satellite offices are operating as an extension of the agency’s overarching charter, according to Cavanaugh. She also has initiated efforts to engage with IP stakeholders, continuing the agency’s listening tours and speaking at university and satellite office events.

“The fact that she is the first woman and Asian-American to be the director of the USPTO is huge,” Cavanaugh said. “By her visibility and willingness to speak with others about the science, technology, engineering and math programs and by being a woman in the technology field ... Lee serves as an inspirational model for women and girls considering these specialized fields.”

In addition, Lee has been a big supporter of continuing important agency programs like Patents for Humanity, an annual awards competition for patent owners and licensees that started three years ago and recognizes patents that have made a humanitarian impact around the world, according to Ronald Lopez, a partner at Nixon Peabody LLP, which has worked on the program with the office.

“Lee has been 100 percent behind the program and pushing it forward,” Lopez said. “It promotes U.S. patents and technology and how we can solve big worldwide humanitarian problems, whether it’s hunger, energy or sanitation issues.”

While Lee has plenty to keep her busy as part of the agency's strategic goals in the near future, another pressing item on her agenda is likely to be addressing a proposal by the Department of Commerce that could have far-reaching implications for how the USPTO is run, according to Knight.

The Department of Commerce has proposed a shared services initiative that would require the USPTO to share human resources, information technology and additional services with other bureaus within the Commerce Department. The USPTO noted in an August meeting that it was evaluating the initiative's possible benefits to the agency, a move that prompted the Intellectual Property Owners Association to tell Lee and the Commerce Department in November that a shared services arrangement could put USPTO user fees at risk of being diverted.

"Lee should be committed to opposing this initiative," Knight said. "If it's not opposed, it will happen. It could take fees paid for by people who apply to obtain patents and get trademarks registered and divert them from the USPTO to other Commerce activities. It also risks eroding the independent authority of the USPTO director for years to come."

--Editing by Jeremy Barker and Brian Baresch.