

Icon Of IP: Cravath's David Kappos

By Erin Coe

Law360, San Diego (March 25, 2016, 2:09 PM ET) -- David Kappos still has the pen President Barack Obama used to sign the America Invents Act, landmark legislation for overhauling the patent system that many said could never be passed.

It's framed in his office, and it still reminds the former director of the U.S. Patent and Trademark Office of the day after the bill was signed in 2011 — after the laudatory speeches had been given and the Congress members he celebrated with had gone home — when a question occurred to him.

"Oh my God, who's going to implement this?" he recalled. "Those guys who were my best friends the day before are not going to do it. It would be all my job, and that of our team at the PTO, to implement this incredibly complicated legislation."

Despite the initial shock, he wasted no time getting to work, shifting the patent regime from a first-to-invent to a first-inventor-to-file system, doing away with interference proceedings and laying the foundation for the Patent Trial and Appeal Board, which has since emerged as a popular alternative to district courts for hearing patent validity challenges. But far be it from Kappos to personally take credit for such a feat.

"When you're running a \$3 billion agency with about 11,000 employees, it's all about the team," he said. "Everything we did at the USPTO was as a team."

The agency churned out numerous rules related to putting the AIA in place, and Kappos said the Federal Register at one point told the USPTO to slow down because it couldn't keep pace with all that the agency wanted to print.

"We implemented the legislation at all odds," he said. "Some said there was no way the agency could pull this off. But we implemented it on time and on budget, and we got everything up and running as the legislation required us to."

Kappos' efforts to get the AIA passed and put it into effect reshaped the patent office in a way that was much needed and has been unprecedented, according to David Marriott, a litigator at Cravath Swaine & Moore LLP, where Kappos landed after leaving the USPTO in February 2013.

"Dave had a vision of what the government was trying to accomplish and what practitioners could accomplish, and he was able to translate that vision into action," Marriott said. "He was dealing with judges, members of Congress, top executives at major U.S. corporations and lawyers, and those are not an easy set of personalities to navigate and bring together. That in itself is a pretty rare achievement."

One of Kappos' strengths is his ability to listen to others, a quality that served him well at the patent office, according to Manny Schechter, chief patent counsel at IBM Corp., where Kappos worked before leading the agency.

"People can go in to talk with Dave about their ideas, and he will hear them out," he said. "He isn't afraid to try something new if he sees any reasonable amount of merit in the ideas, and he's also not afraid to pull the plug. Sometimes people can be very set in their ways and not approachable. That's not Dave at all."

Kappos' openness to hear new ideas was critically important not just for implementing the AIA but also for strengthening the agency's relationships with small and large inventors in different industries and across geographies, Schechter said.

"His willingness to strike a balance and bridge gaps between opposing parties that have frustrated many in the IP world played a big role in his success at the USPTO," he said.

While Kappos' work on the AIA has left a lasting imprint on the USPTO and its users, it is but one of his many accomplishments at the agency.

When he arrived at the USPTO in 2009 after serving as IBM's vice president and assistant general counsel for intellectual property, he made it his mission to improve examiner performance and morale at the agency. In a survey of civil servants on best places to work in the federal government, the USPTO was ranked 172 out of about 200 agencies in 2007, in what Kappos called "not the worst, but within shouting distance of the worst."

By 2013, the agency climbed to the No. 1 spot out of 300 agencies. He was able to help effect this change in part by rolling out a new incentive system for examiners, negotiating new union alliances, and putting an emphasis on examiner education and training.

"When you turn around 11,000 people to have a better self view, you get better performance, engagement, throughput of work and more collaboration," he said.

Kappos said boosting how the USPTO's own employees perceived the agency was crucial in helping drive down the patent office's skyrocketing backlog of patent applications awaiting a preliminary examination from about 770,000 in 2009 to about 600,000 when he left in February 2013. The number of unexamined patent applications stood at about 561,000 as of January of this year.

"We stopped the backlog from growing and were able to substantially shrink it," he said. "Now a few years later, the PTO has the backlog at a place where it's close to an optimal inventory level. I am tremendously proud of my role in getting that going and facilitating the next generation of leaders to finish that job."

Kappos credits his decades of experience at IBM in helping him transition smoothly into running the USPTO.

He began his career at IBM as an engineer in 1983 and gradually moved up the ranks of one of the largest patent holders in the world. After completing law school at the University of California, Berkeley, and IBM's patent law training program in Arlington, Virginia, he transitioned to the law department as an IP attorney and eventually began working on IBM's suit in 1993 alleging Conner Peripherals Inc. infringed several disk-drive patents — one of the biggest patent suits at the time.

He then shifted to a management position, moving to Japan, where he ran IBM's IP law operations for the Asia-Pacific region for more than two years and later became IBM's chief IP lawyer, a role he held

from 2003 until 2009.

"IBM invested millions in me over 26 years," he said. "That set of experiences at IBM made it straightforward for me when I got to the USPTO. There was no issue I saw there that I hadn't already seen before."

Kappos also noted that because of the sheer size of IBM, working for the company was like working for the whole information technology industry at once and gave him an appreciation for dealing with complicated issues that had many sides.

"You can't take extreme views in a place like that," he said. "You have to learn, listen and weigh the strengths and weaknesses of ideas and find solutions that fit a lot of needs."

In leading the USPTO, Kappos said, he made it a point of reaching out to stakeholders and making the agency more open and accessible.

"People quickly got the message that under our administration, the PTO was going to listen to them," he said. "And after you listen, you have to take action. We were committed to doing that."

For instance, the patent office's accelerated examination program for processing patent applications came out of a 2009 business trip to Silicon Valley, where Kappos met with small companies in the medical device industry. One of the executives suggested creating a program where applicants could get a patent application through the system in less than a year in exchange for paying a higher fee.

"The team at the PTO rolled up its sleeves and figured out a way to do it, first as a pilot program and then as a permanent program once we had statutory authority," he said. "The PTO is now processing those fast-track applications in less than six months on average. It was a grand-slam home run that was based on a suggestion that came out of listening."

Kappos ushered in an era of greater transparency at the USPTO that Schechter hopes will last for a long time to come.

"We used to see the USPTO communicating with the public in very measured ways," Schechter said. "Dave made it possible for everyone in the patent system to go to town halls and communicate with the USPTO in new ways."

After Kappos announced in November 2012 that he would leave the USPTO in the coming months, it was not easy for him to start to let go.

"I had a whole set of deep relationships with colleagues working together on a common mission," he said. "My only other job had been 26-plus years at IBM. I'm not a guy who walks away from things. ... And no matter how much you accomplish, there is always so much more to do. Although there is no perfect time to hand over the baton, you have to choose some time."

His announcement led him to reconnect with friends and colleagues at Cravath, which had represented IBM for years when Kappos was at the company, and he came on board as one of the firm's rare laterals.

"The firm is super-focused on clients and meeting clients' needs," he said. "I knew the firm well and they knew me. It was a no-brainer."

At Cravath, Kappos advises clients on transactions involving IP and also works closely with the firm's litigation practice as a strategic adviser, according to Marriott.

“He is so knowledgeable about patent law generally and wise in the way real-world doctrines play out and how the court understands them,” Marriott said. “Clients recognize that he is one of the world-leading experts on patent issues. He gives advice quickly, efficiently and effectively, and clients correctly believe that they have not only been well advised, but will avoid problems because of that advice.”

While Kappos is no longer at the USPTO, he remains vocal about issues surrounding innovation and continues to publish articles and give speeches around the country and globally as a kind of senior statesman for the IP system.

Since he left the agency, the U.S. Supreme Court in 2014 handed down its decision in *Alice Corp. v. CLS Bank International*, which held that abstract ideas implemented with a computer cannot be patented under Section 101 of the Patent Act. The decision has been responsible for knocking out a wave of software patents. The high court also has issued rulings that have made it harder to patent diagnostic methods in the life sciences industry.

“We have a bad situation in the courts and at the PTO relative to dealing with important innovations that should be patentable, but are not,” he said. “The patent examination processes are struggling to find a balance in dealing with the statutory subject matter issue and enabling important inventions of a technical nature to be issued as patents, particularly in the software and biotech areas. The courts are struggling, too.”

The main obstacle for innovation in the U.S. today is the weakening of the patent system, he said.

“The courts have gone too far, particularly in the 101 area,” he said. “The court decisions at the Supreme Court and subordinate courts ... and the interpretations given to those decisions degrade the patent system and weaken it. That is a problem for our country. China and Europe offer a broader scope for patenting software and biotech inventions than the U.S., and I don’t think that’s a good thing.”

Whether attorneys are on the prosecution or litigation side, they should not only be good stewards of the patent system but also strong advocates, according to Kappos.

“People who care about the IP system, businesses and lawyers need to become more involved in advocacy at the local and national level to make the point that this system is really important,” he said. “The patent system is our long-term investment plan for the country. We should be advocating actively and aggressively as a community much more so than we are.”

While other interest groups give huge amounts of money to sway Congress to support their causes, the IP community gives very little and doesn’t have much of a voice, he said.

“The local and state bar associations are a great place to have an impact,” he said. “That’s where I’d start.”

--Editing by Jeremy Barker and Patricia K. Cole.

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