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Asymmetric Incentives: The PTO’s Underappreciated Role in Shaping Substantive Patent Law

The development of substantive patent law is principally associated with the Federal Circuit. In contrast, the Patent and Trademark Office (PTO), the central agency in the patent system, is largely thought to play a negligible role in the development of substantive patent law. This article challenges this view and argues that the PTO does not merely engage in rote application of the law when making patentability determinations, but rather plays an important role in setting substantive standards. This Article examines the PTO’s underappreciated discretion to shape substantive doctrine, noting that although the PTO must follow patent statutes and court precedent, the agency can have a significant impact within a remaining open area of the law in which these legal instruments do not dictate the outcome. Given the PTO’s discretion, the Article identifies and explains how key elements of the administrative structure of the PTO, as well as its relationship with the Federal Circuit, bias its decision-making. Significantly, this Article also explores how biased decision-making within the PTO may also affect, over time, the evolution of legal standards enunciated by the Federal Circuit. The Article then examines multiple mechanisms which could improve the PTO’s ability to develop substantive law.